

SYDNEY DIOCESAN SECRETARIAT

ABN 69 266 342 710

Annual financial report – 31 December 2011

Sydney Diocesan Secretariat

Report by the Chief Executive Officer

For the year ended 31 December 2011

Background

Sydney Diocesan Secretariat ("SDS") was incorporated as a body corporate under the *Anglican Church of Australia (Bodies Corporate) Act 1938* by the *Sydney Diocesan Secretariat Ordinance 1973*, and notice published in the *Government Gazette* on 17 May 1974.

The principal purpose of SDS is to carry out, perform and provide administrative, secretarial and accountancy services for the Anglican Church of Australia in the Diocese of Sydney.

The principal organisations served by SDS are –

- the Synod, the Standing Committee and their subcommittees, and parishes
- Glebe Administration Board
- Anglican Church Property Trust Diocese of Sydney
- St Andrew's House Corporation
- Endowment of the See Committee
- Mission Property Committee
- Sydney Church of England Finance & Loans Board

Services are provided by SDS pursuant to service level agreements, and it recovers its costs by way of fees charged to the organisations served.

Strategic Initiatives

During 2011, the service level agreements with the organisations served by SDS were reviewed and periodic reports provided about SDS's compliance with the requisite service level standards.

One of the organisations served by SDS, St Andrew's House Corporation, determined during 2011 to outsource the building management of St Andrew's House and the management of the St Andrew's House car park. These services were previously provided by SDS. A consequence of the reduction in the level of service required by St Andrew's House Corporation was a need to review (and reduce) the overall costs of SDS. Subsequently, a staff reorganisation was implemented resulting in several positions being made redundant.

Financial Results

In 2011, SDS recorded a loss of \$269,711 (compared to a surplus in 2010 of \$159,451).

The results for 2011 were impacted by additional expenses incurred by reason of the redundancies arising from the organisational restructure undertaken during 2011.

MARK PAYNE
Chief Executive Officer

20 February 2012

Statutory report of the members of the Sydney Diocesan Secretariat

For the year ended 31 December 2011

In accordance with a resolution of the Board, the members of the Sydney Diocesan Secretariat (the Secretariat) submit herewith the financial report as at 31 December 2011:

Scope

The Secretariat is constituted by the Sydney Diocesan Secretariat Ordinance 1973 and is a body incorporated under the Anglican Church of Australia (Bodies Corporate) Act 1938, domiciled in Australia. Its principal place of business is:

Sydney Diocesan Secretariat
Level 2, St Andrew's House
Sydney Square NSW 2000

Principal activities

The object of the Secretariat is to carry out, perform and provide administrative, secretarial and accounting services for the Anglican Church in the Diocese of Sydney. It also implements the policy decisions of the Synod and Standing Committee.

There were no significant changes in the nature of the Board's activities during the year.

Results for the year

The total change in equity is a deficit of \$269,711 (2010: \$159,451 surplus).

Distributions

Dividends are not paid by the Secretariat.

Review of operations and significant changes in the state of affairs

A review of the operations of the Board and commentary on any significant changes in the state of affairs of the Board is contained in the report by the Chief Executive Officer (CEO).

Members

The Standing Committee of the Diocese of Sydney appoints members, for terms of three years. The Standing Committee has the power to remove any member before the expiration of their term. The non-executive members receive no remuneration. The Chief Executive Officer attends Board meetings.

The following members were in office at 31 December 2011.

Canon Bruce Ballantine-Jones OAM (Chairman), age 69

Canon Ballantine-Jones was first appointed to the Board in September 1993 and was elected Chairman on 16 December 2009. He is an Honorary Associate Minister at Caringbah Anglican Church and is a Diocesan Representative on General Synod.

Mr Mark Ballantyne BE, MBA, FIAA, age 43

Mr Ballantyne is a qualified Actuary and Director level executive with over 20 years experience in all facets of financial services. He attends East Lindfield Anglican Church. Appointed to the Board on 7 December 2009.

Bishop Robert Forsyth, BA, BD, ThL, DipA, MTh, age 62

Bishop of South Sydney, Chairman of Anglican Media Council, Archbishop's Liturgical Panel and EU Graduates Fund. Member of the Standing Committee of the Diocese of Sydney and Standing Committee of General Synod, Member of Doctrine Commission Diocese of Sydney and a Corporate Trustee of the Anglican Church of Australia. First appointed to the Board in May 2000.

Mr Ben Koo, BCom, BEc, age 35

Mr Koo is a Bank Analyst with Goldman Sachs Australia with previous experience in Corporate Restructuring and Corporate Finance and the past decade as a research analyst. He attends St Faith's Anglican Church Narrabeen. Previously he was a warden at the Anglican Church at Annandale. Appointed to the Board 7 on December 2009.

Mr Andrew McLoughlin, BBus, CPA, MTax, age 49

Mr McLoughlin is Deputy Inspector-General of Taxation, with over 20 years in banking, financial services and taxation. He has held executive level positions. He attends East Lindfield Anglican Church. Appointed to the Board on 7 December 2009.

Mr Ian Miller BA, LLM, ThL, GAICD, age 59

Mr Miller is a partner in Hunt and Hunt Lawyers with 34 years legal experience. He is a member of Hammond Care, Director of Church Missionary Society Trust Ltd, Australian College of Theology Ltd, Pentel Australia Pty Ltd, Consultant Editor of CCH Australia and a member of Ethics Committee of Royal Rehabilitation Centre of Sydney. He is also Chairman of Barker College Council, member of the Board of Enquiry, Sydney Diocesan Representative on General Synod and Provincial Synod and serves on the Parish Relationships Ordinance panel. He attends Beecroft Anglican Church. First appointed to the Board in August 1999.

Mr John Pascoe, FCA, BEc, age 51

Mr Pascoe is a partner of Pascoe Whittle Chartered Accountants, which has extensive experience in the not-for-profit sector. He is a member of Standing Committee, and its Finance Committee (Deputy Chairman), the Sydney Church of England Finance and Loans Board (Chairman) and the Mission Board Strategy Committee. He and his family are partners in the ministry at St Andrew's Cathedral. Appointed to the Board on 7 December 2009.

