

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 2017

ST ANDREW'S HOUSE TRUST

Asset Report 31 December 2017

Description of Building

St Andrew's House ("SAH") is a mixed use 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. It is classified as a 'B' grade asset within the Property Council of Australia's (PCA's) definitions

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

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

Market Conditions*

Office Leasing Market Commentary

The Sydney CBD vacancy rate fell to 5.4% by the end of 2017 – its lowest level since 2001. The Premium grade vacancy rate has more than halved since its cyclical peak in 2016, falling from 14.7% to 6.7% by the end of 2017. Secondary vacancy (6.0%) continues to remain well below the 10 year long-run average of 8.0%.

The Sydney CBD office market shrank in size in 2017 by 101,072sqm due to withdrawals from stock of 150,400sqm. Total CBD inventory is now 5,062,054 sqm. The main withdrawals were approximately 55,000 sqm for the Sydney Metro Infrastructure development and about 40,000 sqm for AMP's Quay Quarter redevelopment.

Strong leasing activity in the prime market continued to drive rental growth. Both prime and secondary gross effective rents have increased by just over 20% over the last 12 months. Office withdrawal activity has decreased the amount of contiguous space options available in the secondary market.

Commercial Office Sales Activity

A number of large asset transactions characterised investment activity in the Sydney CBD over 2017. Investment volumes have totalled ~\$5 billion for the year. Prime yields compressed to a record low of 4.63%-5% by the end of 2017. Mid-point prime yields (4.82%) are now 56 bps below the previous low of 5.38% in 2007.

Commercial Office Outlook

In 2018 JLL expect positive leasing activity and an estimated 63,400sqm of withdrawals to drive vacancy to its lowest level since 2000. JLL expect prime gross effective rents to continue to grow above the 10-year long run average of 3.9% in 2018, but see rental growth moderating through the year.

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Retail Property Market Overview

Consumer sentiment gradually improved through 2017 on the back of improving confidence regarding the economy and jobs. Retail turnover growth in NSW was 3.2% higher year-on-year (y-o-y) outperforming the national average (2.8% y-o-y). However growth continued to moderate across all categories with the exception of food retailing, which grew in line with its long term five year average of 4.4% y-o-y. New ordering and delivery Apps are driving food sales in the cafes, restaurants and takeaway food category, which now accounts for 15.1% of NSW retail spending in November 2017, up from 12.7% a decade ago.

On the tenant demand side retail trade continued to be disrupted by construction works particularly along north areas of George Street and York Street. The completion of the light rail infrastructure project on George Street between Market and King Street saw an activation of the retail precinct, adding a number of new retailers to the strip. Pop-ups continue to be utilised as a means to fill vacancies on a short term basis. Woolworths is also preparing to roll out its third Metro Sydney CBD store with development approval having been granted for the supermarket to occupy the lower ground tenancy of the current Forever 21 tenancy on Pitt Street Mall.

On the supply side the Barangaroo South retail precinct finally completed in Sydney's CBD in 2017, providing 18,000 sqm of new retail space with notable retailers including David Jones, Bourke Street Bakery and Toby's Estate Wines. Sydney has no further CBD retail projects scheduled for completion over the next 24 months. Sydney's CBD market remained close to full capacity in 2017 with retail high street vacancy reducing to 6.9% (-0.3%) and CBD shopping centres marginally increasing to 2.1% (+0.2%)..

Leasing demand remains strong within Sydney's tight CBD market for space within core precincts. Prime Sydney CBD retail rents increased by 1.8% over 2017. In the investment market, yields for core CBD retail assets have shifted significantly lower in the last few years. The Sydney CBD has the tightest yield range of all CBD retail markets in Australia with prime yields remaining at 4.25%-5.00%.

