

# **SYDNEY DIOCESAN SERVICES**

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**ABN 69 266 342 710**

## **Annual financial report – 31 December 2019**

# Sydney Diocesan Services

## Report by the Chief Executive Officer

For the year ended 31 December 2019

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.

Our services are provided in accordance with service level standards agreed with each organisation. Feedback received during 2019 indicates a high level of satisfaction among the members of those organisations with the quality, timeliness, range, and cost effectiveness of our services. Feedback from our parishes during 2019 indicates a similarly high level of satisfaction.

Under our strategic plan for 2019-2021 our vision 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 our 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.

Our vision and objectives are underpinned by 5 board approved organisational values: Respect, Innovate, Collaborate, Celebrate and Deliver.

During 2019, we completed a range of actions under our plan to make the strategic changes necessary to achieve our objectives. These included:

- (a) implementing an electronic document management system,
- (b) developing a secure online parish portal,
- (c) undertaking a gap analysis of the services we provide to organisations,
- (d) obtaining an external review to improve the quality of our agenda papers,
- (e) identifying the main administrative pain points experienced by parishes, and
- (f) implementing a range of initiatives to encourage staff to generate ideas for improving the services we provide.

We also engaged in a number of collaborative initiatives during 2019 under our strategic plan. These included developing an HR resource for parishes, increasing our support for the Anglican Church Growth Corporation, and establishing a new entity, SDS Legal, to deliver legal services to Anglican and affiliated bodies.

As at 31 December 2019, we were on track to achieve each of our strategic objectives.

SDS's main source of income is fees received from the central diocesan organisations we serve. In 2019 fees increased by 1.4%. In 2019 SDS produced a surplus of \$52,929 (2018 surplus \$160,374). From the surplus \$269,284 (2018: \$403,672) was applied to several reserves including a capital maintenance reserve and a reserve for premises fit out. After the transfer to reserves the deficit was \$216,355 (2018 deficit \$243,298) against a budgeted deficit of \$60,365. The variation is due to impairment of SDS's loan to SDS Legal Ltd (\$100,000) and implementation of AASB 16 *Leases* (\$45,000).

In September 2019, Mr John Pascoe was re-appointed as our Chair.

ROBERT WICKS  
**Chief Executive Officer**

8 April 2020

# SYDNEY DIOCESAN SERVICES

## Statement of comprehensive income For the year ended 31 December 2019

|                                                                               | Notes | 2019<br>\$       | 2018<br>\$       |
|-------------------------------------------------------------------------------|-------|------------------|------------------|
| <b>Revenue from continuing operations</b>                                     |       |                  |                  |
| Management and service fees                                                   |       | 6,679,208        | 6,588,617        |
| Rental income                                                                 |       | -                | 408,466          |
| Interest                                                                      |       | 150,528          | 112,360          |
| Other income                                                                  |       | 181,435          | 169,480          |
| <b>Total revenue from continuing operations</b>                               |       | <b>7,011,171</b> | <b>7,278,923</b> |
| <b>Expenses from continuing operations</b>                                    |       |                  |                  |
| Interest and finance charges                                                  |       | 99,654           | 14,201           |
| Staff and related expenses                                                    |       | 4,713,994        | 4,561,548        |
| Professional fees                                                             |       | 383,472          | 460,664          |
| Rent and occupancy expenses                                                   |       | 137,506          | 1,030,698        |
| Office operating expenses                                                     |       | 603,527          | 621,398          |
| Depreciation and amortisation                                                 | 7,8,9 | 557,782          | 213,916          |
| Audit fees                                                                    |       | 38,928           | 39,484           |
| Insurance expenses                                                            |       | 99,217           | 102,687          |
| Grants and donations                                                          |       | 95,000           | -                |
| Impairment loss on loan to SDS Legal Ltd                                      | 6     | 100,000          | -                |
| Other expenses                                                                |       | 129,162          | 73,953           |
| <b>Total expenses from continuing operations</b>                              |       | <b>6,958,242</b> | <b>7,118,549</b> |
| <b>Surplus for the year</b>                                                   |       | <b>52,929</b>    | <b>160,374</b>   |
| Other comprehensive income                                                    |       | -                | -                |
| <b>Total comprehensive income for the year</b>                                |       | <b>52,929</b>    | <b>160,374</b>   |
| <b>Transfer from current year surplus</b>                                     |       |                  |                  |
| Transfer (to) Capital maintenance reserve                                     | 15    | (171,396)        | (158,100)        |
| Transfer (to) Premises fit out works reserve                                  | 15    | (152,148)        | (234,257)        |
| Transfer (to) Sub-tenant leasing reserve                                      | 15    | (11,628)         | (11,315)         |
| Transfer from Business development reserve                                    | 15    | 190,000          | -                |
| Transfer to Reception refurbishment reserve                                   | 15    | (127,000)        | -                |
| Transfer from Information Communication and Technology (ICT) projects reserve | 15    | 2,888            | -                |
| <b>Net available surplus/(deficit) after transfer to reserves</b>             |       | <b>(216,355)</b> | <b>(243,298)</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 2019

