

# **SYDNEY DIOCESAN SERVICES**

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**ABN 69 266 342 710**

**(formerly Sydney Diocesan Secretariat)**

**Annual financial report – 31 December 2018**

# Sydney Diocesan Services

## Report by the Chief Executive Officer

For the year ended 31 December 2018

Under the Sydney Diocesan Services Ordinance 2017, SDS is to advance the purposes of the Anglican Church of Australia in the Diocese of Sydney through the regulation of the central administration of the affairs of the Diocese. We do this primarily by providing administrative, secretarial and accounting services to the Synod and its Standing Committee, other organisations of the Diocese and our parishes.

Those services are provided in accordance with service level standards agreed with each organisation concerned. Feedback during 2018 indicates that the organisations we serve continue to be highly satisfied with the service we provide.

Under our strategic plan for 2016-2018 our vision is "To be a valued partner in the mission of the Anglican Church of Australia in the Diocese of Sydney, and beyond". The 8 objectives under our plan for 2016-2018 to realise this vision were –

- To enhance how we communicate with our stakeholders.
- To optimise our service delivery to our parishes and the organisations we currently serve.
- To provide additional support for parishes.
- To grow the number organisations we serve.
- To undertake a key project each year to support mission.
- To provide leadership in governance across the Diocese.
- To enable our people to develop and excel.
- To ensure our sustainability.

During 2018 we completed actions in a number of areas in pursuit of these objectives. These included reviewing the cost effectiveness of our services, improving the management and performance review of our staff, developing a culture which embraces change, reviewing our succession and key person risk planning and enhancing our reputation as a professional Christian service organisation. We also substantially completed actions to review our main business processes, develop medium and content for governance training, and develop and better harness external relationships.

In December 2018, SDS reviewed the outcome of the plan for 2016-2018 and noted that our Vision and objectives had been assessed as being fully or substantially achieved. SDS also agreed that, assessed against the agreed high level measures of performance used during the period 2013-2018 (in relation to finance, care and safety, being valued by the organisations we serve, staff satisfaction, and support of parishes), our performance has been satisfactory during this period.

In December 2018, SDS approved a new strategic plan for 2019-2021 which had been developed in close consultation with SDS's key stakeholders during the course of the year. Our vision under the new plan is "Enhancing capacity for mission". We expect to realise this vision through the achievement of the following 5 strategic objectives –

- To maintain Synod's support for SDS as its agent for the effective administration of the Diocese.
- To increase the use by central diocesan organisations of cost recovered services provided by SDS within its core competencies.
- To increase the effectiveness of the support given by SDS to parishes.
- To increase the involvement of the broader diocesan and affiliated network in activities of mutual benefit to the Synod, parishes and central diocesan organisations.
- To increase the culture of innovation among our staff.

We are progressing the actions needed to achieve these objectives.

SDS's main source of income is fees received from the central diocesan organisations we serve. In 2018 fees declined by 1% due to the restructure of the holding of St Andrew's House, with lower overall fees. In 2018 SDS produced a surplus of \$160,374 (2017 surplus \$582,202). From the surplus \$403,672 (2017: \$358,356) was applied to several reserves including a capital maintenance reserve and a reserve for premises fitout. After the transfer to reserves the deficit was \$243,298 (2017 surplus \$223,846) against a budgeted deficit of \$261,183.

In June 2018, Mr John Pascoe was appointed as Chair until 31 December 2019, having served as Acting Chair since the former Chair's resignation in March 2018.

ROBERT WICKS  
**Chief Executive Officer**

17 April 2019

# **Statutory report of the members of the Sydney Diocesan Services**

## **For the year ended 31 December 2018**

With effect from 18/02/2019 the Sydney Diocesan Secretariat's name has been changed under the Sydney Diocesan Secretariat (Change of Name) Ordinance 2019 to Sydney Diocesan Services.

In accordance with a resolution of the Board, the members of the Sydney Diocesan Services ("SDS") submit herewith the financial report for the year ended 31 December 2018:

### **Scope**

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SDS is constituted by the *Sydney Diocesan Services Ordinance 2017* and is a body incorporated under the *Anglican Church of Australia (Bodies Corporate) Act 1938*, domiciled in Australia. Its principal place of business is –

Sydney Diocesan Services  
Level 2, St Andrew's House  
Sydney Square NSW 2000

### **Principal activities**

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The object of SDS is to carry out, perform and provide administrative, secretarial and accounting services for the Anglican Church in the Diocese of Sydney.

The principal organisations served by SDS are –

- the Synod, the Standing Committee and their subcommittees, and the parishes of the Diocese
- Glebe Administration Board, as Trustee for the Diocesan Endowment, the Diocesan Cash Investment Fund, and the Margaret Herron Accommodation Trust
- Anglican Church Property Trust Diocese of Sydney
- St Andrew's House Corporation
- Endowment of the See Committee
- Mission Property Committee
- Sydney Church of England Finance & Loans Board (trading as Sydney Anglican Loans)

Services are provided by SDS in accordance with agreed service level standards, and SDS recovers its costs by way of fees charged to the organisations served.

There were no significant changes in the nature of SDS's activities during the year.

### **Results for the year**

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The total change in equity is a surplus of \$160,374 (2017: \$582,202 surplus).

### **Distributions**

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Distributions are not paid by SDS.

### **Review of operations and significant changes in the state of affairs**

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A review of the operations of SDS and commentary on any significant changes in the state of affairs of SDS is contained in the report of the Chief Executive Officer (CEO).