**Source: JLL Sydney CBD Office Market Update 4Q17 & JLL Retail Market Commentary Q417*

Valuation

JLL's approach to the valuation is the same as previous years which is to have provided a notional assessment of the value for each of the Tower/Car Park and the Arcade as at 31 December 2017, applying discrete capitalisation rates to the assessed net income of each component. The notional amounts adopted as at 31 December 2017 and the comparison values as at 31 December 2016 were as follows –

St Andrew's House	As at 31 December 2017	As at 31 December 2016
Tower and Car Park	\$ 123.5 million	\$ 97.0 million
Arcade	\$ 42.0 million	\$ 40.0 million
Total	\$ 165.5 million	\$ 137.0 million

Accordingly, the total value of SAH has increased by \$28.5 million. In brief, the movement in the value of SAH from 2016 can be summarised as follows –

- (a) Significantly higher adopted net market income for the Tower (up 20%) combined with lower capitalisation (down 0.5% to 7%) and discount rates (down 0.5% to 7%) resulting in an increase in value.
- (b) Lower capitalisation rate for the Arcade (down 0.5% to 6%) and discount rate (down 0.5% to 7.5%) adopted for the Arcade, resulting in an increase in value.
- (c) No material change in building outgoings.

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Office Tower

Net property income for the year was substantially above 2016 net property income almost wholly due to a one off payment arising out of the assignment of the Red Cross lease over Levels 3 and 4 to St. Andrew's Cathedral School.

The office tower was 97.1% leased at the end of 2017. The only vacancy was a 549 sqm suite on Level 1 previously occupied by Youthworks who vacated the premises in October 2017. At year end the area was under offer to a private IT security company for a new four year lease.

During the year a number of capital works were undertaken, including a number of security enhancements such as the extension of CCTV into the Car Park, auto shut down of additional building entry points and the car park roller door and the completion of external lighting enhancements to Sydney Square entry points to the building. Enhanced end of trip facilities including a secure bicycle storage facility and the provision of lockers to shower rooms were also undertaken and a new Building Management Sign-In office completed.

The SAH Car Park is leased to Wilson Parking, Australia's largest commercial car park operator with a further four 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. During the year four new leases were negotiated and three lease renewals were completed. Fixed rent reviews were also carried out on 26 tenancies resulting in an average uplift of ~3.7% over passing rent. At year end the occupancy level was 97% and there were 2 vacancies in the Arcade. Despite intensive management net income of the Arcade was approximately ~11% lower than the previous calendar year. This was mainly due to longer voids and leasing up periods on vacancies.

Although the Arcade remains one of the highest pedestrian trafficked retail centres in Sydney the number of pedestrians passing through the Arcade decreased from 12.15 million in calendar year 2016 to 11.33 million in 2017, a reduction of ~7.3%. Anecdotally this is thought to be due to some significant office tenant relocations out of Darling Park/Darling Quarter to other parts of the CBD, principally new office towers at Barangaroo. Pedestrian count numbers are continuing to be closely monitored and analysed as they are likely to remain the lifeblood of retail trade in this commuter arcade.

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. However with the assignment of the Red Cross lease over Levels 3 and 4 to SACS in October the building is now an exception to requiring a NABERS rating for leasing purposes as the non-rateable portion of the building is over 50% of the lettable area including the school, car parking and retail areas. Although a formal rating is not currently being undertaken ongoing monitoring and system maintenance is being continued so that there is a readiness to revert to formal NABERS rating should the need arise in the future.

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

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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 2017	Operating Expenses 2017	Net Income 2017	Net Income 2016	Net Income 2015
Arcade	\$ 4,909	(\$ 2,417)	\$ 2,492	\$ 2,800	\$ 2,609
Tower and Car Park	\$ 11,419	(\$ 1,819)	\$ 9,600	\$ 6,562	\$ 6,513
TOTAL	\$ 16,328	(\$ 4,216)	\$ 12,092	\$ 9,362	\$ 9,122