|                                                            | Notes | 2019<br>\$       | 2018<br>\$       |
|------------------------------------------------------------|-------|------------------|------------------|
| <b>ASSETS</b>                                              |       |                  |                  |
| <b>Current assets</b>                                      |       |                  |                  |
| Cash and cash equivalents and restricted cash              | 2     | 754,535          | 89,753           |
| Short term investment                                      | 3     | 5,968,057        | 5,935,092        |
| Receivables and other assets                               | 4     | 385,266          | 368,804          |
| Lease receivables                                          | 8     | 456,461          | -                |
| <b>Total current assets</b>                                |       | <b>7,564,319</b> | <b>6,393,649</b> |
| <b>Non-current assets</b>                                  |       |                  |                  |
| Plant and equipment                                        | 7     | 457,984          | 626,103          |
| Right-of-use assets                                        | 8     | 905,159          | -                |
| Lease receivables                                          | 8     | 718,990          | -                |
| Intangible assets - Software                               | 9     | 253,858          | 8,550            |
| <b>Total non-current assets</b>                            |       | <b>2,335,991</b> | <b>634,653</b>   |
| <b>Total assets</b>                                        |       | <b>9,900,310</b> | <b>7,028,302</b> |
| <b>LIABILITIES</b>                                         |       |                  |                  |
| <b>Current liabilities</b>                                 |       |                  |                  |
| Payables                                                   | 10    | 328,727          | 432,954          |
| Funds held in trust for client entities (Current accounts) | 11    | 1,570,733        | 782,777          |
| Lease liabilities                                          | 8     | 765,635          | -                |
| Provisions                                                 | 12    | 1,042,259        | 1,057,970        |
| <b>Total current liabilities</b>                           |       | <b>3,707,354</b> | <b>2,273,701</b> |
| <b>Non-current liabilities</b>                             |       |                  |                  |
| Lease liabilities                                          | 8     | 1,360,553        | -                |
| Provisions                                                 | 13    | 410,878          | 386,005          |
| <b>Total non-current liabilities</b>                       |       | <b>1,771,431</b> | <b>386,005</b>   |
| <b>Total liabilities</b>                                   |       | <b>5,478,785</b> | <b>2,659,706</b> |
| <b>Net assets</b>                                          |       | <b>4,421,525</b> | <b>4,368,596</b> |
| <b>EQUITY</b>                                              |       |                  |                  |
| Capital                                                    | 14    | 2,062,105        | 2,062,105        |
| Reserves                                                   | 15    | 2,285,907        | 2,016,623        |
| Accumulated surplus                                        |       | 73,513           | 289,868          |
| <b>Total equity</b>                                        |       | <b>4,421,525</b> | <b>4,368,596</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 2019

|                                                | Notes | Capital          | Reserves         | Accumulated Surplus | Total            |
|------------------------------------------------|-------|------------------|------------------|---------------------|------------------|
|                                                |       | \$               | \$               | \$                  | \$               |
| <b>Balance at 1 January 2018</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        |       | -                | 158,100          | (158,100)           | -                |
| Transfer to Premises fit out works reserve     |       | -                | 234,257          | (234,257)           | -                |
| Transfer to Sub-tenant leasing reserve         |       | -                | 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> |
| Surplus for the year                           |       | -                | -                | 52,929              | 52,929           |
| Transfer to Capital maintenance reserve        | 15    | -                | 171,396          | (171,396)           | -                |
| Transfer to Premises fit out works reserve     | 15    | -                | 152,148          | (152,148)           | -                |
| Transfer to Sub-tenant leasing reserve         | 15    | -                | 11,628           | (11,628)            | -                |
| Transfer (from) Business development reserve   | 15    | -                | (190,000)        | 190,000             | -                |
| Transfer to Reception refurbishment reserve    |       |                  | 127,000          | (127,000)           | -                |
| Transfer (from) ICT projects reserve           | 15    | -                | (2,888)          | 2,888               | -                |
| <b>Total comprehensive income for the year</b> |       | <b>-</b>         | <b>269,284</b>   | <b>(216,355)</b>    | <b>52,929</b>    |
| Transactions with beneficiaries                |       | -                | -                | -                   | -                |
| <b>Balance at 31 December 2019</b>             |       | <b>2,062,105</b> | <b>2,285,907</b> | <b>73,513</b>       | <b>4,421,525</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 2019

