

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 2022

ST ANDREW'S HOUSE TRUST

Statement of comprehensive income For the year ended 31 December 2022

	Notes	2022 \$	2021 \$
Revenue			
Rental and other property income		12,902,917	11,120,954
Interest		132,544	41,237
Other income	4	194,851	95,218
Total revenue		13,230,312	11,257,409
Expenses			
Interest & finance charges		40,831	74,387
Professional fees		103,317	139,124
SDS Management fee		181,356	168,000
Property expenses		4,715,427	3,918,965
Insurance expenses		78,253	72,715
Fair value adjustment to investment property	10(a)	373,896	105,600
Total expenses		5,493,080	4,478,791
Surplus for the year	5	7,737,232	6,778,618

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 2022

	Notes	2022 \$	2021 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	4,541	5,000
Short-term investments	7	7,819,485	7,715,303
Term deposits	8	4,592,500	4,592,500
Receivable and other assets	9	1,480,612	1,584,051
Total current assets		13,897,138	13,896,854
Non-current assets			
Investment property	10(a)	212,500,000	212,500,000
Deferred expenses - Leasing fees	11	143,496	151,083
Total non-current assets		212,643,496	212,651,083
Total assets		226,540,634	226,547,937
LIABILITIES			
Current liabilities			
Payables	13	1,108,630	908,194
Loans	14	-	2,500,000
Deferred income		788,504	708,475
Total current liabilities		1,897,134	4,116,669
Non-current liabilities			
Loans	13	-	25,000
Total non-current liabilities		-	25,000
Total liabilities		1,897,134	4,141,669
Net assets		224,643,500	222,406,268
EQUITY			
Capital	15	9,429,229	9,429,229
Reserves	17	7,342,500	7,342,500
Accumulated surplus		207,871,771	205,634,539
Total equity		224,643,500	222,406,268

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 2022

	Notes	Capital	Reserves	Accumulated surplus	Total
		\$	\$	\$	\$
Balance at 1 January 2021		9,429,229	7,342,500	203,990,921	220,762,650
Surplus for the year		-	-	6,778,618	6,778,618
Total comprehensive income for the year		-	-	6,778,618	6,778,618
Distributions provided for or paid	12	-	-	(5,135,000)	(5,135,000)
				(5,135,000)	(5,135,000)
Balance at 31 December 2021		9,429,229	7,342,500	205,634,539	222,406,268
Surplus for the year		-	-	7,737,232	7,737,232
Total comprehensive income for the year		-	-	7,737,232	7,737,232
Distributions provided for or paid	12	-	-	(5,500,000)	(5,500,000)
		-	-	(5,500,000)	(5,500,000)
Balance at 31 December 2022		9,429,229	7,342,500	207,871,771	224,643,500

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 2022

	Notes	2022 \$	2021 \$
Cash flows from operating activities			
Rental and other property income received		13,589,333	12,578,344
Interest received		65,962	117,279
Borrowing costs paid		(40,831)	(74,387)
Payments in respect of the operations		(4,541,388)	(4,377,849)
Net cash inflow from operating activities	20	9,073,076	8,243,387
Cash flows from investing activities			
Net decrease in term deposits	8	-	2,750,000
(Increase) in short-term investments	7	(104,182)	(2,761,441)
Payment for investment property	10(a)	(944,353)	(596,736)
Net cash (outflow) from investing activities		(1,048,535)	(608,177)
Cash flows from financing activities			
Distributions to other Anglican organisations	12	(5,500,000)	(5,135,000)
Repayment of borrowings	13	(2,525,000)	(2,500,000)
Net cash (outflow) from financing activities		(8,025,000)	(7,635,000)
Net (decrease)/increase in cash and cash equivalents		(459)	210
Cash and cash equivalents at the beginning of the financial year		5,000	4,790
Cash and cash equivalents at the end of the year	6	4,541	5,000

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

1. General information

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

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

2. Summary of significant accounting policies

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

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

(a) Basis of preparation

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

The members of SAHC have determined that the accounting policies adopted are appropriate to meet the needs of the members of the Standing Committee of the Synod of the Anglican Church Diocese of Sydney and the members of SAHC. The financial statements contain only those disclosures considered necessary by the members of SAHC to meet the needs of the above named specified users.