ST ANDREW'S HOUSE TRUST

Statement of comprehensive income For the year ended 31 December 2017

	Notes	2017 \$	2016 \$
Revenue from continuing operations			
Rental and other property income		16,410,359	13,577,400
Interest		146,191	118,146
Fair value adjustment to investment property	9(a)	27,697,449	11,612,163
Other income	4	63,763	161,127
Total revenue from continuing operations		44,317,762	25,468,836
Expenses from continuing operations			
Interest & finance charges		448,517	561,106
Professional fees		32,875	41,527
SDS Management fee		119,028	115,644
Property expenses		4,321,153	4,215,504
Audit fees		47,318	36,368
Total expenses from continuing operations		4,968,891	4,970,149
Surplus for the year		39,348,871	20,498,687
Other comprehensive income		-	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year	5	39,348,871	20,498,687

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 2017

	Notes	2017 \$	2016 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	5,391,596	5,134,286
Term deposits	7	3,970,000	815,668
Receivables	8	688,918	358,180
Total current assets		10,050,514	6,308,134
Non-current assets			
Investment property	9	165,500,000	137,000,000
Deferred expenses - Leasing fees	10	422,338	435,777
Total non-current assets		165,922,338	137,435,777
Total assets		175,972,852	143,743,911
LIABILITIES			
Current liabilities			
Payables		748,048	861,305
Loans	12	2,000,000	2,000,000
Deferred income	13	330,742	168,415
Total current liabilities		3,078,790	3,029,720
Non-current liabilities			
Loans	12	9,400,000	11,400,000
Total non-current liabilities		9,400,000	11,400,000
Total liabilities		12,478,790	14,429,720
Net assets		163,494,062	129,314,191
EQUITY			
Capital	14	9,429,229	9,429,229
Reserves	16	6,502,500	2,560,000
Accumulated surplus		147,562,333	117,324,962
Total equity		163,494,062	129,314,191

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 2017

	Notes	Capital	Reserves	Accumulated surplus	Total
		\$	\$	\$	\$
Balance at 1 January 2016		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		-	350,000	(350,000)	-
Transfer to future non-sinking fund capital works reserve		-	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
Surplus for the year		-	-	39,348,871	39,348,871
Transfer to future rental costs reserve	16	-	500,000	(500,000)	-
Transfer to future non-sinking fund capital works reserve	16	-	692,500	(692,500)	-
Transfer to strategic projects reserve	16	-	2,750,000	(2,750,000)	-
Total comprehensive income for the year		-	3,942,500	35,406,371	39,348,871
Transactions with beneficiaries					
Distributions provided for or paid	11	-	-	(5,169,000)	(5,169,000)
		-	-	(5,169,000)	(5,169,000)
Balance at 31 December 2017		9,429,229	6,502,500	147,562,333	163,494,062

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 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Rental and other property income received		15,854,947	13,796,818
Interest received		107,181	120,686
Borrowing costs paid		(454,960)	(574,070)
Payments in respect of the operations		(4,295,320)	(3,524,213)
Net cash inflow from operating activities	19	11,211,848	9,819,221
Cash flows from investing activities			
Net (increase)/decrease in term deposits		(3,154,332)	355,150
Payment for investment property	9(a)	(631,206)	(924,755)
Net cash (outflow)/inflow from investing activities		(3,785,538)	(569,605)
Cash flows from financing activities			
Distributions to other Anglican organisations		(5,169,000)	(5,043,000)
Repayment of borrowings		(2,000,000)	(2,000,000)
Net cash (outflow) from financing activities		(7,169,000)	(7,043,000)
Net increase in cash and cash equivalents		257,310	2,206,616
Cash and cash equivalents at the beginning of the financial year		5,134,286	2,927,670
Cash and cash equivalents at the end of the year	6	5,391,596	5,134,286

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.

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 the Accounts, Audits and Annual Reports Ordinance 1995 as amended, and Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board with the exception of the classification of the cash and cash equivalents balances as noted in note 6.

Critical accounting estimates

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

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

(b) Revenue recognition

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

Lease income

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

Interest income

Interest income is recognised on an effective interest basis.

