St Vincent's Hospital Sydney Limited
Financial Report 2018

ST VINCENT'S
HOSPITAL
SYDNEY

A FACILITY OF ST VINCENT'S HEALTH AUSTRALIA

CONTENTS

CORPORATE INFORMATION

Directors	Mr. P Robertson AO	Mr. B Earle
	Ms. P Faulkner AO	Sr. M Wright IBVM
	Prof. M Confoy RSC	Mr. P McClintock AO
	Dr M. Coote	Ms. A McDonald
	Prof. S Crowe AM	Ms. S McPhee AM (Appointed 1 October 2017)
Company Secretary	Mr. R Beetson	Mr. P Fennessy
Principal registered office	Level 22, 100 William Street, Woolloomooloo, NSW 2011	
Principal place of business	390 Victoria Street, Darlinghurst, NSW 2010	
Auditor	Ernst & Young, 200 George Street Sydney, NSW 2000	
Website address	www.stvincents.com.au	
ABN	ABN 77 054 038 872	

DIRECTORS' REPORT

The Directors of St Vincent's Hospital Sydney Limited present their report together with the financial report of St Vincent's Hospital Sydney Limited for the year ended 30 June 2018.

St Vincent's Hospital Sydney Limited (the "Company") is a not-for-profit company limited by guarantee, incorporated and domiciled in Australia.

This financial report was authorised for issue by the Directors on 11 October 2018. The Company has the power to amend and reissue the financial report.

ABOUT ST VINCENT'S HOSPITAL SYDNEY LIMITED

St Vincent's Hospital Sydney Limited is a subsidiary of St Vincent's Health Australia Limited. The St Vincent's Health Australia Limited Group is the nation's largest Catholic not-for-profit health and aged care provider.

Our mission	Our vision	Our values
As a Catholic Healthcare service we bring God's love to those in need through the healing ministry of Jesus. We are especially committed to people who are poor or vulnerable.	We lead through research driven, excellent and compassionate health and aged care.	*Compassion* *Justice* *Integrity* *Excellence*

OBJECTIVES AND PRINCIPAL ACTIVITIES

The objectives as stated in the Company's constitution are:

- to provide direct relief of sickness, suffering and distress through supporting the health service facilities operating hospitals and other health care facilities and by itself conducting such facilities; and
- to provide relief without discrimination.

These objectives are pursued through the principal activities of the Company being the operation of a public hospital network.

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

The Directors monitor the Company's progress against these objectives at regular board and committee meetings including:

- reports on all aspects of the Company's operations;
- the development of a multi-year Strategic Plan and periodic review of this plan;
- feedback from clients who have accessed the Company's services through a range of client-focused mechanisms such as patient satisfaction surveys; and
- reports which detail mission related projects.

OPERATING AND FINANCIAL REVIEW

Review of operations

The Company is one of the oldest non-government public health providers in Australia. The Company comprises St Vincent's Hospital, a leading public tertiary hospital located in Darlinghurst, with co-located sub-acute services of Sacred Heart Health Services and sub-acute services at St Joseph's Hospital Auburn. The Company is a leader in heart transplant research and other speciality services which include bone marrow transplant, cardiology, AIDS/HIV, mental health and drug and alcohol services.

The Company is not-for-profit and so strives to make a modest surplus to keep the health service sustainable, to generate funds to replace assets, to undertake charitable works, and to further invest in the mission to promote the healing ministry of Jesus.

OPERATING AND FINANCIAL REVIEW (continued)

During the year, revenue and other income decreased by $1,572,000 or 0.28% due to reduced operational capacity during capital works. A key focus for the Company has been optimising its efficiency whilst continuing to strive to improve its world-class patient-centred care. Costs were monitored closely during the year and increased by $8,392,000 or 1.5%. In 2018, the Company generated an operating surplus of $19,547,000. The Company is aiming to modestly exceed a break even position in future years.

The Company's financial report includes receiving capital grants into income per accounting standards for not-for-profit entities, and the contribution from special purpose and trust funds (where funds are received into and expended from accounts whose purpose is specifically for funding research projects and various other specific activities and initiatives) prescribed by donors or grantor of the funds that cannot be used for any other purpose. Accordingly, when interpreting the financial performance it is necessary to view each of these components separately.

The operating surplus specifically attributable to the hospital's General Fund (operations of the three facilities) for the year and after depreciation was $4,515,000 compared to last year's surplus of $15,871,000. Special Purpose and Trust funds generated a surplus of $15,032,000 compared to last years surplus of $21,312,000.

Going Concern

The annual report has been prepared on a going concern basis as the Directors are of the opinion that the Company can pay its debts as and when they fall due.

The Directors and key management personnel have formed this opinion based on the following:

1. The Company is listed as an Affiliated Health Organisation under the *Health Services Act 1997*. Section 127 of the Act obliges the Minister to consider funding allocations to Affiliated Health Organisations although not a quantum of funding. A Memorandum of Understanding (MOU) with the NSW Ministry of Health (the Ministry) has been in place for a number of years in relation to equity of treatment, including funding, compared to other entities with the NSW public health system. Legislative obligations combined with the MOU provide a level of surety that ongoing funding allocations will be provided by the Ministry. The MOU contains specific acknowledgments by the Minister for Health and the Ministry that St Vincent's Hospital Sydney Limited is a separate legal entity and that the Officers' and Directors' rely (in part) upon the MOU for the purposes of discharging their duties under law. The Company has commenced negotiations with the Ministry to develop a new MOU or similar agreement to reaffirm certainty of funding.
2. The Company has a Service Agreement with the Ministry for 2018-19 which provides certainty of funding for that financial year.
3. The Company recorded an operating surplus of $19,547,000, net current assets of $39,313,000 and net assets of $142,131,000 in 2018. The Company's results and assets comprise the General Fund and Special Purpose and Trust Funds, which have restricted purposes. The General Fund recorded a total surplus of $4,515,000 and net liabilities of $18,529,000. The Company is aiming to modestly exceed break even positions in future years.
4. The Directors requested and received a letter of support from the parent entity offering to provide financial assistance for a period, should it be necessary.
5. The Company received a letter from the Ministry dated 22 October 2005 in which it accepts some liability for employee entitlements should the Company cease activities as an Affiliated Health Organisation.

DIVIDENDS

The Company's constitution precludes the payment of dividends and accordingly no dividend has ever been paid or declared.

MEMBER'S GUARANTEE

If the Company is wound up the constitution states that each member is required to contribute a maximum of $100 each towards meeting the obligations of the Company. At 30 June 2018, the Company had 1 member (2017: 1) so the maximum amount to be contributed towards meeting the obligations of the Company would be $100 (2017: $100).

SUBSEQUENT EVENTS

There have been no significant events occurring after reporting date that have had any material impact on the results of the Company as reported in these financial statements.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company will continue to operate the public hospital, providing direct relief of sickness, suffering and distress through supporting its health service facilities and to provide relief without discrimination.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company is registered under the National Greenhouse and Energy Reporting Act, under which it is required to report energy consumption and greenhouse gas emissions for its Australian facilities for the 12 months ended 30 June 2018 and future periods. The Company has established a separate sustainability group and data collection systems and processes are in place to meet its requirements.

INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company has indemnified the Directors and Executives of the Company for costs incurred, in their capacity as a Director or Executive, for which they may be personally held liable, except where there is a lack of good faith. The Directors have not included details of the indemnity as disclosure of those details is prohibited under the indemnity agreement.

INDEMNIFICATION OF AUDITOR

The Company has not indemnified or made a relevant agreement for indemnifying against a liability, any person who is, or has been an auditor of the Company.

ROUNDING OF AMOUNTS.

Amounts contained in the Directors' report and financial report have been rounded to the nearest $1,000 (where rounding is applicable) where noted ($'000), or in certain cases to the nearest dollar, under the option available to the Group under ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191.

DIRECTORS' REPORT

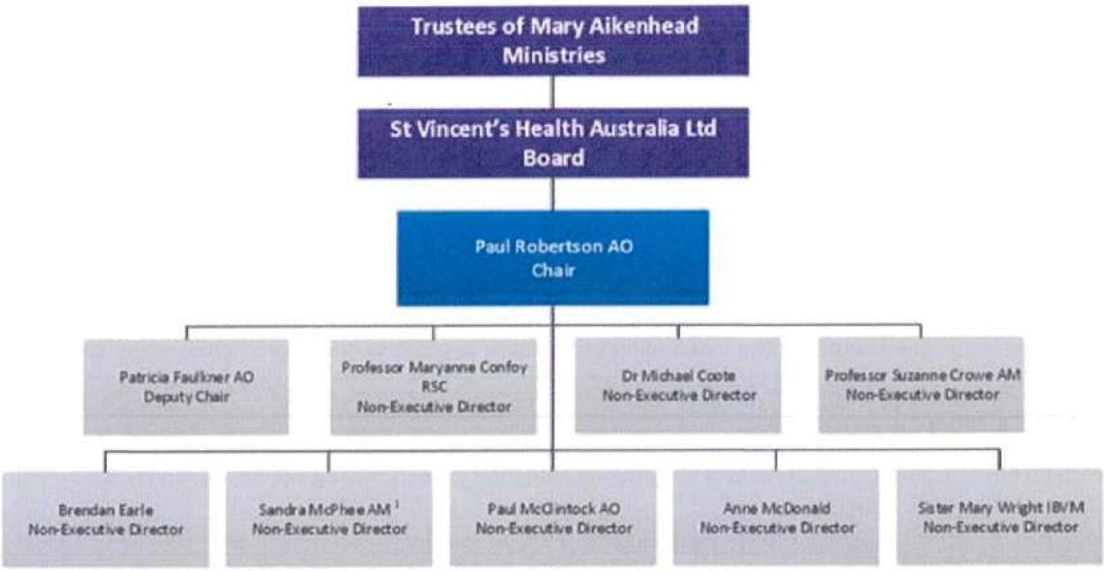
STRUCTURE AND MANAGEMENT

St Vincent's Hospital Sydney Limited is incorporated under the *Corporations Act 2001*, is a public company limited by guarantee and is registered with the Australian Charities and Not-for-profits Commission. St Vincent's Hospital Sydney Limited is a subsidiary of St Vincent's Health Australia Limited. The St Vincent's Health Australia Group (the 'SVHA Group') is governed by a Board of Directors ("Board") chaired by Paul Robertson. The Board is the same group of directors for the Company.

