



St Vincent's Hospital Sydney Limited

ABN 77 054 038 872

Annual Report 30 June 2014

Contents

Directors' Report	1
Auditor's Independence Declaration	10
Financial Report	
Statement of Comprehensive Income	11
Statement of Financial Position	12
Statement of Changes in Equity	13
Statement of Cash Flows	14
Notes to the Financial Statements	15
Directors' Declaration	44
Independent Audit Report to the Members	45

The annual report covers St Vincent's Hospital Sydney Limited as an individual entity and is presented in Australian dollars.

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

The registered office of the company is located at:

Level 1
75 Grafton Street
Bondi Junction, NSW 2022

The principal place of business of the company is located at:

St Vincent's Hospital Sydney Limited
390 Victoria Street
Darlinghurst, NSW 2010

The annual report was authorised for issue by the directors on 2 October 2014. The company has the power to amend and reissue the annual report.

Your directors present their report on the Company for the year ended 30 June 2014.

Directors

The following persons held office as directors of the Company during the whole of the financial year and up to the date of this report (unless otherwise stated):

Mr P Robertson AM (Chair)
Fr F Brennan SJ AO (Resigned 30 June 2014)
Sr M Confoy RSC
Mr B Earle
Ms P Faulkner AO
Mr G Humphrys
Ms B Hutchinson AM (Resigned on 15 October 2013)
Prof. P Smith
Sr M Walters RSC (Resigned on 1 August 2013)
Mr P McClintock AO
Prof. S Crowe AM
Ms M Babbage (Appointed on 1 October 2013)
Sr M Wright IBVM (Appointed on 1 October 2013)

Objectives and principal activities

The short and long term objectives and principal activities of the Company, as detailed in its 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.

Performance measurement

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

- reports on all aspects of the Company's operations presented at regular board meetings and Committees including the following committees: the Finance and Investment Committee; the Mission, Ethics and Advocacy Committee; the People and Culture Committee; the Quality and Safety Committee; and, the Audit and Risk Committee;
- 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,
- Social Accountability report which provides the board with an overview of the Company's Mission related projects including monies spent.

St Vincent's Hospital Sydney Limited
ABN 77 054 038 872
Directors' Report – 30 June 2014

Review of operations

On 1 July 2013, the operations of Sacred Heart Hospice Limited and St Joseph's Hospital Limited (entities under common control) were transferred to the Company. On that date, the assets and liabilities of the abovementioned entities were transferred for nil consideration, representing a deemed contribution by St Vincent's Health Australia Limited (the parent entity).

	2014 \$'000	2013 \$'000
Total revenue and other income	<u>496,995</u>	<u>419,506</u>
Operating deficit	<u>(2,078)</u>	<u>(14,819)</u>
Total deficit	<u>(2,078)</u>	<u>(8,947)</u>

The Company's financial report includes the result of operating the St Vincent's Hospital Sydney Limited, 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 funding research projects and various other specific activities and initiatives) prescribed by donors or grantor of the funds and 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 deficit attributable to the hospital's General Fund for the year was \$2,505,000 compared to last year's deficit of \$14,300,000. The company is aiming to maintain and exceed a break even position in future years.

The Company is not-for-profit and so strives to make a 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.

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 had a Memorandum of Understanding (MOU) with the NSW Ministry of Health (the Ministry) in relation to the ongoing funding of St Vincent's Hospital Sydney Limited until the 2013-14 financial year. The MOU provides certainty of base funding. 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 under the Corporations Act 2001 and that the Officers' and Directors' rely (in part) upon the MOU for the purposes of discharging their duties under law. The Company has commenced negotiations with the Ministry to develop a new MOU or similar agreement to provide certainty of funding.
2. The Company has a Service Agreement with the Ministry for 2014-15 which provides certainty of funding for that financial year.
3. The Company recorded an operating deficit of \$2,078,000, net current liabilities of \$86,000 and net assets of \$90,435,000 in 2014. 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 deficit of \$2,505,000 and net liabilities of \$20,490,628. The hospital is aiming to maintain and exceed a break even position in future years.
4. The directors requested and received a letter of support from the parent entity offering to provide financial assistance for a period, should it be necessary.

Dividends

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

Member's guarantee

The Company is incorporated under the Corporations Act 2001 and is a public company limited by 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 2014, the Company had 1 member (2013: 1) so the maximum amount to be contributed towards meeting the obligations of the Company would be \$100 (2013: \$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.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order, or in certain cases, to the nearest dollar.

Indemnification and insurance of directors and officers

SVHA 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 auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, 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 wilful acts or omissions. No payment has been made to indemnify Ernst & Young during or since the financial year.

Names, qualifications, experience, and special responsibilities of directors

Chair

Mr Paul Robertson AM (Current - Appointed 1 October 2009, appointed Chair 5 October 2012)

Qualifications Bachelor of Commerce, Fellow CPA Australia.

Experience Mr Robertson is a former Executive Director of Macquarie Bank with extensive experience in banking, finance and risk management. Mr Robertson is Chair of Social Ventures Australia, Chair of Trustees of St Vincent's Hospital Sydney and holds several private company Directorships.

Special Responsibilities Chair of Board; Chair of People and Culture Committee.

Ms Melissa Babbage (Current – Appointed 1 October 2013)

Qualifications Bachelor of Applied Science (Physiotherapy) University of Sydney, Master of Commerce (Finance & Economics) University of NSW and a Graduate of the Australian Institute of Company Directors.

Experience Ms Babbage is a highly experienced financial services professional with a 19 year Investment Banking career spanning both International and Domestic Financial Markets. As a Managing Director at Deutsche Bank for 10 years, she had responsibility for growing several different business lines across both Australia/New Zealand and Asia, as Head of Commodities, Foreign Exchange and Global Finance. Her experience in financial risk management is comprehensive. Ms Babbage is a Non-Executive Director of Swiss Re Life and Health Australia Limited, Mercer Investments Australia Limited and Athletics Australia. She is a Trustee of Q Super and a Non-Executive Director of Q Super Ltd. She is also a Member of the NSW Treasurer's Business Advisory Panel.

Special Responsibilities Member, Finance and Investment Committee; Member, Audit and Risk Committee.

Fr Frank Brennan SJ AO (Appointed 1 January 2009, resigned 30 June 2014)

Qualifications Society of Jesus, Officer of the Order of Australia, BA, LLB(Hons), LLM, BD(Hons), DUniv, Hon LLD, Professor of Law.

Experience Jesuit Priest; Professor of Law at the Australian Catholic University and Adjunct Professor at the Australian National University College of Law and National Centre for Indigenous Studies. He is an advocate for Social Justice and Reconciliation. He is an advocate in Residence for the Society of St Vincent de Paul, Catholic Health Australia and Catholic Social Services Australia. In 2009, he chaired the Australian National Human Rights Consultation Committee. Fr Frank is also a Director of Jesuit Social Services and Global Foundation. Fr Frank retired from the Board on 30 June 2014.

Special Responsibilities Chair of Mission, Ethics and Advocacy Committee; Member, People and Culture Committee.

Sr Maryanne Confoy RSC (Current - Appointed 6 February 2012)

Qualifications 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.

Experience A Religious Sister of Charity and currently Professor of Pastoral Theology at Jesuit Theological College and MCD University of Divinity, Melbourne. Sr Maryanne is also a former President of the United Faculty of Theology and is visiting Professor at the School of Theology and Ministry, Boston College, USA. She is a fellow of the MCD University of Divinity. Her governance roles have included member of the Australian Catholic University Senate and Chair of MCD Board of Postgraduate Studies. Sr Maryanne is a Council member of Edmund Rice Education Australia and a member of RMIT University Ethics Committee.

Special Responsibilities Member, Mission, Ethics and Advocacy Committee.

Mr Brendan Earle (Current – Appointed 1 October 2010)

Qualifications Bachelor of Laws (Hons); Bachelor of Arts; Barrister and Solicitor, Supreme Court of Victoria.

Experience Mr Earle is a partner with the national law firm, Herbert Smith Freehills. He has over 15 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. Mr Earle 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.

