

SYDNEY DIOCESAN SERVICES

ABN 69 266 342 710

Annual financial report – 31 December 2022

SYDNEY DIOCESAN SERVICES

Statement of comprehensive income For the year ended 31 December 2022

	Notes	2022 \$	2021 \$
Revenue from continuing operations			
Cost recovery charges and service funding		6,799,473	6,353,577
Rental income		201,035	-
Interest		77,186	20,800
Grants and Donations		597,000	585,000
Other income		135,738	121,014
Total revenue from continuing operations		7,810,432	7,080,391
Expenses from continuing operations			
Interest and finance charges		21,457	46,021
Staff and related expenses		5,453,642	4,892,623
Professional fees		311,627	529,564
Rent and occupancy expenses		442,396	189,404
Make good provision reversed		(355,809)	-
Office operating expenses		760,242	589,206
Depreciation and amortisation	5,6,7	525,334	563,391
Audit fees		37,779	37,200
Insurance expenses		141,322	133,166
Other expenses		64,375	54,513
Total expenses from continuing operations		7,402,365	7,035,088
Surplus for the year		408,067	45,303
Other comprehensive income		-	-
Total comprehensive income for the year		408,067	45,303
Transfer from current year surplus			
Transfer from/(to) Cost recovery transition reserve	13	23,496	(40,000)
Transfer from/(to) Business restructure reserve	13	-	84,771
Transfer from/(to) Premises fit out works reserve	13	(126,432)	(148,320)
Transfer from/(to) Sub-tenant leasing reserve	13	(48,650)	-
Transfer from/(to) Project reserve	13	(140,000)	(55,000)
Transfer from/(to) Information communication and technology (ICT) projects reserve	13	(89,241)	115,395
Net available surplus after transfer to reserves		27,240	2,149

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

SYDNEY DIOCESAN SERVICES

Statement of financial position As at 31 December 2022

	Notes	2022 \$	2021 \$
ASSETS			
Current assets			
Cash and cash equivalents and restricted cash	2	220,258	286,646
Short term investments	3	3,545,057	7,588,057
Receivables and other assets	4	994,781	234,487
Lease receivables	6	-	240,981
Total current assets		4,760,096	8,350,171
Non-current assets			
Plant and equipment	5	2,412,217	160,009
Right-of-use assets	6	-	226,289
Intangible assets - Software	7	287,082	269,521
Total non-current assets		2,699,299	655,819
Total assets		7,459,395	9,005,990
LIABILITIES			
Current liabilities			
Payables	8	297,825	101,485
Funds held in trust for client entities (Current accounts)	9	141,527	1,822,007
Lease liabilities	6	-	543,562
Provisions	10	1,183,959	1,411,536
Total current liabilities		1,623,311	3,878,590
Non-current liabilities			
Provisions	11	369,153	68,536
Total non-current liabilities		369,153	68,536
Total liabilities		1,992,464	3,947,126
Net assets		5,466,931	5,058,864
EQUITY			
Capital	12	2,062,105	2,062,105
Reserves	13	3,319,645	2,882,577
Accumulated surplus		85,181	114,182
Total equity		5,466,931	5,058,864