The Board exists to ensure there is effective integration and growth of the mission of Mary Aikenhead Ministries throughout the health and aged care services and to govern the SVHA Group of companies pursuant to the *Australian Charities and Not-for- profits Commission Act 2012 (Cth)*, Canon law and all other relevant civil legislation.

The Board must at all times operate within the Mary Aikenhead Ministries Ethical Framework and the Catholic Health Australia Code of Ethical Standards of Health and Aged Care Services in Australia (2001).

The day-to-day running of the SVHA Group is the responsibility of the Executive Leadership Team led by Toby Hall, the Group Chief Executive Officer.



1 Appointed 1 October 2017

1 St Vincent's Care Services Chief Executive Officer, Lincoln Hopper commenced 13 August 2018
2 Dr Victoria Atkinson resigned 19 July 2018

STRUCTURE AND MANAGEMENT (continued)

Board of Directors

The Board is accountable for its key purpose to the Trustees of Mary Aikenhead Ministries ("TMAM"). Mary Aikenhead Ministries builds on the charisma and traditions of the Sisters of Charity and Mary Aikenhead, founder of the Sisters of Charity. The Trustees are the canon law and civil stewards of the SVHA Group. All Directors serve as independent non-Executive Directors and are appointed by TMAM.

The Board meets at least seven times per year. Board meetings take place across the three states in which the SVHA Group operates and are preceded by visits to the SVHA Group facilities and services so that our Directors can meet staff, patients, clients and partners and gain a greater understanding of the organisation's operations and functions.

Board Committees

All Board Committees operate under their own Charter which is annually reviewed and approved by the Board. Committees are permitted to appoint external experts to assist them in their consideration of matters. These appointments require approval by the full Board. The SVHA Group is grateful to those individuals who have given their time, skills and expertise freely in order to ensure our Committees are operating at the highest level so as to meet the needs of those we serve.

The Board is supported by seven standing Committees:

Audit & Risk

The purpose of the Audit & Risk Committee is to ensure that effective audit, risk management and compliance systems are in place to protect SVHA's assets and to minimise the possibility of SVHA operating outside of legal requirements or beyond Board agreed risk parameters and ensuring the integrity of the SVHA Group statutory financial accounts.

Finance & Investment

The main purpose of the Finance & Investment Committee is to ensure all SVHA group companies financially operate within accepted risk, legal, accounting, investment and solvency parameters. The other purpose is to guide the strategic investment strategy for the organisation and to ensure our companies and facilities achieve financial performance objectives.

Mission, Ethics & Advocacy

The purpose of the Mission, Ethics & Advocacy Committee is to ensure the mission is promoted and strengthened throughout SVHA whilst also advocating for the poor, disadvantaged and marginalised. The Committee aims to foster and strengthen links to the broader SVHA community, the Catholic Church, supporters and stakeholders.

People & Culture

The purpose of the People & Culture Committee is to set SVHA's standards of conduct and ensure that these are adhered to in order to protect stakeholders and safeguard the reputation of the Company. The Committee oversees practice that ensures all SVHA operations meet best practice benchmarks in relation to people management, workplace relations and safety and employee development and performance. The Committee also plays a role in Board review and development, Director appointments to related boards and executive performance and remuneration.

Clinical Governance & Safety Committee (Previously Quality & Safety)

The purpose of the Board Clinical Governance and Safety Committee is to assist the Board in the effective discharge of its responsibilities related to ensuring effective clinical governance and safe quality delivery of services across SVHA group facilities in accordance with the Mission and values of the organisation. The Committee ensures a patient & resident centred focus is maintained across all SVHA aged care and health services and monitors professional performance to ensure a high quality of care.

Research & Education Committee

The Board Research & Education Committee is core to delivering the SVHA strategy of being a health and aged care organisation renowned for teaching, training and research with strong strategic partnerships and a focus on translating research into best practice clinical outcomes. The Committee is responsible for oversight of SVHA's strategic direction in regard to research and education so that SVHA is able to deliver on EnVision2025 and its commitment to translational research to improve the health outcomes of our community, in particular the poor and disadvantaged.

STRUCTURE AND MANAGEMENT (continued)

Ad hoc Health Infrastructure Partnerships Committee

The Health Infrastructure Partnerships Committee (the HIP Committee) was an ad hoc committee of the Board of St Vincent's Health Australia (SVHA) Limited; its establishment was approved by the Board at its meeting on 8 December 2016. The Board Charter under Section 4.2 states: The Board may also establish other committees on an ad hoc basis as it deems necessary in order to assist it from time to time. The purpose of the HIP Committee was to assist the Board in the effective discharge of its responsibilities related to ensuring effective governance of the HIP program focused on SVHA developing strategic partnerships to deliver better health outcomes across NSW. The Board disbanded the committee at February 2018 as it was no longer required..

Information on Directors

Mr Paul Robertson AO

Bachelor of Commerce, Fellow, CPA Australia

Chairman

Paul was appointed to the Board on 1 October 2009 and was appointed as Chairman on 5 October 2012. Paul is a former Executive Director of Macquarie Bank with extensive experience in banking, finance and risk management. Paul is Chair of Social Ventures Australia, Chair of the Trustees of St Vincent's Hospital Sydney, Chair of Catholic Health Australia and holds several private company directorships. Paul until recently was Chair of Alzheimer's Australia (NSW) and is now Director on the new national body Demntia Australia.

Paul was awarded an Order of Australia in 2018 for distinguished service to the community through ethical leadership and management of, and philanthropic contributions to health, social enterprise, research, education and arts organisations.

Paul is chair of the People & Culture Committee and was chair of the *ad hoc* Health infrastructure Committee during its tenure in FY18.

Ms Patricia Faulkner AO

BA, Dip. Education, MBA; Fellow of Public Administration Australia, Fellow of Public Administration (Victoria) and Fellow of the College of Health Service Executives.

Patricia was appointed to the Board on 1 October 2010. Patricia was a previous global Partner-in-Charge, Health Sector at KPMG and a previous Secretary of the Victorian Government Department of Human Services. She has held a number of roles with the Victorian Government over a period of almost 30 years in the Department of Labour and Department of Community Welfare Services. Patricia is Chair of Jesuit Social Services and the Telecommunication Industry Ombudsman. She is a Member of the Boards of CEDA and VicSuper. Patricia was a Deputy Commissioner to the Victorian Government's Royal Commission into Family Violence. Patricia is a member of the Board of Catholic Professional Standards Limited.

Patricia is deputy chair of the Board, a member of the Clinical Governance & Safety Committee and a member of the Mission, Ethics & Advocacy Committee.

Prof. Maryanne Confoy RSC

Bachelor of Arts from the University of Melbourne, postgraduate studies at both Boston College and Harvard Graduate School of Education, and a Doctor of Philosophy at Boston College.

Prof. Maryanne was appointed to the Board on 6 February 2012. Prof. Maryanne is a Religious Sister of Charity and Professor of Pastoral Theology at Pilgrim College, Melbourne University of Divinity, and a member of the Jesuit Theological Consortium. She is a Fellow of the Melbourne University of Divinity. Her governance roles have included member of the Australian Catholic University Senate and Chair of MCD Board of Postgraduate Studies. She is a Board member of Broken Bay Institute of Theological Educations, a member of the St Vincent's Foundation Committee, of the Board of LUCRF Community Partnership Trust, and of The Way Community for Homeless Men.

Prof. Maryanne is a member of the Mission, Ethics & Advocacy Committee and the People & Culture Committee.

STRUCTURE AND MANAGEMENT (continued)

Information on Directors (continued)

Ms Anne McDonald

Bachelor of Economics, Chartered Accountant, Fellow of the Institute of Chartered Accountants Australia and New Zealand, Graduate and Member - Australian Institute of Company Directors

Anne was appointed to the Board of St Vincent's Health Australia on 1 June 2017. Anne had previously served on the Boards of a number of St Vincent's entities prior to 2010.

Anne is an experienced Non-Executive Director (NED) with a solid understanding of corporate governance. She has pursued a full-time career as an NED since 2006. She is currently a Director of three ASX listed entities and Chair of a State-Owned Corporation - Spark Infrastructure, Link Administration Group, Speciality Fashion Group, and Water NSW.