Mr Ross Smith, MAppFin, BEc, age 45

Mr Smith is a Chartered Accountant and Director, Corporate Recovery, McGrathNicol with over 25 years experience in Accounting, Finance, Corporate Restructuring and Advisory. He and his family attend Carringbah Anglican Church. Appointed to the Board on 6 December 2010.

Resignations

Mr Laurie Scandrett resigned from the Board on 25 May 2011 having served on the Board since November 1990.

No other members resigned or retired from the Board during the year.

Chief Executive Officer

Mark Payne, BEc, LLB, LLM, FFSIA, AAIM, age 48

Mr Payne was appointed as Chief Executive Officer on 18 November 2010 after periods of service with the Diocese as Diocesan Secretary and in general management roles with the Secretariat. Previously he worked as a solicitor with a large commercial firm. He is not a board member. He attends Cherrybrook Anglican Church.

Secretary

Mr John Chapman, B Com, FCPA, AICS, age 63

Mr Chapman was appointed Secretary to the Board in 2005 after a career in finance and accounting and a period as CFO of a major public company. He is not a Board member. He attends Bobbin Head Anglican Church and is Treasurer of the Church Missionary Society in NSW.

Details of attendance at Members' meetings and Committee meetings are detailed below:

Year Ended 31 December 2011	Board Meetings		Committee Meetings					
			Services and Resources		Audit and Risk		Audit	
	A	B	A	B	A	B	A	B
Non Executive members								
B Ballantine-Jones	6 c	6	1 c	1				
M Ballantyne	6	3						
R Forsyth	6	5	1	1	1	1	1	1
B Koo	6	6	1	1				
A McLoughlin	6	5			1	1	1	1
I Miller	6	5	1	-				
J Pascoe	6	5			1 c	1	1 c	1
L Scandrett	3	2						
R Smith	6	5					1	1

A = meetings eligible to attend

B = meetings attended

C = Chairman

■ = not a committee member

Continuation in office of Members

Mr Koo, Mr Pascoe and Mr McLoughlin were re-elected by the Standing Committee in November 2011 for a further term of 3 years.

Secretariat Delegation

The Board has delegated to the CEO, and through the CEO to other senior executives, responsibility for the day to day management of the activities of the Secretariat. The scope of that delegated authority, and its limits, is documented.

Board Committees

The Board has an Audit Committee, the functions of which are, to monitor, report and make recommendations to the Secretariat regarding the financial reporting processes of the Secretariat, to ensure the balance, transparency and integrity of published financial information, and its internal control systems, and its independent audit process. The Audit and Risk Committee was reconstituted as the Audit Committee from May 2011.

The Services and Resources Committee was dissolved from May 2011.

Identifying significant business risks

The Secretariat regularly monitors the operational and financial performance of its activities. It monitors and receives advice on areas of operational and financial risk, and considers strategies for appropriate risk management arrangements.

Independent professional advice

The Secretariat has resolved that members do not have the right to seek independent professional advice at the expense of the Board, other than with prior approval by the Secretariat.

Insurance of officers

During the year insurance premiums totalling \$7,563 (2010: \$6,506) were paid for directors' and officers' liability insurance in respect of the members of the Board. The policies do not specify the premium for individual members.

The directors' and officers' liability insurance provides cover against all costs and expenses involved in defending legal actions and any resulting payments arising from liability to persons incurred in their position as a member unless the conduct involves a wilful breach of duty or an improper use of inside information to gain advantage.

Matters subsequent to the end of the year

No matter or circumstance has arisen since 31 December 2011 that has significantly affected, or may significantly affect, the operations of the Secretariat, the results of those operations or the state of affairs of the Secretariat in future years.

Environmental regulation


The operations of the Secretariat are not subject to any particular and significant environmental regulation under any law of the Commonwealth of Australia or of any State or Territory thereof.

The Secretariat has not incurred any liability (including rectification costs) under any environmental legislation.

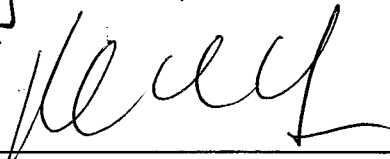
Likely developments and expected result of operations

The members have excluded from this report any information on the likely developments in operations of the Secretariat and the expected results of those operations in future years, as the members have reasonable grounds to believe that it would be likely to result in unreasonable prejudice to the Secretariat.

Signed in accordance with a resolution of the members of Sydney Diocesan Secretariat.



Member 28/03/2012



Member 28/03/2012

SYDNEY DIOCESAN SECRETARIAT

Statement of comprehensive income For the year ended 31 December 2011

	Notes	2011 \$	2010 \$
Revenue from continuing operations			
Management and service fees		5,703,581	7,474,805
Property management fees		1,563,838	1,371,600
Interest		198,139	168,858
Grants and donations		24,996	25,000
Refund of payroll tax from Office of State Revenue	16	-	113,427
Other income		257,708	382,951
Write back of Doubtful Debt Provision		2,820	-
Net gain on sale of plant and equipment	8	-	100
Total revenue from continuing operations		7,751,082	9,536,741
Expenses from continuing operations			
Interest and finance charges		96,237	91,763
Staff and related expenses		5,412,730	6,052,575
Professional fees		183,856	252,441
Rent and occupancy expenses		1,093,925	1,001,090
Office operating expenses		867,458	1,251,308
Depreciation		252,166	486,010
Audit fees	22	43,586	35,269
Bad debts		46	5,793
Net loss on disposal of plant and equipment	8	1,175	-
Impairment charge of plant and equipment	8	9,213	104,223
Insurance expenses		38,556	35,241
Other expenses		21,845	61,577
Total expenses from continuing operations		8,020,793	9,377,290
Surplus/(deficit) for the year		(269,711)	159,451
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income for the year		(269,711)	159,451

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

SYDNEY DIOCESAN SECRETARIAT

Statement of financial position As at 31 December 2011

	Notes	2011 \$	2010 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	4,889,331	4,413,518
Receivables and other assets	5	191,587	213,275
Held-to-maturity investments	6	500,000	-
Total current assets		5,580,918	4,626,793
Non-current assets			
Held-to-maturity investments	6	-	500,000
Plant and equipment	8	1,070,717	908,083
Total non-current assets		1,070,717	1,408,083
Total assets		6,651,635	6,034,876
LIABILITIES			
Current liabilities			
Payables	9	627,672	579,778
Interest bearing liabilities	10	2,886,747	1,906,650
Provisions	11	942,271	971,243
Total current liabilities		4,456,690	3,457,671
Non-current liabilities			
Provisions and other liabilities	12	154,235	266,784
Total non-current liabilities		154,235	266,784
Total liabilities		4,610,925	3,724,455
Net assets		2,040,710	2,310,421
EQUITY			
Capital	13	2,062,105	2,062,105
Accumulated surplus/(deficit)	14	(21,395)	248,316
Total equity		2,040,710	2,310,421

The above statement of financial position should be read in conjunction with the accompanying notes.