(c) Income tax

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

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.

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

(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.

2. Summary of significant accounting policies (cont)

(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.

(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.

2. Summary of significant accounting policies (cont)

(o) Sinking fund

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

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

(p) Reserves

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

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

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

3. Financial risk management

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

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

The Corporation holds the following financial instruments –

	2017	2016
	\$	\$
Financial assets		
Current account with Sydney Diocesan Secretariat	4,112	8,221
Glebe Income Account - at call	-	1,764,864
Diocesan Cash Investment Fund - at call	5,387,484	-
Glebe Income Account - Term Deposits	-	4,176,869
Westpac Banking Corporation - Term Deposits	3,970,000	-
Receivables	688,918	358,180
	10,050,514	6,308,134
Financial liabilities		
Payables	748,048	861,305
Interest bearing liabilities- loans	11,400,000	13,400,000
	12,148,048	14,261,305

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 2017, 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 2017, 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 \$20,384 lower/ higher (2016- change of 100bps: \$74,500 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 2017	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	9,361,596	(93,616)	(93,616)	93,616	93,616
Interest bearing liabilities	11,400,000	114,000	114,000	(114,000)	(114,000)
Total increase/ (decrease)		20,384	20,384	(20,384)	(20,384)

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)

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 2017					
Payables	748,048	-	-	-	748,048
Interest bearing liabilities- loans principal	2,000,000	2,000,000	7,400,000	-	11,400,000
Interest bearing liabilities- loans interest	374,880	304,480	418,440	-	1,097,800
	3,122,928	2,304,480	7,818,440	-	13,245,848

	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

(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	2017 \$	2016 \$
Portion of sinking fund capital expenditure referable to St Andrew's Cathedral School (SACS) (34.36%)	13	47,105	162,312
Less: Portion of sinking fund investment income referable to St Andrew's Cathedral School (34.36%)	13	(3,272)	(1,185)
Reimbursement of legal fees		19,930	-
Other income		63,763	161,127

5. Operating surplus

	Notes	2017 \$	2016 \$
The surplus from ordinary activities has been determined as follows:			
Net income contribution from:			
Commercial offices		7,845,495	5,090,374
Car Park		1,931,611	1,725,636
Arcade		2,492,265	2,799,539
Sydney Square		(176,941)	(203,023)
Sinking Fund		47,105	162,312
		12,139,535	9,574,838
Interest earned		146,191	118,146
Other income		19,930	-
Interest paid		(448,517)	(561,106)
SDS Management fee		(119,028)	(115,644)
Other expenses		(83,417)	(128,525)
Portion of investment income referable to St Andrew's Cathedral School		(3,272)	(1,185)
Movement in investment property	9(a)	27,697,449	11,612,163
Surplus for the year		39,348,871	20,498,687

6. Current assets - Cash and cash equivalents

	2017 \$	2016 \$
Current account with Sydney Diocesan Secretariat	4,112	8,221
Glebe Income Account - at call	-	1,764,864
Diocesan Cash Investment Fund - at call	5,387,484	-
Glebe Income Account Term Deposits - initial term 3 months	-	3,361,201
	5,391,596	5,134,286

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% (2016 – 0.01%). This deposit is at call.

(b) Diocesan Cash Investment Fund

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

(c) Restricted cash

Cash includes a restricted cash amount of \$919,493 (2016 - \$437,798), which represents the sinking fund pursuant to a lease agreement St Andrew's Cathedral School. (Refer note 15).

7. Term deposits

	2017	2016
	\$	\$
Glebe Income Account Term Deposits - initial term 36 months	-	815,668
Westpac Banking Corporation - initial term 6 months	800,000	-
Westpac Banking Corporation - initial term 12 months	3,170,000	-
	<u>3,970,000</u>	<u>815,668</u>

At 31 December 2017 the six month term deposit for \$800,000 was earning 2.41% pa. The two twelve month term deposits were earning fixed interest rates, respectively, of 2.55% pa (\$2,417,000) and 2.56% pa (\$753,000).

