

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 2019

ST ANDREW'S HOUSE TRUST

Asset Report

31 December 2019

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.

Sydney CBD Office Market Overview August 2019 *

Highlights

Against a backdrop of near record low prime grade vacancy (3.0% in July 2019), overall CBD office absorption levels have begun to ease.

Demand for quality office space continues to drive refurbishment of existing secondary buildings as owners seek to close the gap in the market.

Investment volumes for the first half of 2019 (to July) are currently at \$3.52 billion, buoyed by the continuing trend of mega-deal activity which emerged at the tail- end of 2018.

Growth underpinned by long-term confidence in Sydney

Government led infrastructure projects are at record levels, providing significant upside to the NSW employment growth rate, which continues to outperform the national average. Private business investment is solid, as reflected in the substantial pipeline of committed commercial building works that are underway or in the pipeline for Sydney.

While business confidence has moderated slightly, white collar employment growth and government spending on infrastructure are expected to remain key sources of strength for the CBD market moving forward.

In the short-term, supply-side factors will continue to play a critical role, particularly against a backdrop of demand for prime grade space and aggressive expansion targets by co-working operators, as seen recently.

Tenant Demand & Absorption

Generally, the demand side story remains optimistic, especially for prime grade space where the market is seeing above-average rental growth rates. Against that backdrop, there is some optimism around economic fundamentals such as population and employment growth, and this is also helping to underpin occupier demand for expansion space and to some extent, the 'flight to quality' demand as businesses look at ways to incorporate flexibility into their workplace. While this has seen some tenants consolidate requirements to fulfil this demand, broadly it is also contributing to the divergence between prime and secondary fundamentals, most notably the vacancy rate.

Further withdrawal of stock from the market has seen overall vacancy tighten to 3.7% as at July 2019, its lowest vacancy rate since 2008 and the second lowest capital city vacancy rate in the country.

The continuation of the stock withdrawal trend across Sydney CBD, generally in secondary grade stock, masks the low level of vacancy within the prime grade segment, which has become more pronounced recently on the back of tenants' enduring 'flight to quality' drivers.

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Prime vacancy at near record low, while secondary holds

Demand for prime office space has caused the prime grade vacancy rate to shrink reach a near record low level in July 2019 at 3.0, down from 3.7% reported in January 2019. However, net absorption reached +17,118sq m in the six months to July 2019, which is below its historical average.

Sydney is starting to see a polarisation in the market. In addition to tenant preferences for central locations, such as the Core, Midtown and Western precincts, the prime grade vacancy rate is declining sharply, while the secondary vacancy rate is generally in a holding pattern. Over the last two years, secondary stock vacancy has hovered within a band of 4.4% to 4.8%, with the latest vacancy rate reading for July 2019 at 4.8%, just 10 bps higher than January 2019.

Largely, the withdrawal of secondary stock continues to hamper secondary leasing activity. While the cycle of permanent withdrawals has abated, demand for prime grade office space is driving the refurbishment of existing secondary stock as owners seek to close the gap in the market. This dynamic has resulted in a period of negative net absorption that has now run for more than three years. In addition to the c.130,000 sqm of new development due to be delivered over 2019 and 2020, more than 145,000 sqm in refurbished space is planned. Pre-commitment levels on this space is already running close to 50%, motivating landlords to think about new projects.

Popularity of flexible office space has recently ramped up

The sector mix of lease deals in the market for 2018-2019YTD was led by financial and insurance services and professional services, with 27% and 24% share of the total, respectively. Real estate services (includes co-working) accounted for 18% of leasing volumes, up from an annual average of about 10%.

The popularity of flexible office has ramped up on the back of WeWork recently announcing their largest space commitment so far and the continuing expansion by Hub Australia. As the trend continues, there's been a spate of new entrants, with operators also starting to segment themselves in their offerings. The number of landlords looking to incorporate flexible space within their buildings is also rising.

Supply & Development - Less than 9,000 sq m of supply added this year

Across the broader market, supply additions over the past six months have been limited. The office component of 100 Broadway, which has been leased to the UTS for 15 years, has been completed, adding c.5,447 sq m. In addition, the refurbished floors from the Dexu/AMP Capital owned 309 Kent Street have been finalised, adding c.3,192 sq m.

Low-level of incoming uncommitted supply still to play out

Supply-side factors continue to play a critical role in Sydney, with the low-level of incoming uncommitted space story expected to play out for at least another six months.

In terms of new development stock, 60 Martin Place is due to be completed in the second half of the year, bringing c.40,300 sqm of office space. The development is close to 80% pre-committed.

