St Vincent's Hospital Sydney Limited
Financial Report 2019

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 (retired 31/12/2018)	Sr. M Wright IBVM
	Prof. M Confoy RSC (retired 31/12/2018)	Mr. P McClintock AO
	Dr M. Coote	Ms. A McDonald
	Prof. S Crowe AM	Ms. S McPhee AM (Appointed 1 October 2017)
	Ms. A Cross AM (appointed 1 January 2019)	Mr. P O'Sullivan (appointed 1 August 2019)
	Ms. J Watts (appointed 1 August 2019)	
Company Secretary	Mr. R Beetson	Mr. P Fennessy
Principal registered office	Level 22, 100 William Street, Woolloomooloo, NSW 2011	
Auditor	Ernst & Young, 200 George Street Sydney, NSW 2000	
Website address	www.svha.org.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 2019.

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 16 October 2019. 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

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.

Our vision

We lead through research driven, excellent and compassionate health and aged care.

Our values

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 lung transplants, research and other speciality services which include bone marrow transplant, cardiology, AIDS/HIV, mental health and drug and alcohol services. During the year the company commenced correctional health services at Parklea Correctional Centre.

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 increased by $57,894,000 or 10.2% due to additional purchase of activity from NSW Governement and own source revenue. 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 $41,003,000 or 7.4%. In 2019, the Company generated an operating surplus of $29,110,000. 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 $24,030,000 compared to last year's surplus of $4,515,000. Special Purpose and Trust funds generated a surplus of $7,352,000 compared to last years surplus of $15,032,000.

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.
2. The Company has a Service Agreement with the Ministry for 2019-20 which provides certainty of funding for that financial year.
3. The Company recorded an operating surplus of $29,110,000, net current assets of $54,552,000, current ratio of 1.28 and net assets of $173,513,000 in 2019. Cash and cash equivalents on hand at 30 June 2019 was $25,356,000. 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 $24,030,000 and net assets of $6,937,000. The Company is aiming to modestly exceed break even positions in future years.
4. 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 2019, the Company had 1 member (2018: 1) so the maximum amount to be contributed towards meeting the obligations of the Company would be $100 (2018: $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 2019 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

To the extent permitted by law, the Company has agreed to indemnify its auditor, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount) unless they result from Ernst & Young's negligent, wrongful or willful acts or omissions. No payment has been made to indemnify Ernst & Young during or since the financial year.

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 Company under ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191.