8. Current assets - Receivables

	2017 \$	2016 \$
Trade receivables	730,944	386,737
Provision for impaired receivables	(137,579)	(31,657)
	593,365	355,080
Accrued income	78,875	-
Prepayments	16,678	3,098
	<u>688,918</u>	<u>358,180</u>
Amounts held in trust by Colliers and other debtors		
Colliers Trust Account	608,144	324,544
Other debtors	73,135	51,540
Interest receivable - term deposits	49,665	10,653
	<u>730,944</u>	<u>386,737</u>

(a) Impaired trade receivables

As at 31 December 2017 current trade receivables of the Trust with a nominal value of \$137,579 (2016: \$31,657) were impaired.

(b) Past due but not impaired

As at 31 December 2017, trade receivables of \$1,961 (2016: \$42,925) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2017 \$	2016 \$
1 to 3 months	1,961	37,289
Greater than 3 months	-	5,636
	<u>1,961</u>	<u>42,925</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	2017 \$	2016 \$
Fair value at 1 January		137,000,000	125,000,000
Additions - refurbishments		631,206	924,755
Lease incentives/straightlined rental	9(b)	171,345	(536,918)
Net gain/(loss) from fair value adjustment		27,697,449	11,612,163
Fair value at 31 December		165,500,000	137,000,000

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 2017. 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 –

	2017 %	2016 %
Tower and Car Park	7.00	7.50
Town Hall Square Arcade	6.00	6.50

The valuation is as follows –

	2017 \$	2016 \$
Tower and Car Park	123,500,000	97,000,000
Town Hall Square Arcade	42,000,000	40,000,000
	165,500,000	137,000,000

The fair value of the investment properties at 31 December 2017 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

	2017	2016
	\$	\$
ST ANDREWS CATHEDRAL SCHOOL LEVELS 3 & 4		
(2016: AUSTRALIAN RED CROSS SOCIETY)		
Rent-free period lease incentive	3,458,388	3,057,267
Less: amortisation	<u>(2,920,088)</u>	<u>(2,397,087)</u>
	538,300	660,180
Lease Fitout Incentive	2,241,432	2,241,432
Less: amortisation	<u>(1,251,465)</u>	<u>(1,027,323)</u>
	989,967	1,214,109
Straightlined lease rental	1,334,042	1,327,099
Total St Andrews Cathedral School Levels 3 & 4	<u>2,862,309</u>	<u>3,201,388</u>
ST ANDREWS CATHEDRAL SCHOOL LEVEL 5		
Cash lease incentive	250,000	250,000
Less: amortisation	<u>(150,000)</u>	<u>(125,000)</u>
	100,000	125,000
Straightlined lease rental	622,460	640,472
Total ST ANDREWS CATHEDRAL SCHOOL Level 5	<u>722,460</u>	<u>765,472</u>
ST ANDREWS CATHEDRAL SCHOOL GROUND FLOOR		
Cash lease incentive	1,060,828	1,060,828
Less: amortisation	<u>(530,412)</u>	<u>(477,372)</u>
	530,416	583,456
Rent free lease incentive	219,176	219,176
Less: amortisation	<u>(109,588)</u>	<u>(98,629)</u>
	109,588	120,547
Straightlined lease rental	816,365	800,320
Total ST ANDREWS CATHEDRAL SCHOOL Ground Floor	<u>1,456,369</u>	<u>1,504,323</u>
AUSTRALIAN RED CROSS BLOOD BANK GROUND FLOOR		
Rent free lease incentive	528,265	528,265
Less: amortisation	<u>(389,099)</u>	<u>(336,273)</u>
	139,166	191,992
Lease Fitout Incentive	112,275	112,275
Less: amortisation	<u>(82,335)</u>	<u>(71,107)</u>
	29,940	41,168
Straightlined lease rental	189,360	223,375
Total Australian Red Cross Blood Bank Ground Floor	<u>358,466</u>	<u>456,535</u>
WILSON PARKING		
Rent free lease incentive	-	197,125
Less: amortisation	<u>-</u>	<u>(197,125)</u>
	-	-
Straightlined lease rental	181,368	-
Total Wilson Parking	<u>181,368</u>	<u>-</u>
ANGLICAN DEACONESS MINISTRIES		
Lease Fitout Incentive	485,526	-
Less: amortisation	<u>(48,553)</u>	<u>-</u>
	436,973	-
Straightlined lease rental	81,119	-
Total Anglican Deaconess Ministries	<u>518,092</u>	<u>-</u>
Total lease incentives and straightlined rentals	<u>6,099,064</u>	<u>5,927,719</u>