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

Critical accounting estimates

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

The material area of the financial statements where assumptions or estimates are used include the valuation of the investment property (refer to note 10(a)).

2. Summary of significant accounting policies (cont.)

(b) Revenue recognition

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

Lease income

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

Rent concessions that have been provided to lessees during the Covid-19 period have been recognised directly as a reduction of lease income based on the actual amount of the concessions provided each month to lessees. No straight-lining of revenue over the remaining lease term has been determined in respect of the rent concessions provided during the year.

The investment property is leased to tenants under long term operating leases with rentals payable monthly. Minimum lease commitments have not been disclosed in these accounts.

Interest income

Interest income is recognised on an effective interest basis.

(c) Income tax

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

(d) Leases as lessor

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

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

For any new lease incentives in 2022 we have not applied the above accounting policy.

(e) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units).

(f) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

2. Summary of significant accounting policies (cont.)

(g) Short-term investments

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

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

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

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

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

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

(h) Receivables

Trade Receivables

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

Impairment

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

(i) Investment property

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

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

2. Summary of significant accounting policies (cont.)

(j) Payables

Payables include rent received in advance for the following period.

It also represents liabilities for goods and services provided prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(k) Borrowings and borrowing costs

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

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

(l) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

(m) Employee benefits

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

(n) Investment properties expenses and outgoings

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

(o) Goods and Service Tax (GST)

The Trust is a member of the SDS GST group.

Revenues, expenses and assets are recognised net of the amount of GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the balance sheet.

The GST components of cash flows arising from operating, investing or financing activities, which are recoverable from, or payable to, the ATO are presented as operating cash flow.

2. Summary of significant accounting policies (cont.)

(p) Sinking fund

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

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

(q) Reserves

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

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

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

3. Financial risk management

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

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

The Trust holds the following financial instruments:

	2022	2021
	\$	\$
Financial assets		
Current account with Sydney Diocesan Services	4,541	5,000
Short-term investments	7,819,485	7,715,303
Term Deposits	4,592,500	4,592,500
Trade receivables and interest receivable	1,068,971	1,554,898
	<u>13,485,497</u>	<u>13,867,701</u>
Financial liabilities		
Payables	1,108,630	908,194
Interest bearing liabilities- loans	-	2,525,000
	<u>1,108,630</u>	<u>3,433,194</u>

(i) Foreign exchange risk

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

(ii) Price risk

As at 31 December 2022, the Trust did not hold investments in assets classified on the balance sheet at fair value through profit or loss. The Trust is indirectly exposed to equity securities price risk through the investments in the Diocesan Cash Investment Fund.

(iii) Cash flow and fair value interest rate risk

The Trust holds cash and cash equivalent deposits which expose the Trust to interest rate risk from impacts on interest income.

(iv) Interest rate sensitivity

At 31 December 2022, 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 \$124,165 lower/ higher (2021: change of 100bps: \$97,878 lower/ higher), mainly as a result of higher/lower interest income.

3. Financial risk management (cont.)

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

31 December 2022	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	4,597,041	(45,970)	(45,970)	45,970	45,970
Short-term investments	7,819,485	(78,195)	(78,195)	78,195	78,195
Interest bearing liabilities	-	-	-	-	-
Total increase/ (decrease)		(124,165)	(124,165)	124,165	124,165

31 December 2021	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	4,597,500	(45,975)	(45,975)	45,975	45,975
Short-term investments	7,715,303	(77,153)	(77,153)	77,153	77,153
Interest bearing liabilities	2,525,000	25,250	25,250	(25,250)	(25,250)
Total increase/ (decrease)		(97,878)	(97,878)	97,878	97,878

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with financial institutions, short-term investments as well as credit exposures to outstanding receivables. Management assesses the credit quality of customers, taking into account their financial position, past experience and other factors. If available and considered required, the credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

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

(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 Trust manages liquidity risk by regularly monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

3. Financial risk management (cont.)

The tables below analyse the Trust's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total contractual cashflows
At 31 December 2022					
Payables	1,108,630	-	-	-	1,108,630
Interest bearing liabilities- loans principal	-	-	-	-	-
Interest bearing liabilities- loans interest	-	-	-	-	-
	1,108,630	-	-	-	1,108,630