## **Members**

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The Standing Committee of the Diocese of Sydney appoints members, for terms of three years. The Standing Committee has the power to remove any member before the expiration of their term. The Archbishop of Sydney also appoints one member, also for a term of three years. The non-executive members receive no remuneration. The Chief Executive Officer attends meetings of SDS.

The following members were in office during the whole financial year and up to the date of this report.

### **Mr Greg Hammond OAM, BA, LLB, ThA**

Consultant in banking and finance; former partner of King & Wood Mallesons; chairman of Anglican Community Services (t/as Anglicare Sydney), the Australian College of Theology and Olive Tree Media; director of G&C Mutual Bank and Opportunity International Australia; Adjunct Fellow at Macquarie University in the Applied Finance Centre; member of the Glebe Administration Board; and previous service on Diocesan and other not-for-profit boards and committees. Member of Macquarie Anglican Churches. Board member since 2014.

### **Ms Robyn Hobbs OAM, MMgt, JP**

NSW Small Business Commissioner, leading a team that provides advocacy, mediation and dispute resolution services to small businesses in NSW. Previously worked in a diverse range of industry sectors including the arts, business, community services, government, media, social welfare, and transport. She has held executive roles at the Sydney Opera House, State Chamber of Commerce and the City of Sydney. In 1983 Robyn founded Carols in the Domain, which is Australia's largest community Christmas concert. In 2009 she received the OAM for services to the community for founding Carols in the Domain, and raising funds for The Salvation Army. Attends St Mark's Darling Point and has served on the Anglicare Board. Board member since 7 November 2017.

### **Mr John Pascoe, FCA, BEc (Deputy Chair until 27 June 2018; Chair from 27 June 2018 onwards)**

Partner Pascoe Whittle Chartered Accountants; Member of Standing Committee, Finance Committee, St Andrew's House Corporation (until 13 May 2018), St Andrew's Cathedral Chapter and Diocesan Resources Committee; Audit Committee (Chair until 27 June 2018). Attends St Andrew's Cathedral. Board member since 2009.

### **Bishop Michael Stead, BCom(Acc), BD(Hons), DipMin, PhD**

Bishop of South Sydney; Member of Standing Committee Diocese of Sydney; Diocesan Representative on General Synod; Member of General Synod Standing Committee; Secretary of the General Synod Doctrine Commission. Chair Audit Committee (Acting from 28 June 2018, appointed 19 September 2018). Prior to ordination, worked for PricewaterhouseCoopers from 1990-1996. Board member since 2015.

## **Resignations**

Mr Ross Smith resigned from office with effect from 31 March 2018.

### **Mr Ross Smith (Chair until 31 March 2018), MAppFin, BEc, GAICD, Chartered Accountant**

CEO, Anglican Schools Corporation. Previously CFO of Anglicare, Sydney. Brings 25 years' experience in Finance, Corporate Restructuring and Acquisition Advisory; Member of the Council of St Andrew's House Corporation. Member of Caringbah Anglican Church. Board member since 2010.

Mr Mark Ballantyne resigned from office with effect from 31 December 2018.

### **Mr Mark Ballantyne, BE, MBA, FIAA**

Qualified Actuary; General Manager of Financial Wisdom with the Commonwealth Bank, having over 20 years' experience in all facets of financial services. Attends East Lindfield Anglican Church. Board member since 2009.

The Rev Edward Brush resigned from office with effect from 31 December 2018.

### **The Rev Edward Brush, BTh, Dip Min**

NSW/ACT Regional Officer for Bush Church Aid. Previously Rector Lower Mountains Parish and Archbishop's Ministry Chaplain. Has previously served on Board of Governors of the National Church Life Survey, Standing Committee Diocese of Sydney, Mission Board of the Standing Committee, Council of St Andrew's Cathedral School, Georges River Regional Council and Finance & Loans Board. Originally

trained as an electrical engineer with extensive experience in supply chain management both in Australia and internationally. Board member since 2013.

Mr Andrew Stanley resigned from office with effect from 31 December 2018.

**Mr Andrew Stanley, BE, LLB, MAppFin, CA, FINSA**

Head of Australian Equities, Ralton Asset Management. Over 20 years' experience in financial structuring/investment banking and funds management. Previously a member of Anglican Funds Committee, Melbourne. Member of C3 Church Mosman. Board member since 2014.

***Appointments***

Ms Libby Hackett was appointed as a member of the board by the Standing Committee on 26 March 2018.

**Ms Libby Hackett, BA (Oxon) – PPE, MA (Oxon)**

Partner, Perrett Laver, Sydney, Over 20 years' experience working for government, parliament, universities and in private sector consultancy, including 10 years' experience at CEO and Director level. Previous roles include CEO of University Alliance UK, Director of Policy And Research Russell Group of Universities UK, Special Advisor Parliamentary Select Committee for Education and Skills UK, Senior Researcher and Deputy Director Higher Education Policy Institute UK, and Senior Policy Advisor of Higher Education Funding Council for England UK. Attends All Saints, Austinmer. Board member since 2018.

Mr Ben Meikle was appointed as a member of the board by the Standing Committee on 23 July 2018.

**Mr Ben Meikle, B Eng (Computer Systems), MBA**

Associate Director at Macquarie Group Limited. His more than 25 years of experience in the IT industry has enabled him to develop a broad range of skills across people and project management, architecture, risk and compliance reporting with a number of financial institutions. He is currently working as the information architect for Macquarie's Banking and Financial Services division. Member of Cherrybrook Anglican Church. Board member since 2018.