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

(b) Lease incentives and straightlined rentals (cont)

Movement in lease incentives capitalised –

	Notes	2017 \$	2016 \$
Balance at 31 December		6,099,064	5,927,719
Balance at 1 January		5,927,719	6,464,637
Movement in lease incentives and straightlined rentals	9(a)	171,345	(536,918)

(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 –

	2017 \$	2016 \$
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows. Leases which have been agreed but not formally executed are included. Leases which have not been agreed have not been included.		
Within one year	13,406,433	9,588,338
Later than one year but not later than 5 years	37,790,855	32,088,942
Later than 5 years	4,671,537	5,171,758
	55,868,825	46,849,038

10. Deferred Expenses – Leasing fees

	2017 \$	2016 \$
Total Leasing Fees	880,636	852,978
Less Total Amortisation	(458,298)	(417,201)
	422,338	435,777

11. Distributions

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

	2017	2016
	\$	\$
Provision for income distribution		
St Andrew's House Trust Ordinance 2015		
Income (Clause 5)	15,954,211	13,914,054
Less: Interest (Clause 5(a)(i))	(454,960)	(574,070)
Less: Loan repayments(Clause 5(a)(ii))	(2,000,000)	(2,000,000)
Less: Outgoings (Clause 5(a)(iii))	(5,400,303)	(4,474,215)
Less: Reserve for future non-sinking fund capital works (Clause 5(b))	16 (692,500)	(390,000)
Less: Reserve for future rental costs (Clause 5(b))	16 (500,000)	(350,000)
Less: Reserve for strategic projects (Clause 5(b))	16 (2,750,000)	-
Less: Amounts set aside for other purposes (Clause 5(b))	1,012,552	(1,851,938)
Surplus available (Clause 5(c))	5,169,000	4,273,831
Less: Distribution Paid	5,169,000	4,273,831
Provision for income distribution (Clause 5(2))	-	-

11. Distributions (cont)

Amounts set aside for other purposes under Clause 5

	2017 \$	2016 \$
St Andrew's House Trust Ordinance 2015		
Balance at 1 January	2,051,091	199,153
Plus: Amounts set aside for other purposes (Clause 5(b))	(1,012,552)	1,851,938
Balance at 31 December	<u>1,038,539</u>	<u>2,051,091</u>
St Andrew's House Income Ordinance 2011		
Balance at 1 January	-	769,169
Less: Application of amounts set aside for other purposes in prior years	-	(769,169)
Balance at 31 December	<u>-</u>	<u>-</u>
Total amounts set aside for other purposes	<u>1,038,539</u>	<u>2,051,091</u>

Total distributions paid during the year were:

	2017 \$	2016 \$
Distribution from current year income	5,169,000	4,273,831
Distribution from amounts set aside for other purposes in 2014	-	769,169
	<u>5,169,000</u>	<u>5,043,000</u>
Distribution to Glebe Administration Board	2,584,500	2,521,500
Distribution to Endowment of the See Capital Fund	2,584,500	2,521,500
	<u>5,169,000</u>	<u>5,043,000</u>

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

12. Loans

	2017 \$	2016 \$
Loan from related party- current	2,000,000	2,000,000
Loan from related party- non-current	9,400,000	11,400,000
	<u>11,400,000</u>	<u>13,400,000</u>

An unsecured loan facility of up to \$11,400,000 has been obtained from the Glebe Administration Board for the purposes of renovation and refurbishment of the offices and Town Hall Square. The loan term is for 14 years from 1 December 2008 and is to be repaid in instalments between \$250,000 and \$625,000. The interest rate at 31 December 2017 was 3.520%.

13. Deferred Income

	Notes	2017 \$	2016 \$
St Andrew's Cathedral School's share of the sinking fund			
Balance at 1 January		168,415	123,382
Contribution to the sinking fund by St Andrew's Cathedral School	15	206,160	206,160
Sinking fund expenditure	4	(47,105)	(162,312)
Interest	4	3,272	1,185
Investment income		3,272	1,185
Balance at 31 December	15	330,742	168,415

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	2017 \$	2016 \$
Investment income in Glebe Income Account		-	1,185
Investment in Diocesan Cash Investment Fund		3,272	-
Balance at 31 December		3,272	1,185

14. Capital

	2017 \$	2016 \$
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	2017 \$	2016 \$
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		502,418	371,355
Contribution to the sinking fund		600,000	600,000
Capital expenditure		(137,092)	(472,387)
Interest		9,522	3,450
Closing balance		<u>974,848</u>	<u>502,418</u>

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

Lessor		644,106	334,003
Lessee	13	<u>330,742</u>	<u>168,415</u>
Balance of sinking fund 31 December		<u>974,848</u>	<u>502,418</u>

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

	2017 \$	2016 \$
Glebe Income Account - At-call Deposit	-	437,798
Diocesan Cash Investment Fund - at call	918,493	-
Current account with Sydney Diocesan Secretariat	1,000	-
Other receivables	55,355	64,620
Balance at 31 December	<u>974,848</u>	<u>502,418</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.

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

	2017 \$	2016 \$
Future rental costs reserve	1,520,000	1,020,000
Future non-sinking fund capital works reserve	2,232,500	1,540,000
Strategic projects reserve	2,750,000	-
	<u>6,502,500</u>	<u>2,560,000</u>

Movement in reserves:

	2017 \$	2016 \$
Balance at 1 January	2,560,000	1,820,000
Transfer to future rental costs reserve	500,000	350,000
Transfer to non-sinking fund capital works reserve	692,500	390,000
Strategic projects reserve	2,750,000	-
Balance at 31 December	<u>6,502,500</u>	<u>2,560,000</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 held a beneficial interest of 50% each in SAHT until 31 August 2017.

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

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

Transactions with related parties

During 2017 SAHT distributed to the Diocesan Endowment Fund and the Endowment of the See Capital Fund. The distributions paid total \$5,169,000 (2016: \$5,043,000).

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

A loan facility has been provided by Glebe Administration Board to assist with the funding of improvements to Town Hall Square and SAH. As at 31 December 2017, the loan had a limit of \$11,400,000 and was drawn to \$11,400,000 (2016: \$13,400,000). Interest for the year ended 31 December 2017 in respect of this loan was \$448,517 (2016: \$561,106).

Total management administration fee charged from SDS to SAHT during the year was \$452,004 (2016: \$441,504).

SAHT received \$778,861 (2016: \$1,164,186) for office rent from SDS.

SAHT received \$304,395 (2016: \$295,950) for office rent from the Endowment of the See Expenditure Fund.

Key management personnel

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

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

Mr R Smith	Mr D S Marr
Mr C L Cotman	Mr J S Pascoe
Mr C Watson	Dr L A Scandrett (until 31 July 2017)
Mr R Freeman	Ms Marianne Yacoel (from 04 December 2017)

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

18. Related party transactions (cont)

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

<i>Name</i>	<i>Position</i>
Mr R J Wicks	Chief Executive Officer (from 4 October 2017) Acting Chief Executive Officer (until 4 October 2017)
Mr M A Blaxland	Chief Financial Officer
Mr M W Newman	Head of Investments and Commercial Property (until 31 March 2017)

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

	2017	2016
	\$	\$
Short-term employment benefits	39,000	39,000
Long-term benefits	1,000	1,000
Termination	8,000	8,000
	48,000	48,000

Transactions with other related parties

The following other related party transactions occurred during the year.