	Less than 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total contractual cashflows
At 31 December 2021					
Payables	908,194	-	-	-	908,194
Interest bearing liabilities- loans principal	2,500,000	25,000	-	-	2,525,000
Interest bearing liabilities- loans interest	28,893	114	-	-	29,007
	3,437,087	25,114	-	-	3,462,201

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

4. Other income

	Notes	2022 \$	2021 \$
Portion of sinking fund capital expenditure referable to St Andrew's Cathedral School (SACS) (34.36%)	14	203,400	95,504
Less: Portion of sinking fund investment income referable to St Andrew's Cathedral School (34.36%)	14	(8,549)	(286)
		194,851	95,218

5. Operating surplus

	Notes	2022 \$	2021 \$
The surplus from ordinary activities has been determined as follows:			
Net income contribution from:			
Commercial offices		6,201,760	5,784,102
Car Park		1,452,201	1,673,796
Arcade		829,336	(2,956)
Sydney Square		(235,462)	(196,632)
Sinking Fund		203,400	95,504
		<u>8,451,235</u>	<u>7,353,814</u>
Interest earned		132,544	41,237
Interest paid		(40,831)	(74,387)
SDS Management fee		(181,356)	(168,000)
Other expenses		(241,915)	(268,160)
Portion of investment income referable to St Andrew's Cathedral School		(8,549)	(286)
Movement in investment property	10(a)	(373,896)	(105,600)
Surplus for the year		<u>7,737,232</u>	<u>6,778,618</u>

The amount recognised in profit or loss as a reduction of revenue for the reporting period to reflect changes in lease payments that arose from rent concessions due to COVID-19 provided to lessees amounted to \$329,800 (2021: \$2,542,562) (refer note 2 (b)). All rent concessions provided to lessees were by way of abatement of rent. There were no rent concessions provided by way of deferral of rent.

6. Current assets - Cash and cash equivalents

	2022 \$	2021 \$
Current account with Sydney Diocesan Services	4,541	5,000
	<u>4,541</u>	<u>5,000</u>

(a) Current account with Sydney Diocesan Services

The current account is at call and bears no interest. (2021 – 0.0%).

7. Current assets – Short-term investments

	2022 \$	2021 \$
Diocesan Cash Investment Fund	7,819,485	7,715,303
	<u>7,819,485</u>	<u>7,715,303</u>

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

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

Restricted short-term investments

Short-term investments includes a restricted amount of \$2,359,252 (2021 - \$2,065,865), which represents the sinking fund pursuant to a lease agreement St Andrew's Cathedral School. (Refer note 16).

8. Term deposits

	2022 \$	2021 \$
National Australia Bank Limited - initial term 12 months	2,620,000	2,620,000
National Australia Bank Limited - initial term 12 months	1,972,500	1,972,500
	<u>4,592,500</u>	<u>4,592,500</u>

At 31 December 2022 the two twelve-month term deposits, all with maturity date 28th February 2023, were earning fixed interest rates of 0.91% pa.

9. Current assets – Receivables and other assets

	2022	2021
	\$	\$
Trade receivables	2,062,297	2,915,948
Less: Loss allowance	(1,077,106)	(1,378,248)
Accrued interest	985,191	1,537,700
Prepayments	83,780	17,198
	411,641	29,153
	<u>1,480,612</u>	<u>1,584,051</u>

	2022	2021
	\$	\$
Loss allowance		
Provision for doubtful debts	455,194	18,643
Provision for COVID-19 rent abatements	326,311	1,359,605
Provision for other rent abatements and credits	295,601	-
	<u>1,077,106</u>	<u>1,378,248</u>

10. Non-current assets – Investment property

(a) Fair value

	Notes	2022 \$	2021 \$
Fair value at 1 January		212,500,000	213,500,000
Additions - refurbishments		944,353	596,736
Movements in lease incentives/straightlined rental	10(b)	(570,457)	(1,491,136)
Net gain/(loss) from fair value adjustment		(373,896)	(105,600)
Fair value at 31 December		<u>212,500,000</u>	<u>212,500,000</u>

Valuation basis

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

An independent valuation of the Tower, the SAH Car Park and Town Hall Square Arcade has been undertaken by Knight Frank Australia Pty Ltd as at 31 December 2022. 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. To assess the market value of the Tower and Car Park and the market value of the Town Hall Square Arcade components of the subject property, the valuer has utilised both a capitalisation approach and a discounted cash flow approach.