SYDNEY DIOCESAN SECRETARIAT

Statement of changes in equity For the year ended 31 December 2011

	Notes	Capital	Accumulated Surplus\ (deficit)	Total
		\$	\$	\$
Balance at 1 January 2010		2,062,105	88,865	2,150,970
Surplus for the year		-	159,451	159,451
Comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	159,451	159,451
Balance at 31 December 2010		2,062,105	248,316	2,310,421
Deficit for the year		-	(269,711)	(269,711)
Comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	(269,711)	(269,711)
Balance at 31 December 2011	13,14	2,062,105	(21,395)	2,040,710

The above statement of changes in equity should be read in conjunction with the accompanying notes.

SYDNEY DIOCESAN SECRETARIAT

Statement of cash flows For the year ended 31 December 2011

	Notes	2011 \$	2010 \$
Cash flows from operating activities			
Management and service fees received		5,722,747	7,488,965
Property management fees received		1,563,838	1,371,600
Interest received		186,736	168,826
Grants and donations received		24,996	25,000
Refund of payroll tax from Office of State Revenue	16	-	113,427
Other income received		294,210	430,704
Borrowing costs paid		(96,237)	(91,763)
Payments to suppliers and employees		(7,775,386)	(8,590,947)
Net cash inflow from operating activities	20	(79,096)	915,812
Cash flows from investing activities			
Payments for plant and equipment		(426,210)	(127,940)
Proceeds from sale of plant and equipment	8	1,022	100
Net cash (outflow) from investing activities		(425,188)	(127,840)
Cash flows from financing activities			
Net current accounts held with related parties inflow/(outflow)	10	784,546	(678,024)
Net cash inflow/(outflow) from financing activities		784,546	(678,024)
Net increase in cash held		280,262	109,948
Cash at the beginning of the year		4,413,518	4,303,570
Cash at end of year	4	4,693,780	4,413,518

The above statement of cash flows should be read in conjunction with the accompanying notes.

1. Purpose

The Sydney Diocesan Secretariat (the Secretariat) was established and incorporated under the provisions of the Sydney Diocesan Secretariat Ordinance of 1973. The Secretariat operates wholly in Australia and, being the central administrative body of the Diocese, is the nominal employer of staff and responsible for providing secretarial and office support for the Archbishop, Registrar and other Diocesan funds.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

This general purpose financial statement has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, and the Accounts, Audits and Annual Statements Ordinance 1995.

Compliance with IFRSs

Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRSs).

The accounting policies adopted are consistent with those of the previous financial year.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss, and certain classes of plant and equipment.

New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2011 reporting periods. The Secretariat's assessment of the impact of these new standards and interpretations is set out below.

- (i) *AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. These changes are mandatory from 1 July 2013.

- (ii) *AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective 1 July 2013)

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporations Act 2001. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The Corporations Act requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

2. Summary of significant accounting policies (cont.)

The Secretariat has no current intention to adopt these standards and interpretations early.

It is estimated that the effect of adopting the above pronouncements, when applicable, will have no material financial impact on the Secretariat in future reporting periods

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Secretariat's accounting policies.

There are no material areas of the financial statements where assumptions or estimates are used.

(b) Principles of consolidation

Associates are all entities over which the Secretariat has significant influence but not control or joint control.

The Secretariat is a member of SCEGGS Darlinghurst Ltd and SCEGGS Redlands Ltd. These companies are limited by guarantee. The Secretariat has significant influence through membership of the respective boards of these schools and at the respective general meetings of members by having the power to require a matter be determined by ballot whereby the Secretariat is granted additional votes equal to one-half of all votes cast, and thereby able to exercise control over special resolution votes.

2. Summary of significant accounting policies (cont.)

While the Secretariat has potential for significant influence in the policies of SCEGGS Darlinghurst Ltd and SCEGGS Redlands Ltd, it does not have control as the Secretariat has no expectation of obtaining a benefit from its association with these companies as all income and property must be applied towards the promotion of the objects of the companies, even in winding up of the companies. Therefore the Secretariat is not required to consolidate their financial statements. No related party disclosures are required as there is no transfer of resources, services or obligations between the Secretariat and the schools.

(c) Revenue recognition

Revenue and other income are measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of taxes paid. Revenue and other income are recognised for the major business activities as follows:

Management and service fees

The Secretariat performs accounting, administration and secretarial services for a number of groups across the Diocese, most notably the Diocesan Endowment (and its controlled and managed entities), Synod (including Standing Committee), and the Anglican Church Property Trust (including the Endowment of the See). Management and service fees are based upon recouping the overall costs of each client through careful attention to the allocation of staff activity to the Secretariat's clients. The fees are recognised in the accounting period in which the services are rendered.

Property management fees

During the year the Secretariat performed accounting, administration and building management services for St Andrews House and St James Hall. Property management fees are based upon recouping the overall costs of each client through careful attention to the allocation of staff activity. The fees are recognised in the accounting period in which the services are rendered.

Grants and donations

Grants and donations are recognised to the extent they have been deposited in the bank, which is the point at which the entity gains control of the grant or donation.

Disposal of plant and equipment

Income from the disposal of plant and equipment is measured at fair value of the consideration received or receivable less the carrying value of the fixed asset or group of assets sold. Gain or loss arising from the sale is recognised at net amount in the statement of comprehensive income.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the entity reduces the carrying amount to its recoverable amount.

(d) Financial instrument transaction costs

Costs are included in the carrying amounts, except for financial assets or liabilities that are measured at fair value through profit or loss.

(e) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units).

