

# **ST ANDREW'S HOUSE TRUST**

---

**ABN 81 498 954 541**

**MANAGER: ST ANDREW'S HOUSE CORPORATION**

**TRUSTEE: ST ANDREW'S HOUSE CORPORATION**

---

## **Annual financial report – 31 December 2018**

---

# ST ANDREW'S HOUSE TRUST

---

## Asset Report

**31 December 2018**

### **Description of Building**

St Andrew's House ("SAH") is a mixed use property that comprises 9 levels of commercial accommodation, 77% of which is leased to the St Andrew's Cathedral School ("SACS"), rooftop playground, plant rooms and a 5 level basement car park. The property also incorporates a lower ground floor retail arcade known as "Town Hall Square" providing 38 shops, which is partly held by way of a ground lease with the Council of the City of Sydney. It is classified as a 'B' grade asset within the Property Council of Australia's (PCA's) definitions.

SAH is located within the midtown precinct of the Sydney CBD and adjoins the Sydney Town Hall, Sydney Square and St Andrew's Cathedral. The total net lettable area of the tower and retail arcade is approximately 23,450 square metres.

Colliers International provide property management services in respect of SAH, including building, engineering, financial and lease administration services.

### **Market Conditions\***

---

#### ***Office Leasing Market Commentary***

The Sydney CBD vacancy rate fell by 0.7 percentage points (pps) over the 4<sup>th</sup> quarter of 2018 to 4.1%. Total vacancy is now at the lowest level since 2000.

Net absorption (leasing less withdrawals) for 2018 was 68,900sqm with major tenant moves (>1,000 sqm) being a strong contributor to quarterly net absorption (positive 14,400 sqm). This was in part due to the completion of Barrack Place, 115 Clarence Street, where Arup, Pfizer, Mills Oakley, Soul Pattinson and NRMA Insurance all took space. Co-working operators and technology groups continued to be active within the Sydney CBD, with JustCo, a new co-working operator, leasing 4,600sqm at 175 Pitt Street, IBM centralised from St Leonards to 259 George Street (6,800sqm) and Atlassian leased an additional 2,600 sqm at 341 George Street.

Professional services (seeking >1,000 sqm) were again the backbone of gross leasing demand within Sydney CBD – taking a combined 17,500 sqm over the quarter, driven by the need to either centralise operations from non-CBD markets or expand within existing tenancies. Small tenant moves (<1,000 sqm) contributed 22,500 sqm to overall net absorption, and were active across all grades. Sub-lease vacancy within Sydney CBD fell from 0.5% to 0.4% over 4Q18, another positive sign for leasing demand within the market.

Increasingly tight supply and firm leasing demand continued to drive rental growth. Prime gross effective rents increased by 1.1% over the quarter and have increased by 7.1% year-on-year (y-o-y) (to 4Q18) following a very strong year in 2017 where prime gross effective rents rose by 22.9%. Secondary gross effective rents increased by 2.2% over the quarter and have increased by 16.9% over the year to 4Q18 (+21.5% to 4Q17).

#### ***Commercial Office Sales Activity***

Investment sales in 2018 totalled \$6.18 billion. The largest direct Sydney CBD office sale was the combined acquisition of 10 and 12 Shelley Street, Sydney for \$804m, Charter Hall acquiring the two assets from Brookfield Property Partners. Also of note was the acquisition of the Investa Office fund by Oxford Properties, a portfolio of 19 assets, acquired for \$3.35 billion, of which 6 were Sydney CBD assets.

# ST ANDREW'S HOUSE TRUST

---

## Asset Report

**31 December 2018**

Prime (4.50%-5.00%) and secondary (4.75% - 5.25%) yield ranges remained unchanged over the quarter. Both of these midpoints are at record lows. The prime midpoint has compressed by 57 basis points over the last two years, whereas the secondary midpoint has compressed 75 bps over the same period. Stronger secondary yield compression has been driven by groups purchasing assets with short WALEs (Weighted Average Lease Expiry's) so as to take advantage of the potential for strong rental reversion.

### **Commercial Office Outlook**

JLL expect positive leasing demand to continue in the CBD over 2019, although take up is expected to be below long term trend of 50,800 sqm. Flexible space groups are expected to continue to expand across the market. The next major office developments are not expected to complete before 2020. Prime gross effective rental growth is expected to continue over the next 12 months albeit at a lower rate than recent years.

### **Retail Property Market Overview**

JLL report that consumer sentiment has receded over the recent months driven by political instability, mortgage rate increases, and declining house prices and yet the Westpac Melbourne Institute Index of consumer Sentiment has remained above 100 points for 11 straight months, implying that optimists outweigh pessimists.

Australian retail turnover has grown at a decreasing rate since 2014, slowing to 2.8% over the 12 months to September 2018. New South Wales has recorded relatively stable retail spending at 3.0% annual growth. Online retail sales across the whole of the country now account for about 8% of total retail spend compared with around 4.7% in 2011. Online spending is dominated by those aged between 35-44 years – this age cohort makes up 16.8% of the adult population, but their share of online spending is the highest at 23.8%.

CBD retail has a range of macro drivers underpinning the markets fundamentals. On the demand side, the sub-sector is benefiting from strong international tourism growth, growth in CBD white collar employment and population growth driven by new high density residential supply. In addition, new transport infrastructure (metro train lines and the Sydney light rail) will improve access and connectivity to the CBD for weekday and weekend shopping.

On the supply side new supply is being created primarily as part of mixed-use office and retail developments such as Quay Quarter Sydney (8,000sqm), which commenced in 2Q18, and Wynyard Place in Sydney (6,378sqm). The David Jones Elizabeth Street store is also undergoing major refurbishment (38,878sqm).

The rental profile is most varied in this sub-sector. Increasing demand for CBD retail space has created competitive tension and rental growth in Sydney where retailers continue to pursue CBD retail space for flagship stores or expansions. Sydney is recording rental growth of just under 2% pa reflecting the shortage of prime sites available despite the disruption created by the light rail and commercial building along George Street and around the CBD. A range of new retailers have opened along George Street including Super Dry, Optus, Vodafone and Michael Hill. The tenant profile has continued to change along Pitt Street Mall which was traditionally dominated by fashion and apparel. There are now a variety of tenants including telco, technology, services and a lower ground supermarket.

CBD retail yields have been stable for the last 12 months. Sydney yields have tightened the most in this cycle (253 bps) since the market trough in 2009. JLL suggest the market is close to a cyclical peak or set for a sustained period of low growth.

*\*Source: Jones Lang LaSalle Valuation report for SAH – 31 December 2018 & JLL Retail Market Commentary Q418*

# ST ANDREW'S HOUSE TRUST

---

## Asset Report 31 December 2018

### Valuation

---

JLL's approach to the valuation is the same as previous years which is to have provided a notional assessment of the value for each of the Tower/Car Park and the Arcade as at 31 December 2018, applying discrete capitalisation rates to the assessed net income of each component. The notional amounts adopted as at 31 December 2018 and the comparison values as at 31 December 2017 were as follows –

St Andrew's House	As at 31 December 2018	As at 31 December 2017
Tower and Car Park	\$ 134.0 million	\$ 123.5 million
Arcade	\$ 41.5 million	\$ 42.0 million
<b>Total</b>	<b>\$ 175.5 million</b>	<b>\$ 165.5 million</b>

Accordingly, the total value of SAH has increased by \$10.0 million. In brief, the movement in the value of SAH from 2017 can be summarised as follows –

- (a) Slightly higher adopted net market income for the Tower (up 4.4%) combined with a slightly lower capitalisation rate (down 0.25% to 6.75%) and discount rate (down 0.25% to 6.75%) resulting in a \$10.5 million increase in value.
- (b) Very slightly lower net market income for the Arcade and an unchanged capitalisation rate of 6%, resulting in a slight decrease in value of \$0.5 million.
- (c) No material change in building outgoings.

### Office Tower

---

Net property income for the year was approximately 4% above 2017 net property income (after adjusting for the extraordinary 'one off' payment arising out of the assignment of the Red Cross lease over Levels 3 and 4 to SACS in 2017). This was primarily due to fixed annual rent reviews plus a market rent review in relation to the Ground Floor South lobby and former library area leased to SACS.

The office tower was 100% leased during Q2 2018 with the lease up of 549 sqm suite on Level 1 to Shelde Pty Ltd a private IT security company on a new four-year lease following the vacation of the suite by Youthworks in October 2017.

The ground lease of the northern side of the Arcade from City of Sydney expires on 1 February 2020. During Q4 2018 the option for a further term of 10 years was exercised giving security of tenure through to 2030.

During the year a number of capital works were undertaken, including Level 1 balcony compliance and accessibility, Level 1 server room strip out and make good, planned life cycle equipment replacements and installation of a platform lift in the car park to meet BCA compliance standards.

The SAH Car Park is leased to Wilson Parking, Australia's largest commercial car park operator with a further three years remaining on the lease.

# ST ANDREW'S HOUSE TRUST

---

## Asset Report 31 December 2018

### Town Hall Arcade

---

The Arcade continues to require very intensive management and much of Colliers time is devoted to this task. During the year one new lease was negotiated, two new short term licences and two lease renewals were completed. Fixed rent reviews were also carried out on 26 tenancies resulting in an average uplift of ~3.8% over passing rent. At year end the occupancy level was 97% and there were 2 vacancies in the Arcade. Net income of the Arcade was approximately ~9% higher than 2017 but still ~3% below 2016. The improvement in 2018 was due to a combination of fewer voids, fixed rent reviews and a full lease-tail surrender payment of ~\$106,000 from Student Flights to exit their lease over Shop 21B.

The Arcade remains one of the highest pedestrian trafficked retail centres in Sydney with the number of pedestrians passing through the Arcade showing a pleasing increase from 11.43 million as at December 2017 (moving annual traffic count) to 12.34 million as at December 2018, an increase of ~ 8%. This is thought to be due in part to the leasing of Shop 1 to Coco Fresh in April 2018, a bubble tea operator at the Town Hall station entrance to the Arcade which has attracted significant new patronage to the Arcade. The completion of backfilling of previously vacant office space at Darling Park Tower 2 is also thought to have increased the number of pedestrians using the Arcade from Town Hall station. A new traffic count system was installed in October with counters installed at two secondary entrances not previously monitored.

### Formal Energy Efficiency Rating

---

The NABERS (National Australian Built Environment Rating System) energy rating is an independent rating system for determining the energy efficiency of a building. It operates on the basis of a "star" system with 6 stars being the most energy efficient and 0 stars being the least efficient.

A substantial amount of work was undertaken up to 2015 to improve the energy efficiency of SAH culminating in the achievement of a 5 star NABERS rating in March 2015. However, with the assignment of the Red Cross lease over Levels 3 and 4 to SACS in October 2017 the building became an exception to requiring a NABERS rating for leasing purposes as the non-rateable portion of the building is over 50% of the lettable area including the school, car parking and retail areas. Although a formal rating is not currently being undertaken ongoing monitoring and system maintenance is being continued so that there is a readiness to revert to formal NABERS rating should the need arise in the future.

The electricity consumption in SAH over the 5 years to 2016 decreased by over 20% and gas consumption by over 50%. The opportunity to extract further efficiencies from energy, water and waste management are being continually monitored.

### Property Financial Performance

---

The financial results from the operations of SAH (before interest, income distributions and the annual revaluation adjustment) is provided below –

St Andrew's House \$'000	Rental Income 2018	Operating Expenses 2018	Net Income 2018	Net Income 2017	Net Income 2016
Arcade	\$ 5,160	(\$ 2,442)	\$ 2,718	\$ 2,492	\$ 2,800
Tower and Car Park	\$ 8,904	(\$ 1,751)	\$ 7,153	\$ 9,600	\$ 6,562
<b>TOTAL</b>	<b>\$ 14,064</b>	<b>(\$ 4,193)</b>	<b>\$ 9,871</b>	<b>\$ 12,092</b>	<b>\$ 9,362</b>

# ST ANDREW'S HOUSE TRUST

## Statement of comprehensive income For the year ended 31 December 2018

	Notes	2018 \$	2017 \$
<b>Revenue from continuing operations</b>			
Rental and other property income		14,070,309	16,410,359
Interest		226,246	146,191
Fair value adjustment to investment property	9(a)	9,526,951	27,697,449
Other income	4	132,568	63,763
<b>Total revenue from continuing operations</b>		<b>23,956,074</b>	<b>44,317,762</b>
<b>Expenses from continuing operations</b>			
Interest & finance charges		398,452	448,517
Professional fees		90,146	32,875
SDS Management fee		134,664	119,028
Property expenses		4,373,080	4,321,153
Audit fees		42,514	47,318
<b>Total expenses from continuing operations</b>		<b>5,038,856</b>	<b>4,968,891</b>
<b>Surplus for the year</b>	5	<b>18,917,218</b>	<b>39,348,871</b>
<b>Other comprehensive income</b>		-	-
<b>Other comprehensive income for the year</b>		-	-
<b>Total comprehensive income for the year</b>		<b>18,917,218</b>	<b>39,348,871</b>

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

# ST ANDREW'S HOUSE TRUST

## Statement of financial position As at 31 December 2018

	Notes	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	2,985,230	5,391,596
Term deposits	7	7,322,153	3,970,000
Receivables	8	1,464,688	688,918
<b>Total current assets</b>		<b>11,772,071</b>	<b>10,050,514</b>
<b>Non-current assets</b>			
Investment property	9(a)	175,500,000	165,500,000
Deferred expenses - Leasing fees	10	357,934	422,338
<b>Total non-current assets</b>		<b>175,857,934</b>	<b>165,922,338</b>
<b>Total assets</b>		<b>187,630,005</b>	<b>175,972,852</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables		712,391	748,048
Loans	12	2,500,000	2,000,000
Deferred income	13	404,334	330,742
<b>Total current liabilities</b>		<b>3,616,725</b>	<b>3,078,790</b>
<b>Non-current liabilities</b>			
Loans	12	6,900,000	9,400,000
<b>Total non-current liabilities</b>		<b>6,900,000</b>	<b>9,400,000</b>
<b>Total liabilities</b>		<b>10,516,725</b>	<b>12,478,790</b>
<b>Net assets</b>		<b>177,113,280</b>	<b>163,494,062</b>
<b>EQUITY</b>			
Capital	14	9,429,229	9,429,229
Reserves	16	7,502,500	6,502,500
Accumulated surplus		160,181,551	147,562,333
<b>Total equity</b>		<b>177,113,280</b>	<b>163,494,062</b>

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

# ST ANDREW'S HOUSE TRUST

## Statement of changes in equity For the year ended 31 December 2018

	Notes	Capital \$	Reserves \$	Accumulated surplus \$	Total \$
<b>Balance at 1 January 2017</b>		<b>9,429,229</b>	<b>2,560,000</b>	<b>117,324,962</b>	<b>129,314,191</b>
Surplus for the year		-	-	39,348,871	39,348,871
Transfer to future rental costs reserve	16	-	500,000	(500,000)	-
Transfer to future non-sinking fund capital works reserve	16	-	692,500	(692,500)	-
Transfer to strategic projects reserve	16	-	2,750,000	(2,750,000)	-
Total comprehensive income for the year		-	3,942,500	35,406,371	39,348,871
Transactions with beneficiaries					
Distributions provided for or paid	11	-	-	(5,169,000)	(5,169,000)
				(5,169,000)	(5,169,000)
<b>Balance at 31 December 2017</b>		<b>9,429,229</b>	<b>6,502,500</b>	<b>147,562,333</b>	<b>163,494,062</b>
Surplus for the year		-	-	18,917,218	18,917,218
Transfer to future rental costs reserve	16	-	500,000	(500,000)	-
Transfer to future non-sinking fund capital works reserve	16	-	500,000	(500,000)	-
Transfer to strategic projects reserve	16	-	-	-	-
Total comprehensive income for the year		-	1,000,000	17,917,218	18,917,218
Transactions with beneficiaries					
Distributions provided for or paid	11	-	-	(5,298,000)	(5,298,000)
		-	-	(5,298,000)	(5,298,000)
<b>Balance at 31 December 2018</b>		<b>9,429,229</b>	<b>7,502,500</b>	<b>160,181,551</b>	<b>177,113,280</b>

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



# ST ANDREW'S HOUSE TRUST

## Statement of cash flows For the year ended 31 December 2018

	Notes	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Rental and other property income received		13,757,742	15,854,947
Interest received		154,346	107,181
Borrowing costs paid		(402,482)	(454,960)
Payments in respect of the operations		(4,479,369)	(4,295,320)
<b>Net cash inflow from operating activities</b>	19	<b>9,030,237</b>	<b>11,211,848</b>
<b>Cash flows from investing activities</b>			
Net (increase)/decrease in term deposits	7	(3,352,153)	(3,154,332)
Payment for investment property	9(a)	(786,450)	(631,206)
Contribution to sinking fund		-	-
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(4,138,603)</b>	<b>(3,785,538)</b>
<b>Cash flows from financing activities</b>			
Distributions to other Anglican organisations	11	(5,298,000)	(5,169,000)
Repayment of borrowings	12	(2,000,000)	(2,000,000)
<b>Net cash (outflow) from financing activities</b>		<b>(7,298,000)</b>	<b>(7,169,000)</b>
Net (decrease)/increase in cash and cash equivalents		(2,406,366)	257,310
Cash and cash equivalents at the beginning of the financial year		5,391,596	5,134,286
<b>Cash and cash equivalents at the end of the year</b>	6	<b>2,985,230</b>	<b>5,391,596</b>

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

## 1. General information

This financial report records the financial result and state of affairs of the operation of the St Andrew's House Trust ("SAHT"). The Council of the St Andrew's House Corporation ("SAHC") was constituted by the St Andrew's House Corporation Ordinance 2018 for the purpose of governing and controlling the management and use of the land described in the ordinance. The land on which the building known as SAH is constructed is held by the SAHC on the trust described in the St Andrew's House Trust Ordinance 2015 (the "Ordinance"). Under the terms of the Ordinance –

- the trusts on which SAH is held were re-declared, and
- SAHC became the Trustee, and
- provision was made for the application of the income in 2015 and subsequent years.

## 2. 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

In the opinion of the members of the Council of SAHC as Trustee of SAHT, SAHT is not a reporting entity because there are no users who are dependent on a general purpose financial report. These are special purpose financial statements that have been prepared for the purpose of complying with the *St Andrew's House Trust Ordinance 2015* and the *Accounts, Audits and Annual Statements Ordinance 1995* requirements to prepare and distribute financial statements to the members of the Standing Committee of the Synod of the Anglican Church Diocese of Sydney and to the members of the Council of SAHC and must not be used for any other purpose.

The financial statements have been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board with the exception of the classification of the cash and cash equivalents balances as noted in note 2.

The members of the Council of SAHC have determined that the accounting policies adopted are 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 Council of SAHC. The financial statements contain only those disclosures considered necessary by the members of the Council of SAHC to meet the needs of the above named specified users.

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

### 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 the Corporation's accounting policies.

The material area of the financial statements where assumptions or estimates are used include the valuation of the investment property (refer note 9).

### New standards adopted by the SAHT

The Fund has applied AASB 9 *Financial Instruments* for the first time for the annual reporting period commencing 1 January 2018.

## 2. Summary of significant accounting policies (cont.)

### (b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of taxes paid, net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

#### Lease income

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.

#### Interest income

Interest income is recognised on an effective interest basis.

### (c) Income tax

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

### (d) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Lease incentives may be provided to lessees to enter into an operating lease. These incentives may be in the form of cash, rent free periods, lessee or lessor owned fit-outs. They are amortised over the term of the lease as a reduction of rental income. The carrying amount of the lease incentives is reflected in the fair value of the investment properties. Leasing fees are capitalised and amortised over the term of the lease.

### (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 assets 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).

### (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.

In addition to cash and cash equivalents balances noted above, SAHT has also adopted a policy which includes short-term investments as a cash and cash equivalents balance. These investments include unsecured loans to the Diocesan Cash Investment Fund (DCIF). The loans made to DCIF are separate from those made by any other lender and makes SAHT an unsecured creditor of DCIF. Loans are repayable on request by SAHT in accordance with the conditions set out in the Loan Agreement between the Fund and the DCIF.

## 2. Summary of significant accounting policies (cont.)

### (g) Receivables

The Fund has adopted AASB 9 *Financial Instruments* which became effective on 1 January 2018.

#### Trade Receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Fund holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

#### Impairment

For trade receivables, the Fund applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

### (h) Investment property

Investment property, comprising an office complex, carpark and a retail arcade, is held for long-term rental yields. Investment property is carried at fair value, representing open-market value determined annually by external valuer. Changes in fair values are recorded in profit or loss.

### (i) Payables

Payables include rent received in advance for the following period.

It also represents 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.

### (j) Borrowings and borrowing costs

Borrowings are initially recognised at fair value. Borrowings are classified as current liabilities unless the Corporation has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include interest on deposits and long-term borrowings.

### (k) 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.

## 2. Summary of significant accounting policies (cont.)

### (m) Employee benefits

There are no employees of the SAHT. Employment services are provided by Sydney Diocesan Services ("SDS") and recovered by way of a management charge.

### (n) Goods and Service Tax (GST)

The entity is a 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 balance sheet.

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.

### (o) Sinking fund

On 16 February 2001 the Glebe Administration Board, in its then capacity as owner and manager of SAHC (lessor), entered into a lease agreement with St Andrew's Cathedral School (the lessee). Under the agreement the school leased levels 6-8, the roof and the school's Kent Street entrance for a period of 120 years. Part of the lease agreement required the establishment of a fund (sinking fund) to provide for structural works. The school currently contributes 34.36% and the lessor 65.64% of the required amounts.

The SAHT's share of the sinking fund is set aside as a restricted cash balance. The St Andrew's Cathedral School's share of the sinking fund which is not spent at year end is classified as a deferred income in the balance sheet. The deferred income will be released to the income statement as and when the capital expenditure relating to the maintenance of the building is occurring.

### (p) Reserves

Reserves are set aside under the terms provided for in the St Andrew's House Trust Ordinance 2015.

Clause 5(b) of the ordinance provides for amounts to be reserved for replacement or refurbishment of the SAH tower, shopping arcade and car park.

Clause 5(b) of the ordinance provide for amounts to be reserved for other purposes that SAHC may determine including amounts set aside for distributions in future years.

### 3. Financial risk management

The Corporation's activities expose it to a variety of financial risks; market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Corporation uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks, ageing analysis for credit risk.

Prime responsibility for oversight of financial risk management is with the Council of SAHC.

The Corporation holds the following financial instruments –

	2018	2017
	\$	\$
<b>Financial assets</b>		
Current account with Sydney Diocesan Secretariat	64,199	4,112
Diocesan Cash Investment Fund - at call	2,921,031	5,387,484
Westpac Banking Corporation - Term Deposits	7,322,153	3,970,000
Receivables	1,464,688	688,918
	11,772,071	10,050,514
<b>Financial liabilities</b>		
Payables	712,391	748,048
Interest bearing liabilities- loans	9,400,000	11,400,000
	10,112,391	12,148,048

(i) Foreign exchange risk

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

(ii) Price risk

As at 31 December 2018, the Corporation did not hold investments in assets classified on the balance sheet at fair value through profit or loss. Therefore, the Corporation is not exposed to equity securities price risk. The Corporation is not exposed to commodity price risk.

(iii) Cash flow and fair value interest rate risk

The Corporation's main interest rate risk arises from its long-term borrowing. Borrowings, issued at variable rates, expose the Corporation to cash flow interest rate risk. The Corporation also holds cash and cash equivalent deposits which expose the Corporation to interest rate risk from impacts on interest income.

(iv) Interest rate sensitivity

At 31 December 2018, if interest rates had changed by +/- 100 basis points from the year-end rates with all other variables held constant, the surplus for the year would have been \$9,074 lower/ higher (2017- change of 100bps: \$20,384 lower/ higher), mainly as a result of higher/lower interest expense on interest bearing liabilities.

### 3. Financial risk management (cont.)

The following table summarises the sensitivity of the Corporation's financial assets and financial liabilities to interest rate risk.

31 December 2018	Carrying amount \$	Interest rate risk			
		-1.00% Surplus \$	Equity \$	1.00% Surplus \$	Equity \$
<b>Financial assets and liabilities</b>					
Cash and cash equivalent deposits and term deposits	10,307,383	(103,074)	(103,074)	103,074	103,074
Interest bearing liabilities	9,400,000	94,000	94,000	(94,000)	(94,000)
<b>Total increase/ (decrease)</b>		<b>(9,074)</b>	<b>(9,074)</b>	<b>9,074</b>	<b>9,074</b>

31 December 2017	Carrying amount \$	Interest rate risk			
		-1.00% Surplus \$	Equity \$	1.00% Surplus \$	Equity \$
<b>Financial assets and liabilities</b>					
Cash and cash equivalent deposits and term deposits	9,361,596	(93,616)	(93,616)	93,616	93,616
Interest bearing liabilities	11,400,000	114,000	114,000	(114,000)	(114,000)
<b>Total increase/ (decrease)</b>		<b>20,384</b>	<b>20,384</b>	<b>(20,384)</b>	<b>(20,384)</b>

#### (b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with financial institutions, as well as credit exposures to outstanding receivables. 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 nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets held. Financial assets held are not rated.

#### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The fund manages liquidity risk by regularly monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

### 3. Financial risk management (cont.)

The tables below analyse the Trust's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

	Less than 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total contractual cashflows
<b>At 31 December 2018</b>					
Payables	712,391	-	-	-	712,391
Interest bearing liabilities- loans principal	2,500,000	2,500,000	4,400,000	-	9,400,000
Interest bearing liabilities- loans interest	329,191	231,941	172,133	-	733,265
	3,541,582	2,731,941	4,572,133	-	10,845,656

	Less than 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total contractual cashflows
<b>At 31 December 2017</b>					
Payables	748,048	-	-	-	748,048
Interest bearing liabilities- loans principal	2,000,000	2,000,000	7,400,000	-	11,400,000
Interest bearing liabilities- loans interest	374,880	304,480	418,440	-	1,097,800
	3,122,928	2,304,480	7,818,440	-	13,245,848

#### (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. Other income

	Notes	2018 \$	2017 \$
Portion of sinking fund capital expenditure referable to St Andrew's Cathedral School (SACS) (34.36%)	13	138,142	47,105
Less: Portion of sinking fund investment income referable to St Andrew's Cathedral School (34.36%)	13	(5,574)	(3,272)
Reimbursement of legal fees		-	19,930
Other income		132,568	63,763

#### 5. Operating surplus

	Notes	2018 \$	2017 \$
The surplus from ordinary activities has been determined as follows:			
Net income contribution from:			
Commercial offices		5,180,221	7,845,495
Car Park		1,973,061	1,931,611
Arcade		2,718,301	2,492,265
Sydney Square		(168,500)	(176,941)
Sinking Fund		138,142	47,105
		9,841,225	12,139,535
Interest earned		226,246	146,191
Other income		-	19,930
Interest paid		(398,452)	(448,517)
SDS Management fee		(134,664)	(119,028)
Other expenses		(138,514)	(83,417)
Portion of investment income referable to St Andrew's Cathedral School		(5,574)	(3,272)
Movement in investment property	9(a)	9,526,951	27,697,449
Surplus for the year		18,917,218	39,348,871

#### 6. Current assets - Cash and cash equivalents

	2018 \$	2017 \$
Current account with Sydney Diocesan Services	64,199	4,112
Diocesan Cash Investment Fund - at call	2,921,031	5,387,484
	2,985,230	5,391,596

## 6. Current assets – Cash and cash equivalents (cont.)

### (a) Current account with Sydney Diocesan Services

The current account is at call and bears a floating interest rate of 0.01% (2017 – 0.01%). This deposit is at call.

### (b) Diocesan Cash Investment Fund

Included as a cash equivalent is an unsecured loan to the Diocesan Cash Investment Fund. The Diocesan Cash Investment Fund is a wholesale charitable investment fundraiser. The Glebe Administration Board is trustee of the Diocesan Cash Investment Fund. The loan amount is regarded as cash as the unitised interests are valued at \$1.00, which are payable at call. The underlying investments of DCIF are cash accounts at call, term deposits and cash trusts.

### (c) Restricted cash

Cash includes a restricted cash amount of \$1,178,766 (2017 - \$919,493), which represents the sinking fund pursuant to a lease agreement St Andrew's Cathedral School. (Refer note 15).

## 7. Term deposits

	2018 \$	2017 \$
Westpac Banking Corporation - initial term 6 months	819,653	800,000
Westpac Banking Corporation - initial term 12 months	3,170,000	3,170,000
Westpac Banking Corporation - initial term 12 months	3,332,500	-
	7,322,153	3,970,000

At 31 December 2018 the six-month term deposit for \$819,653 (2017: \$800,000) was earning 2.49% pa (2017: 2.41%). The two twelve-month term deposits were earning fixed interest rates, respectively, of 2.60% pa (\$3,170,000) and 2.61% pa (\$3,332,500).

## 8. Current assets - Receivables

	2018 \$	2017 \$
Trade receivables and interest receivable	1,381,108	730,944
Provision for impaired receivables	(16,500)	(137,579)
	1,364,608	593,365
Accrued income	-	78,875
Prepayments	100,080	16,678
	<u>1,464,688</u>	<u>688,918</u>
<b>Amounts held in trust by Colliers and other debtors</b>		
Colliers Trust Account	1,259,542	608,144
Other debtors	-	73,135
Interest receivable - term deposits	121,566	49,665
	<u>1,381,108</u>	<u>730,944</u>

### (a) Impaired trade receivables

As at 31 December 2018 current trade receivables of the Trust with a nominal value of \$16,500 (2017: \$137,579) were impaired.

### (b) Past due but not impaired

As at 31 December 2018, trade receivables of \$12,135 (2017: \$1,961) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2018 \$	2017 \$
1 to 3 months	12,135	1,961
Greater than 3 months	-	-
	<u>12,135</u>	<u>1,961</u>

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

## 9. Non-current assets – Investment property

### (a) Fair value

	Notes	2018 \$	2017 \$
Fair value at 1 January		165,500,000	137,000,000
Additions - refurbishments		786,450	631,206
Movements in lease incentives/straightlined rental	9(b)	(313,401)	171,345
Net gain/(loss) from fair value adjustment		9,526,951	27,697,449
Fair value at 31 December		175,500,000	165,500,000

#### Valuation basis

Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is not a forced seller prepared to sell at any price. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition.

An independent valuation of the Tower, the SAH Car Park and Town Hall Square Arcade has been undertaken by Mr Richard Lawrie FAPI MRICS (valuer no. 3826) of Jones Lang LaSalle Advisory Services Pty Ltd as at 31 December 2018. For valuation purposes, SAH is considered to be a single asset and its separate parts not independently realisable. The values provided for the Tower, Car Park and Town Hall Square Arcade are notional assessments of the value of the separate parts of the building.

The capitalisation rates adopted by the valuer are as follows –

	2018 %	2017 %
Tower and Car Park	6.75	7.00
Town Hall Square Arcade	6.00	6.00

The valuation is as follows –

	2018 \$	2017 \$
Tower and Car Park	134,000,000	123,500,000
Town Hall Square Arcade	41,500,000	42,000,000
	175,500,000	165,500,000

The fair value of the investment properties at 31 December 2018 includes the amortized cost of lease incentives and the impact of straight-lining rental income in accordance with Australian Accounting Standards. Refer to note 9(b) for details of lease incentives and related amortization and straight-lined rentals.

## 9. Non-current assets – Investment property (cont.)

### (b) Lease incentives and straight-lined rentals

	2018	2017
	\$	\$
<b>ST ANDREWS CATHEDRAL SCHOOL LEVELS 3 &amp; 4</b>		
<b>(2016: AUSTRALIAN RED CROSS SOCIETY)</b>		
Rent-free period lease incentive	3,859,510	3,458,388
Less: amortisation	(3,443,090)	(2,920,088)
	<u>416,420</u>	<u>538,300</u>
Lease Fitout Incentive	2,241,432	2,241,432
Less: amortisation	(1,475,609)	(1,251,465)
	<u>765,823</u>	<u>989,967</u>
Straightlined lease rental	1,230,410	1,334,042
<b>Total St Andrews Cathedral School Levels 3 &amp; 4</b>	<b><u>2,412,653</u></b>	<b><u>2,862,309</u></b>
<b>ST ANDREWS CATHEDRAL SCHOOL LEVEL 5</b>		
Cash lease incentive	250,000	250,000
Less: amortisation	(175,000)	(150,000)
	<u>75,000</u>	<u>100,000</u>
Straightlined lease rental	551,431	622,460
<b>Total ST ANDREWS CATHEDRAL SCHOOL Level 5</b>	<b><u>626,431</u></b>	<b><u>722,460</u></b>
<b>ST ANDREWS CATHEDRAL SCHOOL GROUND FLOOR</b>		
Cash lease incentive	1,060,828	1,060,828
Less: amortisation	(583,456)	(530,412)
	<u>477,372</u>	<u>530,416</u>
Rent free lease incentive	219,176	219,176
Less: amortisation	(120,546)	(109,588)
	<u>98,630</u>	<u>109,588</u>
Straightlined lease rental	847,314	816,365
<b>Total ST ANDREWS CATHEDRAL SCHOOL Ground Floor</b>	<b><u>1,423,316</u></b>	<b><u>1,456,369</u></b>
<b>AUSTRALIAN RED CROSS BLOOD BANK GROUND FLOOR</b>		
Rent free lease incentive	528,265	528,265
Less: amortisation	(441,925)	(389,099)
	<u>86,340</u>	<u>139,166</u>
Lease Fitout Incentive	112,275	112,275
Less: amortisation	(93,562)	(82,335)
	<u>18,713</u>	<u>29,940</u>
Straightlined lease rental	134,368	189,360
<b>Total Australian Red Cross Blood Bank Ground Floor</b>	<b><u>239,421</u></b>	<b><u>358,466</u></b>
<b>WILSON PARKING</b>		
Straightlined lease rental	263,772	181,368
<b>Total Wilson Parking</b>	<b><u>263,772</u></b>	<b><u>181,368</u></b>
<b>ANGLICAN DEACONESS MINISTRIES</b>		
Lease Fitout Incentive	485,526	485,526
Less: amortisation	(97,105)	(48,553)
	<u>388,421</u>	<u>436,973</u>
Straightlined lease rental	145,840	81,119
<b>Total Anglican Deaconess Ministries</b>	<b><u>534,261</u></b>	<b><u>518,092</u></b>
<b>SHELDE LEVEL 1</b>		
Lease Fitout Incentive	326,000	-
Less: amortisation	(61,125)	-
	<u>264,875</u>	<u>-</u>
Straightlined lease rental	20,934	-
<b>Total Shelde</b>	<b><u>285,809</u></b>	<b><u>-</u></b>
<b>Total lease incentives and straightlined rentals</b>	<b><u>5,785,663</u></b>	<b><u>6,099,064</u></b>

## 9. Non-current assets – Investment property (cont.)

### (b) Lease incentives and straight-lined rentals (cont.)

Movement in lease incentives capitalised –

	Notes	2018 \$	2017 \$
Balance at 31 December		5,785,663	6,099,064
Balance at 1 January		6,099,064	5,927,719
<b>Movement in lease incentives and straightlined rentals</b>	9(a)	<b>(313,401)</b>	<b>171,345</b>

### (c) Leasing arrangements

The investment property is leased to tenants under long term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment property are as follows –

	2018 \$	2017 \$
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows. Leases which have been agreed but not formally executed are included. Leases which have not been agreed have not been included.		
Within one year	13,814,297	13,406,433
Later than one year but not later than 5 years	27,297,286	37,790,855
Later than 5 years	4,584,988	4,671,537
	<u>45,696,571</u>	<u>55,868,825</u>

## 10. Deferred Expenses – Leasing fees

	2018 \$	2017 \$
Total Leasing Fees	926,496	880,636
Less Total Amortisation	(568,562)	(458,298)
	<u>357,934</u>	<u>422,338</u>

## 11. Distributions

From 2015 the *St Andrew's House Trust Ordinance 2015* (the Ordinance) provides for the application of income. As per clause 5 of the Ordinance, the income earned is to be applied, so far as it extends, to the payment of interest, loan principal repayments, outgoings and amounts set aside for any provision or reserve which the St. Andrew's House Corporation determines is desirable for the proper management and control of the Trust or property, with the balance being the distribution.

	2018	2017
	\$	\$
<b>Provision for income distribution</b>		
<b>St Andrew's House Trust Ordinance 2015</b>		
Income (Clause 5)	13,897,101	15,954,211
Less: Interest (Clause 5(a)(i))	(402,482)	(454,960)
Less: Loan repayments( Clause 5(a)(ii))	(2,000,000)	(2,000,000)
Less: Outgoings (Clause 5(a)(iii))	(5,510,105)	(5,400,303)
Less: Reserve for future non-sinking fund capital works (Clause 5(b))	16 (500,000)	(692,500)
Less: Reserve for future rental costs (Clause 5(b))	16 (500,000)	(500,000)
Less: Reserve for strategic projects (Clause 5(b))	16 -	(2,750,000)
Plus: Amounts previously set aside for other purposes (Clause 5(b))	313,486	1,012,552
<b>Surplus available (Clause 5(c))</b>	<b>5,298,000</b>	<b>5,169,000</b>
Less: Distribution Paid	5,298,000	5,169,000
<b>Provision for income distribution (Clause 5(2))</b>	<b>-</b>	<b>-</b>

## 11. Distributions (cont.)

Amounts set aside for other purposes under Clause 5

	2018	2017
	\$	\$
<b>St Andrew's House Trust Ordinance 2015</b>		
Balance at 1 January	1,038,539	2,051,091
Plus: Amounts set aside for other purposes (Clause 5(b))	(313,486)	(1,012,552)
Balance at 31 December	<u>725,053</u>	<u>1,038,539</u>
Total amounts set aside for other purposes	<u>725,053</u>	<u>1,038,539</u>

Total distributions paid during the year were:

	2018	2017
	\$	\$
Distribution from current year income	<u>5,298,000</u>	<u>5,169,000</u>
	5,298,000	5,169,000

	2018	2017
	\$	\$
Distribution to Glebe Administration Board	-	2,584,500
Distribution to Synod St Andrews House Fund	2,649,000	-
Distribution to Endowment of the See Capital Fund	662,250	2,584,500
Distribution to Endowment of the See Expenditure Fund	1,986,750	-
	<u>5,298,000</u>	<u>5,169,000</u>

Pursuant to Clause 5(4) of the *St Andrew's House Trust Ordinance 2015* as amended, one half of the distributions for 2018 were paid to the Synod St Andrew's House Fund. The other half of the distributions were paid to the Endowment of the See Capital Fund (until 31 March 2018) and Endowment of the See Expenditure Fund (after 31 March 2018).

Pursuant to Clause 6(1) of the *St Andrew's House Trust (Variation of Trusts) Ordinance 2017*, which commenced on 1 September 2017, one half of distributions paid during 2017 after commencement date of the ordinance continued to be paid to the Glebe Administration Board as trustee of the Diocesan Endowment Trust.



## 12. Loans

	2018	2017
	\$	\$
Loan from related party- current	2,500,000	2,000,000
Loan from related party- non-current	6,900,000	9,400,000
	<u>9,400,000</u>	<u>11,400,000</u>

An unsecured loan facility of up to \$9,400,000 has been obtained from the Glebe Administration Board for the purposes of renovation and refurbishment of the offices and Town Hall Square. The loan term is for 14 years from 1 December 2008 and is to be repaid in instalments between \$250,000 and \$625,000. The interest rate at 31 December 2018 was 3.89%.

## 13. Deferred Income

	Notes	2018	2017
		\$	\$
<b>St Andrew's Cathedral School's share of the sinking fund</b>			
Balance at 1 January		330,742	168,415
Contribution to the sinking fund by St Andrew's Cathedral School	15	206,160	206,160
Sinking fund expenditure	4	(138,142)	(47,105)
Interest	4	5,574	3,272
Balance at 31 December	15	<u>404,334</u>	<u>330,742</u>

This amount represents the portion of the sinking fund which is committed to be paid on structural works or returned to the school.

The investment income is reinvested in the following investments –

	Notes	2018	2017
		\$	\$
Investment in Diocesan Cash Investment Fund		5,574	3,272
		<u>5,574</u>	<u>3,272</u>

## 14. Capital

	2018	2017
	\$	\$
Capital	<u>9,429,229</u>	<u>9,429,229</u>

## 15. Reconciliation of sinking fund

On 16 February 2001 the Glebe Administration Board, in its then capacity as owner and manager of SAHT (lessor), entered into a lease agreement with St Andrew's Cathedral School (the lessee). Under the agreement the school leased levels 6-8, the roof and the school's Kent Street entrance for a period of 120 years. Part of the lease agreement required the establishment of a fund (sinking fund) to provide for structural works. The contributions are currently 34.36% by the lessee and 65.64% by the lessor.

The agreement requires that expenditure on structural works be paid from the sinking fund in proportion to each party's contributions. After 115 years from 16 February 2001, any unspent amount is to be returned to each party in proportion to their contributions.

The St Andrew's Cathedral School's 34.36% share of the sinking fund is recognised as a liability.

Under the agreement, the contributions made during the year were as follows –

	Notes	2018 \$	2017 \$
Lessor		393,840	393,840
Lessee		206,160	206,160
Total		600,000	600,000

Movement in sinking fund:

Opening balance	974,848	502,418
Contribution to the sinking fund	600,000	600,000
Capital expenditure	(402,044)	(137,092)
Interest	16,222	9,522
Closing balance	1,189,026	974,848

The total lessor's and lessee's interest in the sinking fund is as follows –

Lessor		784,692	644,106
Lessee	13	404,334	330,742
Balance of sinking fund 31 December		1,189,026	974,848

These amounts are held in the following investments and cash assets within SAHT –

	2018 \$	2017 \$
Diocesan Cash Investment Fund - at call	1,127,226	918,493
Current account with Sydney Diocesan Secretariat	51,540	1,000
Other receivables	10,260	55,355
Balance at 31 December	1,189,026	974,848

## 16. Reserves

The future rental costs reserve represents amounts set aside for future rental void, incentive and leasing costs.

The non-sinking fund capital works reserve represents amounts set aside for future capital non-sinking fund works.

The strategic projects reserve represents amounts set aside for future strategic initiatives.

	2018 \$	2017 \$
Future rental costs reserve	2,020,000	1,520,000
Future non-sinking fund capital works reserve	2,732,500	2,232,500
Strategic projects reserve	2,750,000	2,750,000
	<u>7,502,500</u>	<u>6,502,500</u>

Movement in reserves:

	2018 \$	2017 \$
Balance at 1 January	6,502,500	2,560,000
Transfer to future rental costs reserve	500,000	500,000
Transfer to non-sinking fund capital works reserve	500,000	692,500
Strategic projects reserve	-	2,750,000
Balance at 31 December	<u>7,502,500</u>	<u>6,502,500</u>

## 17. Contingent assets and contingent liabilities

The terms of the lease for levels 6, 7 & 8 of SAHC incorporates a put option. Under the option the Council of St Andrew's House Cathedral School (the "School") may at any time during the term of its lease require SAHT to acquire the interest of the School in this lease upon written notice. The termination date of the lease is 15 February 2121.

No amount has been recognised as an asset or liability in respect of the option because –

- The School has not indicated an intention to exercise the put option.
- The consideration payable to the School on exercise of the option is equal to the value of the School's interest in the leased premises. Therefore, in the event of the exercise of the option, an asset would be acquired at least of equal value to the amount payable to the School.

## 18. Related party transactions

### Ownership interests

---

Glebe Administration Board as trustee for the Diocesan Endowment Fund and the Anglican Church Property Trust Diocese of Sydney as trustee for the Endowment of the See Capital Fund both held a beneficial interest of 50% each in SAHT until 31 August 2017.

Pursuant to the *St Andrew's House (Variation of Trusts) Ordinance 2017*, which commenced on 1 September 2017, the trusts of the property held in the SAHT were re-declared so that the 50% beneficial interest which had been held for the purpose of the Diocesan Endowment Fund would henceforth be held for the general purposes of the Anglican Church of Australia in the Diocese of Sydney.

Ultimate control vests with Synod through the sanctioning of governing Ordinances.

### Transactions with related parties

---

During 2018 SAHT distributed to the Synod St. Andrew's House Fund, the Endowment of the See Capital Fund, and the Endowment of the See Expenditure Fund. The distributions paid total \$5,298,000 (2017: \$5,169,000).

SAHC is the trustee and manager of SAHT. SAHC received no fee for acting as trustee or manager of the Trust.

A loan facility has been provided by Glebe Administration Board to assist with the funding of improvements to Town Hall Square and SAH. As at 31 December 2018, the loan had a limit of \$9,400,000 and was drawn to \$9,400,000 (2017: \$11,400,000). Interest for the year ended 31 December 2018 in respect of this loan was \$398,452 (2017: \$448,517).

Total management administration fee charged from SDS to SAHT during the year was \$465,560 (2017: \$452,004).

SAHT received \$798,550 (2017: \$775,861) for office rent from SDS.

SAHT received \$333,640 (2017: \$304,395) for office rent from the Endowment of the See Expenditure Fund.

### Key management personnel

---

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Key management personnel include the following persons who held office as Council members at some time during the year –

Mr R Smith (until 16 May 2018)	Mr D S Marr
Mr C L Cotman (until 5 July 2018)	Mr J S Pascoe (until 22 May 2018)
Mr C Watson	Ms M Yacoel
Mr R Freeman	Rev J Sneddon (from 14 May 2018)
Rev L Symons (from 14 May 2018)	Mr M Firek (from 4 June 2018)
Mr C Bertinshaw (from 15 Oct 2018)	Mr A Buckley (from 10 December 2018)

The Council members received no remuneration in connection with their roles as Council members or for the management of SAHT.

## 18. Related party transactions (cont.)

Key management personnel include the executives below with the greatest authority for the strategic direction and management of the entity.

<i>Name</i>	<i>Position</i>
Mr R J Wicks	Chief Executive Officer
Mr M A Blaxland	Chief Financial Officer

Administration services are provided by SDS. Key management personnel compensation is paid by SDS and is recovered by way of an administration service fee to the SAHT.

The members of SAHC receive no remuneration.

### Transactions with other related parties

The following other related party transactions occurred during the year.

At 31 December 2018 SAHT had an amount of \$64,199 (2017: \$4,112) in a current account with SDS. During the year interest of \$40 (2017: \$68) was paid to SDS with respect to this current account.

At 31 December 2018, SAHT held \$2,921,031 (2017: \$5,387,484) in at-call deposits with the Diocesan Cash Investment Fund. During the year the Diocesan Cash Investment Fund paid interest of \$51,364 (2017: \$52,765).

Various entities who are tenants in SAH are other related parties, some of whom pay below market rental.

## 19. Reconciliation of surplus from ordinary activities to the net cash flows from operating activities

	2018	2017
	\$	\$
Surplus from ordinary activities	18,917,218	39,348,871
Sinking Fund Income from St Andrew's Cathedral School	(132,568)	(43,833)
Sinking Fund Contribution from St Andrew's Cathedral School	206,160	206,160
Movement in investment property	(9,526,951)	(27,697,449)
Lease incentives, straightlined rentals, and lease fees amortisation	377,805	(157,904)
<b>Changes in assets and liabilities</b>		
(Increase)/decrease in receivables	(654,691)	(436,660)
(Decrease)/increase in payables	(35,657)	(113,259)
(Decrease)/Increase in provision for impaired receivables	(121,079)	105,922
Net cash inflow from operating activities	9,030,237	11,211,848

## 20. Capital expenditure and other commitments

	2018	2017
	\$	\$
Commitments for capital projects on St Andrew's House contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	-	22,898

## 21. Events occurring after the reporting period

The members are not aware of any events occurring after reporting date that impact on the financial statements as at 31 December 2018.

These financial statements were authorised for issue on 03 April 2019 by the Council.

## 22. Remuneration of auditors

SAHT pays the cost of auditing the financial statements. The audit fee for 2018 is \$45,574 (2017: \$44,258).

## 23. Contingent liability

The St Andrew's House Corporation has elected to participate in the *National Redress Scheme for People who have Experienced Child Sexual Abuse* (the Scheme). The Corporation is responsible for satisfying its financial liabilities to the Scheme, should such liabilities occur. There are no such known liabilities as at 31 December 2018.

# **ST ANDREW'S HOUSE TRUST**

---

## **MEMBERS' DECLARATION**

The members of the Council of SAHC, as trustee of St Andrew's House Trust, declare that the financial statements and notes of SAHT set out on pages 5 to 29 -

- (a) comply with accounting policies in note 2 of the financial report;
- (b) present fairly the balance sheet as at 31 December 2018 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 Trust 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

03 April 2019



Member

03 April 2019



## *Independent auditor's report*

To the members of the Standing Committee of the Synod of the Anglican Church Diocese of Sydney and to the members of the Council of St Andrew's House Corporation for St Andrew's House Trust

---

### *Our opinion*

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of St Andrew's House Trust (the Trust) as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in Note 2 to the financial statements.

### *What we have audited*

The financial report comprises:

- the statement of financial position as at 31 December 2018
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the members' declaration.

---

### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

### *Independence*

We are independent of the Trust in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

---

### *Emphasis of matter - basis of accounting and restriction on distribution and use*

We draw attention to Note 2 in the financial report, which describes the basis of accounting. The financial report has been prepared to meet the requirements of the *St Andrew's House Trust Ordinance 2015* and of the *Accounts, Audits and Annual Reports 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 for the members of the Council of St Andrew's House Corporation and should not be distributed to or used by other parties. Our opinion is not modified in respect of this matter.

---

**PricewaterhouseCoopers, ABN 52 780 433 757**

One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001  
T: +61 2 8266 0000, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124  
T: +61 2 9659 2476, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.





---

### *Other information*

The members of the Council of St Andrew's House Corporation as Trustee for the Trust are responsible for the other information. The other information comprises the information included in the annual financial report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

---

### *Responsibilities of the members of the Council of St Andrew's House Corporation as Trustee for the financial report*

The members of the Council of St Andrew's House Corporation as Trustee for the Trust are responsible for the preparation and fair presentation of the financial report in accordance with the accounting policies described in Note 2 to the financial statements, and for such internal control as the members determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the members are responsible for assessing the ability of the Trust to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.



---

### *Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers

A handwritten signature in blue ink that reads 'francois Bruder' in a cursive script.

Francois Bruder  
Principal

Sydney  
3 April 2019