|                                                                             | Notes | 2019<br>\$       | 2018<br>\$       |
|-----------------------------------------------------------------------------|-------|------------------|------------------|
| <b>Cash flows from operating activities</b>                                 |       |                  |                  |
| Management and service fees received                                        |       | 6,591,485        | 6,586,169        |
| Rent received                                                               |       | -                | 410,650          |
| Interest received                                                           |       | 115,835          | 109,290          |
| Other income received                                                       |       | 210,071          | 165,927          |
| Borrowing costs paid                                                        |       | (10,019)         | (9,641)          |
| Payments to suppliers and employees                                         |       | (6,270,730)      | (6,728,623)      |
| <b>Net cash inflow from operating activities</b>                            |       | <b>636,642</b>   | <b>533,772</b>   |
| <b>Cash flows from investing activities</b>                                 |       |                  |                  |
| Payments for plant and equipment                                            | 7     | (30,966)         | (233,142)        |
| Payments for intangible assets - software                                   | 9     | (264,570)        | -                |
| Net (increase) in short term investments with Diocesan Cash Investment Fund | 4     | (32,965)         | (467,000)        |
| Loan provided to SDS Legal Ltd                                              | 6     | (100,000)        | -                |
| <b>Net cash inflow (outflow) from investing activities</b>                  |       | <b>(428,501)</b> | <b>(700,142)</b> |
| <b>Cash flows from financing activities</b>                                 |       |                  |                  |
| Movement of net current accounts held with client funds (outflow) inflow    | 11    | 787,956          | 39,760           |
| Payments of principal and interest elements of leases                       | 8     | (801,577)        | -                |
| Receipt of principal and interest elements of sub-leases                    | 8     | 470,262          | -                |
| <b>Net cash (outflow) inflow from financing activities</b>                  |       | <b>456,641</b>   | <b>39,760</b>    |
| Net increase in cash and cash equivalents                                   |       | 664,782          | (126,610)        |
| Cash at the beginning of the year                                           |       | 89,753           | 216,363          |
| <b>Cash and cash equivalents at end of year</b>                             | 2     | <b>754,535</b>   | <b>89,753</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

In the opinion of the members of Sydney Diocesan Services (as appointed by the Standing Committee) (“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 and to the members of Sydney Diocesan Services (as appointed by the Standing Committee) 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.

The members of Sydney Diocesan Services (as appointed by the Standing Committee) 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 Sydney Diocesan Services (as appointed by the Standing Committee). The financial statements contain only those disclosures considered necessary by the members of Sydney Diocesan Services (as appointed by the Standing Committee) to meet the needs of the above named specified users.

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

### New and amended accounting standards adopted by SDS

SDS has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2019.

- AASB 15 *Revenue*
- AASB 16 *Leases*

SDS had to change its accounting policy as a result of adopting AASB 16. SDS elected to adopt the modified retrospective approach with the cumulative effect of initially applying the Standard recognised at the date of the initial application, 1 January 2019. SDS has elected to apply *AASB 16 C5(b)* to recognise a right-of-use asset at the date of the initial application of the standard as at 1 January 2019 for those leases previously classified as an operating lease under AASB 117. SDS has elected to apply *AASB 16 C8(b)(ii)* to measure the right-of-use asset at an amount equal to the lease liability.

### Historical cost convention

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



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

### 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 21.

#### (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, SCEGGS Redlands Ltd, and SDS Legal Ltd, all companies limited by guarantee. In respect to the schools 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.

While SDS has potential for significant influence in the policies of SCEGGS Darlinghurst Ltd and SCEGGS 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.

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.

#### (c) Revenue recognition

SDS has adopted AASB 15 *Revenue from contracts with customers* and have elected the modified retrospective approach. There was no material measurement adjustments on the transition to the new revenue standard to be reflected through opening retained earnings.

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. The contracts with customers contain a single performance obligation. A contract's transaction price is allocated to each distinct performance obligation and recognised as revenue when, or as, the performance obligation is satisfied.

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

### *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.

#### (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 11.

#### (f) **Financial assets**

##### (i) *Classification*

SDS has classified financial assets based on the SDS's 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 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 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.

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

### (g) Short term investments

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

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

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which 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 derecognition 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, and

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.

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

### (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 as and presented with income(losses) in the period in which it arises.

### (k) Leases

As explained in note 1 above, SDS has changed its accounting policy for leases where SDS is the lessee and lessor. The new policy is described in note 8 and the impact of the change in note 22.

#### ***SDS as a lessee***

SDS did not have any finance lease till the date of transition. Leases in which a significant portion of the risks and rewards of ownership were not transferred to SDS as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

#### ***SDS as a lessor***

Until 31 December 2018, lease income from operating leases where SDS is a lessor is recognised in income on a straight-line basis over the lease term (note 8). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

As lessor, SDS was not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor, except for sub-leases. SDS accounted for its leases in accordance with AASB 16 from the date of initial application, 1 January 2019.