2. Summary of significant accounting policies (cont.)

(f) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(g) Receivables and other assets

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectible, are written off. A provision for doubtful receivables is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the statement of comprehensive income.

(h) Investments and other financial assets

The entity classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at end of each reporting period.

Financial assets at fair value through profit or loss

Financial assets at fair value through the profit or loss are designated at initial recognition. Their performance is evaluated on a fair value basis and managed in accordance with the entity's investment strategy. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of each reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Secretariat's management has the positive intention and ability to hold to maturity. If the Secretariat were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

2. Summary of significant accounting policies (cont.)

(i) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

- Furniture and effects	10 years
- Equipment and machinery	5 years
- Office equipment	5 years
- Computer hardware	3 years
- Motor vehicles	5.5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each end of the reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(j) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

(k) Payables

These amounts represent liabilities for goods and services provided prior to the end of financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) Current account held for diocesan funds

These interest-bearing liabilities are carried at their principal amounts. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

(m) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

2. Summary of significant accounting policies (cont.)

(n) Employee benefits

(i) *Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries including non-monetary benefits and annual leave expected to be settled within 12 months of the end of each reporting period are recognised either in payables or current provisions in respect of employees' services up to the end of each reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

No liability has been recognised for sick leave, as there is no provision made for sick leave and it is not considered that any sick leave taken will incur additional costs.

(ii) *Long service leave*

The liability for long service leave is recognised in the provision for long service leave entitlements and measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of each reporting period. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of each reporting period on national government bonds with terms to maturity that matches, as closely as possible, the estimated future cash outflows.

(iii) *Employee incentives and bonus plans*

A liability for employee benefits in the form of incentives is recognised in provisions when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial statements; or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for employee incentives are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Employee benefit on-costs are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(o) Capital

Represents the original capital contributed to the Sydney Diocesan Secretariat fund.

(p) Income tax

The entity is exempt from income tax under Section 50-5 of the Income Tax Assessment Act 1997.

2. Summary of significant accounting policies (cont.)

(q) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Sydney Diocesan Secretariat as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Lease income from operating leases where Sydney Diocesan Secretariat is a lessor is recognised in income on a straight-line basis over the lease term.

(r) Goods and Service Tax (GST)

The entity is a member of the Sydney Diocesan Secretariat GST group.

Revenues, expenses and assets are recognised net of the amount of GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a net basis. The GST components of cash flows arising from operating, investing or financing activities, which are recoverable from, or payable to the ATO, are presented as operating cash flow.

3. Financial risk management

The Secretariat's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the fund.

Prime responsibility for financial risk management is with the Board.

	2011 \$	2010 \$
Financial assets		
Cash at bank - Westpac Banking Corporation	-	605,446
Glebe Income Accounts	4,887,731	3,806,472
Receivables and other assets	191,587	213,275
Held-to-maturity investments	500,000	500,000
	<u>5,579,318</u>	<u>5,125,193</u>
Financial liabilities		
Payables	627,672	579,778
Westpac Banking Corporation overdraft	195,551	-
Interest bearing liabilities held for related parties	2,691,196	1,906,650
	<u>3,514,419</u>	<u>2,486,428</u>

(a) Market risk

(i) Foreign exchange risk

The fund does not operate internationally and is not exposed to foreign exchange risk.

(ii) Cash flow and fair value interest rate risk

The Secretariat's interest rate risk arises from its current accounts. The Secretariat, as the holder of the Westpac bank account, acts as banker for its client funds. Each client fund, as a separate current account holder with the Secretariat, earns interest income on the balance held daily. Overdraft fees are charged to a client fund if its current account balance with the Secretariat is in an overdraft position at predetermined rates, which are set internally. The lending of funds may expose the Secretariat to cash flow interest rate risk, as determined by the cash needs of each individual internal fund. The Secretariat also holds cash and cash equivalent deposits which expose the Secretariat to interest rate risk from impacts on interest income. These risks are mitigated by maintenance of a margin between the interest rate received by the Secretariat on its cash holdings with Glebe Income Accounts and the interest rate paid on current accounts. Both rates change as necessary to reflect market conditions.

3. Financial risk management (cont.)

Interest rate sensitivity

At 31 December 2011, if interest rates had changed by +/- 100 basis points from the year-end rates with all other variables held constant, surplus for the year would have been \$25,010 lower/higher (2010 – change of 100 bps: \$30,052 lower/higher), mainly as a result of higher/lower interest expense on cash and cash equivalents.

31 December 2011	Carrying amount \$	Interest rate risk			
		-1.00%		1.00%	
		Surplus \$	Equity \$	Surplus \$	Equity \$
Financial assets					
Cash and cash equivalents	4,887,731	(48,877)	(48,877)	48,877	48,877
Held-to-maturity investments	500,000	(5,000)	(5,000)	5,000	5,000
Interest bearing liabilities	2,886,747	28,867	28,867	(28,867)	(28,867)
Total increase/(decrease)		(25,010)	(25,010)	25,010	25,010

31 December 2010	Carrying amount \$	Interest rate risk			
		-1.00%		1.00%	
		Surplus \$	Equity \$	Surplus \$	Equity \$
Financial assets					
Cash and cash equivalents	4,411,918	(44,119)	(44,119)	44,119	44,119
Held-to-maturity investments	500,000	(5,000)	(5,000)	5,000	5,000
Interest bearing liabilities	1,906,650	19,067	19,067	(19,067)	(19,067)
Total increase/(decrease)		(30,052)	(30,052)	30,052	30,052

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with financial institutions, as well as credit exposures to outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum local short term rating of A-2 are accepted. Management assesses the credit quality of customers, taking into account their financial position, past experience and other factors. If available and considered required, the credit quality of financial assets that are neither past due or impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates. The Secretariat maintains deposits with the Glebe Income Accounts. The Glebe Income Accounts deposits are held by the Glebe Administration Board (GAB), the trustee for the Diocesan Endowment. GAB employs a range of prudential policies and practices, which include an Investment Policy and a Treasury Policy Statement along with a \$15,000,000 standby facility with Westpac Banking Corporation, to ensure customer deposits are available to them within the terms of those deposits.