Anne is a member of the Audit & Risk Committee.

Prof. Suzanne Crowe AM

MBBS (Honours IIA) - Monash University/Alfred Hospital Medical School

Fellow, Royal Australasian College of Physicians, (Speciality: Infectious Diseases); and, MD Thesis "Role of Macrophages in HIV Pathogenesis", Monash University.

Suzanne was appointed to the Board on 1 January 2013. Suzanne is a consultant physician in infectious diseases and general medicine at The Alfred since 1994. She has authored over 200 published papers, five books and 68 book chapters in the field. She is also an Associate Director of the Burnet Institute, Principal Research Fellow with the National Health Medical Research Council, Principal Specialist in Infectious Diseases at The Alfred Hospital and Adjunct Professor of Medicine and Infectious Diseases at Monash University, Melbourne.

Suzanne is Head of the international Clinical Research Laboratory at the Burnet Institute and the World Health Organization (WHO) Regional Reference Laboratory for HIV Resistance Testing and an adviser and consultant to the WHO Global Program on AIDS. She was recently appointed as a director of Avita Medical Limited and also to the Maddie Riewoldt Scientific Advisory Board. She has served as Deputy Chair of the Board of the Australian India Council (Department of Foreign Affairs and Trade), as a member of the Prime Minister's Science, Engineering and Innovation Council Asia Working Group and as President of the Australasian Society for HIV Medicine.

Suzanne is Chair of the Clinical Governance & Safety Committee, a member of the Mission, Ethics & Advocacy Committee, a member of the Research & Education Committee and a member of the *ad hoc* Health Infrastructure Partnership Committee.

Mr Brendan Earle

Bachelor of Laws (Hons); Bachelor of Arts

Barrister and Solicitor, Supreme Court of Victoria.

Brendan was appointed to the Board on 1 October 2010. Brendan is a partner with the international law firm, Herbert Smith Freehills. He has over 25 years' experience providing commercial legal advice across a range of industries and specialises in large or strategically important negotiated transactions including acquisitions, sales, joint ventures and corporate restructuring and acts as a relationship partner for several clients of the firm. Brendan has a long-standing interest in the Australian healthcare industry and has advised the Commonwealth Government, private insurers, aged care providers, private consulting practices and pharmaceutical manufacturers on a diverse range of projects.

Brendan is a member of the Finance & Investment Committee, the Clinical Governance & Safety Committee, the *ad hoc* Health Infrastructure Partnership Committee and the Audit & Risk Committee.

Information on Directors (continued)

Mr Paul McClintock AO

Graduated in Arts and Law from the University of Sydney and is an honorary fellow of the Faculty of Medicine of that University, and a Life Governor of the Woolcock Institute of Medical Research.

Paul was appointed to the Board on 1 January 2013. Paul was previously Chairman of Medibank Private Limited and is currently Chair of Myer Holdings Limited, I-MED Network and NSW Ports. He is Chair of the Committee for the Economic Development of Australia.

Paul served as the Secretary to Cabinet and Head of the Cabinet Policy Unit reporting directly to the Prime Minister as Chairman of Cabinet with responsibility for supervising Cabinet processes and acting as the Prime Minister's most senior personal adviser on strategic directions in policy formulation.

His former positions include Chairman of the COAG Reform Council, Thales Australia, Symbion Health, Affinity Health and the Woolcock Institute of Medical Research and directorships with the Australian Strategic Policy Institute. He has also served as Commissioner of the Health Insurance Commission.

Paul is Chair of the Finance & Investment Committee and a member of the Research & Education Committee and the *ad hoc* Health Infrastructure Partnership Committee.

Sr Mary Wright IBVM

Master of Science (University of Melbourne), Dip. of Education (Monash Univ.), Bachelor of Divinity (Melb. College of Divinity), Ph. D. (JCD) in Canon Law (University Saint Paul, Ottawa, Canada).

Sr Mary was appointed to the Board on 1 October 2013. Sr Mary has extensive experience in leadership in Catholic Church institutions including the positions of School Principal Loreto College Ballarat and Loreto College, Kirribilli, Australian Province Leader (Loreto Sisters), 8 years in Rome as International Leader (Loreto Sisters) and has recently been appointed as a director of Loreto Ministries Limited. She has practiced in the area of Church law in Australia (including lecturing at Yarra Theological Union) and most recently in the Vatican (in the Congregation for Institutes of Consecrated Life and Societies of Apostolic Life). Her specialty is in the area of institutional governance. Sr Mary was also a Trustee of Catholic Healthcare.

Sr Mary is Chair of the Mission, Ethics & Advocacy Committee, a member of the Audit & Risk Committee and a member of the People & Culture Committee.

Dr Michael Coote

MB BS FRANZCO GAICD, Clinical Associate Professor University of Melbourne, Senior Consultant RVEEH, Lead Investigator Glaucoma Surgery Unit Centre for Eye Research Australia, member of Australian Medical Association, graduate of Australian Institute of Company Directors, member of Royal Australian New Zealand College of Ophthalmology.

Michael was appointed to the Board of St Vincent's Health Australia on 4 August 2016. Michael was prior to his commencement on the Board of Mercy Health for nine years where he was Chair of the Board Quality Committee for four years. During this time, Mercy Health grew in four states and expanded significantly into aged care. Michael is a clinician with research commitments and recently retired from the Clinical Director of Ophthalmology role at the Royal Victorian Eye and Ear Hospital.

Michael is Chair of the Research & Education Committee and a Member of the Clinical Governance & Safety Committee.

STRUCTURE AND MANAGEMENT (continued)

Information on Directors (continued)

Ms Sandra McPhee AM

Diploma in Education

Sandra McPhee AM was appointed as a Director of the SVHA and subsidiary Boards effective 1 October 2017. Sandra has a long history with SVHA having served on the Sydney regional Boards prior to 2010. She is currently serving as Chair of the Sydney Regional Advisory Committee.

Sandra is also on the Boards of Kathmandu Ltd, a Board member of the NSW Public Service Commission. She is Chair of the Expert Advisor Panel appointed by the Commonwealth Government to review Employment Services. She is also a member of the advisory council of J.P Morgan, and a member of the Australian Institute of Company Directors and Chief Executive Women.

She has previously served as a Non-Executive Director on diverse Boards including Fairfax Media Limited, Coles Group Ltd, Scentre Group, Starlight Foundation, Tourism Australia, Australia Post, Perpetual Ltd and AGL Energy Ltd.

In 2013 Sandra was awarded a Member of the Order of Australia for significant service to business and to the community through leadership and advisory roles. Sandra has many years of experience in Executive roles in the airline industry in Australia and overseas and brings knowledge and experience to SVHA particularly in the People & Culture sphere.

Sandra is a Member of the People & Culture Committee.

Company Secretary

Mr. Robert Beetson

Bachelor of Laws/Bachelor of Arts (Macquarie), Grad Dip in Legal Practice, Master of Laws (UNSW) (Human Rights & Social Justice), Grad Dip in Humanities (Italian) (UNE).

Rob has worked for over 30 years in the health industry. He is admitted as a Solicitor to the Supreme Court of NSW, Member of the Law Society of NSW, Associate Member of the Governance Institute of Australia, Member Australian Lawyers for Human Rights and a Member Australian Corporate Lawyers Association. Rob is also a graduate of the Australian Institute of Company Directors. He serves as an Executive in St Vincent's Health Australia in the position of Group General Manager Legal, Governance & Risk.

Mr. Paul Fennessy

Bachelor of Engineering (Civil) (Hons)/Bachelor of Laws (Monash)

Paul was appointed as alternate Company Secretary on 11 February 2016 and has over 20 years' experience as a lawyer. He is admitted as a Solicitor to both the Supreme Court of NSW and the Supreme Court of Victoria and holds an unrestricted NSW Practicing Certificate. Paul is the Group General Counsel for St Vincent's Health Australia.

Meetings of the Board and Committees

Board		Board Committees						
Director	# of meetings attended	Audit & Risk	Finance & Investment	Mission, Ethics & Advocacy	People & Culture	Clinical Governance & Safety	Research & Education	*Ad hoc* Health Infrastructure Partnerships
Mr P Robertson AO (Chair)	7/7				● 5/5			● 1/1
Ms P Faulkner AO	5/7			5/5		4/7		
Ms A McDonald	6/7	● 5/5						
Sr M Confoy RSC	7/7			5/5	5/5			
Prof. S Crowe AM	7/7					● 7/7	3/3	0/1
Mr B Earle	7/7	5/5	7/7			7/7		0/1
Mr P McClintock AO	7/7		● 7/7				3/3	0/1
Sr M Wright IBVM	6/7	5/5		● 5/5	5/5			
Ms S McPhee (Appointed 1 October 2017)	5/5				2/3			
Dr M Coote	7/7					6/7	● 3/3	

● Chair

REMUNERATION

Under the legislation, the Company is not required to present a Remuneration Report but seeks to provide fair and responsible remuneration within the bands expected for a not-for-profit organisation. Note E1 contains the required remuneration disclosures.

AUDITOR

The Directors have received an Independence Declaration from Ernst & Young, a copy of which is attached at page 11. Non assurance services provided by Ernst & Young are disclosed in note E2.

This report is made in accordance with a resolution of the Directors.