**Source: Knight Frank Valuation report for SAH – 31 December 2019*

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Asset Report 31 December 2019

Valuation

Knight Frank's approach to the valuation is the same as JLL in 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 2019, applying discrete capitalisation rates to the assessed net income of each component. The notional amounts adopted as at 31 December 2019 and the comparison values as at 31 December 2018 were as follows:

St Andrew's House	As at 31 December 2019	As at 31 December 2018
Tower and Car Park	\$ 168.0million	\$ 134.0 million
Arcade	\$ 47.5 million	\$ 41.5 million
Total	\$ 215.5 million	\$ 175.5 million

Accordingly, the total value of SAH has increased by \$40.0 million. In brief, the movement in the value of SAH from 2018 can be attributed as follows –

- Slightly higher adopted net market income (up 5%) combined with a lower capitalisation rate (office down 0.75% to 6.00% & retail down 0.50% to 5.50%).
- No material change in building outgoings.

Office Tower

The office tower was 100% leased as at 31 December 2019

During the year a number of capital works were undertaken, including planned life cycle equipment replacements and installation and commencement of the Arcade refresh works.

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.

Town Hall Arcade

The Arcade continues to require very intensive management and much of Colliers time is devoted to this task.

At year end there was only one vacancy (Fish Fine Music). All of the remaining shops were held under lease or licence agreements.

The Arcade remains one of the highest pedestrian trafficked retail centres in Sydney. The number of pedestrians passing through the Arcade increased from 12.34 million as at December 2018 to 14.01 million as at December 2019 (moving annual traffic count).

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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 2019	Operating Expenses 2019	Net Income 2019	Net Income 2018	Net Income 2017
Arcade	\$ 5,350	(\$2,406)	\$ 2,944	\$ 2,718	\$ 2,492
Tower and Car Park	\$ 9,125	(\$1,853)	\$ 7,272	\$ 7,153	\$ 9,600
TOTAL	\$ 14,475	(\$4,259)	\$ 10,216	\$ 9,871	\$ 12,092

ST ANDREW'S HOUSE TRUST

Statement of comprehensive income For the year ended 31 December 2019

	Notes	2019 \$	2018 \$
Revenue from continuing operations			
Rental and other property income		14,475,026	14,070,309
Interest		260,301	226,246
Fair value adjustment to investment property	10(a)	40,060,874	9,526,951
Other income	4	134,784	132,568
Total revenue from continuing operations		54,930,985	23,956,074
Expenses from continuing operations			
Interest & finance charges		281,975	398,452
Professional fees		84,467	90,146
SDS Management fee		147,696	134,664
Property expenses		4,482,948	4,373,080
Audit fees		49,827	42,514
Total expenses from continuing operations		5,046,913	5,038,856
Surplus for the year	5	49,884,072	18,917,218
Other comprehensive income		-	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year		49,884,072	18,917,218

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 2019

	Notes	2019 \$	2018 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	5,000	64,199
Short-term investments	7	5,230,598	2,921,031
Term deposits	8	7,502,500	7,322,153
Receivable and other assets	9	1,152,483	1,464,688
Total current assets		13,890,581	11,772,071
Non-current assets			
Investment property	10(a)	215,500,000	175,500,000
Deferred expenses - Leasing fees	11	271,986	357,934
Total non-current assets		215,771,986	175,857,934
Total assets		229,662,567	187,630,005
LIABILITIES			
Current liabilities			
Payables		720,504	712,391
Loans	13	2,500,000	2,500,000
Deferred income	14	475,710	404,334
Total current liabilities		3,696,214	3,616,725
Non-current liabilities			
Loans	13	4,400,000	6,900,000
Total non-current liabilities		4,400,000	6,900,000
Total liabilities		8,096,214	10,516,725
Net assets		221,566,353	177,113,280
EQUITY			
Capital	15	9,429,229	9,429,229
Reserves	17	8,827,500	7,502,500
Accumulated surplus		203,309,624	160,181,551
Total equity		221,566,353	177,113,280

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 2019

	Notes	Capital \$	Reserves \$	Accumulated surplus \$	Total \$
Balance at 1 January 2018		9,429,229	6,502,500	147,562,333	163,494,062
Surplus for the year		-	-	18,917,218	18,917,218
Transfer to future rental costs reserve	17	-	500,000	(500,000)	-
Transfer to future non-sinking fund capital works reserve	17	-	500,000	(500,000)	-
Total comprehensive income for the year		-	1,000,000	17,917,218	18,917,218
Transactions with beneficiaries					
Distributions provided for or paid	12	-	-	(5,298,000)	(5,298,000)
				(5,298,000)	(5,298,000)
Balance at 31 December 2018		9,429,229	7,502,500	160,181,551	177,113,280
Surplus for the year		-	-	49,884,072	49,884,072
Transfer to future rental costs reserve	17	-	600,000	(600,000)	-
Transfer to future non-sinking fund capital works reserve	17	-	725,000	(725,000)	-
Total comprehensive income for the year		-	1,325,000	48,559,072	49,884,072
Transactions with beneficiaries					
Distributions provided for or paid	12	-	-	(5,431,000)	(5,431,000)
		-	-	(5,431,000)	(5,431,000)
Balance at 31 December 2019		9,429,229	8,827,500	203,309,623	221,566,352

