

SYDNEY DIOCESAN SECRETARIAT

ABN 69 266 342 710

Annual financial report – 31 December 2015

Sydney Diocesan Secretariat

Report by the Chief Executive Officer

For the year ended 31 December 2015

By its constituting ordinance, the object of Sydney Diocesan Secretariat ("SDS") is to advance the purposes of the Anglican Church of Australia in the Diocese of Sydney through the regulation of the central administration of the affairs of the Diocese. We do this primarily by providing administrative, secretarial and accounting services to the Synod and its Standing Committee, other organisations of the Diocese and our parishes.

Those services are provided in accordance with service level standards agreed with each organisation concerned. Feedback during 2015 indicates that the organisations we serve continue to be highly satisfied with our performance.

A major task during 2015 was to prepare our strategic plan for 2016-2018. That plan commits SDS to be a valued partner in the mission of the Anglican Church of Australia in the Diocese of Sydney, and beyond. We consider that a valued partner –

- meets the expectations of the Synod and the other organisations we serve, and anticipates and responds to their needs with effective solutions, and
- provides relevant, specialised and accessible services and resources to support parishes having regard to the changing environment in which parish ministry takes place, and
- proactively models and promotes servant leadership across the Diocesan network, and beyond.

During 2015, SDS continued to build its capital, particularly having regard to known and expected future financial obligations. The surplus of \$488,222 in 2015 (\$567,691 in 2014) reflects, in part, the need for SDS to build sufficient financial reserves to meet those obligations. SDS has reported to the Standing Committee about its major capital needs.

SDS's main source of income continues to be fees received from the organisations we serve. We also continually review our expenses to ensure they are appropriate. Total expenses from continuing operations increased by 3.7% in 2015. In large part, this increase reflected new spending in 2015 to facilitate the Australian Institute of Company Directors' *Foundation of Directorship Course* to support members of SDS and the organisations we serve in understanding and fulfilling their governance duties. The facilitation of this course is one way in which we seek to demonstrate leadership across the Diocesan network.

MARK PAYNE
Chief Executive Officer

23 March 2016

Statutory report of the members of the Sydney Diocesan Secretariat

For the year ended 31 December 2015

In accordance with a resolution of the Board, the members of the Sydney Diocesan Secretariat ("SDS") submit herewith the financial report for the year ended 31 December 2015 –

Scope

SDS 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 SDS is to carry out, perform and provide administrative, secretarial and accounting services for the Anglican Church 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 in accordance with agreed service level standards, and SDS recovers its costs by way of fees charged to the organisations served.

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

Results for the year

The total change in equity is a surplus of \$488,222 (2014: \$567,691 surplus).

Distributions

Distributions are not paid by SDS.

Review of operations and significant changes in the state of affairs

A review of the operations of SDS and commentary on any significant changes in the state of affairs of SDS is contained in the report of 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 meetings of SDS.

The following members were in office during the whole financial year and up to the date of this report.

Mr Ross Smith (Chair), MAppFin, BEc, GAICD, Chartered Accountant, age 49

CFO, Anglicare Sydney. Previously CEO, The Sargood Centre Limited, a start up venture to provide community re-integration services to people with spinal cord injury and other mobility impairment. Prior to that a director of McGrathNicol and big four accounting firms with 25 years experience in Accounting, Finance, Corporate Restructuring and Advisory; Member of The Council of St Andrew's House Corporation. He attends Caringbah Anglican Church. Board member since 2010.

Mr Mark Ballantyne, BE, MBA, FIAA, age 47

Qualified Actuary; General Manager of Financial Wisdom with the Commonwealth Bank, having over 25 years experience in all facets of financial services. He attends East Lindfield Anglican Church. Board member since 2009.

The Rev Edward Brush, B Th, Dip Min, age 59

Rector Lower Mountains Parish and Archbishop's Ministry Chaplain. Has previously served on Board of Governors of the National Church Life Survey, Standing Committee Diocese of Sydney, Mission Board of the Standing Committee, Council of St Andrew's Cathedral School, George's River Regional Council and Finance & Loans Board. Originally trained as an electrical engineer with extensive experience in supply chain management both in Australia and internationally. Board member since 2013.

Mr Greg Hammond OAM, BA, LLB, ThA, age 58

Greg has over 30 years' experience as a lawyer specialising in banking and the governance, supervision and regulation of Australia's financial system. He was a partner of King & Wood Mallesons (and its predecessor firm, Mallesons Stephen Jaques) for over 27 years, and since retiring from the firm in 2014 has taken up a number of roles in academia, the banking and finance sector, charities and not-for-profit organisations. His current roles include being a director of the Australian College of Theology, G&C Mutual Bank, NCNC Funds Limited (and the Archbishop of Sydney's New Churches for New Communities Committee), Olive Tree Media and Opportunity International Australia. He attends Macquarie Anglican Churches. Board member since 2014.

Mr Andrew McLoughlin, BBus, FCPA, MTax, age 53

Deputy Inspector-General of Taxation. Over 25 years banking, financial services and taxation experience. Senior management positions in industry and government service. He attends East Lindfield Anglican Church. Member of GAB Audit and SDS Audit Committees. Board member since 2009.