Mr Paul Robertson AO, Chair

Sydney

11 October 2018

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Building a better working world

Auditor's Independence Declaration to the Directors of St Vincent's Hospital Sydney Limited

In relation to our audit of the financial report of St Vincent's Hospital Sydney for the financial year ended 30 June 2018, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Anthony Jones
Partner
11 October 2018

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

AUDITOR'S INDEPENDENCE DECLARATION

PROFIT OR LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 $'000	2017 $'000
Revenue	A1	**550,751**	553,634
Other income	A1	**14,293**	12,982
Total revenue and other income		565,044	566,616
Employment expenses	A2	**350,701**	350,880
Goods and services		**138,041**	142,911
Finance costs		**72**	111
Repairs and maintenance		**10,754**	6,434
Depreciation and amortisation	A5	**10,699**	9,818
Other expenses from ordinary activities		**42,558**	34,279
Total expenses		552,825	544,433
Operating surplus		**12,219**	22,183
Capital funding received	A1	**7,328**	15,000
Total comprehensive profit		**19,547**	37,183
Allocated as follows:			
General Fund – total surplus for the year		**4,515**	15,871
Special Purpose and Trust Funds – total surplus for the year		**15,032**	21,312
Total comprehensive surplus		**19,547**	37,183

BALANCE SHEET
AT 30 JUNE 2018

	Notes	2018 $'000	2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	B1	**26,166**	12,144
Trade and other receivables	A3	**30,493**	34,054
Inventories	A4	**6,266**	6,437
Investments	B2	**149,993**	138,634
Total current assets		**212,918**	191,269
Non-current assets			
Receivables	A3	**574**	1,703
Property, plant and equipment	A5	**128,893**	116,870
Total non-current assets		**129,467**	118,573
Total assets		**342,385**	309,842
LIABILITIES			
Current liabilities			
Trade and other payables	A6	**59,807**	51,999
Borrowings	B4	**1,557**	938
Provisions	A7	**112,241**	109,538
Total current liabilities		**173,605**	162,475
Non-current liabilities			
Provisions	A7	**5,862**	5,673
Borrowings	B4	**20,787**	19,110
Total non-current liabilities		**26,649**	24,783
Total liabilities		**200,254**	187,258
Net assets		**142,131**	122,584
Retained deficit – General Fund		**(17,093)**	(21,608)
Retained surplus – Special Purpose and Trust Fund		**159,224**	144,192
Total equity		**142,131**	122,584

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Retained surpluses $'000	Total $'000
2018		
Balance 1 July 2017	**122,584**	**122,584**
Total surplus	**19,547**	**19,547**
Total comprehensive surplus	**19,547**	**19,547**
Balance 30 June 2018	**142,131**	**142,131**
2017		
Balance 1 July 2016	85,401	85,401
Total surplus	37,183	37,183
Total comprehensive surplus	37,183	37,183
Balance 30 June 2017	122,584	122,584

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from patients and grants (including GST)		**603,008**	590,968
Payments to suppliers and employees (including GST)		**(573,627)**	(581,065)
Donations and other income received		**14,293**	27,982
Net cash flow from operating activities	B1(ii)	**43,674**	37,885
Cash flows used in investing activities			
Payments for property, plant and equipment		**(20,938)**	(15,677)
Proceeds from disposal of plant and equipment		**70**	10
Payments for investments		**(76,868)**	(133,619)
Proceeds from investments		**66,899**	117,619
Interest received		**3,185**	1,133
Net cash flow used in investing activities		**(27,652)**	(30,534)
Cash flows used in financing activities			
Repayment of loan from related party		**(2,000)**	-
Net cash flow used in financing activities		**(2,000)**	-
Net increase/(decrease) in cash and cash equivalents held		**14,022**	7,351
Cash at the beginning of the financial year		**12,144**	4,793
Cash at the end of the financial year	B1	**26,166**	12,144

NOTES TO THE FINANCIAL STATEMENTS: ABOUT THIS REPORT
FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS: ABOUT THIS REPORT
FOR THE YEAR ENDED 30 JUNE 2018

St Vincent's Hospital Sydney Limited is a not-for-profit company limited by guarantee, incorporated and domiciled in Australia.

The financial report represents the financial information of St Vincent's Hospital Sydney Limited (the "Company"). The financial report was authorised for issue by the Directors on 11 October 2018. The Directors have the power to amend and reissue the financial report.

Basis of preparation

The financial report is a general purpose financial report which:

- has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Australian Charities and Not-for-profits Commission Act 2012 (Cth)*;
- has been prepared on a going concern basis, using historical cost conventions, except for financial assets at fair value through profit or loss and available-for-sale financial assets which are carried at fair value;
- is presented in Australian dollars with all values rounded to the nearest thousand dollars unless otherwise stated, in accordance with ASIC instrument 2016/191; and
- presents reclassified comparative information where required for consistency with the current year's presentation.

Going concern

The annual report has been prepared on a going concern basis as the Directors are of the opinion that the Company can pay its debts as and when they fall due.

The Directors and key management personnel have formed this opinion based on the following:

1. The Company is listed as an Affiliated Health Organisation under the *Health Services Act 1997*. Section 127 of the Act obliges the Minister to consider funding allocations to Affiliated Health Organisations although not a quantum of funding. A Memorandum of Understanding (MOU) with the NSW Ministry of Health (the Ministry) has been in place for a number of years in relation to equity of treatment, including funding, compared to other entities with the NSW public health system. Legislative obligations combined with the MOU provide a level of surety that ongoing funding allocations will be provided by the Ministry. The MOU contains specific acknowledgments by the Minister for Health and the Ministry that St Vincent's Hospital Sydney Limited is a separate legal entity and that the Officers' and Directors' rely (in part) upon the MOU for the purposes of discharging their duties under law. The Company has commenced negotiations with the Ministry to develop a new MOU or similar agreement to reaffirm certainty of funding.
2. The Company has a Service Agreement with the Ministry for 2018-19 which provides certainty of funding for that financial year.
3. The Company recorded an operating surplus of $19,547,000, net current assets of $39,313,000 and net assets of $142,131,000 in 2018. The Company's results and assets comprise the General Fund and Special Purpose and Trust Funds, which have restricted purposes. The General Fund recorded a total surplus of $4,515,000 and net liabilities of $18,529,000. The Company is aiming to modestly exceed break even positions in future years.
4. The Directors requested and received a letter of support from the parent entity offering to provide financial assistance for a period, should it be necessary.
5. The Company received a letter from the Ministry dated 22 October 2005 in which it accepts some liability for employee entitlements should the Company cease activities as an Affiliated Health Organisation.

The notes to the financial statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the the Company. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Company;
- it helps to explain the impact of significant changes in the Company's business; or
- it relates to an aspect of the Company's operations that is important to its future performance.

Key accounting estimates and judgements

The Company makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and judgements which are considered material to the financial report are found in the following notes:

Area of Estimation	***Note***
Long-term employee obligations – assumptions underlying assessment of employee departures and periods of service	A2
Property, plant and equipment – assessment of useful lives	A5

This section explains the results and performance of the Company. It provides additional information about those individual line items in the financial statements that the Directors consider most relevant in the context of the operations of the entity, including accounting policies that are relevant for understanding the items recognised in the financial statements.

A1 REVENUE AND OTHER INCOME

Revenue and other income recognised during the year are set out below.

	2018 $'000s	2017 $'000s
Patient and resident fees	**31,788**	36,161
Government grants and subsidies	**414,872**	416,280
Non-medical revenue	**60,743**	56,607
Rent and other property revenue	**1,826**	1,587
Interest revenue	**3,185**	1,133
Fair value gains on financial assets at fair value through profit or loss	**1,371**	3,719
Other revenue	**36,966**	38,147
Total revenue	**550,751**	553,634
Donations and other income	**14,293**	12,982
Total other income	**14,293**	12,982
Capital funding received in relation to the:		
ED/PANDA and Gorman House redevelopment (a)	-	12,500
Darlinghurst redevelopment strategy (b)	-	2,500
External Cladding (c)	**4,963**	-
Replacement of Lifts (d)	**673**	
Replacement of Operating Theatre Lights/Pendants (e)	**1,235**	
Replacement of Nurse and Emergency Call system (f)	**457**	
Total capital funding included in non-operating income	**7,328**	15,000

(a) ED/PANDA and Gorman House redevelopment project

No government grants were received during the year ended 30 June 2018 (2017: $12,500,000) to fund the capital works for Gorman House and the redevelopment of the Emergency Department (ED) and Psychiatric Alcohol and non-Prescription Drug Assessment (PANDA) Unit. The Gorman House project was completed in January 2017 comprising a 20 bed medically supervised withdrawal unit for the management of alcohol and other drug related problems. The ED/PANDA project aim is to improve ED performance, create additional ED capacity and achieve improved patient outcomes through:

- The establishment of a six bed PANDA Short Stay Unit within the ED, collocated with the Pyschiatric Emergency Care Centre, to improve the assessment and treatment of patients with co-morbid mental health, drug and alcohol related illness.
- A reconfiguration of the ED to better meet the functional needs of the service.
- Creation of an appropriate admission pathway from ED for mental health and drug and alcohol patients requiring inpatient withdrawal services.
- The works are expected to be completed in 2019-20.