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

SYDNEY DIOCESAN SERVICES

Statement of changes in equity For the year ended 31 December 2022

	Notes	Capital	Reserves	Accumulated Surplus	Total
		\$	\$	\$	\$
Balance at 1 January 2021		2,062,105	2,839,423	112,033	5,013,561
Surplus for the year		-	-	45,303	45,303
Transfer to Cost recovery transition reserve	13	-	40,000	(40,000)	-
Transfer to Projects reserve	13	-	55,000	(55,000)	-
Transfer to Premises fit out works reserve	13	-	148,320	(148,320)	-
Transfer (from) Business restructure reserve	13	-	(84,771)	84,771	-
Transfer (from) Information Communication and Technology (ICT) projects reserve	13	-	(115,395)	115,395	-
Total comprehensive income for the year		-	43,154	2,149	45,303
Transactions with beneficiaries		-	-	-	-
Balance at 31 December 2021		2,062,105	2,882,577	114,182	5,058,864
Surplus for the year		-	-	408,067	408,067
Transfer to/(from) Capital maintenance reserve	13	-	-	-	-
Transfer to/(from) Cost recovery transition reserve	13	-	175,000	(175,000)	-
Transfer to/(from) Cost recovery transition reserve	13	-	(40,000)	40,000	-
Transfer to/(from) Cost recovery transition reserve	13	-	(23,496)	23,496	-
Transfer to/(from) Projects reserve	13	-	140,000	(140,000)	-
Transfer to/(from) Premises fit out works reserve (2022 Fitout)	13	-	97,975	(97,975)	-
Transfer to/(from) Premises fit out works reserve (2022 Fitout)	13	-	(60,944)	60,944	-
Transfer to/(from) Premises fit out works reserve (Future Fitout)	13	-	89,401	(89,401)	-
Transfer to/(from) Sub-tenant leasing reserve	13	-	48,650	(48,650)	-
Transfer to/(from) Sub-tenant leasing reserve	13	-	(78,759)	78,759	-
Transfer to/(from) Business development reserve	13	-	-	-	-
Transfer to/(from) Information Communication and Technology (ICT) projects reserve	13	-	89,241	(89,241)	-
Total comprehensive income for the year		-	437,068	(29,001)	408,067
Transactions with beneficiaries		-	-	-	-
Balance at 31 December 2022		2,062,105	3,319,645	85,181	5,466,931

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

SYDNEY DIOCESAN SERVICES

Statement of cash flows For the year ended 31 December 2022

	Notes	2022 \$	2021 \$
Cash flows from operating activities			
Cost recovery charges and service funding received		6,799,473	6,353,577
Interest received		44,878	2,716
Grants and donations received		597,000	585,000
Other income received		456,735	176,218
Borrowing costs paid		(21,457)	(12,619)
Payments to suppliers and employees		(7,468,953)	(6,629,720)
Net cash inflow from operating activities		407,676	475,172
Cash flows from investing activities			
Payments for plant and equipment	5	(2,341,278)	(46,659)
Payments for intangible assets - software	7	(227,537)	(121,436)
Net decrease / (increase) in short term investments with Diocesan Cash Investment Fund	3	4,043,000	(309,000)
Net cash inflow / (outflow) from investing activities		1,474,185	(477,095)
Cash flows from financing activities			
Movement of net current accounts held with client funds (outflow) / inflow	9	(1,680,480)	501,564
Payments of principal and interest elements of leases	6	(543,562)	(850,393)
Receipt of principal and interest elements of sub-leases	6	275,793	494,753
Capital paid out	12	-	(84,771)
Net cash (outflow) / inflow from financing activities		(1,948,249)	61,153
Net increase in cash and cash equivalents		(66,388)	59,230
Cash at the beginning of the year		286,646	227,416
Cash and cash equivalents at end of year	2	220,258	286,646

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

1. Summary of significant accounting policies

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

(a) Basis of preparation

In the opinion of the members of Sydney Diocesan Services ("SDS"), SDS is not a reporting entity because there are no users dependent on a general purpose financial report. These are special purpose financial statements that have been prepared for the purpose of complying with the *Sydney Diocesan Services Ordinance 2017*, 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 (for tabling to Synod) and to the members of SDS and must not be used for any other purpose.

The financial statements have been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, except as noted below.

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

SDS is a not-for-profit entity and a basic religious charity for the purpose of preparing financial statements.

Historical cost convention

The financial statements have been prepared on a historical cost basis.

Critical accounting estimates and judgments

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying SDS's accounting policies. The areas involving a higher degree or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 18.

(b) Principles of consolidation

SDS does not have any controlled entities. Refer to Note 14 for interests in associated entities.

Associates are all entities over which SDS has significant influence but not control or joint control.

(c) Revenue recognition

Under AASB 15, a five step model is used to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which SDS expects to be entitled in exchange for transferring goods or services to a customer.

A performance obligation is a promise in a contract with a customer to transfer a distinct good or service to the customer. SDS' contracts with customers contain a single performance obligation. A contract's transaction price is allocated to each distinct performance obligation. The revenue is recognised over time when the performance obligation is satisfied.

Disposal of plant and equipment

Income from the disposal of plant and equipment is measured at fair value of the consideration received or receivable less the carrying value of the fixed asset or group of assets sold. Gain or loss arising from the sale is recognised at net amount in the statement of comprehensive income.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the entity reduces the carrying amount to its recoverable amount.

1. Summary of significant accounting policies (cont.)

(d) 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 asset's 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.