Mr Ian Miller, BA, LLM, ThL, MTh, GAICD, age 63

Partner, Hunt and Hunt Lawyers; Member of the Hammond Care Group; Director, Church Missionary Society Trust Ltd, Australian College of Theology Ltd and Pentel Australia Pty Ltd; Chairman of Barker College Council; Consultant Editor of CCH Australia; Board of Enquiry and Parish Relationships Ordinance Panels; Diocesan Representative on General Synod and Provincial Synod. He attends Beecroft Anglican Church. Board member since 1999.

Mr John Pascoe, FCA, BEc, age 55

Partner Pascoe Whittle Chartered Accountants; Member of Standing Committee, Finance Committee, St Andrew's House Corporation, St Andrew's Cathedral Chapter and Diocesan Resources Committee; Chairman of GAB Audit and SDS Audit Committees. He attends St Andrew's Cathedral. Board member since 2009.

Mr Andrew Stanley, BE, LLB, MAppFin, CA, FINSA, age 47

Head of Australian Equities for Ralton Asset Management. Over 20 years experience in financial structuring/investment banking and funds management. Former member of the Anglican Funds Committee Melbourne. Attends St Matthias Anglican Church, Centennial Park. Board member since 2014.

Professor Peter Wolnizer OAM, BEc. MEc PhD, FCA, FCPA, age 65

Professor Emeritus at The University of Sydney where he served as Dean of the Faculty of Economics and Business from 1999-2010, and as a Professor of Accounting until his retirement at the end of 2011. He served a three-year term as Chairman of the International Accounting Education Standards Board from 2012-2014. He attends St Andrew's Cathedral. He served on the Council of Moore College from 2000-2004 and is a member of GAB Audit and SDS Audit Committees. Board member since 2012.

Resignation

Bishop Robert Forsyth resigned on 16 November 2015 when the term of his appointment expired.

Bishop Robert Forsyth, BA, BD, ThL, DipA, MTh, age 66

Former Bishop of South Sydney; Member of Archbishop's Liturgical Panel, Member of Standing Committee of General Synod, Member of Doctrine Commission Diocese of Sydney and a Corporate Trustee of the Anglican Church of Australia.

Appointment

Bishop Michael Stead was appointed on 16 November 2015.

Bishop Michael Stead, BCom(Acc), BD(Hons), DipMin, PhD, age 46

Bishop of South Sydney; Member of Standing Committee Diocese of Sydney, Diocesan Representative on General Synod, Member of General Synod Standing Committee, Secretary of the General Synod Doctrine Commission. Prior to ordination, worked for PricewaterhouseCoopers from 1990-1996. Board member since 2015.

Chief Executive Officer

Mark Payne, BEc, LLB, LLM, FFSIA, AAIM, GAICD, age 52

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 Sydney Diocesan 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 Steve Lucas, BA, LLB, age 38

Mr Lucas was appointed Secretary to the Board on 17 September 2014. He has held in-house legal roles with the Sydney Diocesan Secretariat for more than 10 years. He is not a Board member. He attends Helensburgh Anglican Church.

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

Year Ended 31 December 2015	Members' Meetings		Audit Committee Meetings	
	A	B	A	B
Non Executive Members				
M Ballantyne	4	3		
E Brush	4	4		
R Forsyth (term expired 16 November 2015)	3	2	2	2
G Hammond OAM	4	3		
A McLoughlin	4	3	2	1
I Miller	4	3		
J Pascoe	4	3	2 C	2
R Smith	4 C	3		
A Stanley	4	1		
M Stead (appointed 16 November 2015)	1	1		
P Wolnizer OAM	4	3	2	-

A = meetings eligible to attend

B = meetings attended

C = Chairman

☐ = not a committee member

Continuation in office of Members

Messrs Ballantyne and Brush were reappointed as members by the Standing Committee on 16 November 2015, for a further term of 3 years.

Delegation

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

Committees

SDS has an Audit Committee, the functions of which are to, monitor, report and make recommendations to SDS regarding the financial reporting processes of SDS, to ensure the balance, transparency and integrity of published financial information, its internal control systems, and its independent audit process.

Identifying significant business risks

SDS 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

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

Insurance of officers

During the year insurance premiums totalling \$15,000 (2014: \$6,506) were paid for directors' and officers' liability insurance in respect of the members of SDS. 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 2015 that has significantly affected, or may significantly affect, the operations of SDS, the results of those operations or the state of affairs of SDS in future years.

Environmental regulation

The operations of SDS 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.

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

Likely developments and expected result of operations

The members have approved budgets for 2016 with the key objectives of resourcing the SDS strategic plan. In particular, the budget has been prepared to specifically address the following objectives –

- SDS will meet the expectation of the Synod and the other organisations we serve, and anticipate and respond to their needs with effective solutions.
- SDS will provide relevant, specialised and accessible services and resources to support parishes having regard to the changing environment in which parish ministry takes place.
- SDS will proactively model and promote servant leadership across the Diocesan network, and beyond.