A1 REVENUE AND OTHER INCOME (continued)

(b) Darlinghurst redevelopment strategy

No government grants were received during 2018 (2017: $2,500,000) to fund the Darlinghurst redevelopment strategy. Stage 1 (planning) of the project has been completed. Stage 2 comprising the preliminary business case including service need and potential procurement strategies was completed at the end of 2017.

(c) External cladding

Government grants of $4,963,033 were received during 2018 (2017: $nil) to fund the external cladding remediation works on the O' Brien Building.

(d) Replacement of Lifts

Government grants of $673,208 were received during 2018 (2017: $nil) for the construction and upgrade of the replacement of Lifts in multiple locations within St Vincent's Hospital Sydney (DeLacy Building Lift 12, Aikenhead Building Lifts 10 and 11 and Sacred Heart Building Lift 7 and 8) to enhance patient and passenger safety and economic & operational efficiencies. The works were completed in June 2018.

(e) Replacement of operating theatre lights/pendants

Government grants of $1,235,250 were received during 2018 (2017: $nil) for the replacement and installation of Operating Theatre Lights and Operating Theatre Pendants within multiple theatres and procedure rooms within St Vincent's Hospital Sydney. The replacement will emhance and modernise theatre operations. The project commenced in February 2018 and is due for completion in 2019-20.

(f) Replacement of nurse and emergency call system

Government grants of $456,421 were received during 2018 (2017: $nil) for the upgrade of the Nurse Call System across multiple levels of St Vincent's Hospital Sydney (O'Brien Building, Xavier, Operating Theatres and Sacred Heart Hospital), which is required to maintain a continuous and reliable communication system between Patients and Nursing Staff. The works were completed in June 2018.

The Company recognises revenue and other income when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company. Amounts disclosed are recognised at the fair value of the consideration received or receivable and are net of returns, trade allowances, rebates, goods and services tax ("GST") levied and amounts collected on behalf of third parties.

Revenue and other income is recognised for the Company's major operations using the methods outlined below.

Patient and resident fees is recognised when services are provided.

Government grants and subsidies income is recognised as the right to receive payment is established.

Non-medical revenue is recognised when services are provided.

Donations (including trust estate distributions income) are recognised upon receipt.

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

A2 EMPLOYMENT EXPENSES

Employment expenses recognised during the year are set out below.

	2018 $'000s	2017 $'000s
Salaries and wages	324,063	324,954
Superannuation	26,638	25,926
	350,701	350,880

(i) Accounting policy

This disclosure note includes the accounting policies for all items related to employment expenses. This includes the treatment of balance sheet items such as provision for employee benefits (note A7).

Superannuation

The Company contributes to several defined contribution superannuation plans. Contributions are recognised as an employment expense as they are incurred.

Termination benefits

The Company recognises termination benefits when it commits to either terminating a current employee's employment according to a detailed formal plan without the possibility of withdrawal or providing termination benefits following an offer made and accepted to encourage voluntary redundancy.

Short-term employee obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave which are expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled and are classified as current where the Group does not have an unconditional right to defer the liability beyond 12 months of the reporting date.

The liability for annual leave and long service leave is recognised in the provision for employee benefits. All other short-term employee obligations are presented as payables.

Long-term employee obligations

Liabilities for long service leave and annual leave which are expected to be settled more than 12 months from the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

A3 TRADE AND OTHER RECEIVABLES

	2018 $'000s	2017 $'000s
Current		
Trade receivables	7,483	10,630
Less: Provision for impairment of trade receivables (ii)	(965)	(1,349)
Net trade receivables	6,518	9,281
Amounts due from related parties (note C4)	2,529	4,350
Other receivables	20,361	19,041
Prepayments	1,085	1,382
Total current receivables	30,493	34,054
Non-current		
Amounts due from related parties (note C4)	574	1,703
Total non-current receivables	574	1,703

(i) Accounting policy

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less an allowance for impairment. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Trade receivables are generally due for settlement within 45 days after the end of the month in which the invoice was received.

Collectability and impairment are assessed on an ongoing basis and the Company's exposure to bad debts is not significant. Debts which are known to be uncollectible are written off when identified. Impairment is recognised in the profit or loss within other expenses when there is objective evidence that the Company will not be able to collect the debts. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. Subsequent recoveries of amounts previously written off are credited against other expenses.

Other receivables generally arise from transactions outside the usual operating activities of the Company such as sundry debtors from commercial activities. Interest is not charged in respect of these outstanding balances. Collateral is not normally obtained.

(ii) Financial risk management

Market risk - interest rate risk

Receivables are generally non-interest bearing and are not, therefore, subject to interest rate risk.

Credit risk

Credit risk in respect of trade and other receivables is generally considered to be low given that the majority of receivables relate to funds owed by State and Commonwealth government departments under contracts and service agreements and private health insurance funds who are subject to prudential standards governed by the Private Health Insurance Act and monitored by the Private Health Insurance Administration Council. It is the Company's policy that all health funds trading on credit terms are subject to credit verification procedures. Receivable balances are monitored on an on-going basis with the result that the Company's exposure to bad debts is not significant.

A3 TRADE AND OTHER RECEIVABLES (continued)

Provision for impairment of trade receivables

The individually impaired receivables mainly relate to individuals who find themselves in unexpectedly difficult economic situations. The ageing of these receivables was as follows:

	2018 $'000s	2017 $'000s
1 to 3 months	-	103
3 to 6 months	250	453
6 months or more	715	793
	965	1,349

	2018 $'000s	2017 $'000s
The movements in the provision for impairment of receivables is as follows:		
At 1 July	1,349	1,450
Provision for impairment recognised during the year	2,698	2,248
Receivables written off during the year as uncollectible (iii)	(3,082)	(2,349)
At 30 June	965	1,349

Past due but not impaired receivables ageing analysis

	2018 $'000s	2017 $'000s
1 to 3 months	6,463	7,498
3 to 6 months	1,291	1,114
6 months or more	414	1,656
	8,168	10,268

The other classes of financial assets do not contain any impaired assets or assets that are past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Company does not hold any collateral in relation to these assets.

(iii) Receivables written off during the year as uncollectible

The treatment of patients from the Solomon Islands and overseas patients is undertaken at St Vincent's Hospital Sydney as part of the commitment to the mission and vision of the Sisters of Charity. St Vincent's Hospital Sydney provides access to exceptional health care to a region of the world and overseas patients who do not have access to such facilities and treatments.

For the year ended 30 June 2018, St Vincent's Hospital Sydney has provided $693,098 (2017: $522,514) in treatment for Solomon Island citizens and provided $441,894 (2017: $455,397) to overseas patients with no means to pay. Under the Agreement, the Ministry of Health, Commonwealth Government and the Solomon Island Government do not provide any source of funding for this medical care.

Amounts due from related parties

Credit risk in respect of amounts due from related parties is considered to be low given the history and stability of the Group. Credit risk is also assessed by reviewing current financial information including management and statutory accounts, budgets and cash forecasts.

(iv) Fair value

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

A4 INVENTORIES

Inventories of $6,266,000 (2017: $6,437,000) comprise medical and other consumables.

(i) Accounting policy

Inventories are carried at the lower of cost and replacement value. Cost is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. Replacement value is the estimated cost of replacement in the ordinary course of business.

(ii) Amounts recognised in profit or loss

Inventories recognised as an expense during the year ended 30 June 2018 totalled $106,046,148 (2017: $107,991,303). The expense has been included in "goods and services" in the profit or loss.

A5 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Plant and equipment	In course of construction	Total
	$'000	$'000	$'000	$'000
Year ended 30 June 2018				
Cost	**95,727**	**119,167**	**22,916**	**237,810**
Accumulated depreciation	**(22,212)**	**(86,705)**	**-**	**(108,917)**
Net carrying amount	**73,515**	**32,462**	**22,916**	**128,893**
Movement				
Carrying amount at 1 July	**76,660**	**33,272**	**6,938**	**116,870**
Additions	**-**	**6,818**	**15,978**	**22,796**
Disposals	**-**	**(74)**	**-**	**(74)**
Depreciation	**(3,145)**	**(7,554)**	**-**	**(10,699)**
Carrying amount at 30 June	**73,515**	**32,462**	**22,916**	**128,893**
Year ended 30 June 2017				
Cost	95,727	112,423	6,938	215,088
Accumulated depreciation	(19,067)	(79,151)	-	(98,218)
Net carrying amount	76,660	33,272	6,938	116,870
Movement				
Carrying amount at 1 July	73,110	30,087	7,822	111,019
Additions	4,917	5,298	5,462	15,677
Disposals	-	(8)	-	(8)
Transfers between asset classes	1,643	4,703	(6,346)	-
Depreciation	(3,010)	(6,808)	-	(9,818)
Carrying amount at 30 June	76,660	33,272	6,938	116,870

A5 PROPERTY, PLANT AND EQUIPMENT (continued)

(i) Accounting policy

Property, plant and equipment is measured at historical cost less accumulated depreciation and impairment losses.

Cost includes purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs incurred in relation to the asset are included in cost, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation

Items of property, plant and equipment are depreciated on the straight-line method over their estimated useful lives. The depreciation rates used for each class of assets are detailed below:

Leasehold improvements	up to 40 years (shorter of (a) the unexpired period of the lease or (b) the estimated useful life of the improvement to the Company)
Plant and equipment	up to 10 years
Furniture and fittings	up to 10 years
Computer equipment	up to 5 years
Medical and surgical equipment	up to 10 years

The estimation of useful lives, residual value and the depreciation method applied to an asset are reviewed at least annually.