Special Responsibilities Member, Finance and Investment Committee; Member, Audit and Risk Committee.

Ms Patricia Faulkner AO (Current – Appointed 1 October 2010)

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

Experience Ms Faulkner was a previous National Partner-in-Charge, Health Sector at KPMG and a previous Secretary of the Victorian Government of Human Services. She has held a number of roles with the Victorian Government over a period of almost 20 years in the Department of Labour and Department of Community Welfare Services. Ms Faulkner is Chair of Superpartners, Jesuit Social Services, Health & Hospitals Infrastructure Fund & National Health Performance Authority and a Member of The COAG Reform Council, the Commonwealth Grants Commission.

Special Responsibilities Deputy Chair, SVHA Board; Member, Quality and Safety Committee; Member, Mission, Ethics and Advocacy Committee.

Mr Gary Humphrys (Current – Appointed 1 October 2010)

Qualifications Graduate Diploma Business Administration; Graduate of the Australian Institute of Company Directors; and, Member of the Institute of Chartered Accountants in Australia.

Experience 35 years of experience in senior executive roles covering a number of disciplines including finance and accounting, treasury, taxation, IT, procurement and audit in the energy and mining industries in both the public and private sector. Mr Humphrys is Director of Ergon Energy Corporation Limited, Director of The Holy Spirit Northside Private Hospital and Director, Electricity Supply Industry Superannuation (Qld).

Special Responsibilities Member, Mission, Ethics and Advocacy Committee; Member, Finance and Investment Committee; Chair of Audit and Risk Committee.

Ms Belinda Hutchinson AM (Appointed 1 August 2009, resigned 15 October 2013)

Qualifications Bachelor of Economics, Fellow of the Institute of Chartered Accountants in Australia, and Fellow of the Australian Institute of Company Directors.

Experience Ms Hutchison is a former Executive Director of Macquarie Bank Limited, Head of Macquarie Underwriting; former Vice President of Citibank Australia, Head of Financial Institutions Group, and Head of New South Wales Corporate Finance Group. She was previously Chair of QBE Insurance Group Limited. Ms Hutchison was appointed Chancellor of the University of Sydney in February 2013.

Special Responsibilities None.

Prof. Peter Smith (Current– Appointed 1 October 2010)

Qualifications Bachelor of Science, Bachelor of Medicine/Bachelor of Surgery, Doctor of Medicine. Fellow of the Royal Australasian College of Physicians, Fellow of the Royal College of Pathologists Australasia and fellow of the Australian Institute of Company Directors.

Experience Professor Smith is Dean of the Faculty of Medicine at the University of New South Wales. Professor Smith is a Director of the Garvan Institute of Medical Research (Chair, Kinghorn Centre for Clinical Genomics Committee), Neuroscience Research Australia, The Sax Institute of Health Research (Chair, Research Governance Committee) and Ingham Health Research Institute. He is President, Medical Deans, Australia and New Zealand and a Group Captain, RAAF Specialist Reserve.

Special Responsibilities Chair of Quality and Safety Committee; Member, People and Culture Committee.

Sr Maureen Walters RSC (*Appointed 6 February 2012, resigned 1 August 2013*)

Qualifications General Nursing Certificate at St Vincent's Hospital Sydney; Certificate in Operating Management and Techniques at the NSW College of Nursing; Diploma in Theology; Diploma in Nursing Administration at the College of Nursing Australia; and, a Bachelor of Health Administration at the University of New South Wales.

Experience A Religious Sister of Charity for over 60 years and was previously Director of Nursing and Sister Administrator of St Vincent's Hospital Melbourne and St Vincent's Private, Launceston. Her current ministry is in the Archives Department of St Vincent's Health, Melbourne. Maureen initially trained as a nurse and then gained qualifications in Health Administration and Theology. She is a former fellow of the Royal College of Nursing, Australia and has had wide-ranging governance roles including as a member of the Nursing Standing Committee of the National Health and Medical Research Council and councillor and treasurer of the Australian Catholic Health Care Association as well as for the Sisters of Charity Ministries.

Special Responsibilities Member, Quality and Safety Committee; Member, People and Culture Committee.

Mr Paul McClintock AO (*Current - Appointed 1 January 2013*)

Qualifications 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.

Experience Previous Chairman of Medibank Private Limited and currently Chair of Thales Australia, Myer Holdings Limited, I-MED Network, the Institute of Virology and NSW Ports. He is a Director of the George Institute for Global Health.

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

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

Special Responsibilities Chair of Finance and Investment Committee; Member, Audit and Risk Committee.

Prof. Suzanne Crowe AM (*Current - Appointed 1 January 2013*)

Qualifications 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.

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

Professor Crowe is Head of the international Clinical Research Laboratory at the Burnet Institute and the World Health Organization (WHO) Regional Reference Laboratory for HIV Resistance Testing and an adviser and consultant to the WHO Global Program on AIDS. She 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.

Special Responsibilities Member, Quality and Safety Committee; Member Mission, Ethics and Advocacy Committee

Sr Mary Wright IBVM (Current - Appointed 1 October 2013)

Qualifications

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).

Experience

Sister Mary Wright has extensive experience in leadership in Catholic Church institutions including the positions of School Principal Loreto College Ballarat and Loreto College, Kirribilli, Australian Province Leader (Loreto Sisters) and 8 years in Rome as International Leader (Loreto Sisters). She has practiced in the area of Church law in Australia (including lecturing at Yarra Theological Union) and most recently in the Vatican (in the Congregation for Institutes of Consecrated Life and Societies of Apostolic Life). Her specialty is in the area of institutional governance.

Special Responsibilities

Member, Audit and Risk Committee; Member, Mission, Ethics and Advocacy Committee; Member, People and Culture Committee.

Company Secretary

Mr Robert Beetson

Qualifications 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).

Experience Over 30 years in the health industry. 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 Corporate Lawyers Association, previously Manager of Investigations, Health Care Complaints Commission (NSW).

Meetings of Directors

The number of meetings of the Company's directors held during the year ended 30 June 2014, and the numbers of meetings attended by each director were:

	Number of Meetings Attended	Number of Meetings Held While in Office
Mr P Robertson AM (Chair)	7	8
Fr F Brennan SJ AO (Resigned on 30 June 2014)	7	8
Ms M Babbage (Appointed on 1 October 2013)	4	5
Sr M Confoy RSC	8	8
Prof. S Crowe AM	8	8
Mr B Earle	8	8
Ms P Faulkner AO	8	8
Mr G Humphrys	8	8
Ms B Hutchinson AM (Resigned on 15 October 2013)	4	4
Mr P McClintock AO	8	8
Prof. P Smith	8	8
Sr M Walters RSC (Resigned on 1 August 2013)	2	2
Sr M Wright IBVM (Appointed on 1 October 2013)	5	5

St Vincent's Hospital Sydney Limited
ABN 77 054 038 872
Directors' Report – 30 June 2014

The number of meetings of the Finance and Investment Committee held during the year ended 30 June 2014 and the numbers of meetings attended by each member director were:

	Number of Meetings Attended	Number of Meetings Held While in Office
Mr P McClintock AO (Chair)	6	6
Ms M Babbage (Appointed on 1 October 2013) (Appointed to Committee on 10 October 2013)	2	4
Mr B Earle	6	6
Mr G Humphrys	6	6

The number of meetings of the Audit and Risk Committee held during the year ended 30 June 2014 and the numbers of meetings attended by each member director were:

	Number of Meetings Attended	Number of Meetings Held While in Office
Mr G Humphrys (Chair)	5	5
Ms M Babbage (Appointed on 1 October 2013) (Appointed to Committee on 5 February 2014)	2	2
Prof. S Crowe AM (Resigned from Committee on 26 March 2014)	4	4
Mr B Earle	5	5
Mr P McClintock AO (Resigned from Committee on 5 February 2014)	3	3
Sr M Wright IBVM (Appointed on 1 October 2013) (Appointed to Committee on 26 March 2014)	2	2