Under AASB 16, SDS is required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset. On transition, SDS reassessed the classification of sub-lease contracts previously classified as an operating lease under AASB 117. SDS concluded that the sub-leases were finance leases under AASB 16.

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

### (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 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.

### (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 held by SDS in trust for client entities are carried at their principal amounts.

### (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.

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

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 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.

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*.

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

SDS is the representative member of the SDS GST group.

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

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 | 2019<br>\$ | 2018<br>\$ |
|--------------------------------------------|------|------------|------------|
| Cash at bank - Westpac Banking Corporation |      | 752,935    | 88,153     |
| Cash in hand                               |      | 1,600      | 1,600      |
| Balances per statement of cash flows       |      | 754,535    | 89,753     |

SDS provides administrative, secretariat and accounting services to a range of organisations. As part of these services, SDS holds cash, 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 11). 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 \$1,570,733 (2018: \$782,777), 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 invested in the Diocesan Cash Investment Fund.

## 3. Current assets – Short term investments

|                               | Note | 2019<br>\$ | 2018<br>\$ |
|-------------------------------|------|------------|------------|
| Diocesan Cash Investment Fund |      | 5,968,057  | 5,935,092  |

Short term investments include financial assets at amortised cost and include unsecured advances/investments with the Diocesan Cash Investment Fund (DCIF). The investments with DCIF are separate from those made by any other lender and makes SDS an unsecured creditor of DCIF. Investments 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

|                                                    | 2019           | 2018           |
|----------------------------------------------------|----------------|----------------|
|                                                    | \$             | \$             |
| Accounts receivable                                | 23,471         | 52,622         |
| Provision for impairment of receivables (note (a)) | -              | -              |
| Prepayments - other                                | 63,439         | 87,411         |
| Receivable from related entities                   | 209,896        | 120,990        |
| Other receivables                                  | 88,460         | 107,781        |
|                                                    | <u>385,266</u> | <u>368,804</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

|                                                      | 2019            | 2018            |
|------------------------------------------------------|-----------------|-----------------|
|                                                      | \$              | \$              |
| Rent-free period lease incentive                     | 25,039          | 25,039          |
| Less: Amortisation of straight lined lease incentive | <u>(25,039)</u> | <u>(25,039)</u> |
|                                                      | -               | -               |
| Straight lined lease rental                          | -               | -               |
| Lease incentive and straight lined lease assets      | <u>-</u>        | <u>-</u>        |

**Movement**

|                                          |          |                |
|------------------------------------------|----------|----------------|
| At beginning of the year                 | -        | 2,183          |
| Movement in lease incentives capitalised | -        | (835)          |
| Movement in lease rentals capitalised    | -        | <u>(1,348)</u> |
| At end of the year                       | <u>-</u> | <u>-</u>       |

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

## 6. Non-current assets – Loan

|                                     | 2019      | 2018 |
|-------------------------------------|-----------|------|
|                                     | \$        | \$   |
| Non-recourse loan to SDS Legal Ltd  | -         | -    |
| <b>Movement</b>                     |           |      |
| At beginning of the year            | -         | -    |
| Loan to SDS Legal Ltd               | 100,000   | -    |
| Impairment of loan to SDS Legal Ltd | (100,000) | -    |
| At end of the year                  | -         | -    |

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

|                                                                                                | 2019      | 2018      |
|------------------------------------------------------------------------------------------------|-----------|-----------|
|                                                                                                | \$        | \$        |
| Furnishings and effects - at cost                                                              | 628,486   | 1,149,467 |
| Disposals/write-off                                                                            | -         | (520,981) |
| Furnishings and effects                                                                        | 628,486   | 628,486   |
| Less: Provision for depreciation                                                               | (508,825) | (462,243) |
|                                                                                                | 119,661   | 166,243   |
| Office equipment - at cost                                                                     | 271,486   | 358,082   |
| Disposals/write-off                                                                            | -         | (86,596)  |
| Office equipment                                                                               | 271,486   | 271,486   |
| Less: Provision for depreciation                                                               | (205,181) | (156,726) |
|                                                                                                | 66,305    | 114,760   |
| Computer hardware - at cost                                                                    | 364,638   | 328,969   |
| Additions                                                                                      | 34,751    | 229,357   |
| Disposals/write-off                                                                            | (29,506)  | (193,688) |
| Computer hardware - at cost                                                                    | 369,882   | 364,638   |
| Less: Provision for depreciation                                                               | (194,181) | (153,865) |
|                                                                                                | 175,701   | 210,773   |
| Leasehold Improvements - Make Good - at cost                                                   | 307,447   | 307,447   |
| Less: Provision for depreciation                                                               | (211,130) | (176,905) |
|                                                                                                | 96,317    | 130,542   |
| Motor vehicle - at cost                                                                        | 21,342    | 21,342    |
| Less: Provision for depreciation                                                               | (21,342)  | (21,342)  |
|                                                                                                | -         | -         |
| Expenditure recognised in relation to computer hardware which is in the course of construction | -         | 3,785     |
| Total plant and equipment                                                                      | 457,984   | 626,103   |

## 7. Non-current assets – Plant and equipment (cont.)

|                                          | 2019           | 2018           |
|------------------------------------------|----------------|----------------|
|                                          | \$             | \$             |
| Opening balance at beginning of year     | 626,103        | 600,842        |
| Additions                                | 34,751         | 229,357        |
| Work in progress changes during the year | (3,785)        | 3,785          |
| Depreciation - plant and equipment       | (199,085)      | (207,881)      |
| Closing balance at end of year           | <u>457,984</u> | <u>626,103</u> |

## 8. Leases

SDS holds office property leases on Level 2 St Andrew's House. Rental contracts are for a fifteen year period.

Within the 2018 financial year leases of office accommodation were classified as operating leases and their costs recognised as Rent and occupancy expenses. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability.

Assets and liabilities arising from office property leases are initially 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 are 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 are 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 are measured at cost comprising the amount of the initial measurement of the lease liability.

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

Payments associated with short-term leases and leases of low-value are recognised on a straight-line basis as an expense in profit or loss.

### *Extension and terminations options*

There are no extension options available under the current leases.

### *Amortisation*

The Right-of-use asset is amortised over the remaining life of the underlying lease. The lease termination date is in August 2022.

## 8. Leases (cont.)

### SDS as a lessee

| <i>(i) Amounts recognised in the balance sheet</i> | 1 January |           |
|----------------------------------------------------|-----------|-----------|
|                                                    | 2019      | 2019*     |
| <b>Right-of-use assets</b>                         | \$        | \$        |
| Office property leases                             | 905,159   | 1,244,594 |

\*In the previous year SDS had no leases that were classified as 'finance lease' under AASB 117 *Leases*, so no adjustments were necessary in relation to recognised lease assets or lease liabilities.

| <b>Lease liabilities</b> | 1 January |           |
|--------------------------|-----------|-----------|
|                          | 2019      | 2019*     |
|                          | \$        | \$        |
| Current                  | 765,635   | 716,686   |
| Non-current              | 1,360,553 | 2,126,188 |
|                          | 2,126,188 | 2,842,874 |

There were no additions to the right-of-use assets during the 2019 financial year.

| <i>(ii) Amounts recognised in the statement of profit or loss</i>                                                                    | 2019    | 2018 |
|--------------------------------------------------------------------------------------------------------------------------------------|---------|------|
|                                                                                                                                      | \$      | \$   |
| Depreciation charge of right-of-use assets                                                                                           | 339,435 | -    |
| Interest expense (included in interest and finance charges)                                                                          | 84,891  | -    |
| Expense related to short-term leases (included in rent and occupancy expense)                                                        | 23,103  | -    |
| Expense related to leases of low-value assets that are not shown above as short-term leases (included in rent and occupancy expense) | 12,245  | -    |

## 8. Leases (cont.)

### SDS as a lessor

|                                                      | 2019      | 1 January<br>2019* |
|------------------------------------------------------|-----------|--------------------|
|                                                      | \$        | \$                 |
| <b>(iii) Amounts recognised in the balance sheet</b> |           |                    |
| <b>Sub-lease lease receivable</b>                    |           |                    |
| Office property sub-leases                           | 1,175,451 | 1,598,280          |

\*In the previous year SDS had no leases that were classified as 'finance lease' under AASB 117 *Leases*, so no adjustments were necessary in relation to recognised lease receivable or lease liabilities.

|                                   | 2019      | 1 January<br>2019* |
|-----------------------------------|-----------|--------------------|
|                                   | \$        | \$                 |
| <b>Sub-lease lease receivable</b> |           |                    |
| Current                           | 456,461   | 293,857            |
| Non-current                       | 718,990   | 1,304,423          |
|                                   | 1,175,451 | 1,598,280          |

There were no additions to the Lease receivables assets during the 2019 financial year.

|                                                                   | 2019   | 2018 |
|-------------------------------------------------------------------|--------|------|
|                                                                   | \$     | \$   |
| <b>(iv) Amounts recognised in the statement of profit or loss</b> |        |      |
| Interest income (included in interest)                            | 47,433 | -    |

## 9. Non-current assets – Intangible assets - Software

|                                              | 2019<br>\$ | 2018<br>\$ |
|----------------------------------------------|------------|------------|
| Intangible assets - Software - at cost       | 18,105     | 18,105     |
| Additions                                    | 264,570    | -          |
| Intangible assets - Software                 | 282,677    | 18,105     |
| Less: Provision for amortisation             | (28,819)   | (9,555)    |
| Total intangible assets - Software - at cost | 253,858    | 8,550      |