A surplus of \$40,000 is budgeted for 2016, after reserving for future lease obligations and anticipated premises fitout works and maintenance of the real value of the capital of SDS.

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



Member



Member

Sydney

23 March 2016

SYDNEY DIOCESAN SECRETARIAT

Statement of comprehensive income For the year ended 31 December 2015

	Notes	2015 \$	2014 \$
Revenue from continuing operations			
Management and service fees		6,794,470	6,674,669
Rental income		507,216	489,559
Interest		100,360	100,722
Other income		139,240	101,961
Total revenue from continuing operations		7,541,286	7,366,911
Expenses from continuing operations			
Interest and finance charges		19,483	17,388
Staff and related expenses		4,564,479	4,408,906
Professional fees		103,464	113,443
Rent and occupancy expenses		1,224,531	1,166,756
Office operating expenses		591,401	604,394
Depreciation and amortisation	6,7	300,138	356,684
Audit fees		36,271	35,251
Insurance expenses		90,018	79,024
Other expenses		123,279	17,374
Total expenses from continuing operations		7,053,064	6,799,220
Surplus for the year		488,222	567,691
Other comprehensive income		-	-
Total comprehensive income for the year		488,222	567,691
Transfer from current year surplus			
Transfer to Capital maintenance reserve	13	(72,000)	(70,000)
Transfer to Premises fitout works reserve	13	(169,004)	(149,300)
Transfer to Business development reserve	13	(75,000)	(115,000)
Transfer to Information Communication and Technology (ICT) projects reserve	13	(200,000)	-
Net available (deficit)/surplus after transfer to reserves		(27,782)	233,391

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 2015

	Notes	2015 \$	2014 \$
ASSETS			
Current assets			
Cash and cash equivalents	2	3,664,510	2,811,626
Restricted cash	2	960,069	4,967,995
Term deposits with maturity between three months and one year	3	713,750	707,470
Receivables and other assets	4	124,566	241,624
Lease incentive and straight line lease rental assets	5	8,223	4,204
Total current assets		5,471,118	8,732,919
Non-current assets			
Lease incentive and straight line lease rental assets	5	14,585	22,808
Plant and equipment	6	956,637	1,014,846
Intangible assets - Software	7	31,144	53,128
Total non-current assets		1,002,366	1,090,782
Total assets		6,473,484	9,823,701
LIABILITIES			
Current liabilities			
Payables	8	306,875	288,638
Interest bearing liabilities	9	960,069	4,967,995
Provisions	10	1,094,028	940,102
Total current liabilities		2,360,972	6,196,735
Non-current liabilities			
Provisions	11	551,954	554,630
Total non-current liabilities		551,954	554,630
Total liabilities		2,912,926	6,751,365
Net assets		3,560,558	3,072,336
EQUITY			
Capital	12	2,062,105	2,062,105
Reserves	13	1,065,304	549,300
Accumulated surplus		433,149	460,931
Total equity		3,560,558	3,072,336

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 2015

	Notes	Capital	Reserves	Accumulated Surplus	Total
		\$	\$	\$	\$
Balance at 1 January 2014		2,062,105	215,000	227,540	2,504,645
Surplus for the year		-	-	567,691	567,691
Transfer to capital maintenance reserve	13	-	70,000	(70,000)	-
Transfer to premises fitout works reserve	13	-	149,300	(149,300)	-
Transfer to business development reserve	13	-	115,000	(115,000)	-
Total comprehensive income for the year		-	334,300	233,391	567,691
Transactions with beneficiaries		-	-	-	-
Balance at 31 December 2014		2,062,105	549,300	460,931	3,072,336
Surplus for the year		-	-	488,222	488,222
Transfer to Capital maintenance reserve	13	-	72,000	(72,000)	-
Transfer to Premises fitout works reserve	13	-	169,004	(169,004)	-
Transfer to Business development reserve	13	-	75,000	(75,000)	-
Transfer to ICT projects reserve	13	-	200,000	(200,000)	-
Total comprehensive income for the year		-	516,004	(27,782)	488,222
Transactions with beneficiaries		-	-	-	-
Balance at 31 December 2015		2,062,105	1,065,304	433,149	3,560,558

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 2015

	Notes	2015 \$	2014 \$
Cash flows from operating activities			
Management and service fees received		6,870,628	6,672,814
Rent received		503,692	498,275
Interest received		100,360	102,030
Other income received		136,696	105,596
Borrowing costs paid		(9,183)	(7,339)
Payments to suppliers and employees		(6,599,970)	(6,298,643)
Net cash inflow from operating activities		1,002,223	1,072,733
Cash flows from investing activities			
Payments for plant and equipment		(143,059)	(56,778)
Payments for intangible assets - software		-	(65,952)
Payments for term deposits with maturity between three months and one year		(6,280)	(7,470)
Net cash (outflow) from investing activities		(149,339)	(130,200)
Cash flows from financing activities			
Movement of net current accounts held with client funds inflow (outflow)		117,074	(411,649)
Proceeds of Diocesan Endowment and Long Term Pooling		(4,125,000)	4,125,000
Fund investment trades received pending reinvestment (outflow) inflow			
Net cash (outflow) inflow from financing activities	9	(4,007,926)	3,713,351
Net (decrease)/increase in cash and cash equivalents		(3,155,042)	4,655,884
Cash at the beginning of the year		7,779,621	3,123,737
Cash and cash equivalents at end of year	2	4,624,579	7,779,621

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

1. Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the Sydney Diocesan Secretariat Ordinance 1973, and the Accounts, Audits and Annual Statements Ordinance 1995.