Impairment

If the carrying value of an item of property, plant and equipment is greater than its estimated recoverable amount, then its carrying value is written down immediately to its recoverable amount.

Derecognition

An item of property, plant and equipment is derecognised when it is sold or otherwise disposed of, or when its use is expected to bring no future economic benefits. Any gain or loss on derecognising an item of property, plant and equipment (difference between the proceeds of disposal and the carrying amount of property, plant and equipment) is included in profit or loss in the year of disposal.

(ii) Net profit on the disposal of property, plant and equipment

The Company generated a net loss on the disposal of property, plant and equipment of $3,982 (2017: $2,000 profit). The income has been included in 'other revenue" in the profit or loss.

A6 TRADE AND OTHER PAYABLES

	2018 $'000s	2017 $'000s
Current		
Trade creditors and accrued expenses	**48,604**	44,986
Other payables	**2,800**	471
Amounts due to related parties (unsecured) (note C4)	**8,403**	6,542
	59,807	51,999

(i) Accounting policy

Payables are initially recognised at fair value less transaction costs and subsequently carried at amortised cost. Trade payables are unsecured and are usually paid within 45 days of recognition.

(ii) Financial risk management

Liquidity risk

The Company manages liquidity risk by continuously monitoring forecast and actual cash flow and matching the maturity profiles of financial assets and liabilities.

Maturity of trade and other payables

The Company's trade and other payables, based on the period remaining until the contractual maturity date, are all due within one year (2017: all due within one year).

(iii) Fair value

Due to the short-term nature of these payables, their carrying amount is assumed to approximate their fair value.

A7 PROVISIONS

	2018 $'000s	2017 $'000s
Current		
Employee benefits (note A2(i))	**107,278**	109,538
Other	**4,963**	-
	112,241	109,538
Non-current		
Employee benefits (note A2(i))	**5,862**	5,673
	5,862	5,673

(i) Accounting policy

A provision is recognised when a present legal or constructive obligation exists as a result of a past event and it is probable that a future outflow of cash or other benefit will be required to settle the obligation, the timing or amount of which is uncertain.

This section provides information which will help users understand the financing and risk managed activities of the Company.

B1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents of $26,166,000 (2017: $12,144,000) comprise cash at bank and short term deposits.

(i) Accounting policy

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

(ii) Reconciliation of surplus to net cash flow from operating activities

	2018 $'000s	2017 $'000s
Surplus for the year	**19,547**	37,183
Depreciation	**10,699**	9,818
Interest income in investing	**(3,185)**	(1,133)
Fair Value gains on financial assets at fair value through the P&L	**(1,371)**	(3,719)
Net loss/(profit) on sale of property, plant and equipment	**4**	(2)
Decrease in trade receivables	**2,763**	566
Decrease/(increase) in other receivables and prepayments	**1,927**	(2,910)
Decrease/(increase) in inventories	**171**	(108)
Increase/(decrease) in trade and other payables	**10,227**	(3,067)
Increase in other provisions	**2,892**	1,257
Net cash inflow from operating activities	**43,674**	37,885

B2 INVESTMENTS

Current		
Financial assets at fair value through profit or loss	**149,937**	138,578
Available-for-sale investments (ii)	**56**	56
	149,993	138,634

(i) Accounting policy

Financial assets at fair value through profit or loss

The Company classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short-term.

Financial assets at fair value through profit or loss are initially recognised at fair value plus directly attributable transaction costs. Subsequent to initial recognition financial assets at fair value through profit or loss are measured at fair value with gains or losses recognised in the profit or loss in the period in which they arise.

Financial assets at fair value through profit or loss are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

Available-for-sale investments

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (Financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category. Available-for-sale investments primarily represent units in unlisted cash management unit trusts, equities and deposits with financial institutions.

B2 INVESTMENTS (continued)

(i) Accounting policy (continued)

Available-for-sale investments are initially recognised at fair value value plus directly attributable transaction costs. Subsequent to initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the profit or loss.

Available-for-sale investments are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the balance date.

Derecognition

Investments are derecognised when the rights to receive cash flows from financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(ii) Movement in available-for-sale investments

	2018 **$'000s**	2017 $'000s
Opening balance at 1 July	**56**	56
Closing balance at 30 June	**56**	56

(iii) Fair value

The measurement of fair value may in some cases be subjective and may depend on the inputs used in the calculations. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is included in note E4.

The Company has classified investments as level 1 in that the fair value is traded in active markets. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (or for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

B3 CASH AND INVESTMENTS – FINANCIAL RISK MANAGEMENT

(i) Market risk - interest rate risk

The Company's main interest rate risk arises from cash and bank deposits earning variable rates and long-term borrowings with variable rates. These expose the Company to the risk that the fair value or cash flows of financial instruments will fluctuate due to changes in market interest rates.

The variable risk on financial assets is managed by an investment policy that restricts the type and term of investments. The Company also retains independent advisors to recommend and place investments in accordance with this policy. The term of the investments is determined after consideration of the liquidity needs of the Company.

B3 CASH AND INVESTMENTS – FINANCIAL RISK MANAGEMENT (continued)

(ii) Market risk – equity price risk

Equity price risk is the risk that the fair value of investments in listed/unlisted entities fluctuate due to changes in the underlying share/unit price.

The Company is exposed to price risk arising from the holding of available-for-sale investments, including equity investments. To manage the price risk arising from holding investments in equity securities, the Company diversifies its portfolio. The majority of the Company's equity investments are publicly traded and included in the ASX 200 Index. Investment in equities is small compared to total investments and fluctuations of share prices are not considered to be material.

(iii) Credit risk

Cash deposits are currently limited to major trading banks and financial institutions. The Company has an investment policy that seeks to limit the amount of credit risk exposure to any one of the approved financial institutions based on their credit rating.

Investments held with major Australian trading banks and other Australian owned banks and corporations have a Standard & Poor's long term rating of "A" or better and/or a short term rating of A-2 or better.

(iv) Summarised sensitivity analysis

	Carrying amount	Interest rate risk		Equity price risk	
	$'000s	100BP higher	100BP lower	100BP higher	100BP lower
2018					
Cash and cash equivalents	**26,166**	**262**	**(262)**	-	-
Financial assets at fair value through profit or loss	**149,937**	**1,499**	**(1,499)**	-	-
Available-for-sale investments	**56**	-	-	**1**	**(1)**
2017					
Cash and cash equivalents	12,144	121	(121)	-	-
Financial assets at fair value through profit or loss	138,578	1,386	(1,386)	-	-
Available-for-sale investments	56	-	-	1	(1)

The above sensitivity analysis shows the effect on profit or loss and equity if the market price of the underlying equity securities/units at balance date had been 10% higher/lower with all other variables held constant.

(v) Analysis of free and tied cash and investments

The Company holds cash and investments for both its own unrestricted use and funds either held in trust for third parties or held for restricted use on specific expenses or the acquisition of assets. The analysis of free and tied cash and investments (current and non-current) is as follows:

	2018 $'000s			2017 $'000s		
	Free	Tied	Total	Free	Tied	Total
Cash and cash equivalents	**14,420**	**11,746**	**26,166**	6,287	5,857	12,144
Financial assets at fair value through profit or loss	-	**149,937**	**149,937**	-	138,578	138,578
Available-for-sale investments	-	**56**	**56**	-	56	56
	14,420	**161,739**	**176,159**	6,287	144,491	150,778

B4 BORROWINGS

	2018 $'000s			2017 $'000s		
	Current	Non-current	Total	Current	Non-current	Total
Secured						
Bank loan – Catholic Development Fund(ii)	1,107	-	1,107	938	1,110	2,048
Other loan (iii)	-	18,000	18,000	-	18,000	18,000
Other related party loans (iv)	450	2,787	3,237	-	-	-
	1,557	20,787	22,344	938	19,110	20,048

(i) Accounting policy

Borrowings are initially recognised at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost. If a substantial modification is made to a loan arrangement, that loan is remeasured at fair value at the date of modification and subsequently carried at amortised cost. Fees paid on loan facilities' establishment is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(ii) Bank loan to Catholic Development Fund (current and non-current)

A loan was taken out on 6 February 2009 for a total of $8,300,000 for the development of the carpark in the O'Brien Building. The loan is repayable over 10 years at a variable rate of 5.25% at 30 June 2018 (2017: 4.75%).

The Catholic Development Fund bank loan is secured with a fixed and floating charge over the cash flow and income in respect of the operation of all car parking facilities at St Vincent's Hospital Sydney Limited together with the underground parking station under the building known as the O'Brien Building at St Vincent's Hospital Sydney Limited. The carpark income flows to the Trustees of St Vincent's Hospital Sydney and they pay the interest and principal repayments on this loan. Accordingly, no interest paid or payable on this loan has been reflected in this financial report.

(iii) Other loan

This loan is unsecured, repayable on demand by St Vincent's Healthcare Limited and St Vincent's Healthcare Limited reserves the right to charge interest, although it is not presently doing so.

St Vincent's Healthcare Limited must provide 366 days notice in order to recall the loan, to allow both parties to categorise the loan as non-current in each of their statutory accounts.