The number of meetings of the Mission, Ethics and Advocacy Committee held during the year ended 30 June 2014 and the numbers of meetings attended by each member director were:

	Number of Meetings Attended	Number of Meetings Held While in Office
Fr F Brennan SJ AO (Chair) (Resigned from Board and Committee on 30 June 2014)	4	4
Sr M Confoy RSC	4	4
Prof. S Crowe AM (Appointed to Committee on 3 April 2014)	1	1
Ms P Faulkner AO	2	4
Mr G Humphrys	3	4
Sr M Wright IBVM (Appointed on 1 October 2013) (Appointed to Committee on 28 May 2014)	1	1

St Vincent's Hospital Sydney Limited
ABN 77 054 038 872
Directors' Report – 30 June 2014

The number of meetings of the People and Culture Committee held during the year ended 30 June 2014 and the numbers of meetings attended by each member director were:

Mr P Robertson (Chair)
 Fr F Brennan SJ AO (Resigned from Board and Committee on 30 June 2014)
 Prof. P Smith
 Sr M Walters RSC (Resigned from Board and Committee on 1 August 2013)
 Sr M Wright IBVM (Appointed on 1 October 2013) (Appointed to Committee on 26 March 2014)

Number of Meetings Attended	Number of Meetings Held While in Office
4	4
4	4
3	4
1	1
1	1

The number of meetings of the Quality and Safety Committee held during the year ended 30 June 2014 and the numbers of meetings attended by each member director were:


Prof. P Smith (Chair)
 Prof. S Crowe AM
 Ms P Faulkner AO
 Sr M Walters RSC (Resigned from Board and Committee on 1 August 2013)

Number of Meetings Attended	Number of Meetings Held While in Office
6	6
6	6
4	6
1	1

Auditor

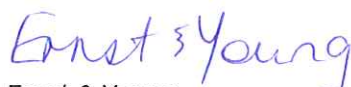
Ernst & Young continues in office in accordance with section 327 of the Corporations Act 2001. The directors have received an Independence Declaration from Ernst & Young, a copy of which is attached at page 10. Non audit services provided by Ernst & Young and are disclosed in note 20.

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


 Mr Paul Robertson AM, Chair
 Sydney
 2 October 2014

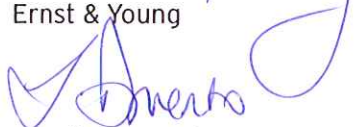
Auditor's Independence Declaration to the Directors of St Vincent's Hospital Sydney Limited

In relation to our audit of the financial report of St Vincent's Hospital Sydney Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young

Ernst & Young



Loretta Di Mento

Partner

2 October 2014

St Vincent's Hospital Sydney Limited
ABN 77 054 038 872
Statement of Comprehensive Income
For the Year Ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Revenue	2	485,626	412,422
Other income	3	11,369	7,084
Total revenue and other income		496,995	419,506
Salaries and wages		(266,164)	(223,207)
Superannuation		(22,331)	(17,774)
Other employee benefits		(41,218)	(31,659)
Goods and services		(142,609)	(141,561)
Finance costs	4	(113)	(68)
Repairs and maintenance		(5,458)	(4,977)
Depreciation and amortisation	4	(10,734)	(8,918)
Net loss on disposal of non-current assets	4	(278)	(423)
Other expenses from ordinary activities		(10,168)	(5,738)
Total expenses		499,073	434,325
Operating deficit		(2,078)	(14,819)
Realised gain on available-for-sale financial assets		-	5,977
Capital funding received	3	-	3,884
Total deficit attributable to member		(2,078)	(4,958)
Allocated as follows:			
General Fund - total deficit for the year		(2,505)	(14,300)
Special Purpose and Trust Funds - total surplus for the year		427	9,342
Total deficit attributable to member		(2,078)	(4,958)
Other comprehensive income			
Net (loss) on available-for-sale financial assets		-	(3,989)
Total comprehensive loss attributable to member		(2,078)	(8,947)

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

St Vincent's Hospital Sydney Limited
ABN 77 054 038 872
Statement of Financial Position
As at 30 June 2014

	Notes	2014 \$'000	2013 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	5	10,710	10,039
Trade and other receivables	6	28,952	30,397
Inventories	7	4,669	5,425
Available-for-sale investments	8	56	360
Held-to-maturity investments	9	98,000	79,500
Total current assets		<u>142,387</u>	<u>125,721</u>
Non-current assets			
Receivables	10	5,114	4,865
Property, plant and equipment	11	113,580	103,795
Total non-current assets		<u>118,694</u>	<u>108,660</u>
Total assets		<u>261,081</u>	<u>234,380</u>
LIABILITIES			
Current liabilities			
Trade and other payables	12	50,116	60,898
Interest bearing liabilities	13	945	903
Provisions	14	91,412	79,666
Total current liabilities		<u>142,473</u>	<u>141,467</u>
Non-current liabilities			
Payables	15	18,000	12,000
Interest bearing liabilities	16	4,466	4,865
Provisions	17	5,707	4,941
Total non-current liabilities		<u>28,173</u>	<u>21,806</u>
Total liabilities		<u>170,646</u>	<u>163,273</u>
Net assets		<u>90,435</u>	<u>71,108</u>
Reserves	18	-	-
Retained surplus/(deficit) - General Fund	18	1,328	(453)
Retained surplus - Special Purpose and Trust Fund	18	89,107	71,561
Total equity		<u>90,435</u>	<u>71,108</u>

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

St Vincent's Hospital Sydney Limited
ABN 77 054 038 872
Statement of Changes in Equity
For the Year Ended 30 June 2014

	Note	Reserves \$'000	Retained Surpluses \$'000	Total \$'000
2014				
Balance 1 July 2013		-	71,108	71,108
Total deficit attributable to member		-	(2,078)	(2,078)
Deemed contribution by parent on business combination		-	21,405	21,405
Total comprehensive deficit attributable to member		-	19,327	19,327
Balance 30 June 2014	18	-	90,435	90,435
2013				
Balance 1 July 2012		3,989	76,066	80,055
Total deficit attributable to member		-	(4,958)	(4,958)
Available-for-sale financial assets		(3,989)	-	(3,989)
Total comprehensive deficit attributable to member		(3,989)	(4,958)	(8,947)
Balance 30 June 2013	18	-	71,108	71,108

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

St Vincent's Hospital Sydney Limited
ABN 77 054 038 872
Statement of Cash Flows
For the Year Ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Receipts from patients and related income (GST inclusive)		24,988	18,770
Subsidies and grants from government		429,587	364,426
Other income		63,175	65,834
Payments to suppliers and employees (GST inclusive)		(526,951)	(454,067)
Interest received		3,059	3,732
Donations received		11,341	7,084
Net cash flow from operating activities	26	<u>5,199</u>	<u>5,779</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(11,599)	(18,082)
Payments for held-to-maturity investments		(160,500)	(179,000)
Proceeds from held-to-maturity investments		143,400	168,000
Deemed contribution by parent on business combination		17,640	-
Payments for available-for-sale financial assets		-	(3)
Proceeds from disposal of property, plant and equipment		211	52
Proceeds from redemption of available-for-sale financial assets		320	10,433
Net cash flow from investing activities		<u>(10,528)</u>	<u>(18,600)</u>
Cash flows from financing activities			
Proceeds of advance from related party		6,000	10,000
Net cash flow from financing activities		<u>6,000</u>	<u>10,000</u>
Net decrease in cash and cash equivalents held		671	(2,821)
Cash at the beginning of the financial year		10,039	12,860
Cash at the end of the financial year	5	<u>10,710</u>	<u>10,039</u>

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes only the financial statements of St Vincent's Hospital Sydney Limited.

On 1 July 2013, the operations of Sacred Heart Hospice Limited and St Joseph's Hospital Limited (entities under common control) were transferred to the Company. On that date, the assets and liabilities of the abovementioned entities were transferred for nil consideration, representing a deemed contribution by St Vincent's Health Australia Limited (the parent entity).

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, the *Corporations Act 2001* and the *Australian Charities and Not-for-profits Commission Act 2012* (Cth). The financial report is presented in Australian dollars.