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

|                                      | 2019<br>\$ | 2018<br>\$ |
|--------------------------------------|------------|------------|
| Opening balance at beginning of year | 8,550      | 14,585     |
| Additions                            | 264,570    | -          |
| Amortisation - intangible assets     | (19,262)   | (6,035)    |
| Closing balance at end of year       | 253,858    | 8,550      |

## 10. Current liabilities - Payables

|                  | 2019<br>\$ | 2018<br>\$ |
|------------------|------------|------------|
| Accrued expenses | 92,084     | 198,760    |
| Other payables   | 236,643    | 234,194    |
|                  | 328,727    | 432,954    |

## 11. Current liabilities – Current accounts

|                                                                       |        | 2019      | 2018      |
|-----------------------------------------------------------------------|--------|-----------|-----------|
| <b>Funds held in trust for client entities (Current accounts)</b>     |        | <b>\$</b> | <b>\$</b> |
| Current accounts held for Client entities (other related parties) (a) | Note 2 | 1,570,733 | 782,777   |
| <b>Movement</b>                                                       |        |           |           |
| Current account balances at start of year                             |        | 782,777   | 743,017   |
| Net (decrease) increase in current account liability                  |        | 787,956   | 39,760    |
| Current account balances at end of year                               |        | 1,570,733 | 782,777   |

(a) Current account balances are at call. Interest is no longer paid on positive balances.(2018: 0.01%). Interest is also no longer charged on overdrawn client fund balances (2018: 7.75%).

(b) Restricted cash and cash equivalents.

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

## 12. Current liabilities – Provisions

|                                     | 2019             | 2018             |
|-------------------------------------|------------------|------------------|
|                                     | \$               | \$               |
| Annual leave entitlements           | 303,069          | 290,657          |
| Long service leave entitlements (a) | 739,190          | 734,698          |
| Restructuring costs (b)             | -                | 32,615           |
|                                     | <u>1,042,259</u> | <u>1,057,970</u> |

### (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 \$739,190 (2018: \$734,698) 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.

|                                                                               | 2019           | 2018           |
|-------------------------------------------------------------------------------|----------------|----------------|
|                                                                               | \$             | \$             |
| Current long service leave obligations expected to be settled after 12 months |                |                |
| Long service leave entitlements                                               | <u>675,542</u> | <u>683,451</u> |

### (b) Restructuring costs

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

| <b>Restructuring costs</b>                 | <b>2019</b>     | <b>2018</b>     |
|--------------------------------------------|-----------------|-----------------|
| <b>Movement in current provision</b>       | <b>\$</b>       | <b>\$</b>       |
| Carrying amount at start of year           | 32,615          | 33,231          |
| Charged/(credited) to the income statement |                 |                 |
| - additional provisions recognised         | -               | 32,615          |
| Amounts used during the year               | <u>(32,615)</u> | <u>(33,231)</u> |
| Carrying amount at end of year             | <u>-</u>        | <u>32,615</u>   |

### 13. Non-current liabilities – Provisions

|                                                              | 2019           | 2018           |
|--------------------------------------------------------------|----------------|----------------|
|                                                              | \$             | \$             |
| Long service leave entitlements                              | 61,837         | 41,708         |
| Obligations upon termination of leases - Make Good costs (a) | 349,041        | 344,297        |
|                                                              | <u>410,878</u> | <u>386,005</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>                     | 2019           | 2018           |
|--------------------------------------------|----------------|----------------|
| <b>Movement in non-current provision</b>   | \$             | \$             |
| Carrying amount at start of year           | 344,297        | 339,737        |
| Charged/(credited) to the income statement |                |                |
| - unwind discount                          | 4,744          | 4,560          |
| Carrying amount at end of year             | <u>349,041</u> | <u>344,297</u> |

### 14. Equity – Capital

|                     | 2019             | 2018             |
|---------------------|------------------|------------------|
|                     | \$               | \$               |
| Contributed capital | <u>2,062,105</u> | <u>2,062,105</u> |



## 15. Equity - Reserves

|                                                        | 2019             | 2018             |
|--------------------------------------------------------|------------------|------------------|
|                                                        | \$               | \$               |
| Capital maintenance reserve (i)                        | 764,564          | 593,168          |
| Premises fit out works reserve (ii)                    | 1,213,005        | 1,060,857        |
| Business development reserve (iii)                     | -                | 190,000          |
| ICT projects reserve (iv)                              | 115,395          | 118,283          |
| Sub-tenant leasing reserve (v)                         | 65,943           | 54,315           |
| Reception refurbishment Level 2 St Andrew's House (vi) | 127,000          | -                |
|                                                        | <u>2,285,907</u> | <u>2,016,623</u> |

|                                    | Capital<br>maint-<br>enance<br>reserve | Premises fit<br>out works<br>reserve | Business<br>develop-<br>ment<br>reserve | ICT projects<br>reserve | Sub-tenant<br>leasing<br>reserve | Reception<br>refurbish-<br>ment<br>reserve | Total            |
|------------------------------------|----------------------------------------|--------------------------------------|-----------------------------------------|-------------------------|----------------------------------|--------------------------------------------|------------------|
|                                    | \$                                     | \$                                   | \$                                      | \$                      | \$                               | \$                                         | \$               |
| <b>Movement in reserves</b>        |                                        |                                      |                                         |                         |                                  |                                            |                  |
| Carrying amount at start of year   | 593,168                                | 1,060,857                            | 190,000                                 | 118,283                 | 54,315                           | -                                          | 2,016,623        |
| Transfer from current year surplus | 171,396                                | 152,148                              | -                                       | -                       | 11,628                           | 127,000                                    | 462,172          |
| - unused amount reversed           |                                        |                                      |                                         |                         |                                  |                                            | -                |
| Amounts used during the year       | -                                      | -                                    | (190,000)                               | (2,888)                 | -                                | -                                          | (192,888)        |
| Carrying amount at end of year     | <u>764,564</u>                         | <u>1,213,005</u>                     | <u>-</u>                                | <u>115,395</u>          | <u>65,943</u>                    | <u>127,000</u>                             | <u>2,285,907</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 fit out works reserve*

The Premises fit out works reserve is used to generate sufficient working capital for the likely need for SDS to undertake significant fit out 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 has been 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 have been transferred back to accumulated surplus as considerable progress has been made on the current strategic initiatives.

## 15. Equity – Reserves (cont.)

(iv) *ICT projects reserve*

The ICT projects reserve will be used to support expenditure on ICT projects during 2020 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.

(vi) *Reception refurbishment Level 2 St Andrew's House reserve*

The Reception refurbishment Level 2 St Andrew's House reserve will be used to support expenditure on the SDS Reception and associated meeting rooms during 2020. The project will provide additional meeting space and an upgrade of meeting room air conditioning. Balances may be transferred back to accumulated surplus at times when the refurbishment projects have been completed.

## 16. Commitments and lease information

Under AASB 16 *Leases*, SDS's lease liabilities are shown in the Statement of Financial Position, refer Note 8.

| <b>(i) Non-cancellable operating leases: SDS as lessee</b>                                                      | <b>2019</b> | <b>2018</b> |
|-----------------------------------------------------------------------------------------------------------------|-------------|-------------|
| <i>Lease commitments: SDS as lessee</i>                                                                         | <b>\$</b>   | <b>\$</b>   |
| <hr/>                                                                                                           |             |             |
| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:  |             |             |
| Within one year                                                                                                 | -           | 841,181     |
| Later than one year but not later than five years                                                               | -           | 2,203,638   |
|                                                                                                                 | <hr/>       | <hr/>       |
|                                                                                                                 | -           | 3,044,819   |
|                                                                                                                 | <hr/>       | <hr/>       |
| <br>                                                                                                            |             |             |
| <b>Lease commitments: SDS as lessor</b>                                                                         |             |             |
| <i>Sub-lease payments</i>                                                                                       |             |             |
| <hr/>                                                                                                           |             |             |
| Future minimum lease payments expected to be received in relation to cancellable sub-leases of operating leases |             |             |
| Within one year                                                                                                 | -           | 470,262     |
| Later than one year but not later than five years                                                               | -           | 1,227,056   |
|                                                                                                                 | <hr/>       | <hr/>       |
|                                                                                                                 | -           | 1,697,318   |
|                                                                                                                 | <hr/>       | <hr/>       |
| <br>                                                                                                            |             |             |
| <b>(ii) Cancellable service contracts</b>                                                                       |             |             |
| <hr/>                                                                                                           |             |             |
| Commitments for minimum payments in relation to cancellable service contracts are payable as follows:           |             |             |
| Within one year                                                                                                 | 328,339     | 312,346     |
| Later than one year but not later than five years                                                               | 1,200       | 1,800       |
|                                                                                                                 | <hr/>       | <hr/>       |
|                                                                                                                 | 329,539     | 314,146     |
|                                                                                                                 | <hr/>       | <hr/>       |

(i) *Non-cancellable operating leases*

SDS leases various suites within St Andrew's House under non-cancellable operating leases expiring within three 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.

(ii) *Cancellable service contracts*

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

## 17. Investments in associates

SDS is a member of SCEGGS Darlinghurst Ltd and SCEGGS Redlands Ltd and SDS Legal Ltd, all companies limited by guarantee. In respect of the schools, 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 companies as its voting power does not allow it to govern the financial and operating policies so as to obtain benefit from their activities. As a result the companies are regarded as associates of SDS and not subsidiaries.

No financial information of the companies is disclosed as all are limited by guarantee and SDS has not contributed any capital. In addition, in respect of the schools, 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.

## 18. 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.

## 19. 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:

|                                                             | 2019      | 2018      |
|-------------------------------------------------------------|-----------|-----------|
|                                                             | \$        | \$        |
| 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.

## 20. 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.

SDS Legal Ltd is a related party of SDS due to shared senior staff and board members. SDS provided a loan of \$100,000 to SDS Ltd, which has been subsequently impaired.

### 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 \$821,920 for office rent, (2018: Office rent \$798,550).

### Statement of financial position

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

### Key management personnel

#### (a) Members

|                                         |                                              |
|-----------------------------------------|----------------------------------------------|
| Mr P Evans (resigned 21 September 2019) | Mr B Meikle                                  |
| Ms L Hackett                            | Mr J Pascoe                                  |
| Mr G Hammond OAM                        | Bishop M Stead                               |
| Ms R Hobbs OAM                          | The Rev L Strachan (appointed 15 April 2019) |
| Mr N Lee                                | Ms J Yorath                                  |

#### (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 |

## 20. Related party transactions (cont.)

### (c) Key management personnel compensation

|                              | 2019           | 2018           |
|------------------------------|----------------|----------------|
|                              | \$             | \$             |
| Short-term employee benefits | 560,001        | 563,000        |
| Long-term employee benefits  | 9,486          | 9,300          |
|                              | <u>569,487</u> | <u>572,300</u> |

## 21. Critical accounting estimates and judgments

Significant estimates and judgments

### *Estimation uncertainties and judgments made in relation to lease accounting*

Calculation of the right-of-use asset and associated lease liability of operating leases are subject to estimation of uncertain future events. These estimates involve assumptions about such items as the incremental borrowing rate used to discount lease payments and sub-lease receipts.

### *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.

## 22. Changes in accounting policies

This note explains the impact of the adoption of AASB 16 *Leases* on SDS's financial statements.

As indicated in note 1 above, SDS has adopted AASB 16 *Leases* retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing standards are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 8.

On adoption of AASB 16, SDS recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.37%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date.

### *(i) Practical expedients applied*

In applying AASB 16 for the first time, SDS has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

SDS has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

## 22. Changes in accounting policies (cont.)

### (ii) Measurement of lease liabilities

|                                                                                                      | 2019                    |
|------------------------------------------------------------------------------------------------------|-------------------------|
| <b>Measurement of lease liabilities</b>                                                              | <b>\$</b>               |
| Operating lease commitments disclosed as at 31 December 2018                                         | 3,044,819               |
| Discounted using the lessee's incremental borrowing rate of 3.37% at the date of initial application | 2,860,931               |
| Add: finance lease liabilities recognised as at 31 December 2018                                     | -                       |
| (Less): low value leases not recognised as a liability                                               | <u>(18,057)</u>         |
| Lease liability recognised as at 1 January 2019                                                      | <u><u>2,842,874</u></u> |
| Of which are                                                                                         |                         |
| Current lease liabilities                                                                            | 716,686                 |
| Non-current lease liabilities                                                                        | <u>2,126,188</u>        |
|                                                                                                      | <u><u>2,842,874</u></u> |

### (iii) Measurement of Sub-lease receivables

|                                                                                                      | 2019                    |
|------------------------------------------------------------------------------------------------------|-------------------------|
| <b>Measurement of Sub-lease receivables</b>                                                          | <b>\$</b>               |
| Operating Sub-lease receivables disclosed as at 31 December 2018                                     | 1,697,318               |
| Discounted using the lessor's incremental borrowing rate of 3.37% at the date of initial application | 1,598,412               |
| Add: finance lease liabilities recognised as at 31 December 2018                                     | -                       |
| (Less): short term leases not recognised as a liability                                              | <u>(132)</u>            |
| Lease liability recognised as at 1 January 2019                                                      | <u><u>1,598,280</u></u> |
| Of which are                                                                                         |                         |
| Current Sub-lease receivables                                                                        | 293,857                 |
| Non-current Sub-lease receivables                                                                    | <u>1,304,423</u>        |
|                                                                                                      | <u><u>1,598,280</u></u> |

## 23. 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 2019.

The financial statements were authorised for issue on 8 April 2020 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 3 to 31:

- (a) comply with the accounting policies set out in note 1;
- (b) comply with the *Sydney Diocesan Services Ordinance 2017*, and the *Accounts, Audits and Annual Statements Ordinance 1995*; and
- (c) presents fairly SDS's statement of financial position as at 31 December 2019 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.



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Member



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Member

Sydney

8 April 2020



## *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 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 2019 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 2019
- 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 (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.

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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 the 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 2019, 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.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*Francois Bruder*

Francois Bruder  
Principal

Sydney  
8 April 2020