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 2019

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Rental and other property income received		15,765,976	13,757,742
Interest received		205,040	154,346
Borrowing costs paid		(313,377)	(402,482)
Payments in respect of the operations		(4,375,436)	(4,479,369)
Net cash inflow from operating activities	20	11,282,203	9,030,237
Cash flows from investing activities			
Net (increase)/decrease in term deposits	8	(180,347)	(3,352,153)
(Increase)/decrease in short-term investments		(2,309,567)	2,466,454
Payment for investment property	10(a)	(920,488)	(786,450)
Net cash (outflow)/inflow from investing activities		(3,410,402)	(1,672,149)
Cash flows from financing activities			
Distributions to other Anglican organisations	12	(5,431,000)	(5,298,000)
Repayment of borrowings	13	(2,500,000)	(2,000,000)
Net cash (outflow) from financing activities		(7,931,000)	(7,298,000)
Net (decrease)/increase in cash and cash equivalents		(59,199)	60,088
Cash and cash equivalents at the beginning of the financial year		64,199	4,111
Cash and cash equivalents at the end of the year	6	5,000	64,199

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 (the Trust). 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 St Andrew's House 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 St Andrew's House 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.

The accounting policies that have been used for the preparation of the financial statements are set out below.

(a) Basis of preparation

In the opinion of the members of SAHC as Trustee of the Trust, the Trust 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 SAHC and must not be used for any other purpose.

The members 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 SAHC. The financial statements contain only those disclosures considered necessary by the members of SAHC to meet the needs of the above named specified users.

The Trust 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 Trust'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(a)).

New standards adopted by the Trust

The Trust derives revenue from investing in properties for rental yields and capital appreciation over time. There are no changes to the measurement or timing of investment property rental revenue that have arisen from the adoption of AASB 15.

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

Rental revenue from investment properties is recognised on a straight-line basis over the lease term, net of any incentives. The Trust also provides services to the lessees which primarily consist of general building management and operations in accordance with their lease agreements. Service income, representing the recovery of associated costs from the lessee, is recognised over time when the services are provided.

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 as lessor

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.

2. Summary of significant accounting policies (cont.)

(g) Short-term investments

The Trust has classified financial assets based on the Trust's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Short-term investments represent financial assets at amortised cost. The Trust's investments in the Diocesan Cash Investment Fund (DCIF) are financial assets. The purpose of these investments is to collect contractual cash flows that are solely payments of principal and interest. They are measured at amortised cost.

At initial recognition, the Trust measures these financial assets at their fair value plus transaction costs that are directly attributable to the acquisition of the financial assets.

"Regular way" purchases and sales of financial assets are recognised on trade date, being the date on which the Trust commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Trust has transferred substantially all the risks and rewards of ownership.

Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses).

The Trust reclassifies financial assets when and only when its business model for managing those assets changes.

(h) Receivables

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

(i) 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.

The fair value of the investment properties includes the value of the ground lease the Trust has in place which includes both the value of lease payments made by the Trust and the rental income derived from the lease of the ground lease to tenants.

2. Summary of significant accounting policies (cont.)

(j) 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.

(k) Borrowings and borrowing costs

Borrowings are initially recognised at fair value. Borrowings are classified as current liabilities unless the Trust 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.

(l) 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.

(m) Employee benefits

The Trust does not have any employees. Employment services are provided by Sydney Diocesan Services (“SDS”) and recovered by way of a management charge.

(n) Investment properties expenses and outgoings

Investment properties expenses relate to those costs that are required to be incurred to allow for the occupation and maintenance of investment properties in order to continue to earn rental revenue. Expenses include statutory levies, insurance and other property outgoings and are recognised on an accruals basis.

(o) Goods and Service Tax (GST)

The Trust 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.

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. Summary of significant accounting policies (cont.)

(p) 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 Trust's share of the sinking fund is set aside as restricted cash and/or short-term investments. 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.

(q) 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 Trust'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 Trust 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 members of SAHC.

The Trust holds the following financial instruments:

	2019	2018
	\$	\$
Financial assets		
Current account with Sydney Diocesan Services	5,000	64,199
Short-term investments	5,230,598	2,921,031
Westpac Banking Corporation - Term Deposits	7,502,500	7,322,153
Trade receivables and interest receivable	1,126,779	1,364,608
	13,864,877	11,671,991
Financial liabilities		
Payables	720,504	712,391
Interest bearing liabilities- loans	6,900,000	9,400,000
	7,620,504	10,112,391

(i) Foreign exchange risk

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

(ii) Price risk

As at 31 December 2019, the Trust did not hold investments in assets classified on the balance sheet at fair value through profit or loss. Therefore, the Trust 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 Trust's main interest rate risk arises from its long-term borrowing. Borrowings, issued at variable rates, expose the Trust to cash flow interest rate risk. The Trust also holds cash and cash equivalent deposits which expose the Trust to interest rate risk from impacts on interest income.

(iv) Interest rate sensitivity

At 31 December 2019, 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 \$58,381 lower/ higher (2018- change of 100bps: \$9,074 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 Trust's financial assets and financial liabilities to interest rate risk.

31 December 2019	Carrying amount \$	Interest rate risk			
		-1.00% Surplus \$	Equity \$	1.00% Surplus \$	Equity \$
Financial assets and liabilities					
Cash and cash equivalent deposits and term deposits	7,507,501	(75,075)	(75,075)	75,075	75,075
Short-term investments	5,230,598	(52,306)	(52,306)	52,306	52,306
Interest bearing liabilities	6,900,000	69,000	69,000	(69,000)	(69,000)
Total increase/ (decrease)		(58,381)	(58,381)	58,381	58,381

31 December 2018	Carrying amount \$	Interest rate risk			
		-1.00% Surplus \$	Equity \$	1.00% Surplus \$	Equity \$
Financial assets and liabilities					
Cash and cash equivalent deposits and term deposits	7,386,353	(73,864)	(73,864)	75,075	73,864
Short-term investments	2,921,031	(29,210)	(29,210)	29,210	29,210
Interest bearing liabilities	9,400,000	94,000	94,000	(94,000)	(94,000)
Total increase/ (decrease)		(9,074)	(9,074)	10,285	9,074

(a) Credit risk

Credit risk arises from cash and cash equivalents, deposits with financial institutions, short-term investments 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.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Trust 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. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total contractual cashflows
At 31 December 2019					
Payables	720,504	-	-	-	720,504
Interest bearing liabilities- loans principal	2,500,000	4,400,000	-	-	6,900,000
Interest bearing liabilities- loans interest	162,323	120,466	-	-	282,789
	3,382,827	4,520,466	-	-	7,903,293

	Less than 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total contractual cashflows
At 31 December 2018					
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

(c) 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 loss allowance provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

4. Other income

	Notes	2019 \$	2018 \$
Portion of sinking fund capital expenditure referable to St Andrew's Cathedral School (SACS) (34.36%)	13	140,897	138,142
Less: Portion of sinking fund investment income referable to St Andrew's Cathedral School (34.36%)	13	(6,113)	(5,574)
Other income		134,784	132,568

5. Operating surplus

	Notes	2019 \$	2018 \$
The surplus from ordinary activities has been determined as follows:			
Net income contribution from:			
Commercial offices		5,354,255	5,180,221
Car Park		1,917,892	1,973,061
Arcade		2,944,455	2,718,301
Sydney Square		(184,913)	(168,500)
Sinking Fund		140,897	138,142
		10,172,586	9,841,225
Interest earned		260,301	226,246
Interest paid		(281,975)	(398,452)
SDS Management fee		(147,696)	(134,664)
Other expenses		(173,905)	(138,514)
Portion of investment income referable to St Andrew's Cathedral School		(6,113)	(5,574)
Movement in investment property	9(a)	40,060,874	9,526,951
Surplus for the year		49,884,072	18,917,218

6. Current assets - Cash and cash equivalents

	2019 \$	2018 \$
Current account with Sydney Diocesan Services	5,000	64,199
	5,000	64,199

(a) Current account with Sydney Diocesan Services

The current account is at call and bears no interest. (2018 – 0.01%). This deposit is at call.

(b) Restricted cash

Cash includes a restricted cash amount of \$0 (2018 - \$51,540), which represents the sinking fund pursuant to a lease agreement St Andrew's Cathedral School. (Refer note 15).