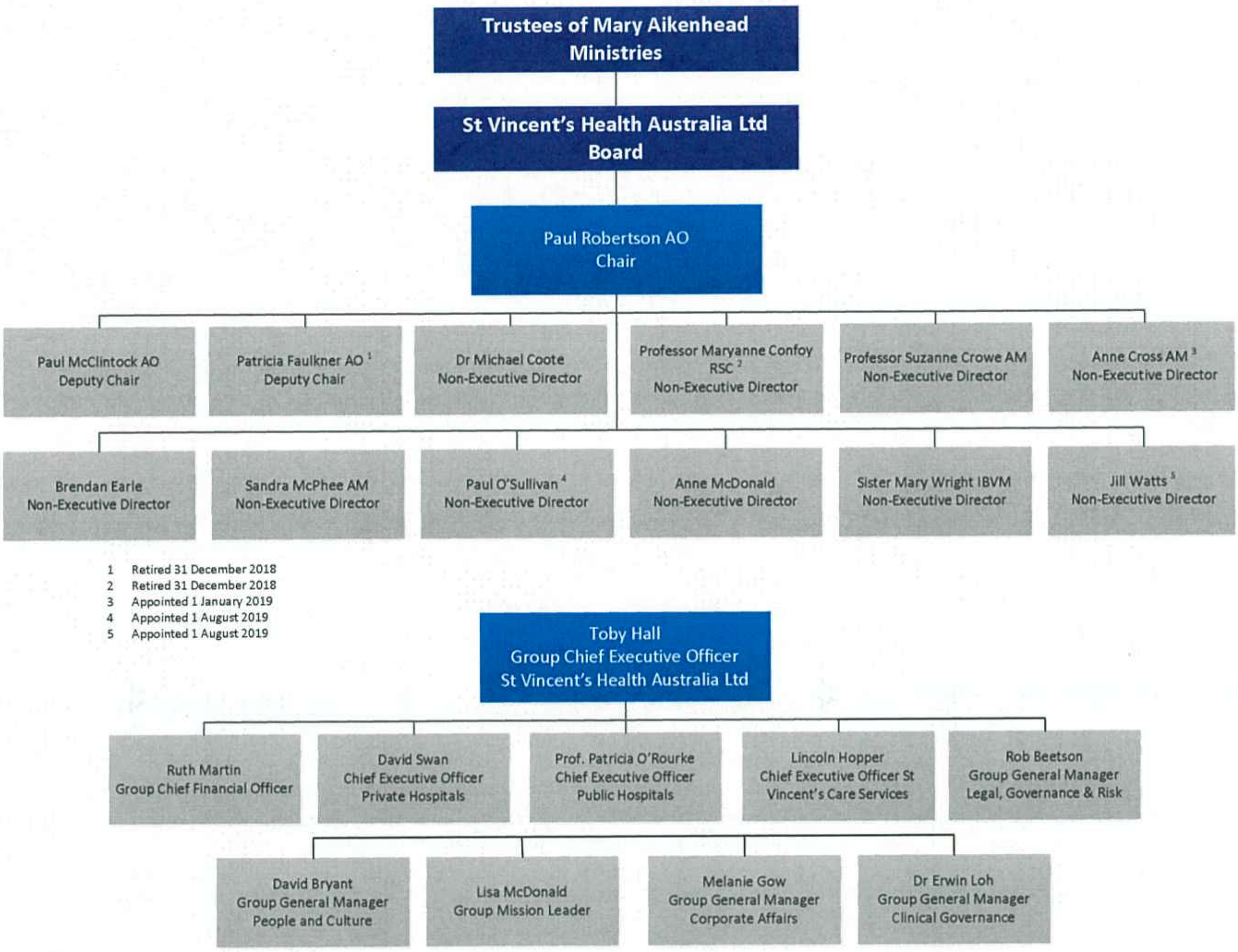
STRUCTURE AND MANAGEMENT

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.



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 six standing Committees and one *ad hoc* Committee:

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 Committee

The purpose of the People & Culture Committee is to assist the Board in fulfilling its responsibilities in relation to the attraction, development and retention of Board Directors, Senior Executives and employees in the SVHA group in accordance with the Mission and Values of the organisation. The Committee will provide advice to the Board regarding the setting of SVHA's standards of conduct and safeguarding the reputation of the Company. The Committee will ensure systems are in place so that the Board may discharge its obligations in relation to all SVHA operations meeting best practice benchmarks in relation to people management, workplace relations and safety. The Committee will have an oversight role in relation to work health and safety matters and workplace relation issues. The Committee will also advise the Board in regards to matters of remuneration, organisational culture and workforce strategy.

Clinical Governance & Safety Committee

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.

STRUCTURE AND MANAGEMENT (continued)

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.

Ad hoc Royal Commissions Committee

The primary purpose of the Committee is to provide guidance and oversight of SVHA's engagement with the Royal Commission into Aged Care Quality and Safety, the Royal Commission into Victoria's Mental Health System and, potentially, other Royal Commissions that may be established, such as the Royal Commission into Disability Services.

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 Chair 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.

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 retired from the Board on 31 December 2018.

Patricia is deputy Chair of the Board, a member of the Clinical Governance & Safety Committee and a member of the Mission, Ethics & Advocacy Committee. Following her retirement, Patricia accepted the Board's request to be appointed to the ad hoc Royal Commissions Committee as an external expert. Patricia also accepted the Board's request that she chair the 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. She retired from the Board on 31 December 2018. 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, RMIT University Human Research Ethics Committee. She is a Board member of LUCRF Community Partnership Trust and The Way Community for Homeless Men.

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

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 two ASX listed entities and Chair of a State-Owned Corporation - Spark Infrastructure, Link Administration Group, and Water NSW.

Anne is a member of the Audit & Risk Committee and a member of the Finance & Investment 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 has served as a consultant physician in infectious diseases at The Alfred from 1994 to 2019. She has authored over 300 published papers, five books and 85 book chapters in the field. Her recent appointments include Associate Director of the Burnet Institute, Principal Specialist in Infectious Diseases at The Alfred Hospital and Adjunct Professor of Medicine and Infectious Diseases at Monash University, Melbourne. She is a Fellow of the Australian Academy of Health & Medical Sciences.