Ms Jennifer Yorath was appointed as a member of the board by the Standing Committee on 27 August 2018.

**Ms Jennifer Yorath, BA (Syd), MBus (HRM) Dist, FAICD**

Over 25 years' experience in human resources management; currently a senior global human resources practitioner for a large Australian biotech, in addition to leading their global change and transformation capability development. She has had experience in a range of industry sectors and has held both specialist and strategic commercial human resource roles. Her board experience includes 10 years on the Board of a major Sydney Anglican school, where she was a member of the Nominations Committee and chaired the Human Resources Committee. Member of St Alban's Anglican Church Lindfield. Board member since 2018.

Mr Peter Evans was appointed as a member of the board by the Standing Committee effective from 1 January 2019.

**Mr Peter Evans, FCA, MAICD, FTIA**

Deputy Chair Ramsay Health Care Limited, Founding director of Paul Ramsay Foundation and Ramsay Centre for Western Civilisation. Executive director Paul Ramsay Holdings Pty Limited (Group). Experience in managing diverse businesses with a specialisation in health care. Member of Standing Committee of Sydney Diocese. He attends St Simon and St Jude Anglican Church Bowral where he is a Warden.

Mr Norm Lee was appointed as a member of the board by the Standing Committee effective from 1 January 2019.

**Mr Norm Lee, BA, LLB, MIntS, GDLP**

Executive Director, analogue. Over 18 years' experience in legal, compliance, risk and operations roles for investment and financial services businesses. Has served as non-executive director on not for profit boards. He attends Jannali Anglican Church. Board member since 2019.

The Rev Lily Strachan was appointed as a member of the board by the Standing Committee on 15 April 2019.

**The Rev Lily Strachan, BEc(Soc sc), LLB (Hons), B Div**

Senior staff worker with the Australian Fellowship of Evangelical Students at Macquarie University. Assistant Anglican chaplain to Macquarie University. Associate Pastor at Trinity Chapel Macquarie. Senior Residential Advisor and assistant chaplain to Robert Menzies College. Prior to ordination, worked as a corporate lawyer at Blake Dawson (2005-2008, now Ashurst) and Prolegis (2011). Board member since 2019.

**Chief Executive Officer**

**Mr Robert Wicks, BSc LLB, GAICD**

Mr Wicks was appointed as Chief Executive Officer on 4 October 2017, after serving in an acting capacity as CEO since 19 November 2016. Prior to this he held the positions of Diocesan Secretary and Head of Diocesan and Corporate Services of the Sydney Diocesan Services. Previously he worked as a solicitor at the Commonwealth Bank of Australia. He is not a Board member. He attends West Pymble Anglican Church.

**Secretary**

Mr Steve Lucas resigned as Secretary with effect from 27 June 2018.

**Mr Steve Lucas, BA LLB**

Mr Lucas was appointed Secretary to the Board in 2014. He has held in-house legal roles with the Sydney Diocesan Services for more than 10 years. He is not a Board member. He attends Helensburgh Anglican Church.

Ms Briony Bounds was appointed as Secretary with effect from 27 June 2018.

**Ms Briony Bounds, BA(Adv), DipMgmt, GIA(Affiliated)**

Ms Bounds was appointed as Secretary to the Board in 2018. She has 10 years' experience working with boards and committees in the Not-For-Profit and Government sectors. She is not a Board member. She attends Anglican Churches Springwood.

Details of attendance at Members' meetings and Audit Committee meetings are detailed below –

Year Ended 31 December 2018	Members' Meetings		Audit Committee Meetings	
	A	B	A	B
<b>Non Executive Members</b>				
M Ballantyne	4	2		
E Brush	4	3		
L Hackett	3	2		
G Hammond OAM	4	4		
R Hobbs OAM	4	3		
B Meikle	2	2		
J Pascoe	1D 3C	1D 3C	1C 1	1C 1
R Smith	1C	-		
A Stanley	4	3		
M Stead	4	4	1 1C	1 1C
J Yorath	2	2		

A = meetings eligible to attend

B = meetings attended

■ = not a committee member

C = Chair

D = Deputy Chair

## **Continuation in office of Members**

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Bishop Michael Stead was reappointed as a member by the Standing Committee on 12 November 2018, for a further term of 3 years.

### **Delegation**

SDS has delegated to the CEO, and through the CEO to other senior executives, responsibility for the day to day management of the activities of SDS. The scope of that delegated authority, and its limits, is documented.

### **Committees**

SDS has an Audit Committee and a Nominations Committee to assist it in fulfilling its responsibilities. The main role of the Audit Committee is to monitor, report and make recommendations to SDS about the financial reporting processes of SDS, the internal control systems and the independent audit process. The charter of the Audit Committee and the Nominations Committee are reviewed periodically by SDS.

## **Identifying significant business risks**

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SDS regularly monitors the operational and financial performance of its activities. It monitors and receives advice on areas of operational and financial risk, and considers strategies for appropriate risk management arrangements.

## **Independent professional advice**

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SDS has resolved that members do not have the right to seek independent professional advice at the expense of SDS, other than with prior approval by SDS.

## **Insurance of officers**

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During the year insurance premiums totalling \$20,000 (2017: \$15,000) were paid for directors' and officers' liability insurance in respect of the members of SDS. The policies do not specify the premium for individual members.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities

## **Matters subsequent to the end of the year**

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No matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect, the operations of SDS, the results of those operations or the state of affairs of SDS in future years.