As at 31 December 2011 accounts receivable of the Secretariat with a book value of \$5,583 (2010: \$18,143) were past due. An impairment provision of \$4,412 (2010: \$7,232) is recognised. The creation and release of the provision for impaired receivables is shown on the statement of comprehensive income categorised as "Bad debts". The individually overdue receivables mainly relate to Anglican Youthworks for provision of IT services. There is no history of default.

3. Financial risk management (cont.)

	Credit rating	2011 \$	2010
Cash and cash equivalents			
Cash at bank - Westpac Banking Corporation	*A-1+	-	605,446
Glebe Income Accounts	Not rated	4,887,731	3,806,472
Total cash and cash equivalent		<u>4,887,731</u>	<u>4,411,918</u>
	Credit rating	2011 \$	2010 \$
Held-to-maturity investments			
Greater Building Society Variable Rate Notes	*A-2	500,000	500,000
Total held-to-maturity investments		<u>500,000</u>	<u>500,000</u>

* Standard & Poor's Short Term Local Issuer Credit Rating

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the Secretariat's operations it aims at maintaining flexibility in funding by keeping committed credit lines available. The fund manages liquidity risk by regularly monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

The fund had access to the following undrawn borrowing facility at the end of each reporting period:

	2011 \$	2010 \$
Undrawn overdraft facility with Westpac Banking Corporation	<u>1,004,449</u>	<u>1,200,000</u>

The bank overdraft facilities may be drawn at any time.

Maturities of financial liabilities

The table below analyses the Secretariat's financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date.

Due to the short-term nature of the liabilities the carrying amounts are disclosed in the table.

3. Financial risk management (cont.)

Less than six months	2011 \$	2010 \$
Non-interest bearing - payables	627,672	579,778
Variable rate - Westpac Banking Corporation overdraft	195,551	-
Variable rate - current account balances held for related parties	2,495,645	1,906,650
	3,318,868	2,486,428

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

4. Current assets - Cash and cash equivalents

	2011 \$	2010 \$
Cash at bank - Westpac Banking Corporation (a)	-	605,446
Glebe Income Account (other related party) (b)	4,887,731	3,806,472
Cash in hand	1,600	1,600
	4,889,331	4,413,518

(a) Cash at bank – Westpac Banking Corporation (a)

Cash at bank is bearing a variable interest rate, on credit balances above \$1,999, of 0.01% (2010: 0.25%).

(b) Other cash and cash equivalents (b)

The deposits are bearing floating interest rates between 3.50% and 5.50% (2010: 3.70% and 5.25%). These deposits have a varied maturity of at call or 3 months.

(c) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the year of the financial year as shown in the statement of cash flows as follows:

	2011 \$	2010 \$
Balances as above	4,889,331	4,413,518
Bank overdraft (Note 10)	(195,551)	-
Balances per statement of cash flows	4,693,780	4,413,518

5. Current assets – Receivables and other assets

	2011	2010
	\$	\$
Accounts receivable	11,378	69,859
Provision for impairment of receivables (note (a))	(4,412)	(7,232)
Prepayments - other	7,823	37,763
Accrued interest	693	662
Receivable from related entities	153,611	-
Input tax credits	22,494	31,893
Other receivables	-	80,330
	<u>191,587</u>	<u>213,275</u>

(a) Bad and doubtful trade receivables

The Secretariat has written back \$2,820 in respect of bad and doubtful receivables during the year ended 31 December 2011 (2010: Write off of \$5,793).

6. Current assets – Held-to-maturity investments

	2011	2010
	\$	\$
Greater Building Society Variable Rate Notes	<u>500,000</u>	<u>500,000</u>

(a) Variable rate notes

The fair value of the variable rate notes is \$500,000 (2010: \$500,000). Fair value was determined by reference to the face value and management's intention to hold the investment to maturity. Maturity date is 12 April 2012.

(b) Impairment and risk exposure

The maximum exposure to credit risk at the reporting date is the carrying amount of the investment. Greater Building Society is rated by Standard and Poor's Short Term Local Issuer Credit as "A-2". The variable rate notes are neither past due nor impaired.

The variable rate notes are denominated in Australian currency. As a result, there is no exposure to foreign currency risk. There is no exposure to price risk as the investment will be held to maturity.

7. Non-current assets – Available-for-sale financial assets

	2011	2010
Unlisted securities	\$	\$
NSW Council of Churches Broadcasters Pty Ltd	47	47
Fair value adjustment	(47)	(47)
Total	-	-

The fair value is determined based on the present value of net cash inflows from expected future interest or dividends and subsequent disposals of the securities. No net cash inflows are expected.

All available-for-sale financial assets are denominated in Australian currency.

8. Non-current assets – Plant and equipment

	2011 \$	2010 \$
Furnishings and effects - at cost	1,009,886	876,129
Additions	-	183,158
Disposals/write-off	(16,378)	(49,401)
Furnishings and effects	993,508	1,009,886
Less: Provision for depreciation	(415,436)	(292,912)
	578,072	716,974
Equipment and machinery - at cost	1,616	421,080
Disposals/write-off	-	(419,464)
Equipment and machinery	1,616	1,616
Less: Provision for depreciation	(727)	(404)
	889	1,212
Office equipment - at cost	261,127	473,480
Additions	205,742	8,510
Disposals/write-off	(194,470)	(220,863)
Office equipment	272,399	261,127
Less: Provision for depreciation	(80,129)	(238,007)
	192,270	23,120
Computer hardware - at cost	1,281,157	1,457,047
Additions	30,927	116,660
Disposals/write-off	(182,278)	(292,550)
Computer hardware	1,129,806	1,281,157
Less: Provision for depreciation	(1,019,861)	(1,114,380)
	109,945	166,777
Motor vehicle - at cost	25,248	25,248
Motor vehicle	25,248	25,248
Less: Provision for depreciation	(25,248)	(25,248)
	-	-
Expenditure recognised in relation to plant and equipment and fixtures and fittings which is in the course of construction	189,541	-
Total plant and equipment	1,070,717	908,083

8. Non-current assets – Plant and equipment (cont.)

Reconciliation of the carrying amount of plant and equipment at the beginning and end of the current year is set out below:

	2011 \$	2010 \$
Opening balance at beginning of year	908,083	1,370,376
Additions	236,669	308,328
Work in progress changes during the year	189,541	(180,388)
Disposals/impairment write-off (a)	(11,410)	(104,223)
Depreciation	(252,166)	(486,010)
Closing balance at end of year	<u>1,070,717</u>	<u>908,083</u>
Proceeds from the sale of plant and equipment	1,022	100
Carrying cost of plant and equipment sold	<u>2,197</u>	<u>-</u>
Gain/(loss) on sale of plant and equipment	<u>(1,175)</u>	<u>100</u>

(a) Impairment loss

The impairment charge of \$9,213 (2010: \$104,223) relates to the closure of the Building Services Office with the outsourcing of that function. The difference between the impairment loss and the disposal/impairment write off shown in the reconciliation of carrying amount is the carrying amount of plant and equipment sold.