7. Current assets – Short-term investments

	2019	2018
	\$	\$
Diocesan Cash Investment Fund	5,230,598	2,921,031
	<u>5,230,598</u>	<u>2,921,031</u>

Short-term investments include financial assets at amortised cost and include unsecured advances/investments with the DCIF. The deposits with the DCIF are separate from those made by any other lender and makes the Trust an unsecured creditor of the DCIF. Investments are repayable on request by the Trust in accordance with the conditions set out in the Loan Agreement between the Trust and the DCIF.

The DCIF has adopted an Investment Policy Statement which stipulates the permitted asset classes and strategic asset allocation for the investments of the DCIF. These include at-call accounts, cash accounts and term deposits. These investments can also be made through authorised managed fund investments to the extent that they are made in the above asset categories. The assets in which the authorised managed fund has invested are stipulated in the investment strategy and asset allocation policy of the fund. It includes at-call balance and term deposits with a maximum duration of 12 months per deposit and an expected portfolio average duration of three to six months to maturity at any point in time.

Restricted short-term investments

Short-term investments includes a restricted amount of \$1,339,595 (2018 - \$1,127,266), which represents the sinking fund pursuant to a lease agreement St Andrew's Cathedral School. (Refer note 15).

8. Term deposits

	2019	2018
	\$	\$
Westpac Banking Corporation - initial term 6 months	-	819,653
Westpac Banking Corporation - initial term 12 months	-	3,170,000
Westpac Banking Corporation - initial term 12 months	-	3,332,500
Westpac Banking Corporation - initial term 12 months	2,732,500	-
Westpac Banking Corporation - initial term 12 months	2,020,000	-
Westpac Banking Corporation - initial term 12 months	2,750,000	-
	<u>7,502,500</u>	<u>7,322,153</u>

At 31 December 2019 the three twelve-month term deposits, all with maturity date 26th February 2020, were earning fixed interest rates of 2.60% pa.

9. Current assets – Receivables and other assets

	2019 \$	2018 \$
Trade receivables and interest receivable	1,126,779	1,381,108
Loss allowance	-	(16,500)
	<u>1,126,779</u>	<u>1,364,609</u>
Prepayments	25,705	100,080
	<u>1,152,484</u>	<u>1,464,688</u>
Amounts held in trust by Colliers and other debtors		
Colliers Trust Account	898,412	1,259,542
Other debtors	51,540	-
Interest receivable - term deposits	176,827	121,566
	<u>1,126,779</u>	<u>1,381,108</u>

(a) Loss allowance

As at 31 December 2019 current trade receivables of the Trust with a nominal value of \$Nil (2018: \$16,500) were impaired.

(b) Past due but not impaired

The Trust applies the simplified approach permitted by AASB 9, which requires lifetime expected losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due. As at 31 December 2019, trade receivables of \$85,182 (2018: \$12,135) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2019 \$	2018 \$
1 to 3 months	85,182	12,135
Greater than 3 months	-	-
	<u>85,182</u>	<u>12,135</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.

10. Non-current assets – Investment property

(a) Fair value

	Notes	2019 \$	2018 \$
Fair value at 1 January		175,500,000	165,500,000
Additions - refurbishments		920,489	786,450
Movements in lease incentives/straightlined rental	9(b)	(981,363)	(313,401)
Net gain/(loss) from fair value adjustment		40,060,874	9,526,951
Fair value at 31 December		215,500,000	175,500,000

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 Knight Frank Australia Pty Ltd as at 31 December 2019. 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:

	2019 %	2018 %
Tower and Car Park	6.00	6.75
Town Hall Square Arcade	5.50	6.00

The valuation is as follows –

	2019 \$	2018 \$
Tower and Car Park	168,000,000	134,000,000
Town Hall Square Arcade	47,500,000	41,500,000
	215,500,000	175,500,000

The fair value of the investment properties at 31 December 2019 includes the value of the ground lease (which includes both the value of lease payments and the rental income derived from the lease of the ground lease to tenants), the amortised cost of lease incentives, and the impact of straight-lining rental income in accordance with the accounting policies of the Trust. Refer to note 9(b) for details of lease incentives and related amortisation and straight-lined rentals.