(e) Cash and cash equivalents, and restricted cash

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. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Restricted cash and cash equivalent amounts are disclosed in Note 2 which represents funds held in trust by SDS through the operation of current accounts for its client entities, the liability for which is disclosed in Note 9.

(f) Financial assets

(i) Classification

SDS has classified financial assets based on the SDS' business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Based on the above, SDS has classified its financial assets in the amortised cost measurement category.

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

(ii) Recognition/de-recognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Fund 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 group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, SDS measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

(iv) Impairment

SDS assesses on a forward-looking basis any expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology that would be applied depends on whether there has been a significant increase in credit risk.

(g) Short term investments

Short term investments represents financial assets at amortised costs. SDS' 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, SDS measures these financial assets at their fair value plus transaction costs that are directly attributable to the acquisition of the financial assets.

1. Summary of significant accounting policies (cont.)

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which SDS 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 SDS 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 de-recognition is recognised directly in profit or loss.

(h) Impairment of financial assets

The entity has two types of financial assets that are subject to the expected credit loss model:

- receivables from related entities from the provision of services
- financial assets carried at amortised cost

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

SDS applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

SDS assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Financial assets at amortised cost are considered to have low credit risk, and the identified impairment loss was immaterial. SDS considers the financial assets are 'low credit risk' because of a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

(i) Receivables and other assets

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Receivables are 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 doubtful 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.

(j) Loan

SDS has provided an interest-free, subordinated, unsecured loan to SDS Legal. The loan is not covered by a guarantee. No term has been set for repayment of the loan. A gain or loss on the loan that is subsequently measured at fair value through profit and loss is recognised in profit or loss and presented with income (losses) in the period in which it arises.

(k) Leases

Finance lease - SDS as a lessee

Until August 2022 when a new lease commenced, SDS recognised a lease liability and a right-of-use asset for all lease arrangements in which it is a lessee, except for short-term leases (being leases with a lease term of less than 12 months) and leases of low value items. The lease liability is initially measured as the present value of future lease payments. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Minimum lease commitments have not been disclosed in these accounts.

1. Summary of significant accounting policies (cont.)

Finance lease - SDS as a lessor

Until August 2022 when a new lease commenced, SDS has entered into finance lease arrangements as a lessor and assets held under finance lease of SDS are presented as finance lease receivables from sub-tenants. As per AASB16 Leases, where SDS is an intermediate lessor, substantially all the risks and rewards incidental to ownership of the underlying asset are transferred by the lessor and thus these sub-leases are recognised as lease receivables on the balance sheet, with lease payments split between principal, applied to the receivable balance, and interest is recognised in the profit or loss. The sub-lease is valued at the present value of future payments receivable. SDS recognises finance income based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance leases.

Lease - Change in Accounting Policy

For the new lease, the accounting policy is to straight line the rental expense in the income statement over the period of the lease.

l) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Furniture and fittings	10 years
Office equipment	5 years
Computer hardware	2.5 years to 5 years
Motor Vehicles	5 years.
Leasehold improvements	10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each end of the reporting period.

(m) Intangible assets

Costs incurred in acquiring software that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software.

SDS amortises intangible assets – software using the straight-line method over its estimated useful life, as follows:

- Software 3 years to 5 years.

(n) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

(o) Payables

These amounts represent 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.

(p) Current account held for client entities

Cash deposits held by SDS in trust for client entities are carried at their principal amounts.

1. Summary of significant accounting policies (cont.)

(q) Provisions

Provisions for make good obligations and termination benefits 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. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

(r) Employee benefits

(i) *Wages, salaries, annual leave and personal leave*

Liabilities for wages and salaries including non-monetary benefits and annual leave expected to be settled within 12 months of the end of each reporting period are recognised either in payables or current provisions in respect of employees' services up to the end of each reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

No liability has been recognised for personal leave, it is not considered that any personal leave taken will incur additional costs.

(ii) *Long service leave*

The liability for long service leave is recognised in the provision for long service leave entitlements and measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of each reporting period. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using Australian Government Bond Yields at the end of each reporting period for a term that matches estimated future cash outflows.

Employee benefit on-costs are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

The obligations are presented as current liabilities in the balance sheet where SDS does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(s) Capital

Represents the original capital contributed to SDS. Capital has been contributed by the Synod of the Anglican Church of Australia Diocese of Sydney. SDS's governing ordinance grants no rights or preferences in relation to the capital, and places no restrictions on the use of the capital in pursuing SDS's objectives and providing benefits to the Synod's stakeholders.