The capitalisation and discount rates adopted by the valuer are as follows:

	2022 %	2021 %
Adopted capitalisation rates		
Tower and Car Park	5.75	5.50
Town Hall Square Arcade	6.00	5.75
	2022 %	2021 %
Adopted discount rates		
Tower and Car Park	6.25	6.25
Town Hall Square Arcade	6.50	6.50

The valuation is as follows –

	2022 \$	2021 \$
Tower and Car Park	177,500,000	176,500,000
Town Hall Square Arcade	35,000,000	36,000,000
	<u>212,500,000</u>	<u>212,500,000</u>

The fair value of the investment properties at 31 December 2022 includes the value of the ground lease (which includes both the value of lease payments and the rental income derived from the lease of the ground lease to tenants), the amortised cost of lease incentives, and the impact of straight-lining rental income in accordance with the accounting policies of the Trust. Refer to note 10(b) for details of lease incentives and related amortisation and straight-lined rentals.

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

(b) Lease incentives and straight-lined rentals

	2022	2021
	\$	\$
ST ANDREWS CATHEDRAL SCHOOL LEVELS 3 & 4		
Lease rent incentive	5,230,008	5,062,874
Less: amortisation	(5,230,008)	(5,012,092)
	<u>-</u>	<u>50,782</u>
Lease fitout incentive	2,241,432	2,241,432
Less: amortisation	(2,241,432)	(2,148,039)
	<u>-</u>	<u>93,393</u>
Straightlined lease rental	-	213,798
Total St Andrews Cathedral School Levels 3 & 4	<u>-</u>	<u>357,973</u>
ST ANDREWS CATHEDRAL SCHOOL GROUND FLOOR		
Cash lease incentive (Library)	1,060,828	1,060,828
Less: amortisation	(795,621)	(742,580)
	<u>265,207</u>	<u>318,248</u>
Rent free lease incentive (Foyer)	219,176	219,176
Less: amortisation	(164,382)	(153,423)
	<u>54,794</u>	<u>65,753</u>
Straightlined lease rental	733,349	798,926
Total ST ANDREWS CATHEDRAL SCHOOL Ground Floor	<u>1,053,350</u>	<u>1,182,927</u>
ANGLICAN DEACONESS MINISTRIES		
Lease Fitout Incentive	485,526	485,526
Less: amortisation	(291,315)	(242,763)
	<u>194,211</u>	<u>242,763</u>
Straightlined lease rental	228,957	235,774
Total Anglican Deaconess Ministries	<u>423,168</u>	<u>478,537</u>
SHELDE LEVEL 1		
Lease Fitout Incentive	326,000	326,000
Less: amortisation	(326,000)	(305,625)
	<u>-</u>	<u>20,375</u>
Straightlined lease rental	-	7,163
Total Shelde	<u>-</u>	<u>27,538</u>
Total lease incentives and straightlined rentals	<u>1,476,518</u>	<u>2,046,975</u>

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

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

Movement in lease incentives capitalised:

	Notes	2022 \$	2021 \$
Balance at 1 January		2,046,975	3,538,111
Balance at 31 December		1,476,518	2,046,975
Movement in lease incentives and straightlined rentals	10(a)	(570,457)	(1,491,136)

11. Deferred Expenses – Leasing fees

	2022 \$	2021 \$
Leasing Fees	216,013	775,319
Amortisation on Leasing Fees	(72,517)	(624,236)
	<u>143,496</u>	<u>151,083</u>

12. Distributions

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

	2022	2021
	\$	\$
Provision for income distribution		
St Andrew's House Trust Ordinance 2015		
Income (Clause 5)	13,642,943	12,695,944
Less: Interest (Clause 5(a)(i))	(40,831)	(74,387)
Less: Loan repayments (Clause 5(a)(ii))	3 (2,525,000)	(2,500,000)
Less: Outgoings (Clause 5(a)(iii))	(5,766,776)	(5,520,073)
Plus: Amounts previously set aside for other purposes (Clause 5(b))	189,664	533,516
Surplus available (Clause 5(c))	<u>5,500,000</u>	<u>5,135,000</u>
Less: Distribution Paid	5,500,000	5,135,000
Provision for income distribution (Clause 5(2))	<u><u>-</u></u>	<u><u>-</u></u>

12. Distributions (cont.)

Amounts set aside for other purposes under Clause 5 St Andrews House Trust Ordinance 2015.