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 had a Memorandum of Understanding (MOU) with the NSW Ministry of Health (the Ministry) in relation to the ongoing funding of St Vincent's Hospital Sydney Limited until the 2013-14 financial year. The MOU provides certainty of base funding. 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 under the Corporations Act 2001 and that the Officers' and Directors' rely (in part) upon the MOU for the purposes of discharging their duties under law. The Company has commenced negotiations with the Ministry to develop a new MOU or similar agreement to provide certainty of funding.
2. The Company has a Service Agreement with the Ministry for 2014-15 which provides certainty of funding for that financial year.
3. The Company recorded an operating deficit of \$2,078,000, net current liabilities of \$86,000 and net assets of \$90,435,000 in 2014. 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 deficit of \$2,505,000 and net liabilities of \$20,490,628. The hospital is aiming to maintain and exceed a break even position in future years.
4. The directors requested and received a letter of support from the parent entity offering to provide financial assistance for a period, should it be necessary.

Statement of compliance

This financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board. Certain Australian Accounting Standards contain requirements specific to not-for-profit entities that are inconsistent with International Financial Reporting requirements including AASB 116 Property, Plant & Equipment; AASB 136 Impairment of Assets; and AASB 1004 Contributions.

New standards issued and adopted

The accounting policies adopted are consistent with those of the previous financial year except that the Company has adopted the following new or amended standard which became applicable on 1 July 2013. Adoption of these Standards did not have material effect on the financial position or performance of the Company.

AASB 119 Employee Benefits (Revised 2011): This standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. However, this does not change the classification of the liability merely the measurement.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New standards issued and adopted (continued)

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. The standard requires additional disclosures for items carried at fair value.

Standards and Interpretations in issue not yet adopted

Certain Australian Accounting Standards and Interpretations have been issued or amended but are not yet effective so have not been adopted by the Company for the year ending 30 June 2014. The Directors have assessed the new Standards and Interpretations, and they anticipate the following impact:

- **AASB 10 Consolidated Financial Statements:** AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements.
- **AASB 11 Joint Arrangements:** AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. The directors do not expect the implementation of this standard to have a material impact on the Company.
- **AASB 12 Disclosure of Interests in Other Entities:** AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests. The directors expect the Company will be required to provide additional disclosures surrounding the nature and extent of interests in other entities.
- **AASB 9 Financial Instruments:** On 24 July 2014 The IASB issued the final version of IFRS 9 which replaces IAS 39 and includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The directors do not expect the implementation of this standard to have a material impact on the Company.
- **AASB 1031 Materiality:** *The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed. The directors do not expect the implementation of this standard to have a material impact on the Company.*

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets which are carried at fair value.

Critical accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Where significant, information on these judgements, estimates and assumptions are disclosed in the relevant notes to the financial statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company, and specific criteria have been met for each activity described below.

The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Patient income is recognised when services are provided.

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

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.

Lease income is recognised on a straight line basis over the term of the lease.

Donations and trust estate distributions income is recognised upon receipt.

Asset sale gains or losses on disposal of assets are brought to account at the date an unconditional contract of sale is signed.

(c) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position and Statement of Cash Flows comprise cash at bank and short term deposits with an original maturity of three months or less.

(d) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment of receivables. Trade and other receivables are generally due for settlement no more than 45 days from the date of recognition.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of receivables is raised when there is objective evidence that the Company may not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate.

The impairment loss is recognised in the Statement of Comprehensive Income within other expenses. Subsequent recoveries of amounts previously written off or impaired are credited against other expenses in the Statement of Comprehensive Income.

(e) Inventories

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 cost is the estimated cost of replacement in the ordinary course of business.

(f) Investments and other financial assets

Classification, recognition and derecognition

Financial assets in the scope of AASB 139: Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through the profit or loss, loans and receivables, held-to-maturity investments or available-for-sale investments as appropriate.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investments and other financial assets (continued)

Initial recognition of financial assets is measured at fair value plus directly attributable transaction costs. The Company determines the classification of its financial assets after initial recognition and re-evaluates this designation annually.

Regular purchases and sales of financial assets are recognised on the date the Company commits to purchase the asset. Regular purchases or sales are purchases or sales of financial assets under contracts that require delivery of assets within the period established generally by regulation or concentration in the marketplace.

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

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in this category. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on changes in fair value are recognised in the Statement of Comprehensive Income in the period in which they arise. Assets in this category are classified as current assets.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments when the Company has the intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount.

The calculation includes all fees, transaction costs and premiums or discounts. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

If the Company were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Such assets are carried at amortised cost using the effective interest method. Gains or losses are recognised in the profit or loss upon derecognition or impairment, as well as through the amortisation process.

(iv) Available-for-sale investments

Available-for-sale assets are non-derivative financial assets that do not have fixed maturities or fixed determinable payments and are available-for-sale, or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the profit or loss.

They are included in non-current assets unless management intends to dispose of the investments within 12 months of the reporting date.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investments and other financial assets (continued)

Fair value

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.

(g) Property, plant and equipment

Property, plant and equipment assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to acquisition.

Subsequent costs incurred in relation to the assets are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Some plant of the Company is required to be overhauled on a regular basis. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated over the remaining useful life of the asset. Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

Land is not depreciated. Depreciation on other property, plant and equipment assets is calculated using the straight-line method to allocate their cost, over its maximum expected useful lives, as follows:

Buildings	up to 40 years
Leasehold Improvements	see Note 1 (h)
Plant and equipment	10 years
Furniture and fittings	10 years
Computer equipment	5 years
Medical and surgical equipment	up to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Statement of Comprehensive Income.

Buildings are split into their various components including physical structure, fire services, mechanical services, vertical transport services, and electrical services. Estimates of useful lives for each of these components are based on advice from quantity surveyors and as a result, with the exception of the structural components, the other components have estimated useful lives less than 40 years.

(h) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the Company, whichever is the shorter. Leasehold improvements held at the reporting date are being amortised over various periods up to 40 years.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leased non-current assets

A distinction is made between finance leases which transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits. Finance leases are capitalised. A leased asset and liability are established at the present value of minimum lease payments. The lease asset is amortised on a straight-line basis over the term of the lease, or where it is likely that the Company will obtain ownership of the asset, the life of the asset.

Finance lease payments are allocated between interest (calculated by applying the interest rate implicit in the lease to the outstanding liability) and the lease liability.

Operating lease payments are charged to the Statement of Comprehensive Income in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

Incentives received on entering into operating leases are recognised as liabilities, amortised over the period of the lease as other income in the Statement of Comprehensive Income.

(j) Impairment of assets

Indefinite life assets

Assets that have an indefinite life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. As a not-for-profit entity, value in use is determined using depreciated replacement cost. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impairment losses are recognised in the Statement of Comprehensive Income.

Financial assets

The Company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its costs is considered as an indicator that securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss, is removed from equity and recognised in the Statement of Comprehensive Income. Impairment losses recognised for available for sale investments are not subsequently reversed.

(k) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. These amounts are unsecured and are usually paid within 60 days of recognition.

(l) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, that it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Provisions (continued)

The Company has determined an amount to be provided for workers' compensation premiums in relation to current and previous years. The calculation is in line with guidance from the workers' compensation insurance provider and the statutory definition of wages and salaries.

(m) Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, expected to be settled within 12 months of the reporting date are recognised in trade payables in respect of employees' services provided up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for annual leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employees' services provided up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities expected to be settled after 12 months are measured at the present value of expected future payments to be made in respect of services provided to employees up to the reporting 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 reporting date on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided to employees up to the reporting date using the projected unit credit method. 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 reporting date on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when employees accept voluntary redundancy in exchange for these benefits.

Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised in provisions.

Liabilities for termination benefits expected to be settled within 12 months are measured at the amount expected to be paid when they are settled. Amounts expected to be settled more than 12 months from the reporting date are measured as the estimated future cashflows, discounted using market yields at the reporting date on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future payments.

Superannuation fund

Contributions to defined contribution superannuation funds are charged against Statement of Comprehensive Income as incurred.

(n) Interest bearing liabilities

All interest bearing liabilities are initially recognised at fair value of the funding received less directly attributable transaction costs. After initial recognition, interest-bearing liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised. 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Borrowing costs

Borrowing costs include:

- a. interest on bank overdrafts, short term and long term borrowings, and interest rate swaps;
- b. amortisation of discounts or premiums relating to borrowings;
- c. amortisation of ancillary costs incurred in connection with the arrangement of borrowings; and
- d. finance lease charges.

Borrowing costs incurred for the construction of qualifying assets are capitalised during the time required to complete and prepare the asset for its intended use. Other borrowing costs are expensed in the period in which they are incurred.

(p) 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 item as applicable).

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 statement of cash flows including GST in the operating cash flows.

Commitments and contingencies are disclosed net of GST recoverable from, or payable to, the taxation authority.

(q) Income Tax

The Company is exempt from income tax under the provisions of Section 50-30 of the *Income Tax Assessment Act 1997*.

(r) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order, or in certain cases, to the nearest dollar.

(s) Joint ventures

The proportionate interests in the assets, liabilities, revenue and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings. Details of the joint venture are set out in note 28.

The interest in a joint venture entity is accounted for using the equity method. Under the equity method, the share of the surplus or deficit of the entity is recognised in the Statement of Comprehensive income.

(t) Fair value measurement

The Company measures financial assets, such as financial assets held at fair value through profit and loss and non-financial assets such as investment properties, at fair value at each balance date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of the principal market, in the most advantageous market for the asset or liability.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Fair value measurement (continued)

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of the relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as investment properties. External valuers are involved on at least a three yearly basis and the major inputs and valuation techniques are agreed with management.

Management assesses if there are any significant changes to the valuation assumptions in the intervening years and will obtain a valuation in the event that there are significant changes.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

	2014	2013
	\$'000	\$'000
2. REVENUE		
Patient and resident fees	26,700	19,543
Government grants and subsidies	390,417	331,638
Non-medical revenue	36,674	32,295
Rents and other property revenue	593	229
Interest revenue	4,037	3,569
Other revenue	27,205	25,148
Total revenue	485,626	412,422

St Vincent's Hospital Sydney Limited
ABN 77 054 038 872
Notes to the Financial Statements
30 June 2014

	2014	2013
	\$'000	\$'000
3. OTHER INCOME AND CAPITAL FUNDING		
Donations	11,369	7,084
Total other income	11,369	7,084
Capital funding received in relation to the:		
Personally Controlled Electronic Health Record ("eHealth") Project (a)	-	3,218
The Kinghorn Cancer Centre (b)	-	666
Total capital funding included in non-operating income	-	3,884

(a) Personally Controlled Electronic Health Record (PCEHR) Project Funding

Government grants and donation income of \$3,218,165 was received during 2013 (2014: Nil) to fund the introduction of a Personally Controlled Electronic Health Record (PCEHR). The implementation of PCEHR is a significant part of the reforms being undertaken to Australia's health and hospital system in accordance with the National Health and Hospital Network. The Department of Health and Ageing is responsible for delivering the Australian Government funded elements of the introduction of a PCEHR.

(b) Capital contribution for construction of Kinghorn Cancer Centre

Government grants and donation income of \$665,778 was received during 2013 (2014: Nil) to fund the construction of The Kinghorn Cancer Centre (TKCC). The Garvan Institute of Medical Research (Garvan) and the Company agreed to collaborate on the development of 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 has been funded predominately through a Federal government grant in the amount of \$70 million 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.

St Vincent's Hospital Sydney Limited
ABN 77 054 038 872
Notes to the Financial Statements
30 June 2014

	2014 \$'000	2013 \$'000
4. EXPENSES		
Surplus before income tax includes the following specific expenses:		
Finance costs		
Interest and finance charges paid/payable	113	68
Total finance costs expensed	<u>113</u>	<u>68</u>
Depreciation		
Plant and equipment	8,086	6,883
Total depreciation	<u>8,086</u>	<u>6,883</u>
Amortisation		
Leasehold improvements	2,648	2,035
Total amortisation	<u>2,648</u>	<u>2,035</u>
Total depreciation and amortisation	<u>10,734</u>	<u>8,918</u>
Net loss on disposal of property, plant and equipment	278	423
Minimum operating lease payments	402	505
Defined contribution superannuation expense	22,336	17,774
Bad and doubtful debts	777	(10)

St Vincent's Hospital Sydney Limited
ABN 77 054 038 872
Notes to the Financial Statements
30 June 2014

	2014	2013
	\$'000	\$'000
5. CURRENT ASSETS – CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	<u>10,710</u>	<u>10,039</u>

Restricted and non-restricted fund analysis

Cash and cash equivalents		10,710	10,039
Held to maturity investments	9	98,000	79,500
Available for sale assets	8	<u>56</u>	<u>360</u>
Total cash and investments		<u>108,766</u>	<u>89,899</u>

The above assets were allocated as follows:

Restricted funds	104,700	83,253
Unrestricted funds	<u>4,066</u>	<u>6,646</u>
	<u>108,766</u>	<u>89,899</u>

(a) Restricted funds

These amounts are to be used for funding research projects and various other specific activities and initiatives as prescribed by the donors or granter of the funds and cannot be used for any other purpose.

(b) Unrestricted funds

These funds are unrestricted and can be used by management for any purpose necessary to operate the Hospital.

The Company's exposure to interest rate risk is discussed in note 19.

Cash held for restricted purposes amount to \$8,305,718 at 30 June 2014 (2013: \$8,373,141).

6. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

Trade receivables	8,163	5,721
Less: Provision for impairment of trade receivables (a)	<u>(1,279)</u>	<u>(781)</u>
	6,884	4,940
Amounts due from related parties (b)	2,579	10,421
Other receivables	18,130	13,507
Prepayments	<u>1,359</u>	<u>1,529</u>
	<u>28,952</u>	<u>30,397</u>

Refer to note 30 for details of the deemed contribution by parent entity on business combination on 1 July 2013.

St Vincent's Hospital Sydney Limited
ABN 77 054 038 872
Notes to the Financial Statements
30 June 2014

6. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES (continued)

(a) Impaired trade receivables

At 30 June 2014, the following current trade receivables of the Company were impaired. The amount of the provision was \$1,279,000 (2013: \$781,000). The individually impaired receivables mainly relate to individuals who find themselves in unexpectedly difficult economic situations. The ageing of these receivables was as follows:

	2014	2013
	\$'000	\$'000
1 to 3 months	277	-
3 to 6 months	400	314
6 months or more	602	467
	1,279	781

Movements in the provision for impairment of receivables

At 1 July	781	408
Provision acquired on consolidation	21	-
Provision for impairment recognised during the year	1,168	1,270
Receivables written off during the year as uncollectible	(300)	(253)
Unused amount reversed	(391)	(644)
At 30 June	1,279	781

Past due but not impaired

1 to 3 months	9,059	6,152
3 to 6 months	1,438	668
6 months or more	300	288
	10,797	7,108

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

(b) Amounts due from related parties

Included in amounts due from related parties are amounts due from the following classes of related parties:

Commonly controlled entities	1,965	8,463
Other related parties	614	1,958
	2,579	10,421

(c) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Company. Interest is not charged in respect of these outstanding balances. Collateral is not normally obtained.

(d) Fair value and credit risk

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

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 19 for more information on the risk management policy of the Company and the credit quality of the entity's trade and other receivables.

St Vincent's Hospital Sydney Limited
ABN 77 054 038 872
Notes to the Financial Statements
30 June 2014

	2014 \$'000	2013 \$'000
7. CURRENT ASSETS - INVENTORIES		
Medical and other consumables - at cost	<u>4,669</u>	<u>5,425</u>

Inventories consumed and recognised as expenses during the year ended 30 June 2014 amounted to \$108,343,567 (2013: \$107,601,501).

8. CURRENT ASSETS - AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments	<u>56</u>	<u>360</u>
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Movement in available-for-sale investments

At the beginning of the year	360	8,802
Additions	-	3
Deemed contribution by parent entity on business combination	17	-
Redemptions	(323)	(10,433)
Revaluation surplus	<u>2</u>	<u>1,988</u>
At the end of the financial year	<u>56</u>	<u>360</u>

Available-for-sale investments primarily represent units in unlisted cash management unit trusts, equities and deposits with financial institutions.

The investment of monies held for restricted purposes in available for sale investments amounts to \$56,184 at 30 June 2014 (2013: \$349,403)

Interest rate exposure

The Company's exposure to interest rate risk is discussed in note 19.

Impairment and risk exposure

None of the investments are either past due or impaired.

St Vincent's Hospital Sydney Limited
ABN 77 054 038 872
Notes to the Financial Statements
30 June 2014

2014 2013
\$'000 \$'000

9. CURRENT ASSETS - HELD-TO-MATURITY INVESTMENTS

Deposits with major trading banks and finance institutions	98,000	79,500
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Held-to-maturity investments represents term deposits and bank endorsed bank bills with financial institutions and earn interest at rates of between 3.37% and 4.53% (2013: 3.65% and 4.53%).

The investment of monies held for restricted purposes in term deposits amounts to \$96,404,098 at 30 June 2014 (2013: \$74,531,054).

10. NON-CURRENT ASSETS - RECEIVABLES

Amounts due from related parties

Commonly controlled entities

Other related parties

	548	-
	4,566	4,865
	5,114	4,865

(a) Impaired receivables and receivables past due not impaired

None of the non-current receivables are impaired or past due but not impaired.

(b) Risk exposure

The Company's exposure to interest rate risk and credit risk is discussed in note 19.

(c) Fair values

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

11. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements \$'000	Plant and equipment \$'000	In course of construction \$'000	Total \$'000
Year ended 30 June 2014				
Opening net book value	66,987	33,778	3,030	103,795
Additions	921	8,971	1,707	11,599
Deemed contribution by parent entity on business combination	4,046	1,403	3,961	9,410
Disposals	(490)		-	(490)
Transfers	4,863	-	(4,863)	-
Depreciation	(2,648)	(8,086)	-	(10,734)
Closing net book value	73,679	36,066	3,835	113,580
At 30 June 2014				
Cost	84,422	108,566	3,835	196,823
Accumulated depreciation	(10,743)	(72,500)	-	(83,243)
Net book amount	73,679	36,066	3,835	113,580

Refer to note 30 for details of the deemed contribution by parent entity on business combination on 1 July 2013.

St Vincent's Hospital Sydney Limited
ABN 77 054 038 872
Notes to the Financial Statements
30 June 2014

11. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvements \$'000	Plant and equipment \$'000	In course of construction \$'000	Total \$'000
Year ended 30 June 2013				
Opening net book value	21,645	30,344	43,117	95,106
Additions	-	10,607	6,170	16,777
Disposals	-	(474)	-	(474)
Transfers	47,377	184	(46,257)	1,304
Depreciation	(2,035)	(6,883)	-	(8,918)
Closing net book value	66,987	33,778	3,030	103,795
At 30 June 2013				
Cost	72,397	98,690	3,030	174,117
Accumulated depreciation	(5,410)	(64,912)	-	(70,322)
Net book amount	66,987	33,778	3,030	103,795

	2014 \$'000	2013 \$'000
12. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES		
Trade creditors	43,627	43,903
Other creditors and accrued expenses	2,126	3,783
Amounts due to related parties (unsecured) (a)	4,363	13,212
	<u>50,116</u>	<u>60,898</u>

(a) Amounts due to commonly controlled entities (unsecured)

Included in amounts due to commonly controlled entities are amounts due to the following classes of related parties:

Commonly controlled entities	418	9,474
Other related parties	3,945	3,738
	<u>4,363</u>	<u>13,212</u>

Refer to note 23 for further details of the amount due to related parties

The amounts due to related parties are unsecured and attract a nil interest rate.

13. CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

Bank Loan - Catholic Development Fund (note 16)	<u>945</u>	<u>903</u>
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St Vincent's Hospital Sydney Limited
ABN 77 054 038 872
Notes to the Financial Statements
30 June 2014

	2014	2013
	\$'000	\$'000

14. CURRENT LIABILITIES – PROVISIONS

Employee benefits (note 21) (a)	<u>91,412</u>	<u>79,666</u>
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Refer to note 30 for details of the deemed contribution by parent entity on business combination on 1 July 2013.

(a) Amounts in current provisions which are not expected to be settled within the next 12 months

Employee benefits include annual leave and long service leave. The current provision for annual and long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current even though it is probable that these amounts will be paid out over several years.

15. NON-CURRENT LIABILITIES – PAYABLES

Amounts due to St Vincent's Healthcare Limited (unsecured)	<u>18,000</u>	<u>12,000</u>
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St Vincent's Healthcare Limited (SVHC), a fellow subsidiary, lent \$18,000,000 to the company to provide funds to compensate for operating deficits and capital expenditure.

SVHC has provided the funds as an interest free loan where principal repayments are only due on the receipt of one years notice. No notice for any repayments has been received.

16. NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

Bank loan - Catholic Development Fund (a)	<u>4,466</u>	<u>4,865</u>
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(a) Bank loan to Catholic Development Fund (current and non-current) of \$5,411,000 (2013: \$5,768,000).

A loan was taken out on 6 February 2009 for a total of \$8,300,000 for the development of the carpark in the O'Brien Building. The loan is repayable over 10 years at a variable rate of 5.50% at 30 June 2014 (2013: 5.90%).

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

17. NON-CURRENT LIABILITIES – PROVISIONS

Employee benefits (note 21)	<u>5,707</u>	<u>4,941</u>
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Refer to note 30 for details of the deemed contribution by parent entity on business combination on 1 July 2013.

St Vincent's Hospital Sydney Limited
ABN 77 054 038 872
Notes to the Financial Statements
30 June 2014

2014 2013
\$'000 \$'000

18. RESERVES AND RETAINED SURPLUSES

(a) Reserves

Available-for-sale investments revaluation reserve

Opening balance at the beginning of the financial year	-	3,989
Gain on revaluation of available-for-sale financial assets (current note 8)	-	1,988
Net realised gain on available-for-sale financial assets	-	(5,977)
Closing balance at the end of the financial year	-	-
Total Reserves	-	-

Nature and purpose of reserves

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

(b) Retained surpluses

Opening balance at the beginning of the financial year	71,108	76,066
Deficit for the year	(2,078)	(4,958)
Deemed contribution by parent entity on business combination	21,405	-
Closing balance at the end of the financial year	90,435	71,108

(c) Allocation of funds

Special Purpose and Trust Funds	89,107	77,538
General Fund	1,328	(6,430)
	90,435	71,108

Movements:

Special Purpose and Trust Funds

Balance at the beginning of the year	77,538	122,950
Surplus for the year	427	9,342
Transfer of assets to General Fund	(13,056)	(54,754)
Deemed contribution by parent entity on business combination	24,198	-
Funds held at the end of the year	89,107	77,538

General Fund

Balance at the beginning of the year	(6,430)	(46,884)
Deficit for the year	(2,505)	(14,300)
Transfer of assets from special purpose and trust funds	13,056	54,754
Deemed contribution by parent entity on business combination	(2,793)	-
Funds held at the end of the year	1,328	(6,430)

Refer to note 30 for details of the deemed contribution by parent entity on business combination on 1 July 2013.

St Vincent's Hospital Sydney Limited
ABN 77 054 038 872
Notes to the Financial Statements
30 June 2014

18. RESERVES AND RETAINED SURPLUSES (continued)

The general fund has reported deficits for many years and while it reported a surplus of \$1,300,000 for year ended 30 June 2014, this is inclusive of transfers from special purpose and trust funds mostly for the acquisition of assets such as The Kinghorn Cancer Centre. Excluding the trust fund transfers, the general fund would have an accumulated deficit of \$66,492,000.

19. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

The Company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis, and monitoring of interest rates and ageing analysis for credit risk.

Risk management is documented by policies approved by the Board and, where appropriate, the member. The Board provides direction on relevant risk management principles. The Company retains independent third party advisors where appropriate to provide advice on risk issues. The Company's principal financial instruments are cash, investments, trade and other receivables, trade and other payables, and interest bearing liabilities.

	2014	2013
	\$'000	\$'000

The Company holds the following financial instruments:

Financial Assets

Cash and cash equivalents	10,710	10,039
Trade and other receivables (current)	28,952	30,397
Receivables (non-current)	5,114	4,865
Held-to-maturity investments (current)	98,000	79,500
Available-for-sale investments (current)	56	360
Total financial assets	142,832	125,161

Financial Liabilities

Trade and other payables (current)	50,116	60,898
Borrowings (current)	945	903
Borrowings (non-current)	4,466	4,865
Total financial liabilities	55,527	66,666

(a) Market Risk

(i) Price risk

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

St Vincent's Hospital Sydney Limited
ABN 77 054 038 872
Notes to the Financial Statements
30 June 2014

19. FINANCIAL RISK MANAGEMENT (continued)

(b) Market Risk (continued)

The maximum exposure to market risk at the reporting date is the fair value of the securities and the unit trust units classified as available-for-sale. Significant or prolonged declines in fair value below cost are considered an indicator of impairment of available-for-sale financial assets. Upon review, the fair value of available-for-sale financial assets resulted in an increase \$Nil in the statement of comprehensive income for the year ended 30 June 2014 (2013: \$1,988,000 impairment charged to the statement of comprehensive income).

During the financial year and at the reporting date, if prices relating to certain available-for-sale investments had moved by +/- 10%, with all other variables held constant, the surplus for the Company for the year, and equity at the reporting date, would have been \$5,358 (2013: \$35,896) higher / lower.

(ii) Interest rate risk

The Company's exposure to market interest rates relates primarily to the following:

Cash at bank deposits, held-to-maturity investments and available-for-sale investments

The Company has an investment policy that seeks to limit this risk by restricting 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.

Interest Bearing Liabilities

Borrowings are at both fixed and variable rates. The variable risk 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.

As at reporting date, the Company had the following mix of financial assets and liabilities exposed to variable interest rate risk:

	2014	2013
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	10,710	10,039
Held-to-maturity investments	98,000	79,500
	108,710	89,539
Financial liabilities		
Borrowings	5,411	5,768
	5,411	5,768
Net exposure	103,298	83,771

During the financial year and at reporting date, if interest rates had increased by 1% (100 basis points) then, with all other variables held constant, the operating surplus for the financial year, and equity at the reporting date, would have been \$905,890 (2013: \$717,831) lower if rates had moved up and the reverse if rates had moved down.

19. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit Risk

Cash at bank deposits are held with major trading banks and financial institutions. The Company has an investment policy that seeks to limit credit risk by restricting the banks and financial institutions that can be accepted based on their credit rating. Investments held with major Australian trading banks and other Australian owned banks and corporations have a Standard & Poor's long term rating of "A" or better and/or a short term rating of A-2 or better. The ratings of the banks and finance institutions are independently monitored on a regular basis.

(b) Credit Risk (continued)

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 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.

Credit risk in respect of amounts due from related parties (primarily associated entities to the Company) 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.

As outlined above, the Company trades and deals only with recognised and creditworthy parties and, as such, collateral is not requested nor is it the Company's policy to securitise its trade and other receivables.

(c) Liquidity Risk

Prudent liquidity management implies maintaining sufficient cash, cash equivalents and investments with short term maturity to meet financial obligations as and when they fall due. The Company manages liquidity risk by continuously monitoring forecast and actual cash flow and matching the maturity profiles of financial assets and liabilities. As noted above 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 financial liabilities

As at reporting date, the Company's remaining contractual maturities of its financial liabilities were as follows:

	2014 \$'000	2013 \$'000
Trade and other payables		
Within one year	<u>50,116</u>	<u>60,898</u>
	<u>50,116</u>	<u>60,898</u>
Interest bearing liabilities		
Within one year	<u>945</u>	<u>903</u>
Later than one year but not later than five years	<u>4,466</u>	<u>4,865</u>
	<u>5,411</u>	<u>5,768</u>

St Vincent's Hospital Sydney Limited
ABN 77 054 038 872
Notes to the Financial Statements
30 June 2014

19. FINANCIAL RISK MANAGEMENT (continued)

(d) Fair value estimates

The Company uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 the fair value is calculated using quoted prices in active markets.

Level 2 the fair value is estimated using in inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Available-for- sale investments: equity securities	<u>56</u>	<u>-</u>	<u>-</u>	<u>56</u>

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

For financial instruments not quoted in active markets, the Company uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

20. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the Company:

	2014	2013
	\$'000	\$'000
Assurance services		
Ernst & Young Australian firm		
Audit of financial reports and other audit work under Corporations Act 2001	<u>182</u>	<u>93</u>
Total remuneration for assurance services	<u>182</u>	<u>93</u>
Non-assurance services		
Ernst & Young Australian firm	<u>-</u>	<u>-</u>
Total remuneration for non-assurance services	<u>-</u>	<u>-</u>
Total remuneration	<u>182</u>	<u>93</u>

St Vincent's Hospital Sydney Limited
ABN 77 054 038 872
Notes to the Financial Statements
30 June 2014

	2014	2013
	\$'000	\$'000
21. EMPLOYEE BENEFITS		
Employee benefit and related on-costs liabilities		
Provision for employee benefits – current (note 14)	91,412	79,666
Provision for employee benefits – non-current (note 17)	5,707	4,941
Aggregate employee benefit and related on-costs liabilities	97,119	84,607

The increase in employee benefits is partly due to the consolidation of Sacred Heart Hospice Limited and St Joseph's Hospital Limited \$8,334,000 on 1 July 2013.

22. COMMITMENTS FOR EXPENDITURE

(a) Capital commitments

Commitments for capital projects contracted for at the reporting date but not recognised as liabilities, payable:

Within one year	1,187	3,859
	1,187	3,859

(b) Lease commitments

Operating leases

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

Within one year	697	275
Later than one year but not later than 5 years	487	495
	1,184	770

23. RELATED PARTIES

Parent entity and ultimate parent entity

The parent entity of St Vincent's Hospital Sydney Limited is St Vincent's Health Australia Limited. 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 (which comprises the wholly owned group outlined below) to the Trustees of Mary Aikenhead Ministries. From an accounting viewpoint, the ultimate Australian parent entity continues to be the Trustees of the Sisters of Charity of Australia on the basis that it is the sole member of the Trustees of Mary Aikenhead Ministries. However, in practice, the Trustees of Mary Aikenhead Ministries, however constituted, exercises ultimate control.

Commonly controlled entities

For the year ending 30 June 2014 the St Vincent's Health Australia Limited wholly-owned group consists of the following commonly controlled entities:

St Vincent's Hospital Sydney Limited
ABN 77 054 038 872
Notes to the Financial Statements
30 June 2014

23. RELATED PARTIES (continued)

Sacred Heart Hospice Limited ¹	St Vincent's Healthcare Limited
St Joseph's Hospital Limited ¹	St Vincent's Hospital (Melbourne) Limited
St Joseph's Village Limited	St Vincent's Hospital Sydney Limited
St Vincents & Mater Health Sydney Limited	St Vincent's Hospital Toowoomba Limited
St Vincent's Clinic	St Vincent's Private Hospital Melbourne Limited
St Vincent's Health & Aged Care Limited	The Trustee for St Vincent's Clinic Foundation
St Vincent's Curran Foundation	

¹ During the year, the assets and liabilities of these entities were transferred to St Vincent's Hospital Sydney Limited. These entities were deregistered on 7 April 2014.

St Vincent's Health Australia Limited is the sole member of each of these entities.

Transactions with parent entity, commonly controlled entities and other related parties

Transactions between St Vincent's Hospital Sydney Limited and its parent entity, commonly controlled entities and other related parties during the year ended 30 June 2014 consisted of:

- (a) Loans advanced by St Vincent's Healthcare Limited;
- (b) Recovery of costs for the provision of management and administrative services, and
- (c) Payment for the provision of management and administrative services.