(t) Reserves

Appropriate reserves are created to enable SDS to meet projected future major expenditure without significant dissipation of working capital or requiring SDS to borrow significant sums to fund that expenditure.

(u) Income tax

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

1. Summary of significant accounting policies (cont.)

(v) Goods and Services Tax (GST)

SDS is the representative member of the SDS GST group and a member of the Anglican GST Religious 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 statement of financial position.

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. Current assets – Cash and cash equivalents, and restricted cash

	Note	2022 \$	2021 \$
Cash at bank - Westpac Banking Corporation		218,658	285,046
Cash in hand		1,600	1,600
Balances per statement of cash flows		<u>220,258</u>	<u>286,646</u>

SDS provides administrative, secretarial and accounting services to a range of organisations. As part of these services, SDS holds cash deposits, in trust, on behalf of its client entities, and these funds are pooled with SDS's own funds in accounts with an authorised deposit-taking institution or the Diocesan Cash Investment Fund, for administrative efficiency. SDS controls the funds, and has the ability to invest the funds at its discretion to earn interest income. SDS also bears any related credit risk in case of bankruptcy of an institution. As a result, of these matters SDS has determined that these balances should be reported as financial assets of SDS. However, clients are entitled to the full amount of any cash deposited in the event of insolvency and SDS has also considered that these balances represent in effect a restricted cash balance.

Amounts held for clients are credited into separate liability accounts and recognised as interest bearing liabilities (refer Note 9). SDS has a contractual obligation towards the clients in the event of bankruptcy of a financial institution or its insolvency.

Cash and short term investments (Note 3) includes a restricted cash and cash equivalent amount of \$141,527 (2021: \$1,822,007), which represents funds held in trust through the operation of current accounts by SDS's client entities as noted above. SDS has considered that this balance remains available for use in the short term. Restricted cash is largely deposited with the Diocesan Cash Investment Fund.

3. Current assets – Short term investments

	Note	2022 \$	2021 \$
Diocesan Cash Investment Fund		3,545,057	7,588,057

Short term investments include financial assets at amortised cost and include unsecured loans to the Diocesan Cash Investment Fund (DCIF). The loans to DCIF are separate from those made by any other lender and makes SDS an unsecured creditor of DCIF. Deposits are repayable on request by SDS in accordance with the conditions set out in the Loan Agreement between SDS 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 assets categories. The assets in which the authorised managed fund has invested in 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.

4. Current assets – Receivables and other assets

	2022 \$	2021 \$
Accounts receivable	69,319	48,962
Prepayments	48,014	49,159
Receivable from related entities	821,804	112,403
Other receivables	55,644	23,963
	994,781	234,487

5. Non-current assets – Plant and equipment

	2022	2021
	\$	\$
Furniture and Fittings - at cost	628,486	628,486
Additions	294,478	-
Disposals/write-off	-	-
Furniture and Fittings	922,964	628,486
Less: Provision for depreciation	(635,848)	(601,988)
	<u>287,116</u>	<u>26,498</u>
Office equipment - at cost	283,102	271,486
Additions	-	11,616
Office equipment	283,102	283,102
Less: Provision for depreciation	(275,551)	(273,129)
	<u>7,551</u>	<u>9,973</u>
Computer hardware - at cost	397,326	383,244
Additions	294,745	14,082
Disposals/write-off	-	-
Computer hardware - at cost	692,071	397,326
Less: Provision for depreciation	(402,372)	(325,906)
	<u>289,699</u>	<u>71,420</u>
Leasehold Improvements - at cost	307,447	307,447
Additions - Make Good	362,256	-
Additions for Fit out	1,509,821	-
Less: Provision for depreciation	(351,673)	(276,290)
	<u>1,827,851</u>	<u>31,157</u>
Motor vehicle - at cost	21,342	21,342
Less: Provision for depreciation	(21,342)	(21,342)
	<u>-</u>	<u>-</u>
Expenditure recognised in relation to computer hardware which is in the course of construction	-	20,961
	<u>-</u>	<u>-</u>
Total plant and equipment	<u>2,412,217</u>	<u>160,009</u>

Reconciliation of the carrying amount of plant and equipment at the beginning and end of the current year is set out below:

	2022	2021
	\$	\$
Opening balance at beginning of year	160,009	283,458
Additions	2,461,300	25,698
Work in progress changes during the year	(20,961)	20,961
Depreciation - plant and equipment	(188,131)	(170,108)
Closing balance at end of year	<u>2,412,217</u>	<u>160,009</u>

6. Leases

SDS holds office property leases on Level 2 St Andrew's House. A new lease came into effect in August 2022

Under the previous lease, assets and liabilities arising from office property leases were measured on a present value basis. Lease liabilities include the net present value of the fixed payment included in the lease contracts.