9. Current liabilities - Payables

	2011 \$	2010 \$
Accounts payable	65,437	55,813
Accrued expenses	219,347	185,089
Planned giving - offerings received on behalf of Parishes	125,838	111,735
Other payables	<u>217,050</u>	<u>227,141</u>
	<u>627,672</u>	<u>579,778</u>

10. Current liabilities - Interest bearing liabilities

	2011	2010
	\$	\$
Interest bearing liabilities		
Overdraft - Westpac Banking Corporation (a)	195,551	-
Current accounts held for Diocesan funds (other related parties) (b)	2,691,196	1,906,650
	<u>2,886,747</u>	<u>1,906,650</u>

	2011	2010
	\$	\$
Current accounts held for Diocesan funds (other related parties)		
Movement		
Opening balance	1,906,650	2,584,674
Net increase/(decrease) in current account liability	784,546	(678,024)
Current account balances at end of year	<u>2,691,196</u>	<u>1,906,650</u>

(a) Information about the security relating to the Westpac Banking Corporation overdraft is provided in note 19.

Interest is payable at 9.61% on balances within the overdraft limit (2010: Nil).

(b) Current account balances are at call and unsecured.

Interest is paid at 2.70% (2010: 2.70%). Interest is charged at 8.20% (2010: 8.20%) on overdrawn client fund current accounts.

11. Current liabilities - Provisions

	2011	2010
	\$	\$
Annual leave entitlements	308,311	452,032
Long service leave entitlements	381,099	295,987
Restructuring costs (a)	244,688	148,265
Clergy stipend continuance unfunded claims (b)	8,173	74,959
	942,271	971,243
	942,271	971,243

(a) Restructuring costs

Provision for termination benefits payable to non-voluntarily retrenched staff.

(b) Clergy stipend continuance unfunded claims

Provision is made for the short fall in insurance cover for a claim made against the clergy stipend continuance insurance scheme. Management estimates the provision based on the period the claimant remains covered by the scheme and the monthly shortfall between the pension paid and amount received from the insurer.

(c) Movement in provisions

Movements in each class of provision during the year, other than employee benefits, are set out below:

Movement in current provisions	Restructuring costs	Clergy stipend continuance unfunded claims	Total
	\$	\$	\$
Carrying amount at start of year	148,265	74,959	223,224
Charged/(credited) to the income statement			
- additional provisions recognised	600,775	(2,064)	598,711
Amounts used during the year	(504,352)	(64,722)	(569,074)
Carrying amount at end of year	244,688	8,173	252,861
	244,688	8,173	252,861

12. Non-current liabilities – Provisions and other liabilities

	2011 \$	2010 \$
Long service leave entitlements	154,235	261,018
Clergy stipend continuance unfunded claims (a)	-	5,766
	<u>154,235</u>	<u>266,784</u>

(a) Clergy stipend continuance unfunded claims

Provision for shortfall of claims beyond the next twelve months.

(b) Movement in provisions

Movements in each class of provision during the year, other than employee benefits, are set out below:

	Clergy stipend continuance unfunded claims \$
Movement in non-current provisions	\$
Carrying amount at start of year	5,766
Charged/(credited) to the income statement	
- unused amount reversed	(5,766)
Carrying amount at end of year	<u>-</u>

13. Equity - Capital

	2011 \$	2010 \$
Contributed capital	<u>2,062,105</u>	<u>2,062,105</u>

Capital has been contributed by the Synod of the Anglican Church of Australia Diocese of Sydney. The Secretariat's governing ordinance grants no rights or preferences in relation to the capital, and places no restrictions on the use of the capital in pursuing the Secretariat's objectives and providing benefits to the Synod's stakeholders.

14. Equity - Accumulated surplus

	2011	2010
	\$	\$
Accumulated surplus/(deficit) at beginning of the year	248,316	88,865
Surplus/(deficit) for the year	(269,711)	159,451
Accumulated surplus/(deficit) at end of the year	(21,395)	248,316

15. Commitments – Premises rental

Lease commitments: SDS as lessee		2011	2010
<i>(i) Non-cancellable operating leases</i>		\$	\$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:			
Within one year		972,797	936,101
Later than one year but not later than five years		4,052,297	3,898,309
Later than five years		6,457,211	7,450,234
		<u>11,482,305</u>	<u>12,284,644</u>
Lease commitments: SDS as lessor		2011	2010
<i>Sub-lease payments</i>		\$	\$
Future minimum lease payments expected to be received in relation to cancellable sub-leases of operating leases			
Within one year		201,557	193,965
Later than one year but not later than five years		193,236	394,793
		<u>394,793</u>	<u>588,758</u>
<i>(ii) Cancellable operating leases</i>		2011	2010
		\$	\$
Commitments for minimum lease payments in relation to cancellable operating leases are payable as follows:			
Within one year		342,336	399,328
Later than one year but not later than five years		307,936	376,256
		<u>650,272</u>	<u>775,584</u>

(i) Non-cancellable operating leases

The Secretariat leases various suites within St Andrew's House under non-cancellable operating leases expiring within eleven years. The leases have varying terms. Each lease is subject to an annual rent escalation of 3% on the anniversary of the lease commencement date. On renewal terms of the leases are renegotiated. Excess office space is sub-let to third parties also under non-cancellable operating leases.

(ii) Cancellable operating leases

The Secretariat has service contracts for the provision of software and hardware maintenance that are not recognised as liabilities.

16. Payroll tax – refund

During 2010 the Office of State Revenue (OSR) has paid a final refund of payroll tax of \$113,427 pertaining to their acceptance of the Secretariat's apportionment methodology concerning taxable and non-taxable salaries for payroll tax purposes.

17. Investments in associates

The Secretariat is a member of SCEGGS Darlinghurst Ltd and SCEGGS Redlands Ltd, two schools which are companies limited by guarantee. The Secretariat has particular powers which may be called upon in the case of a ballot which allows it to cast votes equal in number to one half of all the votes cast in the ballot (excluding the vote of the Secretariat). In a vote on an ordinary resolution not involving a ballot, the Secretariat has 1 vote, the same as other members. The quorum at general meetings is 15 members for SCEGGS Redlands Ltd and 20 members for SCEGGS Darlinghurst Ltd. The Secretariat has the right to appoint 4 directors to each company. At present the Secretariat directors are 4 of 12 in each case.

The Secretariat does not have control of the schools as its voting power does not allow it to govern the financial and operating policies of the schools so as to obtain benefit from their activities. As a result the schools are regarded as associates of the Secretariat and not subsidiaries.

No financial information of the companies is disclosed as both are limited by guarantee and the Secretariat has not contributed any capital to the schools. In addition, the Secretariat has no expectation of ever receiving any financial benefit from the schools as by their nature no dividends are paid and the winding up clauses in their constitutions require any surplus on winding up to be paid to an Anglican school in the Diocese.

18. Contingent liabilities and contingent assets

Contingent liabilities in respect to the membership of the schools SCEGGS Darlinghurst Ltd and SCEGGS Redlands Ltd are limited in their constitutions to the guarantees of \$1 and \$10 respectively.

19. Overdraft facility

A Joint and Several Guarantee has been given to Westpac Banking Corporation by Glebe Administration Board and St. Andrew's House Corporation (other related parties) for overdraft accommodation up to \$1,200,000 granted to the Secretariat. Also there is Third Party Indemnity by Glebe Administration Board in respect of Bankers Undertaking with an individual limit of \$300,000. Outstanding balances are repayable on demand.

At balance date the Secretariat made available an overdraft facility with a limit of \$1,000,000 to the Glebe Administration Board through its current account with the Secretariat.

20. Reconciliation of surplus from ordinary activities to the net cash flow from operating activities

	2011 \$	2010 \$
Surplus/(deficit) from ordinary activities	(269,711)	159,451
Depreciation	252,166	486,010
Impairment of plant and equipment	9,213	104,223
(Gain)/loss on sale of plant and equipment	1,175	(100)
Bad debts written-off	46	2,812
Changes in assets and liabilities		
Decrease/(increase) in receivables	21,642	22,360
Increase/(decrease) in payables	47,894	95,212
Increase/(decrease) in provisions	(141,521)	45,844
Net cash (outflow)/inflow from operating activities	(79,096)	915,812

21. Related party transactions

Ultimate control vests with Synod through the sanctioning of governing Ordinances. The transactions between (other related parties) Diocesan Funds are carried out on a commercial basis. The nature of transactions is disclosed in the financial statements.

Due to the inconsequential allocation of resources to the Glebe Australia Limited and Glebe Asset Management funds no fee was charged by the Secretariat in 2011 (2010: \$196,500 to Glebe Asset Management).

Due to common membership of the board's of the Glebe Administration Board and the Secretariat, the Secretariat is a related party of GAB and entities for which GAB is trustee.

The Secretariat operates as the central administrative body of the Diocese, and is the nominal employer of staff and responsible for providing secretarial and office support for the Archbishop, Registrar and other Diocesan funds. The Secretariat's activities involve extensive related party transactions. The Secretariat's revenues from management and service fees, property management fees, grants and donations are wholly derived from related parties. Revenues from interest and other income are mainly derived from related parties. Expenses mainly attributable to related parties are interest and finance charges, rent and insurance expenses.

The Secretariat paid the St Andrew's House Corporation \$945,871 and \$40,682 for office rent and car parking respectively (2010: \$915,930 and \$39,657).

The Secretariat's net assets also contain outstanding balances with related parties. Included in the assets of the Secretariat are cash deposits with Glebe Income Accounts and some receivables. The Secretariat provides a deposit taking service via "current accounts" with its client funds. These related party outstanding balances are shown as interest bearing liabilities.

Key management personnel

(a) Board members

The following persons held office as members of the Secretariat during the year:

Canon B A Ballantine-Jones OAM
Mr M Ballantyne
Bishop R C Forsyth
Mr B M Koo
Mr A McLoughlin

Mr I C Miller
Mr J S Pascoe
Dr L A Scandrett (Resigned 25/05/2011)
Mr R Smith

21. Related party transactions (cont.)

(b) Other key management personnel

The following persons also had authority and responsibility for the strategic direction and management of the Secretariat during the year:

<i>Name</i>	<i>Position</i>
Mr M A Payne	Chief Executive Officer
Mr M A Blaxland	Chief Financial Officer
Mr R Wicks	General Manager, Diocesan and Corporate Services

(c) Key management personnel compensation

	2011	2010
	\$	\$
Short-term employee benefits	658,816	742,900
Long-term employee benefits	12,475	26,720
	<u>671,291</u>	<u>769,620</u>

22. Remuneration of auditors

	2011	2010
	\$	\$
(a) Assurance services		
Audit services		
- audit and review of financial reports and other audit work	43,586	35,269
Total remuneration for audit services	<u>43,586</u>	<u>35,269</u>
(b) Advisory services		
For services rendered in the normal operations of the Secretariat	10,465	21,073
	<u>54,051</u>	<u>56,342</u>

The audit fee for the year is \$25,000 (2010: \$23,800).

23. Events occurring after the end of the reporting period

Since 31 December 2011 the Board resolved in principle to undertake a major property project intended to significantly reduce the floor space occupied by the Secretariat on level 2 of St Andrew's House. This project will require the reconfiguration of the existing office space. Detail plans and costing for the compression of floors space have not yet been determined.

The St Andrew's House Trust has agreed to the Secretariat relinquishing its lease on 600 square metres on level 2.

The financial statements were authorised for issue on 28 March 2012 by the Board.