SDS is a not for profit entity for the purpose of preparing financial statements.

Compliance with Australian Accounting Standards – Reduced Disclosure Requirements

The financial statements comply with Australian Accounting Standards – Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

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

New and amended accounting standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2015 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Historical cost convention

The financial statements have been prepared on a historical cost basis.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying SDS's accounting policies. The areas involving a higher degree or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 19.

(b) Principles of consolidation

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

SDS is a member of SCEGGS Darlinghurst Ltd and SCEGGS Redlands Ltd, two schools which are companies limited by guarantee. SDS 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 SDS). In a vote on an ordinary resolution not involving a ballot, SDS 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. SDS has the right to appoint 4 directors to each company. At present SDS directors are 4 of 12 in each case.

While SDS has potential for significant influence in the policies of SCEGGS Darlinghurst Ltd and SCEGGS Redlands Ltd, it does not have control as SDS 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 SDS 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 SDS and the schools.

1. Summary of significant accounting policies (cont)

(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

SDS performs accounting, administration and secretarial services for a number of organisations across the Diocese, most notably Glebe Administration Board, the trustee for the Diocesan Endowment (and its controlled entities), Synod (including Standing Committee), Glebe Administration Board, St Andrew's House Corporation, Anglican Church Property Trust Diocese of Sydney, and the Endowment of the See. Management and service fees are based upon recouping the overall costs of each organisation through careful attention to the allocation of staff activity to organisations served by SDS. 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.

Sub-lease income (Rent)

Sub-lease income from operating leases is recognised in income on a straight-line basis over the lease term, where it has a material effect on the accounts.

(d) 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.

(e) Cash and cash equivalents, restricted cash and term deposits

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.

Term deposits are deposits held with Glebe Administration Board. Term deposits with an initial term of three months or less are included in cash and cash equivalents. Term deposits are carried at face value of the amount deposited. Interest accrued is included in Receivables.

Restricted cash and cash equivalent amounts are disclosed in Note 2 which represents funds held in trust by SDS through the operation of current accounts by its client entities, the liability for which is disclosed in Note 9. There is no explicit documentation regarding the agent/trust relationship SDS has in respect to holding its clients monies.

1. Summary of significant accounting policies (cont)

(f) 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.

(g) Sub-leases

SDS has entered into a number of sub-leases concerning its leases in St Andrew's House. These sub-leases, in which a significant portion of the risks and rewards of ownership are retained by SDS, are classified as operating leases.

Lease incentives may be provided to sub-lessees to enter into an operating lease. These incentives may be in the form of cash, rent free periods, lessee or lessor owned fitouts. They are amortised over the term of the sub-lease as a reduction of rent income. The carrying amount of the sub-lease incentives is recognised as an asset.

(h) 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	7 years to 10 years
Equipment and machinery	5 years
Office equipment	5 years to 6 years
Computer hardware	3 years to 5 years
Motor Vehicles	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.

(i) Intangible assets

Costs incurred in acquiring software that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software.

SDS amortises intangible assets – software using the straight-line method over its estimated useful life, as follows –

- Software 3 years

1. Summary of significant accounting policies (cont)

(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.

(n) Employee benefits

(i) *Wages, salaries, annual leave and personal 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 personal leave, as there is no provision made for personal leave and it is not considered that any personal 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 the Reserve Bank of Australia cash rate at the end of each reporting period for a term that matches estimated future cash outflows.

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.

1. Summary of significant accounting policies (cont)

The obligations are presented as current liabilities in the balance sheet where SDS does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(o) Capital

Represents the original capital contributed to SDS.

(p) Reserves

Appropriate reserves are created to enable SDS to meet projected future major expenditure without significant dissipation of working capital or requiring SDS to borrow significant sums to fund that expenditure.

SDS has identified the need for a capital maintenance reserve to ensure sufficient capital is generated and maintained by SDS operations.

SDS has identified potential major future expenditure under the leases of part of levels 1 and 2 of St Andrew's House to undertake significant fitout works in its premises at the end of the leases. Further SDS has identified future expenditure to support strategic business development initiatives and Information, Communications and Technology (ICT) projects as set out in the 2015 SDS Budget paper.

(q) Income tax

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

(r) Goods and Services Tax (GST)

SDS is the representative member of the SDS 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.

2. Current assets – Cash and cash equivalents, and restricted cash

	2015 \$	2014 \$
Cash at bank - Westpac Banking Corporation	260,017	4,695,824
Glebe Administration Board (other related party) At call	1,918,064	1,058,764
Glebe Administration Board (other related party) Term deposit	2,444,898	2,023,433
Cash in hand	1,600	1,600
Balances per statement of cash flows	<u>4,624,579</u>	<u>7,779,621</u>
Less Restricted cash	<u>(960,069)</u>	<u>(4,967,995)</u>
	<u>3,664,510</u>	<u>2,811,626</u>

SDS provides administrative, secretariat and accounting services to a range of organisations. As part of these services, SDS holds cash deposits, in trust, on behalf of its client entities (Refer to note 9), and these funds are pooled with SDS's own funds in a single account, Westpac bank account, for administrative efficiency. SDS controls the funds, and has the ability to invest the funds at its discretion to earn interest income. SDS bears any related credit risk in case of bankruptcy of an institution; however, clients are entitled to the full amount of any cash deposited in the event of insolvency. As a result, the funds are classified as restricted cash.

Amounts held for clients are also credited into separate liability accounts and recognised as interest bearing liabilities. SDS has a contractual obligation towards the clients in the event of bankruptcy of a financial institution or its insolvency.

Cash includes a restricted cash and cash equivalent amount of \$960,069 (2014: \$4,967,995), which represents funds held in trust through the operation of current accounts by SDS's client entities (Refer Note 9). There is no explicit documentation regarding the agent/trust relationship SDS has in respect to holding its clients' monies. While restricted cash is identified within the financial statements no SDS policy is in place in the event a wind up is necessary to resolve the competing interest of different classes of creditors and beneficiaries.

3. Current assets – Term deposits with maturity between three months and one year

	2015 \$	2014 \$
Glebe Administration Board (other related party) Term deposit	<u>713,750</u>	<u>707,470</u>

4. Current assets – Receivables and other assets

	2015 \$	2014 \$
Accounts receivable	34,088	24,022
Prepayments - other	11,414	69,782
Accrued interest	15,358	13,587
Receivable from related entities	-	77,724
Goods and services tax on purchases	8,050	16,483
Fringe Benefits Tax instalments paid in advance	55,656	40,026
	<u>124,566</u>	<u>241,624</u>

(a) Bad and doubtful receivables

Receivables and debtors have been reviewed and none are considered doubtful. Therefore no provision has been raised for doubtful receivables.

5. Non current assets – Lease incentive and straight lined lease assets

	2015 \$	2014 \$
Rent-free period lease incentive	25,039	25,039
Less: Amortisation of straight lined lease incentive	(14,188)	(9,180)
	<u>10,851</u>	<u>15,859</u>
Straight lined lease rental	11,957	11,153
Lease incentive and straight lined lease assets	<u>22,808</u>	<u>27,012</u>
Movement		
At beginning of the year	27,012	27,352
Movement in lease incentives capitalised	(5,008)	(5,007)
Movement in lease rentals capitalised	804	4,667
At end of the year	<u>22,808</u>	<u>27,012</u>
Current	8,223	4,204
Non-current	14,585	22,808
	<u>22,808</u>	<u>27,012</u>

The rent-free lease incentive is being amortised over the life of the sub-lease which terminates in February 2018.

6. Non-current assets – Plant and equipment

	2015 \$	2014 \$
Furnishings and effects - at cost	1,286,019	1,277,300
Additions	-	12,230
Disposals/write-off	-	(3,511)
Furnishings and effects	1,286,019	1,286,019
Less: Provision for depreciation	(908,330)	(803,027)
	<u>377,689</u>	<u>482,992</u>
Equipment and machinery - at cost	1,616	1,616
Additions	-	-
Disposals/write-off	(1,616)	-
Equipment and machinery	-	1,616
Less: Provision for depreciation	-	(1,616)
	<u>-</u>	<u>-</u>
Office equipment - at cost	262,423	264,098
Additions	59,244	1,422
Disposals/write-off	(13,846)	(3,097)
Office equipment	307,821	262,423
Less: Provision for depreciation	(206,567)	(168,370)
	<u>101,254</u>	<u>94,053</u>
Computer hardware - at cost	561,536	538,150
Additions	75,835	43,125
Disposals/write-off	(298,092)	(19,739)
Computer hardware - at cost	339,279	561,536
Less: Provision for depreciation	(233,415)	(454,184)
	<u>105,864</u>	<u>107,352</u>
Leasehold Improvements - Make Good	392,163	392,163
Additions	43,633	-
Leasehold Improvements - Make Good	435,796	392,163
Less: Provision for depreciation	(117,648)	(78,432)
	<u>318,148</u>	<u>313,731</u>
Motor vehicle - at cost	21,342	21,342
Motor vehicle	21,342	21,342
Less: Provision for depreciation	(8,893)	(4,624)
	<u>12,449</u>	<u>16,718</u>
Expenditure recognised in relation to computer hardware which is in the course of construction	41,233	-
Total plant and equipment	<u>956,637</u>	<u>1,014,846</u>

6. 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:

	2015	2014
	\$	\$
Opening balance at beginning of year	1,014,846	1,301,929
Additions	135,079	56,777
Additional recognition of Make Good provision	43,633	-
Work in progress changes during the year	41,233	-
Depreciation - plant and equipment	(278,154)	(343,860)
Closing balance at end of year	956,637	1,014,846

7. Non-current assets – Intangible assets - Software

	2015	2014
	\$	\$
Intangible assets - Software - at cost	65,952	-
Additions	-	65,952
Less: Provision for amortisation	(34,808)	(12,824)
Total intangible assets - Software - at cost	31,144	53,128

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

	2015	2014
	\$	\$
Opening balance at beginning of year	53,128	-
Additions	-	65,952
Amortisation - intangible assets	(21,984)	(12,824)
Closing balance at end of year	31,144	53,128

8. Current liabilities - Payables

	2015	2014
	\$	\$
Accounts payable	439	-
Accrued expenses	94,196	101,068
Other payables	212,240	187,570
	306,875	288,638

9. Current liabilities – Interest bearing liabilities

	2015	2014
	\$	\$
Interest bearing liabilities		
Current accounts held for Diocesan funds (other related parties) (a)	960,069	4,967,995
Movement		
Current account balances at start of year	4,967,995	1,254,644
Net (decrease) increase in current account liability	(4,007,926)	3,713,351
Current account balances at end of year	960,069	4,967,995

(a) Current account balances are at call.

Interest is paid at 0.01% (2014: 0.01%). Interest is charged at 7.75% (2014: 7.75%) on overdrawn client fund current accounts.

(b) Restricted cash and cash equivalents.

Refer Note 2 for disclosure related to the cash held by SDS on behalf of its client entities.

10. Current liabilities – Provisions

	2015	2014
	\$	\$
Annual leave entitlements	341,472	313,386
Long service leave entitlements	752,556	626,716
	1,094,028	940,102

(a) **Amounts not expected to be settled within the next 12 months**

The current provision for long service leave covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The current amount of the provision of \$752,556 (2014: \$626,716) is presented as current, since SDS does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, SDS does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months. The following amounts reflect long service leave that is not expected to be taken or paid within the next 12 months.

	2015	2014
	\$	\$
Current long service leave obligations expected to be settled after 12 months		
Long service leave entitlements	752,556	600,382

11. Non-current liabilities – Provisions

	2015 \$	2014 \$
Long service leave entitlements	86,005	142,614
Obligations upon termination of leases - Make Good costs (a)	465,949	412,016
	<u>551,954</u>	<u>554,630</u>

(a) Obligations upon termination of leases – make good costs

Provision to meet future expenditure required under the leases for part of levels 1 and 2 of St Andrew's House to make good at the end of the leases.

(b) Movement in provision

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

Make Good Costs	2015	2014
Movement in non-current provision	\$	\$
Carrying amount at start of year	412,016	401,967
Change in estimate charged to plant and equipment	43,633	-
Charged/(credited) to the income statement		
- unwind discount	10,300	10,049
Carrying amount at end of year	<u>465,949</u>	<u>412,016</u>

12. Equity – Capital

	2015 \$	2014 \$
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. SDS'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 SDS's objectives and providing benefits to the Synod's stakeholders.

13. Equity - Reserves

	2015 \$	2014 \$
Capital maintenance reserve (i)	212,000	140,000
Premises fitout works reserve (ii)	463,304	294,300
Business development reserve (iii)	190,000	115,000
ICT projects reserve (iv)	200,000	-
	1,065,304	549,300

	Capital maintenance reserve \$	Premises fitout works reserve \$	Business development reserve \$	ICT projects reserve \$	Total \$
Movement in reserves					
Carrying amount at start of year	140,000	294,300	115,000	-	549,300
Transfer from current year surplus	72,000	169,004	75,000	200,000	516,004
Amounts used during the year	-	-	-	-	-
Carrying amount at end of year	212,000	463,304	190,000	200,000	1,065,304

Nature and purpose of reserves

(i) *Capital maintenance reserve*

The capital maintenance reserve is used to ensure sufficient capital is generated and maintained by SDS operations. Amounts will be transferred to the reserve to maintain the real value of the contributed capital and accumulated surplus. Balances may be transferred to accumulated surplus at times when major expenditure is incurred for activities outside of the Service Level Agreements held with SDS clients, i.e. not recouped through the SDS management fees.

(ii) *Premises fitout works reserve*

The Premises fitout works reserve is used to generate sufficient working capital for the likely need for SDS to undertake significant fitout works in its premises at the time of entering into new leases/premises. The cumulative balance will be cleared to accumulated surplus once the current leases reach the end of the lease terms, and the present or new premises are refurbished/fitted out.

(iii) *Business development reserve*

The Business development reserve will be used to support a number of strategic initiatives identified in the 2016 SDS Budget paper. These expenditures have not been allocated to clients in setting SDS fees. Balances may be transferred back to accumulated surplus at times when the strategic initiatives have been completed.

(iv) *ICT projects reserve*

The ICT projects reserve will be used to support expenditure on ICT projects during 2016 which will represent the replacement and upgrade of SDS's existing technology and communication infrastructure. Balances may be transferred back to accumulated surplus at times when the ICT projects have been completed.

14. Commitments – Premises rental

(i) Non-cancellable operating leases: SDS as lessee	2015	2014
<i>Lease commitments: SDS as lessee</i>	\$	\$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	1,102,280	1,071,077
Later than one year but not later than five years	4,560,898	4,428,056
Later than five years	1,868,623	3,087,581
	<u>7,531,801</u>	<u>8,586,714</u>

Lease commitments: SDS as lessor

<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	538,273	503,467
Later than one year but not later than five years	426,209	678,346
	<u>964,482</u>	<u>1,181,813</u>

(ii) Cancellable operating leases

<i>Lease commitments: SDS as lessee</i>		
Commitments for minimum lease payments in relation to cancellable operating leases are payable as follows:		
Within one year	270,049	259,248
Later than one year but not later than five years	26,861	56,615
	<u>296,910</u>	<u>315,863</u>

(i) *Non-cancellable operating leases*

SDS leases various suites within St Andrew's House under non-cancellable operating leases expiring within eight 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*

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

15. Investments in associates

SDS is a member of SCEGGS Darlinghurst Ltd and SCEGGS Redlands Ltd, two schools which are companies limited by guarantee. SDS 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 SDS). In a vote on an ordinary resolution not involving a ballot, SDS 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. SDS has the right to appoint 4 directors to each company. At present SDS directors are 4 of 12 in each case.

SDS 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 SDS and not subsidiaries.

No financial information of the companies is disclosed as both are limited by guarantee and SDS has not contributed any capital to the schools. In addition, SDS 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.

16. Contingent liabilities

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.

17. Overdraft facility

A Guarantee has been given to Westpac Banking Corporation by Glebe Administration Board (a related party) for overdraft accommodation up to \$1,200,000 granted to SDS.

Financing arrangements

SDS had access to the following undrawn borrowing facility at the end of each reporting period –

	2015	2014
	\$	\$
Undrawn overdraft facility with Westpac Banking Corporation	1,200,000	1,200,000

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

18. Related party transactions

Ultimate control vests with Synod through the sanctioning of governing Ordinances. The transactions between other related parties, the Synod and the Standing Committee and many of the diocesan organisations based in St Andrew's House, are carried out on a commercial basis

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

Statement of comprehensive income

SDS operates as the central administrative body of the Diocese, and is the employer of staff and responsible for providing secretarial and office support for the Archbishop, Registrar and other Diocesan funds. SDS's activities involve extensive related party transactions. SDS's revenues from management and service fees and grants 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.

SDS paid the St Andrew's House Trust \$1,056,602 for office rent, (2014: Office rent \$1,026,469).

Statement of financial position

SDS's net assets also contain outstanding balances with related parties. Included in the assets of SDS are cash deposits with Glebe Administration Board, related through a director in common, and some receivables. SDS provides a deposit taking service via "current accounts" with its client funds. These related party outstanding balances are shown as interest bearing liabilities. The balance of the current accounts are further disclosed as restricted cash in Note 2.

Key management personnel

(a) Members

The following persons held office as members of SDS during the year –

Mr M Ballantyne	Mr J Pascoe
The Rev E Brush	Mr R Smith
Bishop R Forsyth (resigned 16/11/2015)	Mr A Stanley
Mr G Hammond OAM	Bishop M Stead (appointed 16/11/2015)
Mr A McLoughlin	Professor P Wolnizer OAM
Mr I Miller	

(b) Other key management personnel

The following persons also had authority and responsibility for the strategic direction and management of SDS 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

	2015	2014
	\$	\$
Short-term employee benefits	724,565	758,253
Long-term employee benefits	27,138	34,654
	<u>751,703</u>	<u>792,907</u>

19. Critical accounting estimates

Significant estimates and judgements

Estimation of provision for long service leave

Long-term employee benefit liabilities such as long service leave provisions are subject to estimation of uncertain future events. These estimates involve assumptions about such items as discount rates used, future changes in salaries, and individual employee's pattern of use of long service leave.

Classification of Restricted Cash

SDS holds cash in trust on behalf of its client entities. SDS's has used judgment to determine that it has the right to use its client's cash to make investments, bears credit risk, and has a contractual obligation to return the funds to its clients in the event of insolvency or a financial institutions bankruptcy. Refer to Note 2 for further details.

20. Events occurring after the end of the reporting period

The members are not aware of any events occurring after the reporting period that impact on the financial statements as at 31 December 2015.

The financial statements were authorised for issue on 23 March 2016 by the members.

SYDNEY DIOCESAN SECRETARIAT

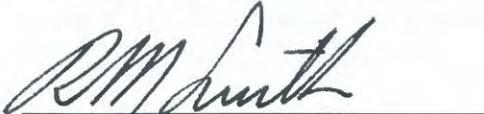
MEMBERS' DECLARATION

The members of SDS declare that these financial statements and notes set out on pages 7 to 26 –

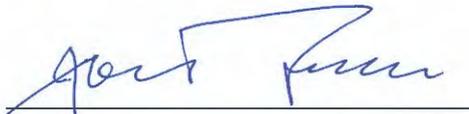
- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements, and other mandatory professional reporting requirements,
- (b) presents fairly SDS's statement of financial position as at 31 December 2015 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date.

In the members' opinion there are reasonable grounds to believe that SDS 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.



Member



Member

Sydney

23 March 2016

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 2015.

Clause 14e – Liquidity

a **Solvency**

The members of SDS are of the opinion that SDS 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 (\$838,561), annual leave (\$341,472) and for obligations upon termination of leases (\$465,949). In the opinion of the members, SDS 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 SDS during the year.

f **Internal control**

SDS 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**

There are no matters that have arisen since 31 December 2015 which are likely to have a significant effect on SDS.

i **Adoption of report**

This report has been adopted at a duly constituted and convened meeting of the members of SDS on 23 March 2016.

Clause 14 f – Risk Management

Summary of Key Risks

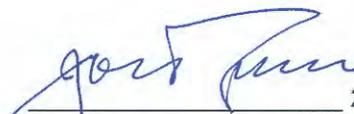
The key risk areas that were identified in 2015 were –

- a. **Strategic risks** – including that SDS fails to articulate or achieve its strategic objectives and lack of appreciation by Diocesan leadership about the role of SDS.
- b. **Reputation** – reflecting factors such as an event affecting another diocesan organisation which adversely impacts the reputation of SDS, or being linked to an ethical, legal or management failure by one of our service suppliers, unauthorised comment to the media about SDS, and staff accepting and holding external board appointments which conflict with their duties to SDS.
- c. **People** – reflecting factors such as failure to attract, engage appropriate staff, failure to ensure health, safety and welfare of staff, staff misconduct, key person risk and workload sustainability.
- d. **Service delivery** – including SDS failing to meet the service expectations of the organisations it serves, that an organisation fails to pay the cost of the services which it requires SDS to provide and that SDS provides services outside its core competencies and risk profile.
- e. **Business continuity** – reflecting risks around adequacy of procedures and documentation to ensure continuity of business if St Andrew's House was not able to be accessed and that staff are inadequately trained to implement the Disaster Recovery and Business Continuity plans.
- f. **Financial sustainability** – reflecting risks such as inadequate capital and reserves for the functioning of SDS and to meet long term obligations or objectives, and failure to maintain adequate insurance.
- g. **Operational Risk – Data & systems security** – reflecting risks around failure to ensure integrity of key systems and information and adequacy of processes to back up and restore data.
- h. **Operational Risk – Systems & processes (Financial)** – reflecting risks around failure of financial systems to provide timely and accurate information and fraud, theft inappropriate payments or diversion of funds, failure of key third party service providers and management of major expenditure projects.
- i. **Operational Risk – Systems & processes (Technology)** – reflecting risks around software and hardware obsolescence and software not efficiently supporting user needs, inadequate vendor support and insufficient audit trails for key processes.
- j. **Regulatory and contractual obligations** – reflecting obligations to external parties in respect to regulatory compliance, lack of awareness of proposed or actual changes to regulatory environment, entry into legally or commercially adverse contracts and failure to manage significant contractual obligations.



23 March 2016

Member



23 March 2016

Member



Independent auditor's report to the members of the Standing Committee of the Synod of the Anglican Church Diocese of Sydney and the members of the Sydney Diocesan Secretariat for Sydney Diocesan Secretariat

Report on the financial report

We have audited the accompanying financial report, being a special purpose financial report, of Sydney Diocesan Secretariat (the Fund), which comprises the statement of financial position as at 31 December 2015, 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.

Responsibility for the financial report of the members of the Sydney Diocesan Secretariat (as appointed by the Standing Committee)

The members of the Sydney Diocesan Secretariat (as appointed by the Standing Committee) are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 1 to the financial statements, which forms part of the financial report, is appropriate to meet the requirements of the *Sydney Diocesan Secretariat Ordinance 1973* and the *Accounts, Audit and Annual Statements Ordinance 1995* and is appropriate to meet the needs of the members of the Standing Committee of the Synod of the Anglican Church Diocese of Sydney and the members of the Sydney Diocesan Secretariat.

The responsibility of the members of the Sydney Diocesan Secretariat (as appointed by the Standing Committee) also includes such internal control as the members determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

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. Those 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 of the Sydney Diocesan Secretariat (as appointed by the Standing Committee), as well as evaluating the overall presentation of the financial report.

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

Auditor's opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of the Fund as at 31 December 2015 and its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements.

Basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial report has been prepared to assist Sydney Diocesan Secretariat to meet the requirements of the *Sydney Diocesan Secretariat Ordinance 1973* and the *Accounts, Audit and Annual Statements Ordinance 1995*.

As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the members of the Standing Committee of the Synod of the Anglican Church Diocese of Sydney and the members of the Sydney Diocesan Secretariat of Sydney Diocesan Secretariat and should not be distributed to or used by other parties.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Francois Bruder'.

Francois Bruder
Principal

Sydney
23 March 2016