(iv) Other related party loans (current and non-current)

The NEAP (National Energy Action Plan) Project included installation of Solar panels, energy saving LED lights, wirelessly addressable electrical switches and infrastructural improvements initially funded by SVHA. A loan was consequently created for St Vincents Health Network Sydney (SVHNS) to repay $2,275,000 over 2.7 years commencing 1st June 2018. Savings anticipated to be derived from this investment are both financial (energy cost savings) and environmental (reduced greenhouse gas emissions). Repayments consisted of $1,000,000 in June 2018 with monthly repayments for the balance of the loan per agreed schedule. The loan attracts an interest rate of 3.5% per annum.

The Workday Project is a Human Resource Information System, implemented in 2017 and initially funded by SVHA. A loan was consequently created for SVHNS to repay $2,960,000 over 10 years commencing 1st June 2018. Repayments consisted of $1,000,000 in June 2018 with monthly repayments for the balance of the loan per agreed schedule. The loan attracts an interest rate of 3.5% per annum.

B4 BORROWINGS (continued)

(v) Financial risk management

Market risk - Interest rate risk

The Company's main interest rate risk arises from cash and bank deposits earning variable rates and long-term borrowings with variable rates. These expose the Company to the risk that the fair value or cash flows of financial instruments will fluctuate due to changes in market interest rates.

The variable risk on financial liabilities is managed by ensuring that the term for loan repayments reflect the underlying duration of the cash flow generated, cash inflows provide a prudent level of coverage of principal and interest repayments and that there are sufficient cash reserves held to maintain principal and interest repayments for a sufficient period of time to enable longer term corrective actions to occur should underlying cash flows be disrupted.

Liquidity risk

The Company manages liquidity risk by continuously monitoring forecast and actual cash flow and matching the maturity profiles of financial assets and liabilities. The Company maintains cash equivalents and short term investments with appropriately rated financial institutions and the maturity of these investments is such that funds mature as needed.

Maturity of borrowings

The table below analyses the Company's borrowings into relevant maturity groupings based on the period remaining until the contractual maturity date.

	2018 $'000s	2017 $'000s
Borrowings		
Within one year	**1,557**	938
Later than one year but not later than five years	**19,978**	19,110
Later than 5 years	**809**	-
	22,344	20,048

This section provides information which will help users understand how the group structure affects the financial position and performance of the Company as a whole.

C1 ULTIMATE PARENT ENTITY AND MEMBER'S GUARANTEE

On 1 July 2009, the Congregation of the Religious Sisters of Charity of Australia and the Trustees of the Sisters of Charity of Australia transferred the incorporated Health Ministry to TMAM. From an accounting viewpoint, the ultimate Australian parent entity is the Trustees of the Sisters of Charity of Australia on the basis that it is the sole member of TMAM. However, in practice, TMAM, however constituted, exercises ultimate control.

If the Company is wound up the constitution states that each member is required to contribute a maximum of $100 each towards meeting the obligations of the Company. At 30 June 2018, the Company had 1 member (2017: 1) so the maximum amount to be contributed towards meeting the obligations of the Company would be $100 (2017: $100).

C2 COMMONLY CONTROLLED ENTITIES

For the year ended 30 June 2018, the St Vincent's Health Australia Limited wholly-owned group consists of the following commonly controlled entities. St Vincent's Health Australia Limited is the sole member of each of these entities.

St Vincent's Private Hospitals Ltd
St Vincents & Mater Health Sydney Limited
St Vincent's Hospital Toowoomba Limited
St Vincent's Health & Aged Care Limited
St Vincent's Clinic
The Trustee for St Vincent's Clinic Foundation
St Vincent's Curran Foundation
St Vincent's Hospital (Melbourne) Limited
St Vincent's Hospital Sydney Limited
St Vincent's Healthcare Limited
Aikenhead Centre for Medical Discovery Limited

C3 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The Kinghorn Cancer Centre

The Garvan Institute of Medical Research (Garvan) and the Company have collaborated on the development of The Kinghorn Cancer Centre (TKCC) on land adjacent to the current Garvan premises. The purpose of TKCC is to draw upon the existing research and clinical expertise of the partners to create a facility of international standing to improve patient outcomes in the diagnosis and treatment of cancer. The construction of TKCC was funded predominately through a Commonwealth Government grant in the amount of $70,000,000 under the terms and conditions stipulated by the Funding Agreement dated 24 June 2009. Garvan and the Company have a 50% share in this joint venture. The Company's share of current liabilities due as at 30 June 2018 is $680,000 (2017 : $680,000).

	2018	2017
	\$'000s	\$'000s
Share of joint venture's commitments		
Lease commitments	**11,630**	12,310

(i) Accounting policy

The interest in a joint venture entity is accounted for using the equity method. Under the equity method, the investment in the joint venture is carried in the Balance Sheet at cost plus post-acquisition changes in the Company's share of net assets of the joint venture. The Profit or Loss reflects the Company's share of the results of operations of the joint venture. The reporting date of the joint venture is 31 December and the Company is 30 June. The joint venture's accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

C4 RELATED PARTY TRANSACTIONS

Transactions with related parties during the year ended 30 June 2018 consisted of:

(a) Recovery of costs for the provision of management, clinical and administrative services; and

(b) Payment for the provision of management and administrative services.

Management and administrative services referred to in (a) and (b) above are provided at cost. Otherwise the above transactions were made on normal commercial terms and conditions and at market rates.

The following transactions occurred with joint ventures and other related parties:

	2018 $'000s	2017 $'000s
Income from the provision of management, clinical and administrative services to:		
Parent entity	**2,066**	985
Commonly controlled entities	**786**	6,094
Other related parties	**9,716**	5,817
Income from the lease of property to:		
Commonly controlled entities	**33**	34
Expenses relating to the provision of management, clinical and administrative services by:		
Parent entity	**10,961**	8,532
Commonly controlled entities	**410**	367
Other related parties	**18,920**	16,698
Expenses relating to interest expense by:		
Commonly controlled entities	**52**	52

C4 RELATED PARTY TRANSACTIONS (continued)

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2018 $'000s			2017 $'000s		
	Current	Non-current	Total	Current	Non-current	Total
Receivables						
Amounts due from related parties						
Parent entity	223	-	223	217	-	217
Commonly controlled	464	-	464	127	-	127
Other related parties	1,842	574	2,416	4,006	1,703	5,709
	2,529	574	3,103	4,350	1,703	6,053
Payables						
Amounts due to related parties (unsecured)						
Parent entity	2,108	-	2,108	1,114	-	1,114
Commonly controlled	775	-	775	111	-	111
Other related parties	5,520	-	5,520	5,317	-	5,317
	8,403	-	8,403	6,542	-	6,542
Borrowings						
Loan from related party						
Parent entity (note B4)	-	18,000	18,000	-	18,000	18,000
Other related party (note B4)	450	2,787	3,237	-	-	-
	450	20,787	21,237	-	18,000	18,000

NOTES TO THE FINANCIAL STATEMENTS: Unrecognised items
FOR THE YEAR ENDED 30 JUNE 2018

This section provides information about items that are not recognised in the financial statements but could potentially have a significant impact on the Company's financial position and performance.

D1 COMMITMENTS

During the current financial year, $3,354,000 was recognised as an expense in the Company's profit or loss in respect of operating leases (2017: $2,398,000).

Capital commitments

Commitments for capital projects contracted for at the balance date but not recognised as liabilities are as follows:

	2018	2017
	$'000s	$'000s
Within one year	**13,734**	-
	13,734	-

Lease commitments

Non-cancellable operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year	**2,981**	2,079
Later than one year but not later than 5 years	**3,796**	3,811
	6,777	5,890

Refer to note C3 investment accounted for using the equity method for St Vincent's Hospital Sydney Limited's lease commitment as part of the joint venture arrangement for the Kinghorn Cancer Centre.

D2 CONTINGENT LIABILITIES

A contingent liability is a liability that is not sufficiently certain to qualify for recognition as a provision where uncertainty may exist regarding the outcome of future events.

There are no known contingent liabilities of the Company at 30 June 2018.

D3 SUBSEQUENT EVENTS

There have been no significant events occurring after reporting date that have had any material impact on the results of the Company as reported in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS: Unrecognised items

FOR THE YEAR ENDED 30 JUNE 2018

This section includes information that the Directors do not consider to be significant in understanding the financial performance and position of the Company, but must be disclosed to comply with the Accounting Standards, the *Australian Charities and Not-for-profits Commission Act 2012 (Cth)* or the *Corporations Regulations.*

E1 KEY MANAGEMENT PERSONNEL

Directors

The names of persons who were Directors of St Vincent's Health Australia Limited at any time during the financial year are set out below.

Mr P Robertson AO
Ms P Faulkner AO
Ms A McDonald (Appointed 1 June 2017)
Prof. M Confoy RSC
Prof. S Crowe AM
Mr B Earle
Ms S McPhee (appointed 1 October 2017)
Mr P McClintock AO
Dr M. Coote
Sr M Wright IBVM

Executives

Other than Directors, key management personnel include those having the authority and responsibility for planning, directing and controlling the Group's activities directly or indirectly.