The lease payments were discounted using an incremental borrowing rate, being the rate that SDS would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The incremental borrowing rate used for the initial application is 3.37%.

Lease payments were allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets were measured at cost comprising the amount of the initial measurement of the lease liability.

Payments associated with the new office lease, other short-term leases and leases of low-value are recognised as an expense in profit or loss.

Extension and terminations options

There is a 5 year extension option available under the current office lease.

Amortisation

Right-of-use assets were depreciated over the remaining lease term on a straight-line basis.

SDS as a lessee

(i) Amounts recognised in the statement of financial position

	2022	2021
	\$	\$
Right-of-use assets	-	226,289
Office property leases	-	226,289
	2022	2021
	\$	\$
Lease liabilities	-	543,562
Current	-	543,562
Non-current	-	-
	-	543,562
	2022	2021
	\$	\$
Movement in Lease liabilities	543,562	1,360,553
At beginning of the year	543,562	1,360,553
Interest on lease liabilities	6,618	33,402
Lease payment made by SDS	(550,180)	(850,393)
At end of the year	-	543,562

6. Leases (cont.)

<i>(ii) Amounts recognised in the statement of comprehensive income</i>	2022	2021
	\$	\$
Depreciation charge of right-of-use assets	226,289	339,435
Interest expense (included in interest and finance charges)	6,618	33,401
Expense related to short-term leases (included in rent and occupancy expense)	13,040	19,560
Expense related to leases of low-value assets that are not shown above as short-term leases (included in rent and occupancy expense)	12,990	12,990

SDS as a lessor*(iii) Amounts recognised in the statement of financial position*

	2022	2021
Sub-lease lease receivable	\$	\$
Office property sub-leases	-	240,981

	2022	2021
Sub-lease lease receivable	\$	\$
Current	-	240,981
Non-current	-	-
	-	240,981

There were no additions to the Lease receivables assets during the 2022 financial year.

	2022	2021
Movement in Sub-lease receivables	\$	\$
At beginning of the year	240,981	718,990
Interest on Sub-lease receivables	-	16,745
Sub-lease receipts	(240,981)	(494,754)
At end of the year	-	240,981

<i>(iv) Amounts recognised in the statement of comprehensive income</i>	2022	2021
	\$	\$
Interest income (included in interest)	-	16,745

7. Non-current assets – Intangible assets - Software

	2022	2021
	\$	\$
Intangible assets - Software - at cost	287,350	287,350
Additions	227,537	-
Less: Provision for amortisation	(227,805)	(139,265)
Expenditure recognised in relation to computer software which is in the course of construction	-	121,436
	<hr/>	<hr/>
Total intangible assets - Software - at cost	<u>287,082</u>	<u>269,521</u>

8. Current liabilities - Payables

	2022	2021
	\$	\$
Accrued expenses	603	-
Other payables	297,222	101,485
	<hr/>	<hr/>
	<u>297,825</u>	<u>101,485</u>

9. Current liabilities – Current accounts

		2022	2021
		\$	\$
Funds held in trust for client entities (Current accounts)	Note		
Current accounts held for Client entities (other related parties) (a)	2	141,527	1,822,007
		<hr/>	<hr/>
Movement			
Current account balances at start of year		1,822,007	1,320,443
Net (decrease) increase in current account liability		(1,680,480)	501,564
Current account balances at end of year		<u>141,527</u>	<u>1,822,007</u>

(a) Current account balances are at call.
Interest is no longer paid or charged on client fund balances.

(b) Restricted cash and cash equivalents.

Refer Note 2 for disclosure related to the cash held by SDS on behalf of its client entities.