## **Environmental regulation**

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The operations of SDS are not subject to any particular and significant environmental regulation under any law of the Commonwealth of Australia or of any State or Territory thereof.

SDS has not incurred any liability (including rectification costs) under any environmental legislation.

## **Likely developments and expected result of operations**

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The members have approved budgets for 2019 with the key objectives of resourcing the SDS strategic plan. In particular, the budget has been prepared to specifically address the following objectives:

- SDS will be meet the expectation of the Synod and the other organisations we serve, and anticipate and respond to their needs with effective solutions.



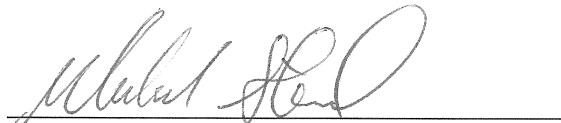
- SDS will provide relevant, specialised and accessible services and resources to support parishes having regard to the changing environment in which parish ministry takes place.
- SDS will proactively model and promote servant leadership across the Diocesan network, and beyond.

A deficit of \$60,000 is budgeted for 2019, after reserving for future lease obligations and anticipated premises fitout works and maintenance of the real value of the capital of SDS.

Signed in accordance with a resolution of the members of Sydney Diocesan Services.



Member



Member

Sydney

17 April 2019

# SYDNEY DIOCESAN SERVICES

## Statement of comprehensive income For the year ended 31 December 2018

	Notes	2018 \$	2017 \$
<b>Revenue from continuing operations</b>			
Management and service fees		6,588,617	6,629,307
Rental income		408,466	290,973
Interest		112,360	107,464
Other income		169,480	139,193
<b>Total revenue from continuing operations</b>		<b>7,278,923</b>	<b>7,166,937</b>
<b>Expenses from continuing operations</b>			
Interest and finance charges		14,201	13,846
Staff and related expenses		4,561,548	4,405,346
Professional fees		460,664	329,177
Rent and occupancy expenses		1,030,698	990,750
Office operating expenses		621,398	445,493
Marketing expenses		-	1,730
Depreciation and amortisation	6,7	213,916	281,113
Audit fees		39,484	38,931
Insurance expenses		102,687	67,787
Other expenses		73,953	10,562
<b>Total expenses from continuing operations</b>		<b>7,118,549</b>	<b>6,584,735</b>
<b>Surplus for the year</b>		<b>160,374</b>	<b>582,202</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>160,374</b>	<b>582,202</b>
<b>Transfer from current year surplus</b>			
Transfer (to) Capital maintenance reserve	13	(158,100)	(121,068)
Transfer (to) Premises fitout works reserve	13	(234,257)	(194,288)
Transfer (to) Sub-tenant leasing reserve	13	(11,315)	(43,000)
<b>Net available surplus/(deficit) after transfer to reserves</b>		<b>(243,298)</b>	<b>223,846</b>

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 2018

	Notes	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	2	5,242,068	4,941,438
Restricted cash	2	782,777	743,017
Receivables and other assets	4	368,804	383,253
Lease incentive and straight line lease rental assets	5	-	2,183
<b>Total current assets</b>		<b>6,393,649</b>	<b>6,069,891</b>
<b>Non-current assets</b>			
Plant and equipment	6	626,103	600,842
Intangible assets - Software	7	8,550	14,585
<b>Total non-current assets</b>		<b>634,653</b>	<b>615,427</b>
<b>Total assets</b>		<b>7,028,302</b>	<b>6,685,318</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	8	432,954	350,013
Interest bearing liabilities	9	782,777	743,017
Provisions	10	1,057,970	1,005,839
<b>Total current liabilities</b>		<b>2,273,701</b>	<b>2,098,869</b>
<b>Non-current liabilities</b>			
Provisions	11	386,005	378,227
<b>Total non-current liabilities</b>		<b>386,005</b>	<b>378,227</b>
<b>Total liabilities</b>		<b>2,659,706</b>	<b>2,477,096</b>
<b>Net assets</b>		<b>4,368,596</b>	<b>4,208,222</b>
<b>EQUITY</b>			
Capital	12	2,062,105	2,062,105
Reserves	13	2,016,623	1,612,951
Accumulated surplus		289,868	533,166
<b>Total equity</b>		<b>4,368,596</b>	<b>4,208,222</b>

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 2018

	Notes	Capital	Reserves	Accumulated Surplus	Total
		\$	\$	\$	\$
<b>Balance at 1 January 2017</b>		<b>2,062,105</b>	<b>1,254,595</b>	<b>309,320</b>	<b>3,626,020</b>
Surplus for the year		-	-	582,202	582,202
Transfer to Capital maintenance reserve	13	-	121,068	(121,068)	-
Transfer to Premises fitout works reserve	13	-	194,288	(194,288)	-
Transfer to Sub-tenant leasing reserve	13	-	43,000	(43,000)	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>358,356</b>	<b>223,846</b>	<b>582,202</b>
Transactions with beneficiaries		-	-	-	-
<b>Balance at 31 December 2017</b>		<b>2,062,105</b>	<b>1,612,951</b>	<b>533,166</b>	<b>4,208,222</b>
Surplus for the year		-	-	160,374	160,374
Transfer to Capital maintenance reserve	13	-	158,100	(158,100)	-
Transfer to Premises fitout works reserve	13	-	234,257	(234,257)	-
Transfer to Sub-tenant leasing reserve	13	-	11,315	(11,315)	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>403,672</b>	<b>(243,298)</b>	<b>160,374</b>
Transactions with beneficiaries		-	-	-	-
<b>Balance at 31 December 2018</b>		<b>2,062,105</b>	<b>2,016,623</b>	<b>289,868</b>	<b>4,368,596</b>