The names and position of key management personnel (other than Directors) are:

Mr T Hall	Group Chief Executive Officer
Ms R Martin	Group Chief Financial Officer
Mr R Beetson	Group General Manager, Corporate Governance
Mr D Swan	Chief Executive Officer, Private Hospitals Division
Mr J Leahy	Chief Executive Officer, Aged Care and Shared Services Division
Prof. P O'Rourke	Chief Executive Officer, Public Hospitals Division
Assoc. Prof. A Schembri	SVHS - Chief Executive Officer
Mr S Carr	SVHS - Chief Financial Officer & Director of Corporate Services

Compensation

The compensation paid to Directors and specified executives employed by the parent entity is borne by the parent entity. The compensation paid to other specified executives is as follows:

	2018 $'000s	2017 $'000s
Short-term employee benefits	721	680
Post-employment benefits	41	40
Total	**762**	720

E5 OTHER ACCOUNTING POLICIES

Finance costs

Finance costs include interest, amortisation of discounts or premiums related to borrowings and other costs incurred in connection with the arrangement of borrowings. Financing costs are expensed as incurred unless they relate to a qualifying asset. A qualifying asset is an asset which generally takes more than 12 months to get ready for its intended use or sale. In these circumstances, the financing costs are capitalised to the cost of the asset. Where funds are borrowed by the Group for the construction of a qualifying asset, the amount of financing costs capitalised are those incurred in relation to that borrowing.

Goods and services tax

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST) except when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority (in which case the GST is recognised as part of the cost of the acquisition of the asset or as part of the expense).

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Cash flows are included in the Cash Flow Statement including GST in the operating cash flows. Commitments and contingencies are disclosed net of GST recoverable from, or payable to, the taxation authority.

Income tax

The Company and its controlled entities are exempt from income tax under the provisions of Section 50-30 of the *Income Tax Assessment Act* 1997.

Finance leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the 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. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease. Refer note D1 for information on the Group's operating lease commitments.

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

E2 AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2018 $'000s	2017 $'000s
Assurance services		
Ernst & Young Australian firm		
Audit of financial reports	**130**	130
Total remuneration for assurance services	**130**	130
Non-assurance services		
Ernst & Young Australian firm	-	-
Total remuneration for non-assurance services	-	-
Total remuneration	**130**	130

E3 ECONOMIC DEPENDENCY

Various controlled entities involved in the provision of public health and aged care services source a significant volume of their revenue from a number of Government entities including:

- NSW Ministry of Health
- Commonwealth Department of Health and Ageing
- Commonwealth Department of Veterans' Affairs

The revenues from these Government entities are expected to continue in the foreseeable future.

E4 FAIR VALUE HIERARCHY

Financial assets at fair value through the profit or loss and available-for-sale investments are measured at fair value in the Balance Sheet. The measurement of this fair value may in some cases be subjective and may depend on the inputs used in the calculations. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

E6 OTHER ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as AFS, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of profit or loss.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period; Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period; Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

E6 OTHER ACCOUNTING POLICIES (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

Cash flow hedges (interest rate swap contracts)

The Group uses interest rate swap contracts to hedge its interest rate risks, predominantly arising from financing activities. Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the cash flow exposures on the variable rate debt and are accounted for as cash flow hedges. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract.

The Group's cash flow hedges settle on a quarterly basis. The Group settles the difference between the fixed and floating interest rate payable / (receivable) under each cash flow hedge on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges as they reduce the Group's cash flow exposure resulting from variable interest rates on its Gross Bank Loans.

Interest rate swap contracts are initially recognised at fair value on the date the contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The effective part of any gain or loss on the interest rate swap is recognised directly in equity. Any gain or loss relating to the ineffective portion (if any) of the interest rate swaps is recognised immediately in the profit or loss.

The interest rate swaps and the interest payments on the underlying financial liability occur simultaneously and the amount accumulated in equity is reclassified to the profit or loss over the period that the floating rate interest payments on the underlying financial liability affect the Income Statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is immediately recognised in the income statement.

E6 OTHER ACCOUNTING POLICIES (continued)

New standards issued and adopted from 1 July 2017

The Company applied for the first time amendments, which are effective for annual periods beginning on or after 1 July 2017. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the annual consolidated financial statements of the Company. The nature of each new standard or amendment is described below:

Reference	Description	Application of Standard	Application by Company
AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*	The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Company has provided the information for both the current and the comparative period in Note B4 (iv)	1 January 2017	1 July 2017
AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle*	The amendments clarify that the disclosure requirements in AASB 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. These amendments did not affect the Group's financial statements as the Group does not have assets classified as held for sale	1 January 2017	1 July 2017

E6 OTHER ACCOUNTING POLICIES (continued)

New and amended standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below. The adoption of the below standards is expected to have an impact on the Company's financial statements. We are currently in the process of quantifying that impact, at this stage, the Company is not able to estimate the effect of the new rules on the Company's financial statements. The Company will make more detailed assessments of the effect over the next twelve months.

Reference	Description	Application of Standard	Application by Company
AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3 *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. AASB 2015-10 defers the mandatory effective date (application date) of AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016.	1 January 2018	1 July 2018
AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investments Property, Annual Improvements 2014-2016 Cycle and Other Amendments*	The amendments clarify certain requirements in: - AASB 1 *First-time Adoption of Australian Accounting Standards* –deletion of exemptions for first-time adopters and addition of an exemption arising from AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration* - AASB 12 *Disclosure of Interests in Other Entities* – clarification of scope - AASB 128 *Investments in Associates and Joint Ventures* – measuring an associate or joint venture at fair value - AASB 140 *Investment Property* – change in use.	1 January 2018	1 July 2018
AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation*	This standard amends AASB 9 *Financial Instruments* to permit entities to measure at amortised cost or fair value through other comprehensive income particular financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature. This is a subject to meeting other conditions, such as the nature of the business model relevant to the financial asset. Otherwise, the financial assets would be measured at fair value through profit or loss. The standard also clarifies the Basis for Conclusion that, under AASB 9, gains and losses arising on modifications of financial liabilities that do not result in derecognition should be recognised in profit or loss.	1 January 2019	1 July 2019

E6 OTHER ACCOUNTING POLICIES (continued)

New and amended standards and interpretations issued but not yet effective (continued)

Reference	Description	Application of Standard	Application by Company
Annual improvements to IFRS Standards 2015-2017 Cycle	The amendments clarify certain requirements in: - IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements* – previously held interest in a joint operation. - IAS 23 *Borrowing Costs* – borrowing costs eligible for capitalisation.	1 January 2019	1 July 2019
AASB 9, and relevant amending standards *Financial Instruments*	AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement.* Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss. For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO. The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9. The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.	1 January 2018	1 July 2018

E6 OTHER ACCOUNTING POLICIES (continued)

New and amended standards and interpretations issued but not yet effective (continued)

Reference	Description	Application of Standard	Application by Company
AASB 15, and relevant amending standards *Revenue from Contracts with Customers*	AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 *Construction Contracts,* AASB 118 *Revenue*, AASB Interpretation 13 *Customer Loyalty Programmes*, AASB Interpretation 15 *Agreements for the Construction of Real Estate*, AASB Interpretation 18 *Transfers of Assets from Customers* and AASB Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 (or AASB 16 *Leases*, once applied). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps: - Step 1: Identify the contract(s) with a customer - Step 2: Identify the performance obligations in the contract - Step 3: Determine the transaction price - Step 4: Allocate the transaction price to the performance obligations in the contract - Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation	1 January 2018	1 July 2019
AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.	1 January 2018	1 July 2018

E6 OTHER ACCOUNTING POLICIES (continued)

New and amended standards and interpretations issued but not yet effective (continued)

Reference	Description	Application of Standard	Application by Company
AASB 16 *Leases*	AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases	1 January 2019	1 July 2019
AASB 1058 *Income of Not-for-Profit Entities* AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-For-Profit Entities*	AASB 1058 and AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities* will defer income recognition in some circumstances for not-for-profit entities, particularly where there is a performance obligation or any other liability. In addition, certain components in an arrangement, such as donations, may be separated from other types of income and recognised immediately. The Standard also expands the circumstances in which not-for-profit entities are required to recognise income for goods and services received for consideration that is significantly less than the fair value of the asset principally to enable the entity to further its objectives (discounted goods and services), including for example, peppercorn leases. Consequently AASB 1004 Contributions is also amended, with its scope effectively limited to address issues specific to government entities and contributions by owners in a public sector entity context.	1 January 2019	1 July 2019

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 12 to 45 of the Company are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012 (Cth)*, including:

(i) complying with Accounting Standards and the *Australian Charities and Not-for-profits Commission Regulation 2013*; and

(ii) giving a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the financial year ended on that date;

(b) there are reasonable grounds to believe that the company 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 Directors.

Mr Paul Robertson AO, Chair

Sydney

11 October 2018

Building a better working world

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent Auditor's Report to the Members of St Vincent's Hospital Sydney Limited

Opinion

We have audited the financial report of St Vincent's Hospital Sydney Limited (the Company), which comprises the balance sheet as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012*, including:

a) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

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

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

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, 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.

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

Building a better working world

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Australian Charities and Not-for-Profits Commission Act 2012* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this 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_files/ar3.pdf. This description forms part of our auditor's report.

Ernst & Young

Ernst & Young

Anthony Jones
Partner
Sydney
11 October 2018

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation