

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 2016

ST ANDREW'S HOUSE TRUST

Asset Report

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Description of Building

St Andrew's House ("SAH") is a B grade property that comprises 9 levels of commercial accommodation, partially used by the St Andrew's Cathedral School, 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.

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

Sydney's overall CBD vacancy rate for B grade office accommodation was 6.6% in the 3rd quarter of 2016. This secondary vacancy rate is being artificially inflated by stock earmarked for withdrawal, as tenants are vacating this secondary space and no new leases are being signed in these buildings. As a result, secondary space options are becoming difficult to find, particularly in the sub 1,000sqm market.

Across all commercial property types, the Sydney CBD recorded positive net absorption of 120,000 sqm over the last 12 months (i.e., the rate at which available space is being taken up). A contributing factor to this figure is the expansion of technology, financial services and professional services and centralisation activity. Nevertheless, the Sydney CBD is projected to contract in size over the next 2 years. New and refurbished office developments will be offset by 188,000sqm of withdrawn office stock, which equates to 3.6% of total CBD office stock. The withdrawals will be a combination of compulsory acquisitions by the NSW government for the Sydney Metro rail project, residential conversions and office redevelopments.

Average rents and incentives increased over the last 12 months. A grade (prime) net face rents have increased by around 15.4% with incentives expected to fall over the next year as competition for contiguous space becomes more pronounced. Office withdrawals and limited options for quality secondary stock (B grade) resulted in gross effective rents increasing by 26.1% over the past 12 months.

Commercial Office Sales Activity

Sales activity in the Sydney CBD office sales market increased over the last 12 months with total sales recorded to the 3rd quarter of 2016 of \$2.48 billion. Demand for core plus assets in the Sydney CBD resulted in further yield compression over the last 12 months with prime average yields now compressed by 50 basis points over the last 3 years. The withdrawal of office stock for redevelopment or residential conversions has resulted in continued secondary grade yield compression. Secondary yields compressed by 25 basis points on both ends to range between 5.50%-6.25% in Q3 2016.

The short term total vacancy rate will continue to fluctuate with tenants vacating space earmarked for withdrawal that will leave artificial vacancy in those buildings. However, displaced tenants will generate a new source of leasing enquiry (<1,000sqm) that will increase competition coupled with projected headcount growth across multiple industry sectors resulting in the total vacancy rate trending below 5% over the medium term.

Retail Property Market Overview

Retail is one of the most non-homogenous property sectors, in that the determinants of the performance, local demographics and economics vary greatly between locations, both within a population centre and between

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population centres. While the performance of any one individual retail centre is closely aligned to geographical and demographic features peculiar to that particular centre, the performance of the retail sector as a whole is aligned to the performance of the general economy.

Domestic demand growth remains sluggish in 2016 and business investment has yet to rise sustainably. The transition of the economy away from the resources sector still has some way to go. Business investment is expected to remain weak throughout 2016 and 2017, Exports are expected to continue to support growth over the next few years with forecasts that Australian GDP will grow by 3.0% in 2016 before slowing to 2.7% in 2017.

The primary drivers of economic activity such as interest rates and unemployment, which impact retail sales and consumer confidence. National retail turnover growth has slowed over the past 12 months to 3.5% which is well below the 20 year average of 4.4%. NSW has remained the strongest retail market in Australia, with retail turnover increasing 4.3% over the last 12 months. , Footwear and other personal accessory retailing as well as takeaway food services and hardware/garden supplies have shown the strongest growth.

The Sydney CBD retail vacancy rate increased by 0.8 percentage points to 4.4% in the first half of 2016. The increase was largely concentrated in small secondary retail space. The Sydney retail vacancy rate is below the national average, however, it remains the above the 10 year Sydney CBD average (2.9%).