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 2018

	Notes	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Management and service fees received		6,586,169	6,902,213
Rent received		410,650	303,375
Interest received		109,290	91,162
Other income received		165,927	141,375
Borrowing costs paid		(9,641)	(8,825)
Payments to suppliers and employees		(6,728,623)	(6,899,164)
<b>Net cash inflow from operating activities</b>		<b>533,772</b>	<b>530,136</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment	6	(233,142)	(35,743)
Proceeds from term deposits with maturity between three months and one year	3	-	725,219
Payments for term deposits with maturity between three months and one year	3	-	(5,269)
<b>Net cash inflow (outflow) from investing activities</b>		<b>(233,142)</b>	<b>684,207</b>
<b>Cash flows from financing activities</b>			
Movement of net current accounts held with client funds (outflow) inflow		39,760	(496,958)
<b>Net cash (outflow) inflow from financing activities</b>	9	<b>39,760</b>	<b>(496,958)</b>
Net increase in cash and cash equivalents		340,390	717,385
Cash at the beginning of the year		5,684,455	4,967,070
<b>Cash and cash equivalents at end of year</b>	2	<b>6,024,845</b>	<b>5,684,455</b>

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

These special purpose financial statements have been prepared in accordance with the Sydney Diocesan Services Ordinance 2017, and the Accounts, Audits and Annual Reports Ordinance 1995 as amended by the Synod of the Anglican Church of Australia Diocese of Sydney. SDS has determined that the accounting policies adopted are appropriate to meet the needs of SDS.

SDS is a not for profit entity for the purpose of preparing financial statements.

### New and amended accounting standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2018 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

### Historical cost convention

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

### 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 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 19.

### (b) Principles of consolidation

SDS does not have any controlled entities.

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

SDS is a member of SCEGGS Darlinghurst Ltd and SCECGS Redlands Ltd, two schools which are companies limited by guarantee. SDS has particular powers which may be called upon in the case of a ballot which allows it to cast votes equal in number to one half of all the votes cast in the ballot (excluding the vote of SDS). In a vote on an ordinary resolution not involving a ballot, SDS has 1 vote, the same as other members. The quorum at general meetings is 15 members for SCECGS Redlands Ltd and 20 members for SCEGGS Darlinghurst Ltd. SDS has the right to appoint 4 directors to each company. At present SDS directors are 4 of 12 in each case.

While SDS has potential for significant influence in the policies of SCEGGS Darlinghurst Ltd and SCECGS Redlands Ltd, it does not have control as SDS has no expectation of obtaining a benefit from its association with these companies as all income and property must be applied towards the promotion of the objects of the companies, even in winding up of the companies. Therefore SDS is not required to consolidate their financial statements. No related party disclosures are required as there is no transfer of resources, services or obligations between SDS and these schools.

## 1. Summary of significant accounting policies (cont)

### (c) Revenue recognition

Revenue and other income are measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of taxes paid. Revenue and other income are recognised for the major business activities as follows:

#### *Management and service fees*

SDS performs accounting, administration and secretarial services for a number of organisations across the Diocese, most notably Glebe Administration Board, the trustee for the Diocesan Endowment (and its controlled entities) and the trustee of Diocesan Cash Investment Fund (DCIF), Synod (including Standing Committee), St Andrew's House Corporation, Anglican Church Property Trust Diocese of Sydney, and the Endowment of the See. Management and service fees are based upon recouping the overall costs from each organisation through careful attention to the allocation of staff activity to organisations served by SDS. The fees are recognised in the accounting period in which the services are rendered.

#### *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.

#### *Sub-lease income (Rent)*

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

### (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, restricted cash and term deposits

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.

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

Term deposits were deposits held with Glebe Administration Board. Term deposits that had an initial term of three months or less were included in cash and cash equivalents. Term deposits were carried at face value of the amount deposited. Interest accrued was included in Receivables.

## 1. Summary of significant accounting policies (cont)

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 by its client entities, the liability for which is disclosed in Note 9. There is no explicit documentation regarding the agent/trust relationship SDS has in respect to holding its clients monies.

### (f) 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.

### (g) Sub-leases

SDS has entered into a number of sub-leases concerning its leases in St Andrew's House. These sub-leases, in which a significant portion of the risks and rewards of ownership are retained by SDS, are classified by SDS as operating leases.

Lease incentives may be provided to sub-lessees to enter into an operating lease. These incentives may be in the form of cash, rent free periods, lessee or lessor owned fitouts. They are amortised over the term of the sub-lease as a reduction of rent income. The carrying amount of the sub-lease incentives is recognised as an asset.

### (h) 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 effects	10 years
Office equipment	5 years
Computer hardware	2.5 years to 5 years
Motor Vehicles	5 years

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

### (i) 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



## 1. Summary of significant accounting policies (cont)

### (j) 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.

### (k) 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.

### (l) Current account held for Diocesan funds

These interest-bearing liabilities are carried at their principal amounts. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

### (m) 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.

### (n) 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 the Reserve Bank of Australia cash rate 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.

## 1. Summary of significant accounting policies (cont)

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.

### (o) 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.

### (p) 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.

SDS has identified the need for a capital maintenance reserve to ensure sufficient capital is generated and maintained by SDS operations.