10. Current liabilities – Provisions

	2022	2021
	\$	\$
Annual leave entitlements	475,176	406,805
Long service leave entitlements (a)	708,783	648,922
Obligations upon termination of leases - Make Good costs (b)	-	355,809
	1,183,959	1,411,536

(a) Amounts not expected to be settled within the next 12 months

The current provision for long service leave covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The current amount of the provision of \$708,783 (2021: \$648,922) is presented as current, since SDS does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, SDS does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months. The following amounts reflect long service leave that is not expected to be taken or paid within the next 12 months.

	2022	2021
	\$	\$
Current long service leave obligations expected to be settled after 12 months		
Long service leave entitlements	638,031	580,387

(b) Obligations upon termination of leases – make good costs

Provision to meet future expenditure required under the leases for part of level 2 of St Andrew's House to make good at the end of the leases.

11. Non-current liabilities – Provisions

	2022	2021
	\$	\$
Long service leave entitlements	6,142	68,536
Obligations upon termination of leases - Make Good costs (a)	363,011	-
	369,153	68,536

(a) Obligations upon termination of leases – make good costs

Provision to meet future expenditure required under the leases for part of level 2 of St Andrew's House to make good at the end of the leases.

(b) Movement in provision

Movements in each class of provision during the year, other than employee benefits, are set out below –

11. Non-current liabilities – Provisions (cont.)

Make Good Costs	2022	2021
Movement in current provision	\$	\$
Carrying amount at start of year	355,809	352,425
- unused amount reversed	(355,809)	-
- initial provisions recognised	362,256	-
- unwind discount	755	3,384
Carrying amount at end of year	363,011	355,809

12. Equity – Capital

	2022	2021
	\$	\$
Contributed capital	2,062,105	2,062,105

13. Equity - Reserves

	2022	2021
	\$	\$
Capital maintenance reserve (i)	764,564	764,564
Premises fit out works reserve (2022 Fitout) (ii)	1,599,056	1,562,025
Premises fit out works reserve (Future Fitout) (ii)	89,401	-
ICT projects reserve (iii)	89,241	-
Sub-tenant leasing reserve (iv)	48,650	78,759
Projects Reserve (v)	195,000	55,000
Cost recovery transition reserve (vi)	418,504	307,000
Business restructure reserve (vii)	115,229	115,229
	3,319,645	2,882,577

Movement in reserves	Capital maintenance reserve	Premises fit out works reserve (2022 Fitout)	Premises fit out works reserve (Future Fitout)	ICT projects reserve	Sub-tenant leasing reserve	Projects reserve	Cost recovery transition reserve	Business restructure reserve	Total
	\$	\$		\$	\$	\$	\$	\$	\$
Carrying amount at start of year	764,564	1,562,025	-	-	78,759	55,000	307,000	115,229	2,882,577
Transfer from current year surplus	-	37,031	89,401	89,241	48,650	140,000	(23,496)	-	380,827
Amounts added to/(used) during the year	-	-	-	-	(78,759)	-	135,000	-	56,241
Carrying amount at end of year	764,564	1,599,056	89,401	89,241	48,650	195,000	418,504	115,229	3,319,645

13. Equity – Reserves (cont.)

Nature and purpose of reserves

(i) *Capital maintenance reserve*

The capital maintenance reserve is used to ensure sufficient capital is generated and maintained by SDS operations. Amounts will be transferred to the reserve to maintain the real value of the contributed capital and accumulated surplus. Balances may be transferred to accumulated surplus at times when major expenditure is incurred for activities outside of the Service Level Agreements held with SDS clients, i.e. not recouped through the SDS cost recovery charges.

(ii) *Premises fit out works reserve – 2022 Fit out*

The Premises fit out works reserve was used to generate sufficient working capital to enable SDS to undertake significant fit out works in its premises at the time of entering a new lease in August 2022. The fit-out reserve will be amortised over ten years.

Premises fit out works reserve – Future Fit out

The Premises fit out works reserve is used to generate sufficient working capital for the likely need for SDS to undertake significant future fit out works in its premises at the time of entering a new leases/premises.

(iii) *ICT projects reserve*

The ICT projects reserve will be used to support expenditure on future ICT projects which will represent the replacement and upgrade of SDS's existing technology and communication infrastructure. Balances may be transferred back to accumulated surplus at times when the ICT projects have been completed.

(iv) *Sub-tenant leasing reserve*

In 2021, the Sub-tenant leasing reserve was used to diminish any shortfall in sub-tenancy income while SDS is occupying excess office space in St Andrew's House. In 2022 the reserve reflects the sub-tenant's share of the rent incentive to be provided by over 10 years but the incentive will provided to SDS over 5 years.