At 31 December 2017 SAHT had an amount of \$4,112 (2016: \$8,221) in a current account with the SDS. During the year interest of \$68 (2016: \$249) was paid to the SDS with respect to this current account.

At 31 December 2017, SAHT held \$Nil (2016: \$1,764,864) in at-call deposits with Glebe Income Accounts. At 31 December 2017, SAHT held \$Nil (2016: \$4,176,869) in Term Deposits with Glebe Income Accounts. During the year the Glebe Income Accounts paid interest of \$93,494 (2016: \$118,395).

At 31 December 2017, SAHT held \$5,387,484 (2016: \$Nil) in at-call deposits with the Diocesan Cash Investment Fund. During the year the Diocesan Cash Investment Fund paid interest of \$52,765 (2016: \$Nil).

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

	2017	2016
	\$	\$
Surplus from ordinary activities	39,348,871	20,498,687
Sinking Fund Income from St Andrew's Cathedral School	(43,833)	(161,127)
Sinking Fund Contribution from St Andrew's Cathedral School	206,160	206,160
Movement in investment property	(27,697,449)	(11,612,163)
Lease incentives, straightlined rentals, and lease fees amortisation	(157,904)	598,990
Changes in assets and liabilities		
(Increase)/decrease in receivables	(436,660)	221,345
(Decrease)/increase in payables	(113,259)	35,673
Increase in provision for impaired receivables	105,922	31,656
Net cash inflow from operating activities	<u>11,211,848</u>	<u>9,819,221</u>

20. Capital expenditure and other commitments

	2017	2016
	\$	\$
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>22,898</u>	<u>140,309</u>

The capital projects include –

- Car Park Platform Lift
- Sydney Square Lighting

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 2017.

These financial statements were authorised for issue on 21 March 2018 by the Council.

22. Remuneration of auditors

SAHT pays the cost of auditing the financial statements. The audit fee for 2017 is \$44,258 (2016: \$36,720).

ST ANDREW'S HOUSE TRUST

MEMBERS' DECLARATION

The members of the Council of SAHC, as trustee of St Andrew's House Trust, declare that the financial statements and notes of SAHT set out on pages 5 to 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 2017 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date.

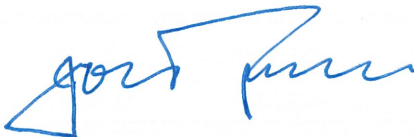
In the members' opinion there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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



Member

21 March 2018



Member

21 March 2018



Independent auditor's report

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

Our opinion

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of St Andrew's House Trust (the Trust) as at 31 December 2017 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 2017
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the members' declaration.

Basis for opinion

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

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

Independence

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

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

We draw attention to Note 2 in the financial report, which describes the basis of accounting. The financial report has been prepared meet the requirements of the *St Andrew's House Trust Ordinance 2015* and the *Accounts, Audits and Annual Reports Ordinance 1995*. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the members of the Standing Committee of the Synod of the Anglican Church Diocese of Sydney and for the members of the Council of St Andrew's House Corporation and should not be distributed to or used by parties. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers, ABN 52 780 433 757

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Other information

The members are responsible for the other information. The other information comprises the information included in the Trust's annual financial report for the year ended 31 December 2017, including the the Asset Report, 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 identified above 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 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.

Other matter: prior period financial report not audited

The Trust was not required to have an audited financial report for the year ended 31 December 2016. The comparative amounts included in this financial report are therefore unaudited.

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

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

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

Auditor's responsibilities for the audit of the financial report

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



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

Francois Bruder

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Principal

Sydney
21 March 2018