SDS has identified potential major future expenditure under the lease of part of level 2 of St Andrew's House to undertake significant fitout works in its premises at the end of the leases. Further SDS has identified future expenditure to support strategic business development initiatives and Information, Communications and Technology (ICT) projects.

### (q) Income tax

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

### (r) Goods and Services Tax (GST)

SDS is the representative 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 statement of financial position.

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

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

	Note	2018 \$	2017 \$
Cash at bank - Westpac Banking Corporation		88,153	214,763
Diocesan Cash Investment Fund		5,935,092	5,468,092
Cash in hand		1,600	1,600
Balances per statement of cash flows		<u>6,024,845</u>	<u>5,684,455</u>
Less Restricted cash	9	<u>(782,777)</u>	<u>(743,017)</u>
		<u>5,242,068</u>	<u>4,941,438</u>

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

SDS provides administrative, secretariat 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 (Refer to note 9), 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 bears any related credit risk in case of bankruptcy of an institution; however, clients are entitled to the full amount of any cash deposited in the event of insolvency. As a result, the funds are classified as restricted cash.

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

Cash includes a restricted cash and cash equivalent amount of \$782,777 (2017: \$743,017), which represents funds held in trust through the operation of current accounts by SDS's client entities (Refer Note 9). There is no explicit documentation regarding the agent/trust relationship SDS has in respect to holding its clients' monies. While restricted cash is identified within the financial statements, no SDS policy is in place in the event a wind up is necessary to resolve the competing interest of different classes of creditors and beneficiaries.

## 3. Current assets – Term deposits with maturity between three months and one year

	2018 \$	2017 \$
Glebe Income Account (other related party) Term deposit Opening	-	719,950
Additions	-	5,269
Withdrawals	-	(725,219)
Glebe Income Account (other related party) Term deposit Closing	<u>-</u>	<u>-</u>

**4. Current assets – Receivables and other assets**

	2018	2017
	\$	\$
Accounts receivable	52,622	23,639
Provision for impairment of receivables (note (a))	-	-
Prepayments - other	87,411	114,470
Receivable from related entities	120,990	135,766
Other receivables	107,781	109,378
	<u>368,804</u>	<u>383,253</u>

**(a) Bad and doubtful receivables**

Receivables and debtors have been reviewed and none are considered doubtful. Therefore no provision has been raised for doubtful receivables.

**5. Non-current assets – Lease incentive and straight lined lease assets**

	2018	2017
	\$	\$
Rent-free period lease incentive	25,039	25,039
Less: Amortisation of straight lined lease incentive	<u>(25,039)</u>	<u>(24,204)</u>
	-	835
Straight lined lease rental	<u>-</u>	<u>1,348</u>
Lease incentive and straight lined lease assets	<u>-</u>	<u>2,183</u>
<b>Movement</b>		
At beginning of the year	2,183	14,585
Movement in lease incentives capitalised	(835)	(5,008)
Movement in lease rentals capitalised	<u>(1,348)</u>	<u>(7,394)</u>
At end of the year	<u>-</u>	<u>2,183</u>
Current	-	2,183
Non-current	<u>-</u>	<u>-</u>
	<u>-</u>	<u>2,183</u>

The rent-free lease incentive was amortised over the life of the sub-lease which terminated in February 2018.

## 6. Non-current assets – Plant and equipment

	2018 \$	2017 \$
Furnishings and effects - at cost	1,149,467	1,168,003
Disposals/write-off	(520,981)	(18,536)
Furnishings and effects	628,486	1,149,467
Less: Provision for depreciation	(462,243)	(933,792)
	166,243	215,675
Office equipment - at cost	358,082	358,133
Additions	-	2,974
Disposals/write-off	(86,596)	(3,025)
Office equipment	271,486	358,082
Less: Provision for depreciation	(156,726)	(192,026)
	114,760	166,056
Computer hardware - at cost	328,969	332,909
Additions	229,357	14,664
Disposals/write-off	(193,688)	(18,604)
Computer hardware - at cost	364,638	328,969
Less: Provision for depreciation	(153,865)	(276,079)
	210,773	52,890
Leasehold Improvements - Make Good - at cost	307,447	307,447
Less: Provision for depreciation	(176,905)	(145,138)
	130,542	162,309
Motor vehicle - at cost	21,342	21,342
Less: Provision for depreciation	(21,342)	(17,430)
	-	3,912
Expenditure recognised in relation to computer hardware which is in the course of construction	3,785	-
Total plant and equipment	626,103	600,842

The SDS Information Technology server room on Level 1 St Andrew's House was decommissioned and stripped out in late 2018 prior to handing the area to the new lessee. The original cost of fitting out the server room has been disposed of from the following asset categories, Furnishing and Effects and Computer Hardware. These assets had been fully depreciated.

	2018 \$	2017 \$
Opening balance at beginning of year	600,842	851,641
Additions	229,357	17,638
Work in progress changes during the year	3,785	-
Depreciation - plant and equipment	(207,881)	(268,437)
Closing balance at end of year	626,103	600,842

**7. Non-current assets – Intangible assets - Software**

	2018 \$	2017 \$
Intangible assets - Software - at cost	18,105	65,952
Additions	-	18,105
Disposals/write-off	-	(65,952)
Intangible assets - Software	18,105	18,105
Less: Provision for amortisation	(9,555)	(3,520)
Total intangible assets - Software - at cost	8,550	14,585

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

	2018 \$	2017 \$
Opening balance at beginning of year	14,585	9,160
Additions	-	18,105
Amortisation - intangible assets	(6,035)	(12,680)
Closing balance at end of year	8,550	14,585

**8. Current liabilities - Payables**

	2018 \$	2017 \$
Accounts payable	-	4,307
Accrued expenses	198,760	139,678
Other payables	234,194	206,028
	432,954	350,013

## 9. Current liabilities – Interest bearing liabilities

	2018	2017
	\$	\$
<b>Interest bearing liabilities</b>		
Current accounts held for Diocesan funds (other related parties) (a)	782,777	743,017
<b>Movement</b>		
Current account balances at start of year	743,017	1,239,975
Net (decrease) increase in current account liability	39,760	(496,958)
Current account balances at end of year	782,777	743,017

- (a) Current account balances are at call.

Interest is paid at 0.01% (2017: 0.01%). Interest is charged at 7.75% (2017: 7.75%) on overdrawn client fund current accounts.

- (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

	2018	2017
	\$	\$
Annual leave entitlements	290,657	244,589
Long service leave entitlements (a)	734,698	728,019
Restructuring costs (b)	32,615	33,231
	1,057,970	1,005,839

- (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 \$734,698 (2017: \$728,019) 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.

- (b) **Restructuring costs**

Provision for termination benefits payable to non-voluntarily retrenched staff.

	2018	2017
	\$	\$
<b>Restructuring costs</b>		
<b>Movement in current provision</b>		
Carrying amount at start of year	33,231	121,950
Charged/(credited) to the income statement		
- additional provisions recognised	32,615	33,231
Amounts used during the year	(33,231)	(121,950)
Carrying amount at end of year	32,615	33,231

**11. Non-current liabilities – Provisions**

	2018 \$	2017 \$
Long service leave entitlements	41,708	38,490
Obligations upon termination of leases - Make Good costs (a)	344,297	339,737
	<u>386,005</u>	<u>378,227</u>

**(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 –

<b>Make Good Costs</b>	2018 \$	2017 \$
<b>Movement in non-current provision</b>		
Carrying amount at start of year	339,737	334,716
Charged/(credited) to the income statement		
- unwind discount	4,560	5,021
Carrying amount at end of year	<u>344,297</u>	<u>339,737</u>

**12. Equity – Capital**

	2018 \$	2017 \$
Contributed capital	<u>2,062,105</u>	<u>2,062,105</u>



### 13. Equity - Reserves

	2018	2017
	\$	\$
Capital maintenance reserve (i)	593,168	435,068
Premises fitout works reserve (ii)	1,060,857	826,600
Business development reserve (iii)	190,000	190,000
ICT projects reserve (iv)	118,283	118,283
Sub-tenant leasing reserve (v)	54,315	43,000
	<u>2,016,623</u>	<u>1,612,951</u>

	Capital maintenance reserve	Premises fitout works reserve	Business development reserve	ICT projects reserve	Sub-tenant leasing reserve	Total
	\$	\$	\$	\$	\$	\$
<b>Movement in reserves</b>						
Carrying amount at start of year	435,068	826,600	190,000	118,283	43,000	1,612,951
Transfer from current year surplus	158,100	234,257	-	-	11,315	403,672
Carrying amount at end of year	<u>593,168</u>	<u>1,060,857</u>	<u>190,000</u>	<u>118,283</u>	<u>54,315</u>	<u>2,016,623</u>

#### 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 management fees.

(ii) *Premises fitout works reserve*

The Premises fitout works reserve is used to generate sufficient working capital for the likely need for SDS to undertake significant fitout works in its premises at the time of entering into new leases/premises. The cumulative balance will be cleared to accumulated surplus once the current leases reach the end of the lease terms, and the present or new premises are refurbished/fitted out. The current lease has a termination date in August 2022.

(iii) *Business development reserve*

The Business development reserve will be used to support a number of strategic initiatives identified since the 2016 SDS Budget paper. These expenditures have not been allocated to clients in setting SDS fees. Balances may be transferred back to accumulated surplus at times when the strategic initiatives have been completed.

(iv) *ICT projects reserve*

The ICT projects reserve will be used to support expenditure on ICT projects during 2019 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.

(v) *Sub-tenant leasing reserve*

The Sub-tenant leasing reserve will be used to diminish any shortfall in sub-tenancy income while SDS is occupying excess office space in St Andrew's House.

## 14. Commitments and lease information

(i) Capital commitments	2018	2017
	\$	\$
Plant and equipment - Computer Hardware	-	138,856
<hr/>		
(ii) Non-cancellable operating leases: SDS as lessee	2018	2017
<i>Lease commitments: SDS as lessee</i>	\$	\$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	841,181	869,810
Later than one year but not later than five years	2,203,638	2,997,092
	<u>3,044,819</u>	<u>3,866,902</u>
<hr/>		
Lease commitments: SDS as lessor		
<i>Sub-lease payments</i>		
Future minimum lease payments expected to be received in relation to cancellable sub-leases of operating leases		
Within one year	470,262	129,635
Later than one year but not later than five years	1,227,056	98,761
	<u>1,697,318</u>	<u>228,396</u>
<hr/>		
(iii) Cancellable operating leases		
<i>Lease commitments: SDS as lessee</i>		
Commitments for minimum lease payments in relation to cancellable operating leases are payable as follows:		
Within one year	312,346	295,464
Later than one year but not later than five years	1,800	9,915
	<u>314,146</u>	<u>305,379</u>

(i) *Capital commitments*

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities.

(ii) *Non-cancellable operating leases*

SDS leases various suites within St Andrew's House under non-cancellable operating leases expiring within four years. The leases have varying terms. Each lease is subject to an annual rent escalation of 3% on the anniversary of the lease commencement date. On renewal terms of the leases are renegotiated. Excess office space is sub-let to third parties also under non-cancellable operating leases.

(iii) *Cancellable operating leases*

SDS has service contracts for the provision of software and hardware maintenance that are not recognised as liabilities.

## 15. Investments in associates

SDS is a member of SCEGGS Darlinghurst Ltd and SCEGGS Redlands Ltd, two schools which are companies limited by guarantee. SDS has particular powers which may be called upon in the case of a ballot which allows it to cast votes equal in number to one half of all the votes cast in the ballot (excluding the vote of SDS). In a vote on an ordinary resolution not involving a ballot, SDS has 1 vote, the same as other members. The quorum at general meetings is 15 members for SCEGGS Redlands Ltd and 20 members for SCEGGS Darlinghurst Ltd. SDS has the right to appoint 4 directors to each company. At present SDS directors are 4 of 12 in each case.

SDS does not have control of the schools as its voting power does not allow it to govern the financial and operating policies of the schools so as to obtain benefit from their activities. As a result the schools are regarded as associates of SDS and not subsidiaries.

No financial information of the companies is disclosed as 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.

## 16. 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.

## 17. Overdraft facility

A Guarantee has been given to Westpac Banking Corporation by Glebe Administration Board (a related party) 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:

	2018	2017
	\$	\$
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 through its current account with SDS.

## 18. 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.

Due to similar membership of the boards during 2018 of the Glebe Administration Board ("GAB") and SDS, SDS is a related party of GAB and entities for which GAB is trustee.

### 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's activities involve extensive related party transactions. SDS's 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 \$798,550 for office rent, (2017: Office rent \$775,861).

### Statement of financial position

SDS's net assets also contain outstanding balances with related parties. Included in the assets of SDS are cash deposits with Diocesan Cash Investment Fund, related through a director in common, and some receivables. SDS provides a deposit taking service via "current accounts" with its client funds. These related party outstanding balances are shown as interest bearing liabilities. The balance of the current accounts are further disclosed as restricted cash in Note 2.

### Key management personnel

#### (a) Members

Mr M Ballantyne (resigned 31 December 2018)	Mr B Meikle (appointed 23 July 2018)
The Rev E Brush (resigned 31 December 2018)	Mr J Pascoe
Mr P Evans (appointed 1 January 2019)	Mr R Smith (resigned 31 March 2018)
Ms L Hackett (appointed 26 March 2018)	Mr A Stanley (resigned 31 December 2018)
Mr G Hammond OAM	Bishop M Stead
Ms R Hobbs OAM	The Rev L Strachan (appointed 15 April 2019)
Mr N Lee (appointed 1 January 2019)	Ms J Yorath (appointed 27 August 2018)

#### (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 M A Blaxland	Chief Financial Officer

## 18. Related party transactions (Cont.)

### (c) Key management personnel compensation

	2018	2017
	\$	\$
Short-term employee benefits	563,000	482,875
Long-term employee benefits	9,300	8,545
	<u>572,300</u>	<u>491,420</u>

## 19. Critical accounting estimates

Significant estimates and judgements

### *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.

### *Classification of Restricted Cash*

SDS holds cash in trust on behalf of its client entities. SDS has used judgment to determine that it has the right to use its client's cash to make investments, bears credit risk, and has a contractual obligation to return the funds to its clients in the event of insolvency or a financial institutions bankruptcy. Refer to Note 2 for further details.

## 20. Change in name from the preceding reporting date

With effect from 18/02/2019 the Sydney Diocesan Secretariat's name has been changed under the Sydney Diocesan Secretariat (Change of Name) Ordinance 2019 to Sydney Diocesan Services.

## 21. Events occurring after the end of the reporting period

The members are not aware of any events occurring after the reporting period that impact on the financial statements as at 31 December 2018.

The financial statements were authorised for issue on 17 April 2019 by the members.

# SYDNEY DIOCESAN SERVICES

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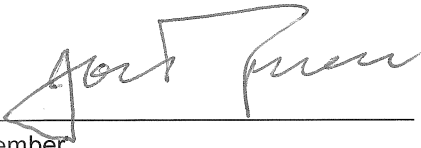
## MEMBERS' DECLARATION

The members of SDS declare that these financial statements and notes set out on pages 9 to 28:

- (a) comply with the accounting policies set out in note 1;
- (b) presents fairly SDS's statement of financial position as at 31 December 2018 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

17 April 2019



## *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 Sydney Diocesan Services for Sydney Diocesan Services

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### *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 2018 and its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements.

### ***What we have audited***

The financial report comprises:

- the statement of financial position as at 31 December 2018
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the members' declaration.

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

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### *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 the members of the Standing Committee of the Synod of the Anglican Church Diocese of Sydney and for the members of Sydney Diocesan Services 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 Sydney Diocesan Services are responsible for the other information. The other information comprises the information included in the annual financial report for the year ended 31 December 2018, 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.

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

The members of Sydney Diocesan Services are responsible for the preparation and fair presentation of the financial report in accordance with the accounting policies described in Note 1 to the financial statements, and for such internal control as the members determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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





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### *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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink that reads 'francois Bruder'.

Francois Bruder  
Principal

Sydney  
17 April 2019