(v) *Projects Reserve*

The Projects reserve has been created to provide a funding source for future projects, which were budgeted in 2021 and 2022 but were either not undertaken in 2022 or were not completed in the year. Amounts may be applied from the Projects reserve to fund the completion of the projects in a future year or to fund alternative projects which maintain or enhance SDS's service capacity.

(vi) *Cost recovery transition reserve*

The Cost recovery transition reserve is intended to support SDS operations over the five-year transition to a new cost recovery methodology adopted in 2020 and to meet any shortfall in the amount paid by the Synod to meet diocesan overhead costs incurred by SDS. The transition period runs from 2022 – 2026. The cost recovery charge payable by some organisations in 2020 under the previous cost recovery methodology was materially different to the costs incurred by SDS in providing services to those organisations in 2020 as calculated under the new methodology. The reserve is intended to provide a reducing cost subsidy over a five-year transition period for those organisations whose 2020 cost recovery charge under the previous methodology was insufficient to meet the costs incurred by SDS in serving those organisations under the new methodology - rather than increasing the cost recovery charge in a single year.

The reserve is funded for this purpose by transferring amounts from surpluses from operations. In 2022 a net \$135,000 was added to the Cost recovery transition reserve as an allocation of the current year surplus from operations.

Balances in the reserve may continue to be used as a means of delivering an ongoing subsidy to the cost recovery charges payable by the Synod and certain Synod funded organisation.

13. Equity – Reserves (cont.)

(vii) *Business restructure reserve*

The Business restructure reserve was used in 2022 to support the DCIF as it restructured due to the then current low interest rate environment. In 2023 it is proposed to use the reserve to fund additional capacity via a new legal resource. The balance may be transferred back to accumulated surplus when the business restructure has been completed.

14. Interests in associated entities

SDS is a member of SCEGGS Darlinghurst Ltd, SCEGGS Redlands Ltd, and SDS Legal Ltd, all companies limited by guarantee. No financial information of the three companies is disclosed. In regard to the two schools both are limited by guarantee and SDS has not contributed any capital to the schools. In addition, SDS has no expectation of ever receiving any financial benefit from the schools as by their nature no dividends are paid and the winding up clauses in their constitutions require any surplus on winding up to be paid to an Anglican school in the Diocese. In respect to SDS Legal Ltd, SDS is the sole member. While SDS has potential for significant influence in the policies of SDS Legal Ltd it does not have control as SDS does not have the power over SDS Legal Ltd to affect the amount of SDS's returns.

15. Contingent liabilities

Contingent liabilities in respect to the membership of the schools SCEGGS Darlinghurst Ltd and SCEGGS Redlands Ltd are limited in their constitutions to the guarantees of \$1 and \$10 respectively.

Contingent liability in respect to the membership of SDS Legal Ltd is limited in its constitution to the guarantee of \$10.

16. Overdraft facility

A Guarantee has been given to Westpac Banking Corporation by Glebe Administration Board as trustee for the Diocesan Endowment for overdraft accommodation up to \$1,200,000 granted to SDS.

Financing arrangements

SDS had access to the following undrawn borrowing facility at the end of each reporting period:

	2022	2021
	\$	\$
Undrawn overdraft facility with Westpac Banking Corporation	1,200,000	1,200,000

At balance date SDS made available an overdraft facility with a limit of \$1,000,000 to the Glebe Administration Board as trustee for the Diocesan Endowment through its current account with SDS.

17. Related party transactions

Ultimate control vests with Synod through the sanctioning of governing Ordinances. The transactions with other related parties, the Synod and the Standing Committee and many other diocesan organisations, are carried out on a commercial basis.

SDS Legal Ltd is a related party of SDS due to SDS being the sole member of SDS Legal Ltd and due to shared senior staff and board members.

Statement of comprehensive income

SDS operates as the central administrative body of the Diocese and is the employer of staff and responsible for providing secretarial and office support for the Archbishop, Registrar and other Diocesan Funds. SDS activities involve extensive related party transactions. SDS' revenues from management and service fees and grants are wholly derived from related parties. Revenues from interest and other income are mainly derived from related parties. Expenses mainly attributable to related parties are interest and finance charges, rent and insurance expenses.

SDS paid the St Andrew's House Trust \$776,030 for office rent, (2021: office rent \$892,235).