Suzanne was previously a Director of the Healthy Ageing Program and Head of the international Clinical Research Laboratory at the Burnet Institute. She has served as head of the World Health Organization (WHO) Regional Reference Laboratory for HIV Resistance Testing and as an adviser and consultant to the WHO Global Program on AIDS. She holds positions as a non-executive Director of Avita Medical Limited and 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 People & Culture Committee, a member of Research & Education Committee and a member of the ad hoc Royal Commissions 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 was a partner with the international law firm, Herbert Smith Freehills and is now a partner with HWL Ebsworth. 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 and the Audit & Risk Committee. He was a member of the Clinical Governance & Safety Committee until January 2019.

STRUCTURE AND MANAGEMENT (continued)

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. He is Chair of I-MED Network, Broadspectrum, NSW Ports, Laser Clinics Australia, Sydney Health Partners and 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 Myer Holdings, Medibank Private, the COAG Reform Council, Thales Australia, Symbion Health, Affinity Health, the Woolcock Institute of Medical Research and Director of the Australian Strategic Policy Institute. He has also served as Commissioner of the Health Insurance Commission.

Paul is Deputy Chair of the SVHA Board, Chair of the Finance & Investment Committee and a member of the Research & Education 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 and International Leader of the Loreto Sisters. She has practiced in the area of Church law (including lecturing at Yarra Theological Union) both in Australia and in Rome at the Congregation for Institutes of Consecrated Life and Societies of Apostolic Life in the Vatican. Her specialty is in the area of institutional governance. Sr Mary is also a Director of Loreto Ministries Limited.

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. Michael has also acted as a member of the *ad hoc* Royal Commissions Committee, deputising for Prof. Suzanne Crowe in her absence.

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 also serves on the Boards of Kathmandu Ltd and the NSW Public Service Commission. She is a member of the advisory council of J.P. Morgan, and a member the Australian Institute of Company Directors and Chief Executive Women. She was Chair of the Expert Advisory Panel appointed by the Commonwealth Government in 2018 to review Employment Services resulting in the 'I Want to Work' - Employment Services 2020 Report.

Sandra has previously served as a Non-Executive Director on a diverse number of public company, state and federal government and not for profit boards including Scentre Group, Westfield Retail Trust, AGL Energy Ltd, Fairfax Media Ltd, Coles Group Ltd, Perpetual Ltd, Australia Post, Tourism Australia, South Australia Water and the Starlight Foundation.

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 Australian and international markets and has served as Chairman of a number of board People and Culture and Remuneration committees.

Sandra is Chair of the People & Culture Committee.

Ms Anne Cross AM

Master of Social Work (Research) University of Queensland, Bachelor of Social Work University of Queensland, Fellow of Australian Institute of Company Directors, Fellow of Australian Institute of Leadership & Management, Member of Chief Executive Women

Anne was appointed to the Board of St Vincent's Health Australia on 1 January 2019. Anne is an independent company director having concluded her executive career as Chief Executive of UnitingCare Queensland, one of Australia's largest not for profit health and community service organisations late in 2017. She supplemented her executive career which spanned over 30 years with Board, State and National Advisory roles. She is a fellow of the Australian Institute of Company Directors and a member of the Institute's Queensland Council since 2015. Anne was appointed as an Adjunct Professor in the Faculty of Health and Behavioural Sciences in 2008. She received recognition in the Queen's Birthday 2018 Honours List for significant service to the community through social welfare organisations in the government and not-for-profit sectors, and to women. She was named Telstra's National Business Woman of the Year in 2014 and awarded the University of Queensland's Alumni Excellence Award in 2016.

Anne is a member of the Mission, Ethics & Advocacy Committee, a member of the Clinical Governance & Safety Committee and a member of the ad hoc Royal Commissions Committee.

Mr Paul O'Sullivan

(appointed 1 August 2019)

B.A. Mod. Economics, (First Class), Trinity College Dublin

Advanced Management Program, Harvard Business School

Paul was appointed as a director of SVHA and subsidiary Boards on 1 August 2019. Paul is an experienced chief executive with extensive domestic and international experience in ASX and SGX companies driving business transformation, growth and managing M&A as well as working with Board Remuneration and Audit Committees. Previous roles include Chief Executive Optus Australia and CEO Group Consumer Singel (SGP).

Paul is Chairman of Optus Australia, and sits on the Board of Commissioners Telkomsel (IDN) and has previously held Board positions with Bharti Airtel (IND) and Australia Business Community Network.

STRUCTURE AND MANAGEMENT (continued)

Information on Directors (continued)

Ms Jill Watts

(appointed 1 August 2019)

Wharton Fellow, MBA;

Grad Dip Health Admin & Information Systems; RM; RN

Jill was appointed as a director of SVHA and subsidiary Boards on 1 August 2019.

Jill has 40 years extensive global experience in the healthcare industry in Australia, UK, France, South Africa and SE Asia holding executive and non-executive roles. Her key strengths including leading business transformation, corporate governance frameworks and improving organisational performance.

Current roles include Governor, Sidra Hospital Board (QAT) and non-executive director IHH Healthcare (SGP, MYS).

Previous roles include Group CEO of both BMI Healthcare and Ramsay (UK) and directorships with Australian Chamber of Commerce and Royal Flying Doctor Service (UK).

Jill was voted the most influential leader in UK private health care in 2010, and one of healthcare's most influential women in 2013.

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* Royal Commissions
Mr. P Robertson AO (Chair)	7/7				2/3			
Mr. P McClintock AO	7/7		● 7/7				●4/4	
Prof. M Confoy RSC (retired 31 December 2018)	4/4			2/2	3/3			
Dr M Coote	7/7					7/7	4/4	2/2[1]
Ms. A Cross AM (appointed 1 January 2019)	3/3			3/3		2/3		4/4
Prof. S Crowe AM	6/7				2/2	● 4/7	4/4	2/4
Mr B Earle	7/7	6/6	7/7			5/5		
Ms. P Faulkner AO (retired 31/12/18)	3/4			2/2		4/4		●4/4[2]
Ms. A McDonald	7/7	●6/6	1/1					
Ms. S McPhee AM	7/7				5/5			
Sr. M Wright IBVM	7/7	5/6		● 5/5	3/5			

● Chair

1. Dr M Coote acted as proxy for Prof. S Crowe AM
2. Ms. P Faulkner AO continued as Chair of the ad hoc Royal Commissions Committee in the capacity of an external expert at the Board's request following her retirement from the Board.

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 12.

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

Mr Paul Robertson AO, Chair

Sydney

16 October 2019

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 2019, 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
Sydney
16 October 2019

PROFIT OR LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 $'000	2018 $'000
Revenue	A1	**611,247**	550,751
Other income	A1	**11,691**	14,293
Total revenue and other income		**622,938**	565,044
Employment expenses	A2	**368,277**	350,701
Goods and services		**137,759**	138,041
Finance costs		**155**	72
Repairs and maintenance		**7,596**	10,754
Depreciation and amortisation	A5	**13,684**	10,699
Other expenses from ordinary activities		**66,357**	42,558
Total expenses		**593,828**	552,825
Operating surplus		**29,110**	12,219
Capital funding received	A1	**2,272**	7,328
Total comprehensive profit		**31,382**	19,547
Allocated as follows:			
General Fund – total surplus for the year		**24,030**	4,515
Special Purpose and Trust Funds – total surplus for the year		**7,352**	15,032
Total comprehensive surplus		**31,382**	19,547

BALANCE SHEET
AT 30 JUNE 2019

	Notes	2019 $'000	2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	B1	**25,356**	26,166
Trade and other receivables	A3	**35,932**	30,493
Inventories	A4	**6,592**	6,266
Investments	B2	**179,325**	149,993
Total current assets		**247,205**	212,918
Non-current assets			
Receivables	A3	**552**	574
Property, plant and equipment	A5	**145,388**	128,893
Total non-current assets		**145,940**	129,467
Total assets		**393,145**	342,385
LIABILITIES			
Current liabilities			
Trade and other payables	A6	**66,817**	59,807
Borrowings	B4	**816**	1,557
Provisions	A7	**125,020**	112,241
Total current liabilities		**192,653**	173,605
Non-current liabilities			
Provisions	A7	**7,008**	5,862
Borrowings	B4	**19,971**	20,787
Total non-current liabilities		**26,979**	26,649
Total liabilities		**219,632**	200,254
Net assets		**173,513**	142,131
Retained surplus/(deficit) – General Fund		**6,937**	(17,093)
Retained surplus – Special Purpose and Trust Fund		**166,576**	159,224
Total equity		**173,513**	142,131

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Retained surpluses $'000	Total $'000
2019		
Balance 1 July 2018	**142,131**	**142,131**
Total surplus	**31,382**	**31,382**
Total comprehensive surplus	**31,382**	**31,382**
Balance 30 June 2019	**173,513**	**173,513**
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

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from patients and grants (including GST)		**645,584**	603,008
Payments to suppliers and employees (including GST)		**(608,185)**	(573,627)
Donations and other income received		**11,691**	14,293
Net cash flow from operating activities		**49,090**	43,674
Cash flows used in investing activities			
Payments for property, plant and equipment		**(30,203)**	(20,938)
Proceeds from disposal of plant and equipment		**33**	70
Payments for investments		**(49,497)**	(76,868)
Proceeds from investments		**25,884**	66,899
Interest received		**4,993**	3,185
Net cash flow used in investing activities		**(48,790)**	(27,652)
Cash flows used in financing activities			
Repayment of loan from related party		**(1,110)**	(2,000)
Net cash flow used in financing activities		**(1,110)**	(2,000)
Net (decrease)/increase in cash and cash equivalents held		**(810)**	14,022
Cash at the beginning of the financial year		**26,166**	12,144
Cash at the end of the financial year	B1	**25,356**	26,166

NOTES TO THE FINANCIAL STATEMENTS: ABOUT THIS REPORT
FOR THE YEAR ENDED 30 JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS: ABOUT THIS REPORT
FOR THE YEAR ENDED 30 JUNE 2019

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 16 October 2019. 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 – Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board and the *Australian Charities and Not-for-profits Commission Act 2012 (Cth).*

The Company is a not-for-profit entity which is not publicly accountable. Therefore, the financial statements for the Company are tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASB – RDRs).

The financial report has also been prepared on a going concern basis, using historical cost conventions, except for financial assets at fair value through profit or loss which are carried at fair value.

The financial report is presented in Australian dollars with all values rounded to the nearest thousand dollars unless otherwise stated 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.
2. The Company has a Service Agreement with the Ministry for 2019-20 which provides certainty of funding for that financial year.
3. The Company recorded an operating surplus of $29,110,000, net current assets of $54,552,000, current ratio of 1.28 and net assets of $173,513,000 in 2019. Cash and cash equivalents on hand at 30 June 2019 was $25,356,000. 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 $24,030,000 and net assets of $6,937,000. The Company is aiming to modestly exceed break even positions in future years.
4. 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.

	2019 $'000s	2018 $'000s
Patient and resident fees	**36,681**	31,788
Government grants and subsidies	**436,026**	414,872
Non-medical revenue	**70,437**	60,743
Rent and other property revenue	**1,837**	1,826
Interest revenue	**4,993**	3,185
Fair value gains on financial assets at fair value through profit or loss	**5,738**	1,371
Other revenue	**55,535**	36,966
Total revenue	**611,247**	550,751
Donations and other income	**11,691**	14,293
Total other income	**11,691**	14,293
Capital funding received in relation to the:		
External Cladding (a)	**550**	4,963
Replacement of Lifts (b)	**-**	673
Replacement of Operating Theatre Lights/Pendants (c)	**736**	1,235
Replacement of Nurse and Emergency Call system (d)	**-**	457
Replacement of Generator in Aikenhead (e)	**824**	-
Removal of Hazardous Materials at St Joseph's Hospital	**162**	-
Total capital funding included in non-operating income	**2,272**	7,328

(a) External cladding

Government grants of $550,000 were received during 2019 (2018: $4,963,033) to fund the external cladding remediation works on the O' Brien Building.

(b) Replacement of Lifts

Government grants of nil were received during 2019 (2018: $673,208) 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.

(c) Replacement of operating theatre lights/pendants

Government grants of $736,450 were received during 2019 (2018: $1,235,250) 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 enhance and modernise theatre operations. The project commenced in February 2018 and is due for completion in 2019-20.

A1 REVENUE AND OTHER INCOME (continued)

(d) Replacement of nurse and emergency call system

Government grants of nil were received during 2019 (2018: $456,421) 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.

(e) Replacement of generator in Aikenhead

Government grants of $823,570 were received during 2019 (2018: $nil) for the upgrade of the Generator in the Aikenhead building.

(f) Removal of hazardous material from St Josephs Hospital

Government grants of $162,128 were received during 2019 (2018: $nil) for the removal of hazardous materials at St Joseph's Hospital

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.

	2019 $'000s	2018 $'000s
Salaries and wages	**341,286**	324,063
Superannuation	**26,991**	26,638
	368,277	350,701

(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.

A2 EMPLOYMENT EXPENSES (continued)

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 Company 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

	2019 $'000s	2018 $'000s
Current		
Trade receivables	**8,036**	7,483
Less: Provision for impairment of trade receivables (ii)	**(1,287)**	(965)
Net trade receivables	**6,749**	6,518
Amounts due from related parties (note C4)	**2,880**	2,529
Other receivables	**24,969**	20,361
Prepayments	**1,334**	1,085
Total current receivables	**35,932**	30,493
Non-current		
Amounts due from related parties (note C4)	**552**	574
Total non-current receivables	**552**	574

A3 TRADE AND OTHER RECEIVABLES (continued)

(i) Accounting policy

Refer to note E6, Other Accounting policies , Financial Instruments

(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.

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.

Provision for impairment of trade receivables

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

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 Company. 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 $6,592,000 (2018: $6,266,000) 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.

A5 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Plant and equipment	In course of construction	Total
	$'000	$'000	$'000	$'000
Year ended 30 June 2019				
Cost	**110,849**	**138,316**	**18,823**	**267,988**
Accumulated depreciation	**(26,058)**	**(96,542)**	**-**	**(122,600)**
Net carrying amount	**84,791**	**41,774**	**18,823**	**145,388**
Movement				
Carrying amount at 1 July	**73,515**	**32,462**	**22,916**	**128,893**
Additions	**15,122**	**15,081**		**30,203**
Disposals	**-**	**(24)**	**-**	**(24)**
Transfers between asset classes		**4,093**	**(4,093)**	**-**
Depreciation	**(3,846)**	**(9,838)**	**-**	**(13,684)**
Carrying amount at 30 June	**84,791**	**41,774**	**18,823**	**145,388**
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

(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 25 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.

A5 PROPERTY, PLANT AND EQUIPMENT (continued)

(i) Accounting policy (continued)

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.

A6 TRADE AND OTHER PAYABLES

	2019 $'000s	2018 $'000s
Current		
Trade creditors and accrued expenses	**55,676**	48,604
Other payables	**2,115**	2,800
Amounts due to related parties (unsecured) (note C4)	**9,026**	8,403
	66,817	59,807

(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 (2018: 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

	2019 $'000s	2018 $'000s
Current		
Employee benefits (note A2(i))	**119,507**	107,278
Other	**5,513**	4,963
	125,020	112,241
Non-current		
Employee benefits (note A2(i))	**7,008**	5,862
	7,008	5,862

(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 $25,356,000 (2018: $26,166,000) 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.

B2 INVESTMENTS

	2019 $'000s	2018 $'000s
Current		
Financial assets at fair value through profit or loss	**179,325**	149,993

(i) Accounting policy

Refer to note E6, Other Accounting Policies, Financial Instruments.

(ii) 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

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.

B4 BORROWINGS

	2019 $'000s			2018 $'000s		
	Current	**Non-current**	**Total**	Current	Non-current	Total
Secured						
Bank loan – Catholic Development Fund(ii)	-	-	-	1,107	-	1,107
Other loan (iii)	-	**18,000**	**18,000**	-	18,000	18,000
Other related party loans (iv)	**192**	**1,577**	**1,769**	192	1,769	1,961
Other related party loans (iv)	**624**	**394**	**1,018**	258	1,018	1,276
	816	**19,971**	**20,787**	1,557	20,787	22,344

(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 was repayable over 10 years and was fully repaid on 14 December 2018.

The Catholic Development Fund bank loan was 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 the loan was fully repaid on 14 December 2018.

(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 $256,560 (2018: $1,000,000) for the balance of the loan as 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 $192,000 (2018: $1,000,000) for the balance of the loan as 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.

	2019	2018
	$'000s	$'000s
Borrowings		
Within one year	**816**	1,557
Later than one year but not later than five years	**19,162**	19,978
Later than 5 years	**809**	809
	20,787	22,344

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 2019, the Company had 1 member (2018: 1) so the maximum amount to be contributed towards meeting the obligations of the Company would be $100 (2018: $100).

C2 COMMONLY CONTROLLED ENTITIES

For the year ended 30 June 2019, 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 Care Services Limited
St Vincent's Clinic
St Vincent's Health Australia Foundation Queensland
St Vincent's Health Australia Foundation Victoria
Victor Chang Cardiac Research Institute
St Vincent's Private Hospital Northside Limited [1]
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
St Vincent's Institute of Medical Research
St Vincent's Care Services Hawthorn [2]

[1] On 1 July 2018, The Mission Congregation of the Servants of the Holy Spirit and SVHA agreed a transition of membership, whereby SVHA becomes the sole member of Holy Spirit Northside Private Hospital Limited (now formally known as St Vincent's Private Hospital Northside Limited "SVPHN") subject to the Holy See approval.

[2] On 1 July 2018, The Trustees of the Sisters of St Joseph and SVHA agreed a transition of membership, whereby St Vincent's Care Services Ltd became the sole member of St Vincent's Care Services Hawthorn (formerly Sisters of St Joseph Health Care Services (Vic). On 1 April 2019, St Vincent's Care Services Ltd transferred the membership of St Vincent's Care Services Hawthorn to St Vincent's Health Australia Limited. On 5 September 2019 St Vincent's Care Services Hawthorn was deregistered.

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 2019 is $680,000 (2018 : $680,000).

	2019	2018
	$'000s	$'000s
Share of joint venture's commitments		
Lease commitments	**10,950**	11,630

C3 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(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 2019 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:

	2019 **$'000s**	2018 $'000s
Income from the provision of management, clinical and administrative services to:		
Parent entity	**3,418**	2,066
Commonly controlled entities	**733**	786
Other related parties	**8,525**	9,716
Income from the lease of property to:		
Commonly controlled entities	**33**	33
Expenses relating to the provision of management, clinical and administrative services by:		
Parent entity	**12,335**	10,961
Commonly controlled entities	**391**	410
Other related parties	**19,184**	18,920
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:

	2019 $'000s			2018 $'000s		
	Current	Non-current	Total	Current	Non-current	Total
Receivables						
Amounts due from related parties						
Parent entity	**1,608**	**-**	**1,608**	223	-	223
Commonly controlled	**563**	**-**	**563**	464	-	464
Other related parties	**709**	**552**	**1,261**	1,842	574	2,416
	2,880	**552**	**3,432**	2,529	574	3,103
Payables						
Amounts due to related parties (unsecured)						
Parent entity	**2,688**	**-**	**2,688**	2,108	-	2,108
Commonly controlled	**254**	**-**	**254**	775	-	775
Other related parties	**6,084**	**-**	**6,084**	5,520	-	5,520
	9,026	**-**	**9,026**	8,403	-	8,403
Borrowings						
Loan from related party						
Parent entity (note B4)	**-**	**18,000**	**18,000**	-	18,000	18,000
Other related party (note B4)	**816**	**1,971**	**2,787**	450	2,787	3,237
	816	**19,971**	**20,787**	450	20,787	21,237

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, $3,886,459 was recognised as an expense in the Company's profit or loss in respect of operating leases (2018: $3,354,000).

Capital commitments

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

	2019	2018
	$'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	**2,956**	2,981
Later than one year but not later than 5 years	**1,558**	3,796
	4,514	6,777

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 2019.

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.

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 and the *Australian Charities and Not-for-profits Commission Regulations 2013.*

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 AM	Mr B Earle
Ms P Faulkner AO	Sr. M Wright IBVM
Ms A McDonald	Mr P McClintock AO
Prof. M Confoy RSC	Ms. S McPhee AM
Prof. S Crowe AM	Dr M Coote
Ms. A Cross AM (appointed 1 January 2019)	

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, Legal, Governance & Risk
Mr D Swan	Chief Executive Officer, Private Hospitals Division
Mr J Leahy	Chief Executive Officer, St Vincent's Care Services
Mr. L Hopper	Chief Executive Officer, St Vincent's Care Services
Prof. P O'Rourke	Chief Executive Officer, Public Hospitals Division

[1] The last day of John Leahy appointed as St Vincent's Care Services Chief Executive Officer was 12 August 2018

[2] St Vincent's Care Services Chief Executive Officer, Lincoln Hopper commenced 13 August 2018

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 noted above is as follows:

	2019	2018
	$'000s	$'000s
Total compensation paid to key management personnel	**780**	762

E2 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.

E3 NATURE AND PURPOSE OF RESERVES

Member's reserve was created on the incorporation of the parent entity.

Available-for-sale investments revaluation reserve records movements in the fair value of available-for-sale financial assets.

The revaluation reserve records movements in the fair value of property, plant and equipment.

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.

There were no transfers between the levels during the financial year.

E5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretation

The Company applied AASB 9 for the first time. The nature and effect of the changes as a result of adoption of the new accounting standard are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have a significant impact on the consolidated financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

E5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretation (continued)

With the exception of hedge accounting, which the Company applied prospectively, the Company has applied AASB 9 retrospectively, with the initial application date of 1 July 2018. In accordance with the transitional provisions in AASB 9(7.2.15) and (7.2.26), comparative figures have not been restated. The reclassifications and the adjustments arising from the adoption of the new standard are therefore not reflected in the balance sheet as at 30 June 2018, but are recognised in the opening balance sheet on 1 July 2018.

The effect of adopting AASB 9 is, as follows:

(a) Classification and measurement

Under AASB 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, 1 July 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of AASB 9 did not have a significant impact on the Company. The Company continued measuring at fair value all financial assets previously held at fair value under AASB 139. The following are the changes in the classification of the Company's financial assets:

- Trade receivables, Held-to-maturity investment and Other loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as Debt instruments at amortised cost.
- Listed equity investments previously classified as AFS financial assets are now classified and measured as Financial assets at fair value through profit or loss.

As a result of the change in classification of the Company's listed equity investments, the AFS reserve of $nil related to those investments that were previously presented under accumulated OCI, was reclassified to Retained surpluses as at 1 July 2018.

The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

In summary, upon the adoption of AASB 9, the Company had the following required or elected reclassifications:

As at 1 July 2018		**AASB 9 measurement category**		
		Fair value through profit or loss	**Amortised cost**	**Fair value through OCI**
AASB 139 measurement category	**$000**	**$000**	**$000**	**$000**
Loans and receivables				
Trade receivables*	6,518	-	6,518	-
Amounts due from related parties	3,103	-	3,103	-
Other receivables	20,361	-	20,361	-
Available-for-sale investments	56	56	-	-
		56	29,982	-

E6 OTHER ACCOUNTING POLICIES

(b) Impairment

The adoption of AASB 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing AASB 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

The adoption of AASB 9 did not have a significant financial impact on the Company and therefore there was no material change in Retained surpluses as at 1 July 2018.

(c) Hedge accounting

The Company does not apply hedge accounting and this change under AASB9 does not impact the Company.

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 Company 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 lease

Leases of property, plant and equipment where the Company, 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 Company will obtain ownership at the end of the lease term.

E6 OTHER ACCOUNTING POLICIES (continued)

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company 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 Company's operating lease commitments.

Lease income from operating leases where the Company 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.

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 Company 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 Company 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 Company classifies all other liabilities as non-current.

E6 OTHER ACCOUNTING POLICIES (continued)

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 Company 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 Company 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.

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.

Financial Instruments

A financial instrument is any contract that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Company 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.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the assets.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

E6 OTHER ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principle and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes loans and receivables (including trade receivables and other receivables).

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

E6 OTHER ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Trade receivables Note A3

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by AASB 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

E6 OTHER ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to B4.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 13 to 42 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 2019 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

16 October 2019

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

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 2019, 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 2019 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.

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
16 October 2019