SYDNEY DIOCESAN SECRETARIAT

MEMBERS' DECLARATION

The members of the Sydney Diocesan Secretariat declare that these financial statements and notes set out on pages 6 to 32:

- (a) comply with Australian Accounting Standards and other mandatory professional reporting requirements;
- (b) give a true and fair view of the Secretariat's statement of financial position as at 31 December 2011 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date.

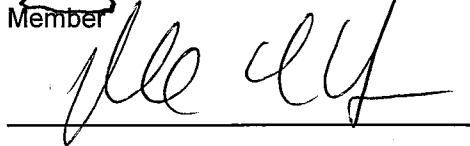
In the members' opinion there are reasonable grounds to believe that the Secretariat will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the members.



28 March 2012

Member



28 March 2012

Member

SYDNEY DIOCESAN SECRETARIAT

Report to Standing Committee of Synod

CLAUSE 14

Report to Standing Committee of Synod pursuant to Clause 14 of the Accounts, Audits and Annual Report Ordinance 1995 for the year ended 31 December 2011.

Clause 14d – Liquidity

a Solvency

The members of the Secretariat are of the opinion that the Secretariat will be able to meet all of its liabilities as they fall due.

b Provisions and employee entitlements

Adequate provisions have been made for employee entitlements for long service (\$535,334) and annual leave (\$308,311). In the opinion of the members, the Secretariat has made adequate provision for future obligations.

c Trade creditors

All creditors are being paid in accordance with normal terms of payment.

d Trusts

All dealings with real and personal property have been consistent with the trusts on which the property is held.

e Payments to members

No amounts were paid to any members of the Secretariat during the year.

f Internal control

The Secretariat is satisfied that it has maintained a satisfactory system of internal control.

g Insurance

Appropriate types and levels of insurance cover are held in respect of all insurable risks, having regard to the value of assets and current level of awards for damages.

h Matters subsequent to end of year

Since 31 December 2011 the Board resolved in principal to undertake a major property project intended to significantly reduce the floor space occupied by the Secretariat on level 2 of St Andrew's House. This project will require the reconfiguration of the existing office space. Detail plans and costing for the compression of floors space have not yet been determined.

The St Andrew's House Trust has agreed to the Secretariat relinquishing its lease on 600 square metres on level 2.

i Adoption of report

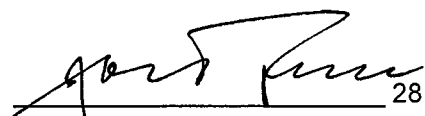
This report has been adopted at a duly constituted and convened meeting of the members of the Secretariat on 28 March 2012.

Clause 14e – Risk Management

Summary of Key Risks

The key risk areas that were identified in 2011 were:

- a. **Business continuity**, reflecting risks around adequacy of procedures and documentation to monitor continuity of business, training of our people for business continuity purposes and that inadequate back up may result in loss of data.
- b. **Changing Diocesan environment**, including outcomes from the Archbishop's Strategic Commission which may impede fulfilment of charter obligations and lack of understanding by Diocesan leadership about the role of Sydney Diocesan Secretariat.
- c. **Financial control**, reflecting risks such as inadequate capital for the functioning of Sydney Diocesan Secretariat, failure to maintain income levels, inadequate expense control.
- d. **Investment management – ACPT Long Term Pooled Investment Fund**, including adequacy of governance procedures, performance of externally managed investments, failure of external service providers, and adequacy of assessment of risks to the business.
- e. **Operational Risk – Data & systems security**, reflecting risks around failure to adequately control access to information, adequacy of processes to ensure information reliability, adequacy of processes to ensure information reliability and failure to ensure proper security and ongoing integrity of data and systems.
- f. **Operational Risk – Physical security**, reflecting risks around unauthorised access to the office tower and danger to security of people and property in public areas.
- g. **Operational Risk – System & processes (Financial)**, reflecting risks around failure of financial systems to provide timely and accurate information and fraud, theft inappropriate payments or diversion of funds.
- h. **Operational Risk – System & processes (Technology)**, reflecting risks around systems do not meet users' needs, unauthorised/uncontrolled user profile creation/ modification, inadequate vendor support, inadequate ability to restore data and insufficient audit trail for key processes.
- i. **People**, reflecting factors such as failure to attract, engage, develop and retain appropriate staff, failure to ensure health, safety and welfare of staff, staff misconduct and succession planning.
- j. **Regulatory and contractual obligations**, reflecting obligations to external parties in respect to regulatory compliance, monitoring regulatory changes, and adherence to contractual obligations, lack of awareness of proposed or actual changes to regulatory environment,
- k. **Reputation**, reflecting factors such as an adverse event affecting another diocesan or closely related Anglican organisation which impacts the reputation of Sydney Diocesan Secretariat, or being linked to an ethical, legal or management failure by one of our service suppliers and adverse media comment about Sydney Diocesan Secretariat, staff accepting and holding external board appointments.
- l. **Service expectations** Failure to meet client service provision expectations, with potential impact on the business, finances and reputation of Sydney Diocesan Secretariat.



28 March 2012

Member



28 March 2012

Member



Independent auditor's report to the members of Sydney Diocesan Secretariat

Report on the financial report

We have audited the accompanying financial report of Sydney Diocesan Secretariat (the Secretariat), which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the members' declaration for Sydney Diocesan Secretariat.

Members' responsibility for the financial report

The members of the Secretariat are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 2 to the financial statements, which form part of the financial report, are appropriate to meet the requirements of the Accounts, Audits and Annual Reports Ordinance 1995 of the Synod of the Anglican Church of Australia Diocese of Sydney and are appropriate to meet the needs of the members. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the members, as well as evaluating the overall presentation of the financial report.

The financial report has been prepared for distribution for the purpose of fulfilling the financial reporting obligations of the members under the Audits and Annual Reports Ordinance 1995 of the Synod of the Anglican Church of Australia Diocese of Sydney. We disclaim any assumptions of the responsibility for any reliance on this audit report or on the financial report to which it relates to any person other than the member, or for any purpose other than that for which they were prepared.

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
DX 77 Sydney, Australia
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Auditor's opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of Sydney Diocesan Secretariat as at 31 December 2011 and its financial performance for the year ended in accordance with the accounting policies described in Note 2 to the financial statements.

PricewaterhouseCoopers

PricewaterhouseCoopers

Francois Bruder

Francois Bruder
Principal

Sydney
28 March 2012