Statement of financial position

SDS's net assets also contain outstanding balances with related parties. Included in the assets of SDS are loans to Diocesan Cash Investment Fund, related through a director in common, and some receivables. SDS provides cash administration service via "current accounts" with its client funds. These related party outstanding balances are shown as liabilities.

Key management personnel

(a) Members of SDS

Ms M Carpenter	The Rev Mike Paget (Archbishop appointment)
Mr G Hammond OAM (resigned 1 February 2022)	Mr J Pascoe (Chair)
Mr N Lee (resigned 17 November 2022)	Bishop M Stead
Ms Liz Livingstone	The Rev L Strachan
Mr B Meikle (resigned 17 October 2022)	Ms J Yorath (resigned 31 December 2022)

(b) Other key management personnel

The following persons also had authority and responsibility for the strategic direction and management of SDS during the year:

<i>Name</i>	<i>Position</i>
Mr R Wicks	Chief Executive Officer
Mr J Lau	Chief Financial Officer (from 28 November 2022)
Mr M Blaxland	Chief Financial Officer (until 28 November 2022)

(c) Key management personnel compensation

	2022	2021
	\$	\$
Short-term employee benefits	606,004	590,641
Long-term employee benefits	10,402	9,844
	<u>616,406</u>	<u>600,485</u>

18. Critical accounting estimates and judgments

Significant estimates and judgments

Estimation of provision for long service leave

Long-term employee benefit liabilities such as long service leave provisions are subject to estimation of uncertain future events. These estimates involve assumptions about such items as discount rates used, future changes in salaries, and individual employee's pattern of use of long service leave.

Cash held in Trust and cash flow statement

SDS holds cash in trust on behalf of its client entities. SDS has used judgment to determine that it controls the funds, and has the ability to invest the funds at its discretion to earn interest income. SDS also bears any related credit risk in case of bankruptcy of an institution. As a result of these matters, SDS has determined that these balances should be reported as financial assets and financial liabilities of SDS.

SDS has also considered that this cash balance remains available for use in the short term, albeit with some restrictions, and hence this balance is still classified as cash and cash equivalents for the purpose of the statement of cash flows, and as short term investments for that amount deposited in DCIF.

19. Events occurring after the end of the reporting period

The members of SDS are not aware of any events occurring after the reporting period that materially impact the financial statements as at 31 December 2022.

SYDNEY DIOCESAN SERVICES

MEMBERS' DECLARATION

The members of SDS declare that these financial statements and notes set out on pages 1 to 21:

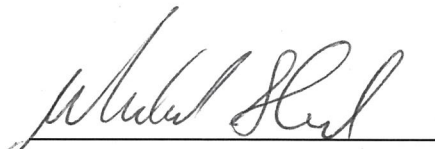
- (a) comply with accounting policies set out in note 1;
- (b) comply with the *Sydney Diocesan Services Ordinance 2017*, and the *Accounts, Audits and the Annual Reports Ordinance 1995*; and
- (c) presents fairly SDS's statement of financial position as at 31 December 2022 and of its performance, as 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 SDS 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



Member

Sydney

12 April 2023



Independent auditor's report

To the members of the Standing Committee of the Synod of the Anglican Church Diocese of Sydney and to the members of the Sydney Diocesan Services for the Sydney Diocesan Services

Our opinion

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of Sydney Diocesan Services (the Entity) as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards to the extent described in Note 1 of the financial report.

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 member's 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 Entity 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 1 in the financial report, which describes the basis of accounting. The financial report has been prepared to meet the requirements of the *Sydney Diocesan Services Ordinance 2017* and of the *Accounts, Audit and Annual Reports Ordinance 1995*. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for Sydney Diocesan Services and its members and should not be distributed to or used by parties other than Sydney Diocesan Services and its members. Our opinion is not modified in respect of this matter.

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Responsibilities of the members of the Sydney Diocesan Services for the financial report

The members of the Sydney Diocesan Services are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards to the extent described in Note 1 of the financial report, 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 1 to the financial report is appropriate to meet the needs of the Standing Committee of the Synod of the Anglican Church Diocese of Sydney and the members of the Sydney Diocesan Services..

In preparing the financial report, the members are responsible for assessing the ability of the Entity 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 Entity 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 signature.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'N R McConnell', written in a cursive style.

N R McConnell
Partner

Sydney
12 April 2023