	2022	2021
	\$	\$
Balance at 1 January	2,003,374	2,536,890
(Less): Amounts set aside for other purposes (Clause 5(b))	(189,664)	(533,516)
Balance at 31 December	<u>1,813,710</u>	<u>2,003,374</u>
Total amounts set aside for other purposes	<u>1,813,710</u>	<u>2,003,374</u>

Total distributions paid during the year were:

	2022	2021
	\$	\$
Distribution from current year income	5,500,000	5,135,000
	<u>5,500,000</u>	<u>5,135,000</u>
	2022	2021
	\$	\$
Distribution to Synod St Andrews House Fund	2,750,000	2,567,500
Distribution to Endowment of the See Trust	2,750,000	2,567,500
	<u>5,500,000</u>	<u>5,135,000</u>

13. Loans

	2022	2021
	\$	\$
Loan from related party- current	-	2,500,000
Loan from related party- non-current	-	25,000
	<u>-</u>	<u>2,525,000</u>

14. Deferred Income

	Notes	2022 \$	2021 \$
St Andrew's Cathedral School's share of the sinking fund			
Balance at 1 January		708,475	537,403
Contribution to the sinking fund by St Andrew's Cathedral School	16	274,880	266,290
Sinking fund expenditure	4	(203,400)	(95,504)
Interest	4	8,549	286
Balance at 31 December	16	788,504	708,475

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	2022 \$	2021 \$
Short-term investments		8,549	286
		8,549	286

15. Capital

	2022 \$	2021 \$
Capital	9,429,229	9,429,229

16. Reconciliation of sinking fund

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

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

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

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

	2022 \$	2021 \$
Lessor	525,120	508,710
Lessee	274,880	266,290
Total	<u>800,000</u>	<u>775,000</u>

Movement in sinking fund:

	2022 \$	2021 \$
Opening balance	2,074,187	1,576,307
Contribution to the sinking fund	800,000	775,000
Capital expenditure	(591,967)	(277,951)
Interest	24,882	831
Closing balance	<u>2,307,102</u>	<u>2,074,187</u>

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

	Notes	2022 \$	2021 \$
Lessor		1,518,598	1,365,712
Lessee	14	788,504	708,475
Balance of sinking fund 31 December		<u>2,307,102</u>	<u>2,074,187</u>

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

	2022 \$	2021 \$
Short-term investments - DCIF	2,359,252	2,065,865
Other receivables	12,850	8,322
Other payables	(65,000)	-
Balance at 31 December	<u>2,307,102</u>	<u>2,074,187</u>

17. Reserves

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

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

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

At 31 December 2022 the balance of the strategic projects reserve was transferred to the non-sinking fund capital works reserve pursuant to a resolution of SAHC.

	2022	2021
	\$	\$
Future rental costs reserve	2,620,000	2,620,000
Future non-sinking fund capital works reserve	4,722,500	1,972,500
Strategic projects reserve	-	2,750,000
	7,342,500	7,342,500

Movement in reserves:

	2022	2021
	\$	\$
Balance at 1 January	7,342,500	7,342,500
Transfer to non-sinking fund capital works reserve	2,750,000	-
Transfer (from) strategic projects reserve	(2,750,000)	-
Balance at 31 December	7,342,500	7,342,500

18. Contingent assets and contingent liabilities

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

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

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

19. Related party transactions

Ownership interests

Pursuant to the *St Andrew's House Ordinance 2015* the property is held as to undivided half shares for the Anglican Church in the Diocese of Sydney (Synod) and the Endowment of the See Property Fund.

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

Transactions with related parties

During 2022 the Trust paid distributions to the Synod St. Andrew's House Fund and the EOS Property Fund. The distributions paid totalled \$5,500,000 (2021: \$5,135,000).

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

A loan facility that had been provided by Glebe Administration Board to assist with the funding of improvements to Town Hall Square and SAH was fully repaid during 2022. The facility limit at 31 December 2022 is \$Nil (2021: \$2,525,000). Interest for the year ended 31 December 2022 in respect of this loan was \$40,831 (2021: \$74,387).

Total management administration fee charged from SDS to the Trust during the year was \$534,772 (2021: \$502,008).

The Trust received \$776,030 (2021: \$911,795) for office rent from SDS.