10. Non-current assets – Investment property (cont.)

(b) Lease incentives and straight-lined rentals

	2019 \$	2018 \$
ST ANDREWS CATHEDRAL SCHOOL LEVELS 3 & 4		
Lease rent incentive	4,292,439	3,859,510
Less: amortisation	(3,930,611)	(3,443,089)
	<u>361,827</u>	<u>416,420</u>
Lease fitout incentive	2,241,432	2,241,432
Less: amortisation	(1,699,752)	(1,475,609)
	<u>541,680</u>	<u>765,823</u>
Straightlined lease rental	944,765	1,230,410
Total St Andrews Cathedral School Levels 3 & 4	<u>1,848,272</u>	<u>2,412,653</u>
ST ANDREWS CATHEDRAL SCHOOL LEVEL 5		
Cash lease incentive	250,000	250,000
Less: amortisation	(200,000)	(175,000)
	<u>50,000</u>	<u>75,000</u>
Straightlined lease rental	425,400	551,431
Total ST ANDREWS CATHEDRAL SCHOOL Level 5	<u>475,400</u>	<u>626,431</u>
ST ANDREWS CATHEDRAL SCHOOL GROUND FLOOR		
Cash lease incentive	1,060,828	1,060,828
Less: amortisation	(636,497)	(583,456)
	<u>424,331</u>	<u>477,372</u>
Rent free lease incentive	219,176	219,176
Less: amortisation	(131,505)	(120,546)
	<u>87,671</u>	<u>98,630</u>
Straightlined lease rental	855,193	847,314
Total ST ANDREWS CATHEDRAL SCHOOL Ground Floor	<u>1,367,195</u>	<u>1,423,316</u>
AUSTRALIAN RED CROSS BLOOD BANK GROUND FLOOR		
Rent free lease incentive	528,265	528,265
Less: amortisation	(494,751)	(441,925)
	<u>33,514</u>	<u>86,340</u>
Lease Fitout Incentive	112,275	112,275
Less: amortisation	(104,789)	(93,562)
	<u>7,486</u>	<u>18,713</u>
Straightlined lease rental	57,558	134,368
Total Australian Red Cross Blood Bank Ground Floor	<u>98,558</u>	<u>239,421</u>
WILSON PARKING		
Straightlined lease rental	262,787	263,772
Total Wilson Parking	<u>262,787</u>	<u>263,772</u>
ANGLICAN DEACONESS MINISTRIES		
Lease Fitout Incentive	485,526	485,526
Less: amortisation	(145,658)	(97,105)
	<u>339,868</u>	<u>388,421</u>
Straightlined lease rental	193,589	145,840
Total Anglican Deaconess Ministries	<u>533,457</u>	<u>534,261</u>
SHELDE LEVEL 1		
Lease Fitout Incentive	326,000	326,000
Less: amortisation	(142,625)	(61,125)
	<u>183,375</u>	<u>264,875</u>
Straightlined lease rental	35,256	20,934
Total Shelde	<u>218,631</u>	<u>285,809</u>
Total lease incentives and straightlined rentals	<u>4,804,300</u>	<u>5,785,663</u>

10. Non-current assets – Investment property (cont.)

(c) Lease incentives and straight-lined rentals (cont.)

Movement in lease incentives capitalised:

	Notes	2019 \$	2018 \$
Balance at 31 December		4,804,300	5,785,663
Balance at 1 January		5,785,663	6,099,064
Movement in lease incentives and straightlined rentals	9(a)	(981,363)	(313,401)

(d) 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 –

	2019 \$	2018 \$
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	12,277,100	13,814,297
Later than one year but not later than 5 years	16,274,958	27,297,286
Later than 5 years	3,330,216	4,584,988
	<u>31,882,274</u>	<u>45,696,571</u>

11. Deferred Expenses – Leasing fees

	2019 \$	2018 \$
Total Leasing Fees	937,059	926,496
Less Total Amortisation	(665,073)	(568,562)
	<u>271,986</u>	<u>357,934</u>

12. Distributions

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.

	2019	2018
	\$	\$
Provision for income distribution		
St Andrew's House Trust Ordinance 2015		
Income (Clause 5)	15,951,728	13,897,101
Less: Interest (Clause 5(a)(i))	(313,377)	(402,482)
Less: Loan repayments(Clause 5(a)(ii))	(2,500,000)	(2,000,000)
Less: Outgoings (Clause 5(a)(iii))	(5,437,465)	(5,510,105)
Less: Reserve for future non-sinking fund capital works (Clause 5(b))	16 (725,000)	(500,000)
Less: Reserve for future rental costs (Clause 5(b))	16 (600,000)	(500,000)
Plus: Amounts previously set aside for other purposes (Clause 5(b))	(944,886)	313,486
Surplus available (Clause 5(c))	5,431,000	5,298,000
Less: Distribution Paid	5,431,000	5,298,000
Provision for income distribution (Clause 5(2))	-	-

12. Distributions (cont.)

Amounts set aside for other purposes under Clause 5

	2019	2018
	\$	\$
St Andrew's House Trust Ordinance 2015		
Balance at 1 January	725,053	1,038,539
Plus: Amounts set aside for other purposes (Clause 5(b))	944,886	(313,486)
Balance at 31 December	<u>1,669,939</u>	<u>725,053</u>
Total amounts set aside for other purposes	<u>1,669,939</u>	<u>725,053</u>

Total distributions paid during the year were:

	2019	2018
	\$	\$
Distribution from current year income	<u>5,431,000</u>	<u>5,298,000</u>
	<u>5,431,000</u>	<u>5,298,000</u>

	2019	2018
	\$	\$
Distribution to Synod St Andrews House Fund	2,715,500	2,649,000
Distribution to Endowment of the See Capital Fund	-	662,250
Distribution to Endowment of the See Trust	<u>2,715,500</u>	<u>1,986,750</u>
	<u>5,431,000</u>	<u>5,298,000</u>

Pursuant to Clause 5(4) of the *St Andrew's House Trust Ordinance 2015* as amended, one half of the distributions for 2019 were paid to the Synod St Andrew's House Fund. The other half of the distributions were paid to the Endowment of the See Trust.

13. Loans

	2019	2018
	\$	\$
Loan from related party- current	2,500,000	2,500,000
Loan from related party- non-current	<u>4,400,000</u>	<u>6,900,000</u>
	<u>6,900,000</u>	<u>9,400,000</u>

An unsecured loan facility of up to \$6,900,000 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 2019 was 2.72%.

14. Deferred Income

	Notes	2019 \$	2018 \$
St Andrew's Cathedral School's share of the sinking fund			
Balance at 1 January		404,334	330,742
Contribution to the sinking fund by St Andrew's Cathedral School	15	206,160	206,160
Sinking fund expenditure	4	(140,897)	(138,142)
Interest	4	6,113	5,574
Balance at 31 December	15	475,710	404,334

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	2019 \$	2018 \$
Short-term investments		6,113	5,574
		6,113	5,574

15. Capital

	2019 \$	2018 \$
Capital	9,429,229	9,429,229

16. Reconciliation of sinking fund

On 16 February 2001 the Glebe Administration Board, in its then capacity as owner and manager of the Trust (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	2019 \$	2018 \$
Lessor		393,840	393,840
Lessee		206,160	206,160
Total		<u>600,000</u>	<u>600,000</u>

Movement in sinking fund:

Opening balance	1,189,026	974,848
Contribution to the sinking fund	600,000	600,000
Capital expenditure	(410,061)	(402,044)
Interest	17,791	16,222
Closing balance	<u>1,396,756</u>	<u>1,189,026</u>

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

Lessor		921,046	784,692
Lessee	13	<u>475,710</u>	<u>404,334</u>
Balance of sinking fund 31 December		<u>1,396,756</u>	<u>1,189,026</u>

These amounts are held in the following investments and cash assets within the Trust:

	2019 \$	2018 \$
Short-term investments	1,339,595	1,127,226
Current account with Sydney Diocesan Services	-	51,540
Other receivables	57,161	10,260
Balance at 31 December	<u>1,396,756</u>	<u>1,189,026</u>

17. 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.

	2019	2018
	\$	\$
Future rental costs reserve	2,620,000	2,020,000
Future non-sinking fund capital works reserve	3,457,500	2,732,500
Strategic projects reserve	2,750,000	2,750,000
	<u>8,827,500</u>	<u>7,502,500</u>

Movement in reserves:

	2019	2018
	\$	\$
Balance at 1 January	7,502,500	6,502,500
Transfer to future rental costs reserve	600,000	500,000
Transfer to non-sinking fund capital works reserve	725,000	500,000
Strategic projects reserve	-	-
Balance at 31 December	<u>8,827,500</u>	<u>7,502,500</u>

18. 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 members of St Andrew's House Cathedral School (the "School") may at any time during the term of its lease require the Trust 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.

19. 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 the Trust 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 Trust 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 2019 the Trust paid distributions to the Synod St. Andrew's House Fund and the Endowment of the See Trust. The distributions paid totalled \$5,431,000 (2018: \$5,298,000).

SAHC is the trustee and manager of the Trust. 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 2019, the loan had a limit of \$6,900,000 and was drawn to \$6,900,000 (2018: \$9,400,000). Interest for the year ended 31 December 2019 in respect of this loan was \$281,975 (2018: \$398,452).

Total management administration fee charged from SDS to the Trust during the year was \$447,696 (2018: \$465,560).

The Trust received \$821,290 (2018: \$798,550) for office rent from SDS.

The Trust received \$316,757 (2018: \$333,640) for office rent from the Endowment of the See Trust.

Key management personnel

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

Key management personnel include the following persons who held office as members of SAHC at some time during the year:

Mr L Jackson (from 14 October 2019)	Mr D S Marr
Mr C Watson (until 14 October 2019)	Ms M Yacoel
Mr R Freeman	Rev J Sneddon
Rev L Symons	Mr M Firek
Mr C Bertinshaw	Mr A Buckley
Mr H Bellchambers (from 6 November 2019)	

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

19. Related party transactions (cont.)

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 Trust.

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

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

Transactions with other related parties

The following other related party transactions occurred during the year.

At 31 December 2019 the Trust had an amount of \$5,000 (2018: \$64,199) in a current account with SDS. During the year interest of \$3 (2018: \$40) was paid to SDS with respect to this current account.

At 31 December 2019, the Trust held \$5,230,598 (2018: \$2,921,031) in at-call investments with the Diocesan Cash Investment Fund. During the year the Diocesan Cash Investment Fund paid interest of \$67,330 (2018: \$51,364).

Various entities who are tenants in St Andrew's House are other related parties, some of whom pay below market rental.

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

	2019	2018
	\$	\$
Surplus from ordinary activities	49,884,072	18,917,218
Sinking Fund Income from St Andrew's Cathedral School	(134,784)	(132,568)
Sinking Fund Contribution from St Andrew's Cathedral School	206,160	206,160
Movement in investment property	(40,060,874)	(9,526,951)
Lease incentives, straightlined rentals, and lease fees amortisation	1,067,310	377,805
Changes in assets and liabilities		
Decrease/(increase) in receivables	328,705	(654,691)
Increase/(decrease) in payables	8,114	(35,657)
Decrease in provision for impaired receivables	(16,500)	(121,079)
Net cash inflow from operating activities	<u>11,282,203</u>	<u>9,030,237</u>

21. Capital expenditure and other commitments

	2019	2018
	\$	\$
Commitments for capital projects on St Andrew's House contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	814,248	-

22. Remuneration of auditors

The Trust pays the cost of auditing the financial statements. The audit fee for 2019 is \$49,827 (2018: \$45,514).

23. Events occurring after the reporting period

As at 31 December 2019 a limited number of cases of an unknown virus had been reported to the World Health Organisation. Following the subsequent spread of the virus, on 11 March 2020 the World Health Organisation declared the COVID-19 outbreak to be a pandemic. The identification of the virus post 31 December 2019 as a new coronavirus, and its subsequent spread, is considered a non-adjusting subsequent event. The fair value of the St Andrew's House investment property as at 31 December reflects the conditions known as at that date and does not factor in the effect of COVID-19 on the valuation.

The state and federal governments have enacted emergency powers due to the COVID-19 pandemic. In addition, governments have issued a range of advisory actions to the public and employers. Together, these measures are designed to substantially reduce the free movement of people to limit the spread of the disease. These actions have adversely impacted retail trading in the Town Hall Square arcade.

The impacts on retail trading in the arcade include:

- Substantial reduction in foot traffic
- Café tenants banned from providing eat-in meals
- Closure of food court seating
- Closure of personal services shops including massage & nails

At the date of this report a number of retailers have requested rent relief due to reduced trading conditions. The largest tenant in the arcade, Kathmandu, has suspended lease renewal negotiations which were in progress, due to current trading conditions.

On 25 March 2020 the COVID-19 Legislation Amendment (Emergency Measures) Act 2020 (NSW) act commenced. The act confers on the New South Wales Government the power to implement rental relief provisions by way of regulation-making, including for retail and commercial leases.

As at the date of this report it is not possible to reliably estimate the financial effect of COVID-19 on the Trust's operations or the fair value of the investment property.

Other than the effect, if any, of the matters disclosed above, the members are not aware of any events occurring after reporting date that impact on the financial statements as at 31 December 2019.

These financial statements were authorised for issue on 2 April 2020 by the members of SAHC.

ST ANDREW'S HOUSE TRUST

MEMBERS' DECLARATION

The members of SAHC, as trustee of St Andrew's House Trust, declare that the financial statements and notes of the Trust set out on pages 5 to 30:

- (a) comply with accounting policies in note 2 of the financial report;
- (b) comply with the *St Andrew's House Trust Ordinance 2015* and the *Accounts, Audits, and Annual Statements Ordinance 1995*; and
- (c) present fairly the balance sheet as at 31 December 2019 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

2 April 2020



Member

2 April 2020



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 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 2019 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 2019
- 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 (including Independence Standards)* (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 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 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.

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Other information

The members 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 2019, 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 St Andrew's House Corporation as Trustee for the financial report

The members 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. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

Francois Bruder

Francois Bruder
Principal

Sydney
2 April 2020