There are two major CBD retail development underway, the Barangaroo and York/George Streets precincts, which are scheduled to complete in late 2016 and 2018, respectively. However, one of the key implications for CBD retail projects over the medium term will be the pedestrianisation of George Street and the development of the light rail. At this stage it is not known what the impact will be on the SAH retail arcade, however, there is some expectation that this will have a positive effect in the surrounding retail precinct.

**Source: Jones Lang LaSalle Valuation report for SAH – 31 December 2016*

Valuation

Jones Lang LaSalle ("Jones Lang") undertook the valuation of SAH for 31 December 2016. This is the 3rd year that Jones Lang has undertaken the valuation.

For valuation purposes, Jones Lang have provided separate valuation calculations for the combined Tower and Car Park components and the Arcade. The Tower and Car Park have been valued as one component as generally most office buildings transact inclusive of car park components. In addition, there are inherent difficulties in determining an appropriate capitalisation rate for the Tower in isolation given the non-traditional structure (ie the long term lease to the School).

While Jones Lang has valued the Tower/Car Park and Arcade components separately and provided separate capitalisation rates, it should be noted that SAH is only currently realisable as a single asset.

Further, Jones Lang has provided a notional assessment of the value for each of the Tower/Car Park and the Arcade as at 31 December 2016. The notional amounts adopted as at 31 December 2016 and the comparison values as at 31 December 2015 were as follows –

	As at 31.12.16	As at 31.12.15
Arcade	\$ 40,000,000	\$ 38,000,000
Tower and Car Park	\$ 97,000,000	\$ 87,000,000
	\$ 137,000,000	\$ 125,000,000

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In brief, the movement in the value of SAH from 2015 can be summarised as follows –

- (a) Higher adopted market income for the Tower combined with lower capitalisation and discount rates resulting in an increase in value.
- (b) Lower capitalisation and discount rates adopted for the Arcade, resulting in an increase in value.
- (c) A decrease in building outgoings.

Office Tower

The office tower was fully leased at the end of 2016. A number of capital works were undertaken, including energy efficiency related works, pebblecrete works on Sydney Square, the ongoing replacement of existing stair hand rails, enhanced security measures, fire, lighting and other health and safety works.

The SAH Car Park is leased to Australia's largest commercial car park operator, Wilson Parking. The lease was renewed for a further 5 years at the end of December 2016.

Town Hall Arcade

Colliers International have developed a retail strategy with a particular focus on determining the appropriate retail tenancy mix for the Arcade. As at 31 December 2016 there were 3 vacancies in the Arcade.

The number of pedestrians passing through the Arcade has increased slightly over the last 12 months (about 12.3 million; 2015 – 12.0 million) and remains one of the highest pedestrian traffic retail centres in Sydney.

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 has been undertaken over the last number of years to improve the energy efficiency of SAH. In March 2015, the NABERS government agency provided a 5 star NABERS rating to SAH which is reviewed on an ongoing basis.

The energy consumption in SAH over the last 5 years has decreased by over 20% and it is expected that further efficiencies will be achieved. Apart from reducing the carbon footprint of SAH a higher NABERS rating enhances the financial performance of the building.

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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	Rental Income 2016 (000s)	Operating Expenses 2016 (000s)	Net Income 2016(000s)	Net Income 2015(000s)	Net Income 2014 (000s)
Arcade	\$ 5,139.5	(\$ 2,339.9)	\$ 2,799.6	\$ 2,609.4	\$ 2,747.3
Tower and Car Park	\$ 8,437.9	(\$ 1,875.6)	\$ 6,562.3	\$ 6,512.8	\$ 6,319.5
TOTAL	\$ 13,577.4	(\$ 4,215.5)	\$ 9,361.9	\$ 9,122.2	\$ 9,066.8

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Statement of comprehensive income For the year ended 31 December 2016

	Notes	2016 \$	2015 \$
Revenue from continuing operations			
Rental income		13,577,400	13,213,394
Interest		118,146	102,277
Fair value adjustment to investment property	9(a)	11,612,163	10,427,563
Bad debts recovered		-	1,819
Other income	4	161,127	217,702
Total revenue from continuing operations		25,468,836	23,962,755
Expenses from continuing operations			
Interest & finance charges		561,106	681,465
Professional fees		41,527	25,190
SDS Management fee		115,644	112,250
Property expenses		4,215,504	4,093,935
Audit fees		36,368	38,750
Total expenses from continuing operations		4,970,149	4,951,590
Surplus for the year		20,498,687	19,011,165
Other comprehensive income		-	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year	5	20,498,687	19,011,165

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 2016

	Notes	2016 \$	2015 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	1,773,085	2,927,670
Term deposits	6	4,176,869	383,477
Receivables	8	358,180	611,181
Total current assets		6,308,134	3,922,328
Non-current assets			
Term deposits	7	-	787,341
Investment property	9	137,000,000	125,000,000
Deferred expenses - Leasing fees	10	435,777	497,849
Total non-current assets		137,435,777	126,285,190
Total assets		143,743,911	130,207,518
LIABILITIES			
Current liabilities			
Payables		861,305	825,632
Loans	12	2,000,000	2,000,000
Deferred income	13	168,415	123,382
Total current liabilities		3,029,720	2,949,014
Non-current liabilities			
Loans	12	11,400,000	13,400,000
Total non-current liabilities		11,400,000	13,400,000
Total liabilities		14,429,720	16,349,014
Net assets		129,314,191	113,858,504
EQUITY			
Capital	14	9,429,229	9,429,229
Reserves	16	2,560,000	1,820,000
Accumulated surplus		117,324,962	102,609,275
Total equity		129,314,191	113,858,504

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

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Statement of changes in equity For the year ended 31 December 2016

	Notes	Capital	Reserves	Accumulated surplus	Total
		\$	\$	\$	\$
Balance at 1 January 2015		9,429,229	1,220,000	89,118,110	99,767,339
Surplus for the year				19,011,165	19,011,165
Transfer to future rental costs reserve			350,000	(350,000)	-
Transfer to future non-sinking fund capital works reserve			250,000	(250,000)	-
Total comprehensive income for the year			600,000	18,411,165	19,011,165
Transactions with beneficiaries					
Distributions provided for or paid	11			(4,920,000)	(4,920,000)
				(4,920,000)	(4,920,000)
Balance at 31 December 2015		9,429,229	1,820,000	102,609,275	113,858,504
Surplus for the year				20,498,687	20,498,687
Transfer to future rental costs reserve	16		350,000	(350,000)	-
Transfer to future non-sinking fund capital works reserve	16		390,000	(390,000)	-
Total comprehensive income for the year		-	740,000	19,758,687	20,498,687
Transactions with beneficiaries					
Distributions provided for or paid	11	-	-	(5,043,000)	(5,043,000)
		-	-	(5,043,000)	(5,043,000)
Balance at 31 December 2016		9,429,229	2,560,000	117,324,962	129,314,191

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

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Statement of cash flows For the year ended 31 December 2016

	Notes	2016 \$	2015 \$
Cash flows from operating activities			
Rental income received		13,796,818	12,737,911
Interest received		120,686	101,297
Bad debts recovered		-	1,819
Borrowing costs paid		(574,070)	(695,889)
Payments in respect of the operations		<u>(3,524,213)</u>	<u>(3,347,880)</u>
Net cash inflow from operating activities	19	9,819,221	8,797,258
Cash flows from investing activities			
Net (increase)/decrease in term deposits		1,170,818	(40,820)
Payment for investment property	9(a)	(924,755)	(865,871)
Contribution to sinking fund		-	-
Net cash (outflow) from investing activities		246,063	(906,691)
Cash flows from financing activities			
Distributions to other Anglican organisations		(5,043,000)	(4,920,000)
Repayment of borrowings		<u>(2,000,000)</u>	<u>(2,200,000)</u>
Net cash (outflow) from financing activities		(7,043,000)	(7,120,000)
Net increase in cash and cash equivalents		3,022,284	770,567
Cash and cash equivalents at the beginning of the financial year		<u>2,927,670</u>	<u>2,157,103</u>
Cash and cash equivalents at the end of the year	6	5,949,954	2,927,670

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 a body corporate by the St Andrew's House Ordinance 1975 (as amended) for the purpose of governing and controlling the management and use of the land described in the first schedule to that 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.

Previously the Trustee was the Glebe Administration Board.

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

These special purpose financial statements have been prepared in accordance with Australian Accounting Standards and the interpretations issued by the Australian Accounting Standards Board and the Accounts, Audits and Annual Reports Ordinance 1995.

Compliance with IFRS

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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

Historical cost convention

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

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 8).

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

2. Summary of significant accounting policies (cont)

(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.

(g) Receivables

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

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

(h) Fair value estimation

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets is the current bid price. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The entity uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available for similar financial instruments.

(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 valuers. Changes in fair values are recorded in profit or loss.

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 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.

(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

There are no employees of the SAHT. Employment services are provided by the Sydney Diocesan Secretariat ("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.

2. Summary of significant accounting policies (cont)

(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 –

	2016	2015
	\$	\$
Financial assets		
Current account with Sydney Diocesan Secretariat	8,221	2,983
Glebe Income Account - at call	1,764,864	1,724,687
Glebe Income Account - Term Deposits	4,176,869	2,370,818
Receivables	358,180	611,181
	<u>6,308,134</u>	<u>4,709,669</u>
Financial liabilities		
Payables	861,305	825,632
Interest bearing liabilities- loans	13,400,000	15,400,000
	<u>14,261,305</u>	<u>16,225,632</u>

3. Financial risk management (cont)

(a) Market risk

(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 2016, 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 2016, 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 \$74,500 lower/ higher (2015- change of 100bps: \$113,015 lower/ higher), mainly as a result of higher/lower interest expense on interest bearing liabilities.

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

31 December 2016	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	5,949,953	(59,500)	(59,500)	59,500	59,500
Interest bearing liabilities	13,400,000	134,000	134,000	(134,000)	(134,000)
Total increase/ (decrease)		74,500	74,500	(74,500)	(74,500)

31 December 2015	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	4,098,488	(40,985)	(40,985)	40,985	40,985
Interest bearing liabilities	15,400,000	154,000	154,000	(154,000)	(154,000)
Total increase/ (decrease)		113,015	113,015	(113,015)	(113,015)

3. Financial risk management (cont)

(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.

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
At 31 December 2016					
Payables	861,305	-	-	-	861,305
Interest bearing liabilities- loans principal	2,000,000	2,000,000	7,000,000	2,400,000	13,400,000
Interest bearing liabilities- loans interest	406,410	335,110	524,055	42,780	1,308,355
	3,267,715	2,335,110	7,524,055	2,442,780	15,569,660

	Less than 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total contractual cashflows
At 31 December 2015					
Payables	825,632	-	-	-	825,632
Interest bearing liabilities- loans principal	2,000,000	2,000,000	7,000,000	4,400,000	15,400,000
Interest bearing liabilities- loans interest	544,710	463,410	841,455	77,235	1,926,810
	3,370,342	2,463,410	7,841,455	4,477,235	18,152,442

(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	2016 \$	2015 \$
Portion of sinking fund capital expenditure referable to St Andrew's Cathedral School (SACS) (34.36%)	13	162,312	219,105
Less: Portion of sinking fund investment income referable to St Andrew's Cathedral School (34.36%)	13	(1,185)	(1,404)
Other income		161,127	217,701

5. Operating surplus

	Notes	2016 \$	2015 \$
The surplus from ordinary activities has been determined as follows:			
Net income contribution from:			
Commercial offices		5,090,374	4,929,466
Car Park		1,725,636	1,753,195
Arcade		2,799,539	2,609,385
Sydney Square		(203,023)	(169,856)
Sinking Fund		162,312	219,105
		9,574,838	9,341,295
Interest earned		118,146	102,277
Bad Debts Recovered		-	1,819
Interest paid		(561,106)	(681,465)
SDS Management fee		(115,644)	(112,250)
Other expenses		(128,525)	(66,670)
Portion of investment income referable to St Andrew's Cathedral School		(1,185)	(1,404)
Movement in investment property	9(a)	11,612,163	10,427,563
Surplus for the year		20,498,687	19,011,165

6. Current assets - Cash and cash equivalents

	2016 \$	2015 \$
Current account with Sydney Diocesan Secretariat	8,221	2,983
Glebe Income Account - at call	1,764,864	1,724,687
Glebe Income Account Term Deposits - initial term 3 months	3,361,201	1,200,000
Glebe Income Account Term Deposits - initial term 36 months	815,668	-
	5,949,954	2,927,670

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

(a) Current account with Sydney Diocesan Secretariat

The current account is at call and bears a floating interest rate of 0.01% (2015 – 0.01%). This deposit is at call.

(b) Glebe Income Accounts

The at-call deposits bear a floating interest rate of 1.00% (2015 – 1.00%). At 31 December 2016 the term deposits with initial term of three months with interest payable at maturity were earning a fixed interest rate of 1.90% pa.

(c) Restricted cash

Cash includes a restricted cash amount of \$437,799 (2015 - \$409,102), which represents the sinking fund pursuant to a lease agreement St Andrew's Cathedral School. (Refer note 15).

7. Term deposits

	2016 \$	2015 \$
Glebe Income Account Term Deposits - initial term 4 to 12 months	-	210,416
Glebe Income Account Term Deposits - initial term 36 months	-	960,402
	<u>-</u>	<u>1,170,818</u>

At 31 December 2016 the seven term deposits for periods ranging from three months to three years were earning fixed interest rates ranging from 1.90% to 3.55% pa.

8. Current assets - Receivables

	2016 \$	2015 \$
Trade receivables	386,737	608,695
Provision for impaired receivables	(31,657)	-
	<u>355,080</u>	<u>608,695</u>
Prepayments	3,098	2,486
	<u>358,180</u>	<u>611,181</u>
Amounts held in trust by Colliers and other debtors		
Colliers Trust Account	324,544	595,501
St Andrew's Cathedral School	51,540	-
Other	10,653	13,194
	<u>386,737</u>	<u>608,695</u>

8. Current assets – Receivables (cont)

(a) Impaired trade receivables

As at 31 December 2016 current trade receivables of the Trust with a nominal value of \$31,657 (2014: \$Nil) were impaired.

(b) Past due but not impaired

As at 31 December 2016, trade receivables of \$42,925 (2015: \$51,024) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2016	2015
	\$	\$
1 to 3 months	37,289	51,024
Greater than 3 months	5,636	-
	<u>42,925</u>	<u>51,024</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	2016 \$	2015 \$
Fair value at 1 January		125,000,000	114,000,000
Additions - refurbishments		924,755	865,871
Lease incentives/straightlined rental	9(b)	(536,918)	(293,434)
Net gain/(loss) from fair value adjustment		11,612,163	10,427,563
Fair value at 31 December		137,000,000	125,000,000

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 2016. 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 –

	2016 %	2015 %
Tower and Car Park	7.500	8.000
Town Hall Square Arcade	6.500	6.750

The valuation is as follows –

	2016 \$	2015 \$
Tower and Car Park	97,000,000	87,000,000
Town Hall Square Arcade	40,000,000	38,000,000
	137,000,000	125,000,000

The fair value of the investment properties at 31 December 2016 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 straightlined rentals

	2016	2015
	\$	\$
AUSTRALIAN RED CROSS SOCIETY LEVELS 3 & 4		
Rent-free period lease incentive	3,057,267	2,656,145
Less: amortisation	(2,397,087)	(1,874,086)
	<u>660,180</u>	<u>782,059</u>
Lease Fitout Incentive	2,241,432	2,241,432
Less: amortisation	(1,027,323)	(803,178)
	<u>1,214,109</u>	<u>1,438,254</u>
Straightlined lease rental	1,327,099	1,213,575
Total Australian Red Cross Society Levels 3 & 4	<u>3,201,388</u>	<u>3,433,888</u>
ST ANDREWS CATHEDRAL SCHOOL LEVEL 5		
Cash lease incentive	250,000	250,000
Less: amortisation	(125,000)	(100,000)
	<u>125,000</u>	<u>150,000</u>
Straightlined lease rental	640,472	607,385
Total ST ANDREWS CATHEDRAL SCHOOL Level 5	<u>765,472</u>	<u>757,385</u>
ST ANDREWS CATHEDRAL SCHOOL GROUND FLOOR		
Cash lease incentive	1,060,828	1,060,828
Less: amortisation	(477,372)	(424,331)
	<u>583,456</u>	<u>636,497</u>
Rent free lease incentive	219,176	219,176
Less: amortisation	(98,629)	(87,671)
	<u>120,547</u>	<u>131,505</u>
Straightlined lease rental	800,320	768,531
Total ST ANDREWS CATHEDRAL SCHOOL Ground Floor	<u>1,504,323</u>	<u>1,536,533</u>
AUSTRALIAN RED CROSS BLOOD BANK GROUND FLOOR		
Rent free lease incentive	528,265	528,265
Less: amortisation	(336,273)	(283,446)
	<u>191,992</u>	<u>244,819</u>
Lease Fitout Incentive	112,275	112,275
Less: amortisation	(71,107)	(59,880)
	<u>41,168</u>	<u>52,395</u>
Straightlined lease rental	223,375	237,219
Total Australian Red Cross Blood Bank Ground Floor	<u>456,535</u>	<u>534,433</u>
WILSON PARKING		
Rent free lease incentive	197,125	197,125
Less: amortisation	(197,125)	(164,274)
	<u>-</u>	<u>32,851</u>
Straightlined lease rental	-	169,547
Total Wilson Parking	<u>-</u>	<u>202,398</u>
Total lease incentives and straightlined rentals	<u>5,927,719</u>	<u>6,464,637</u>

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

(b) Lease incentives and straightlined rentals (cont)

Movement in lease incentives capitalised –

	Notes	2016 \$	2015 \$
Balance at 31 December		5,927,719	6,464,637
Balance at 1 January		6,464,637	6,758,071
Movement in lease incentives and straightlined rentals	9(a)	(536,918)	(293,434)

(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 –

	2016 \$	2015 \$
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	9,588,338	12,885,122
Later than one year but not later than 5 years	32,088,942	34,584,604
Later than 5 years	5,171,758	11,830,252
	<u>46,849,038</u>	<u>59,299,978</u>

10. Deferred Expenses – Leasing fees

	2016 \$	2015 \$
Total Leasing Fees	852,978	894,838
Less Total Amortisation	(417,201)	(396,989)
	<u>435,777</u>	<u>497,849</u>

11. Distributions

From 2015 the St Andrew's House Trust Ordinance 2015 (the Ordinance) provides for the application of income. In 2014 the St. Andrew's House Income Ordinance 2011 provided 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.

	2016	2015
	\$	\$
Provision for income distribution		
St Andrew's House Trust Ordinance 2015		
Income (Clause 5)	13,914,054	12,836,813
Less: Interest (Clause 5(a)(i))	(574,070)	(695,889)
Less: Loan repayments(Clause 5(a)(ii))	(2,000,000)	(2,200,000)
Less: Outgoings (Clause 5(a)(iii))	(4,474,215)	(4,221,771)
Less: Reserve for future non-sinking fund capital works (Clause 5(b))	16 (390,000)	(250,000)
Less: Reserve for future rental costs (Clause 5(b))	16 (350,000)	(350,000)
Less: Amounts set aside for other purposes (Clause 5(b))	(1,851,938)	(199,153)
Surplus available (Clause 5(c))	4,273,831	4,920,000
Less: Distribution Paid	4,273,831	4,920,000
Provision for income distribution (Clause 5(2))	-	-

11. Distributions (cont)

Amounts set aside for other purposes under Clause 5

	2016 \$	2015 \$
St Andrew's House Trust Ordinance 2015		
Balance at 1 January	199,153	-
Plus: Amounts set aside for other purposes (Clause 5(b))	1,851,938	199,153
Balance at 31 December	<u>2,051,091</u>	<u>199,153</u>
St Andrew's House Income Ordinance 2011		
Balance at 1 January	769,169	769,169
Less: Application of amounts set aside for other purposes in prior years	(769,169)	-
Balance at 31 December	<u>-</u>	<u>769,169</u>
Total amounts set aside for other purposes	<u>2,051,091</u>	<u>968,322</u>

Total distributions paid during the year were:

Distribution from current year income	4,273,831	4,920,000
Distribution from amounts set aside for other purposes in 2014	769,169	-
	<u>5,043,000</u>	<u>4,920,000</u>

Distribution to Glebe Administration Board	2,521,500	2,460,000
Distribution to Endowment of the See Capital Fund	2,521,500	2,460,000
	<u>5,043,000</u>	<u>4,920,000</u>

12. Loans

	2016 \$	2015 \$
Loan from related party- current	2,000,000	2,000,000
Loan from related party- non-current	11,400,000	13,400,000
	<u>13,400,000</u>	<u>15,400,000</u>

An unsecured loan facility of up to \$13,400,000 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 current interest rate is 3.565%.

13. Deferred Income

	Notes	2016 \$	2015 \$
St Andrew's Cathedral School's share of the sinking fund			
Balance at 1 January		123,382	134,923
Contribution to the sinking fund by St Andrew's Cathedral School	15	206,160	206,160
Sinking fund expenditure	4	(162,312)	(219,105)
Interest	4	1,185	1,404
Investment income		1,185	1,404
Balance at 31 December	15	168,415	123,382

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	2016 \$	2015 \$
Investment income in Glebe Income Account		1,185	1,404
Balance at 31 December		1,185	1,404

14. Capital

	2016 \$	2015 \$
Capital	9,429,229	9,429,229

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.

15. Reconciliation of sinking fund (cont)

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

	Notes	2016 \$	2015 \$
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		371,355	404,944
Contribution to the sinking fund		600,000	600,000
Capital expenditure		(472,387)	(637,676)
Interest		3,450	4,087
Closing balance		<u>502,418</u>	<u>371,355</u>

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

Lessor (65.64%)		334,003	247,973
Lessee (34.36%)	13	168,415	123,382
Balance of sinking fund 31 December		<u>502,418</u>	<u>371,355</u>

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

	2016 \$	2015 \$
Glebe Income Account - At-call Deposit	437,798	408,602
Current account with Sydney Diocesan Secretariat	-	500
Other receivables	64,620	2,297
Other payables	-	(40,044)
Balance at 31 December	<u>502,418</u>	<u>371,355</u>

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.

	2016 \$	2015 \$
Future rental costs reserve	1,020,000	670,000
Future non-sinking fund capital works reserve	1,540,000	1,150,000
	<u>2,560,000</u>	<u>1,820,000</u>

Movement in reserves:

Balance at 1 January	1,820,000	1,220,000
Transfer to future rental costs reserve	350,000	350,000
Transfer to non-sinking fund capital works reserve	390,000	250,000
Balance at 31 December	<u>2,560,000</u>	<u>1,820,000</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 hold a beneficial interest of 50% each in SAHT.

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

Transactions with related parties

SAHT distributes to the Diocesan Endowment Fund and the Endowment of the See Capital Fund. The distributions paid total \$5,043,000 (2015: \$4,920,000).

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

18. Related party transactions (cont)

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 2016, the loan had a limit of \$13,400,000 and was drawn to \$13,400,000 (2015: \$15,400,000). Interest for the year ended 31 December 2016 in respect of this loan was \$561,106 (2015: \$681,465).

Total management administration fee charged from SDS to SAHT during the year was \$441,504 (2015: \$423,500).

SAHT received \$1,164,186 for office rent from SDS (2015: \$1,056,602).

SAHT received \$295,950 for office rent from the Endowment of the See Expenditure Fund (2015: \$291,162).

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	Mr D S Marr
Mr C L Cotman	Mr J S Pascoe
Mr C Watson	Dr L A Scandrett
Mr R Freeman	

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

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 M A Payne	Chief Executive Officer (until 19 November 2016)
Mr R J Wicks	Acting Chief Executive Officer (from 19 November 2016)
Mr M A Blaxland	Chief Financial Officer
Mr M W Newman	Head of Investments and Commercial Property

Administration services are provided by the SDS. The compensation payable to key management personnel who are employees of SDS is set out below. These amounts are calculated by reference to the proportion of SDS fees charged to the fund to the total SDS fees to all its client funds.

Key management personnel compensation

	2016	2015
	\$	\$
Short-term employment benefits	39,000	42,000
Long-term benefits	1,000	2,000
Termination	8,000	-
	48,000	44,000

18. Related party transactions (cont)

Transactions with other related parties

The following other related party transactions occurred during the year.

At 31 December 2016 SAHT had an amount of \$8,221 (2015: \$2,983) in a current account with the SDS. During the year interest of \$249 (2015: \$22) was paid to the SDS with respect to this current account.

At 31 December 2016, SAHT held \$1,764,864 (2015: \$1,724,686) in at-call deposits with Glebe Income Accounts. At 31 December 2016, SAHT held \$4,176,869 (2015: \$2,370,818) in Term Deposits with Glebe Income Accounts. During the year the Glebe Income Accounts paid interest of \$118,395 (2015: \$101,318).

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

	2016 \$	2015 \$
Surplus/ (Deficit) from ordinary activities	20,498,687	19,011,165
Sinking Fund Income from St Andrew's Cathedral School	(161,127)	(217,701)
Sinking Fund Contribution from St Andrew's Cathedral School	206,160	206,160
Movement in investment property	(11,612,163)	(10,427,563)
Lease incentives, straightlined rentals, and lease fees amortisation	598,990	401,600
Changes in assets and liabilities		
Decrease/ (increase) in receivables	221,345	(477,544)
Increase/ (decrease) in payables	35,673	301,141
Increase/ (decrease) in provision for impaired receivables	31,656	-
Net cash inflow from operating activities	<u>9,819,221</u>	<u>8,797,258</u>

20. Capital expenditure and other commitments

	2016 \$	2015 \$
Commitments for capital projects on St Andrew's House contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	<u>140,309</u>	<u>102,496</u>

The capital projects include –

- Formal NABERS Rating
- Sydney Square Lighting
- Cosmetic Upgrade of Level 1 and Level 2 Toilets
- Kent and Bathurst Street Signage
- Building Security Upgrade
- Fire, Public Safety & Access
- Zoned Smoke Exhaust

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 2016.

These financial statements were authorised for issue on 22 March 2017 by the Council.

22. Remuneration of auditors

SAHT pays the cost of auditing the financial statements. The audit fee for 2016 is \$36,720 (2015: \$35,598).

ST ANDREW'S HOUSE TRUST

MEMBERS' DECLARATION

The members of the Council of SAHC declare that the financial statements and notes of SAHT set out on pages 5 to 28 –

- (a) comply with Australian Accounting Standards and other mandatory professional reporting requirements;
- (b) give a true and fair view of the Trust's financial position as at 31 December 2016 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

22 March 2017

Member

22 March 2017