The Trust received \$207,745 (2021: \$336,047) for office rent from the Endowment of the See Trust.

Key management personnel

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

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

Dr R Tong AM	Mr C Teh
Mr R Freeman	Ms M Yacoel
Rev L Symons (resigned 1 February 2022)	Rev J Sneddon
Mr C Bertinshaw (resigned 23 January 2023)	Mr M Firek
Mr H Bellchambers	Mr A Buckley

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

19. Related party transactions (cont.)

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

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

<i>Name</i>	<i>Position</i>
Mr R J Wicks	Chief Executive Officer
Mr M A Blaxland	Chief Financial Officer (to 27 November 2022)
Mr J K P Lau	Chief Financial Officer (from 28 November 2022)

Transactions with other related parties

The following other related party transactions occurred during the year.

At 31 December 2022 the Trust had an amount of \$4,541 (2021: \$5,000) in a current account with SDS. During the year interest of \$0 (2021: \$0) was received from SDS with respect to this current account.

At 31 December 2022, the Trust held \$7,819,485 (2021: \$7,715,303) in at-call investments with the Diocesan Cash Investment Fund. During the year the Diocesan Cash Investment Fund paid interest of \$94,349 (2021: \$2,995).

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

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

	2022	2021
	\$	\$
Surplus from ordinary activities	7,737,232	6,778,618
Sinking Fund Income from St Andrew's Cathedral School	(194,851)	(95,218)
Sinking Fund Contribution from St Andrew's Cathedral School	274,880	266,290
Movement in investment property	373,896	105,600
Lease incentives, straightlined rentals, and lease fees amortisation	578,043	1,567,796
Changes in assets and liabilities		
(Increase)/decrease in receivables	(333,111)	37,677
Increase/(decrease) in payables	200,436	(436,019)
Increase in provision for impaired receivables	436,551	18,643
Net cash inflow from operating activities	9,073,076	8,243,387

21. Capital expenditure and other commitments

	2022 \$	2021 \$
Commitments for capital projects on St Andrew's House contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	146,791	-

22. Remuneration of auditors

The Trust pays the cost of auditing the financial statements. The audit fee for 2022 is \$58,905 (2021: \$53,640).

23. Contingent liability

The St Andrew's House Corporation has elected to participate in the *National Redress Scheme for People who have Experienced Child Sexual Abuse* (the Scheme). The Trust is responsible for satisfying its financial liabilities to the Scheme, should such liabilities occur. There were no such known liabilities as at 31 December 2022.

24. 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 2022.

These financial statements were authorised for issue on 29 March 2023 by the members of SAHC.

ST ANDREW'S HOUSE TRUST

MEMBERS' DECLARATION

The members of SAHC, as trustee of St Andrew's House Trust, declare that the financial statements and notes of the Trust set out on pages 1 to 26:

- (a) comply with accounting policies in note 2 of the financial report
- (b) comply with the *St Andrew's House Trust Ordinance 2015* and the *Accounts, Audits, and Annual Statements Ordinance 1995*; and
- (c) present fairly the balance sheet as at 31 December 2022 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

29 March 2023



Member

29 March 2023



Independent auditor's report

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

Our opinion

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of St Andrew House Trust (the Trust) as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with the basis of preparation 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 2022
- 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 significant accounting policies and other explanatory information
- 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

We draw attention to Note 2 in the financial report, which describes the basis of accounting. The financial report has been prepared to 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 of Sydney and the members of St Andrew's House Corporation and should not be distributed to or used by other parties. Our opinion is not modified in respect of this matter.

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Other information

The members of St Andrew's House Corporation as Trustee of the Trust are responsible for the other information. The other information comprises the information included in the annual financial report for the year ended 31 December 2022, but does not include the financial report and our auditor's report thereon.

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

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

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

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

The members of St Andrew's House Corporation as Trustee of the Trust are responsible for the preparation and fair presentation of the financial report in accordance with the basis of preparation 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. The members have determined that the basis of preparation described in Note 2 to the financial report is appropriate to meet the needs of the members of the Standing Committee of the Synod of the Anglican Church of Sydney and the members of St Andrew's House Corporation as Trustee for the Trust.

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.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', written over a faint, larger version of the same text.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'N R McConnell'.

N R McConnell
Partner

Sydney
29 March 2023