The Company provides management and administrative services referred to in (b) above at cost. The Company is provided with management and administrative services referred to in (c) above at cost. Otherwise the above transactions were made on normal commercial terms and conditions and at market rates. No interest is charged on the loan.

Aggregate amounts included in the determination of surplus from ordinary activities that resulted from transactions with each class of other related parties:

	2014	2013
	\$'000	\$'000
Income from the provision of management and administrative services to:		
Parent entity	126	128
Commonly controlled entities	1,092	23,826
Other related parties	4,875	4,856
Expenses relating to the provision of management and administrative services by:		
Parent entity	995	700
Commonly controlled entities	365	5,532
Other related parties	18,658	13,759

The decrease in income and expenses from commonly controlled entities and the increase in services provided by the parent entity are due to the transfer of operations of Sacred Heart Hospice Limited and St Joseph's Hospital Limited.

St Vincent's Hospital Sydney Limited
ABN 77 054 038 872
Notes to the Financial Statements
30 June 2014

	2014	2013
	\$'000	\$'000
23. RELATED PARTIES (continued)		
Aggregate amounts brought to account in relation to other transactions with each class of other related parties:		
Proceeds of advances from:		
Commonly controlled entities	6,000	10,000

24. KEY MANAGEMENT PERSONNEL DISCLOSURES

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
Fr F Brennan SJ AO (Resigned on 30 June 2014)
Sr M Confoy RSC
Mr B Earle
Ms P Faulkner AO
Mr G Humphrys
Ms B Hutchinson AM (Resigned on 15 October 2013)
Prof. P Smith
Sr M Walters RSC (Resigned on 1 August 2013)
Mr P McClintock AO
Prof. S Crowe AM
Ms M Babbage (Appointed on 1 October 2013)
Sr M Wright IBVM (Appointed on 1 October 2013)

Executives

Other than directors, Key Management Personnel include those having the authority and responsibility for planning, directing and controlling the Company's activities directly or indirectly.

The names and position of Key Management Personnel (other than Directors) are:

Prof. P O' Rourke	SVHA DPubH - Chief Executive Officer
Mr J Anderson	SVHNS - Chief Executive Officer
Dr B Gardiner	SVHNS - Acting Chief Executive Officer, Chief Medical Officer and Director Clinical Governance
Mr A Schembri	SVHNS – Chief Executive Officer
Ms S Pearce	SVHNS – Director Finance
Dr T Batten	SVHA – Group Chief Executive Officer
Mr T Hall	SVHA – Group Chief Executive Officer
Mr J Leahy	SVHA - Acting Group Chief Executive Officer
Mr P Forsberg	SVHA – Group Chief Financial Officer
Mr R Beetson	SVHA - Group General Manager Corporate Governance

24. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Dr Batten, Mr Hall, Mr Forsberg and Mr Beetson were employed by the parent entity. Dr Batten resigned as Group Chief Executive Officer on 13 October 2013. Mr Leahy was Acting Group Chief Executive Officer to 3 April 2014. Mr T Hall was appointed as Group Chief Executive Officer on 3 April 2014.

Prof. O' Rourke was appointed Chief Executive Officer of the SVHA Public Hospitals' Division on 19 August 2013.

Mr Anderson resigned as Chief Executive Officer of St Vincent's Health Network on 4 October 2013. Dr Gardiner was acting Chief Executive Officer of St Vincent's Health Network to 16 February 2014. Mr Schembri was appointed Chief Executive Officer of St Vincent's Health network on 17 February 2014.

Compensation

The compensation paid by St Vincent's Hospital Sydney Limited to the directors and key management personnel noted above is as follows:

	2014	2013
Compensation Category	\$'000	\$'000
Short-term employee benefits	811	452
Post-employment benefits	432	29
Termination benefits	454	-
Total	1,697	481

There are no other long term benefits as at year end (2013: nil).

25. ECONOMIC DEPENDENCY

St Vincent's Hospital Sydney Limited sources a significant volume of their revenue from a number of Government entities including:

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

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

St Vincent's Hospital Sydney Limited
ABN 77 054 038 872
Notes to the Financial Statements
30 June 2014

26. RECONCILIATION OF DEFICIT FOR THE YEAR TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2014	2013
	\$'000	\$'000
Deficit for the year	(2,078)	(4,958)
Depreciation and amortisation	10,734	8,918
Realised gain on available-for-sale financial assets	-	(5,977)
Impairment of trade receivables	(777)	(10)
Net loss on disposal of non-current assets	278	423
Change in operating assets and liabilities:		
(Increase) in trade receivables	(544)	(388)
Decrease/(Increase) in other receivables and prepayments	9,766	(289)
Decrease/ (Increase) in inventories	807	(231)
(Decrease) in trade creditors and other liabilities	(17,165)	(2,684)
Increase in liabilities	-	9,914
Increase in other provisions	4,178	1,061
Net cash inflow from operating activities	<u>5,199</u>	<u>5,779</u>

27. CONTINGENT LIABILITIES

The consolidated entity had contingent liabilities at 30 June 2014 which are detailed below. No material losses are anticipated in respect of any of these contingent liabilities.

Commonwealth Government and NSW Government

An agreement was signed with the Commonwealth Government and NSW Government relating to part funding of the construction of the St Vincent's Research and Biotechnology Precinct. Should the Company demolish, dispose of, mortgage or otherwise encumber this building or breach the agreement without prior consent of either the Commonwealth or NSW Government, it may be liable to repay the capital grant advanced by that Government. The Company's share of the grant is \$9,500,000.

Commonwealth Government

An agreement was signed with the Commonwealth Government relating to part funding of the construction of the Kinghorn Cancer Centre. Should the Company demolish, dispose of, mortgage or otherwise encumber this building, or breach the agreement, without prior consent of the Government, it may be liable to repay the capital grant advanced by the Government. The Company's share of the grant upon building completion is \$35,000,000.

28. INTERESTS IN JOINT VENTURES

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 Federal 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.

	2014 \$'000	2013 \$'000
Share of joint venture's assets and liabilities		
Current assets	51	2,142
Non-current assets	50,471	48,848
Total assets	<u>50,522</u>	<u>50,990</u>
Current liabilities	1,433	1,409
Net assets	<u>49,089</u>	<u>49,581</u>
Share of joint venture's revenue, expenses and results		
Revenues	-	674
Expenses	(33)	(8)
Profit before income tax	<u>(33)</u>	<u>666</u>
Share of joint venture's commitments		
Capital commitments	<u>-</u>	<u>-</u>

29. MEMBERS' GUARANTEE

The Company is limited by guarantee. If the Company is wound up, the Constitution states that each member is required to contribute a maximum of \$100 each towards meeting any outstanding obligations of the Company.

	2014 Number	2013 Number
Number of members	<u>1</u>	<u>1</u>

St Vincent's Hospital Sydney Limited
ABN 77 054 038 872
Notes to the Financial Statements
30 June 2014

30. BUSINESS COMBINATION

On 1 July 2013, the operations of Sacred Heart Hospice Limited and St Joseph's Hospital Limited (entities under common control) were transferred to the Company. On that date, the assets and liabilities of the abovementioned entities were transferred for nil consideration, representing a deemed contribution by St Vincent's Health Australia Limited (the parent entity). The fair values of the assets transferred are as follows:

	St Joseph's Hospital Limited	Sacred Heart Hospice Limited	Total
	\$'000	\$'000	\$'000
Cash and cash equivalents (note 5)	1,744	15,896	17,640
Trade and other receivables (note 6)	1,955	4,083	6,038
Inventories (note 7)	51	-	51
Available-for-sale investments (note 8)	-	17	17
Held-to-maturity investments (note 9)	400	1,000	1,400
Non-current receivables (note 10)	205	460	665
Property, plant and equipment (note 11)	5,800	3,611	9,411
Trade and other payables (note 12)	(1,836)	(3,647)	(5,483)
Current provisions (note 14)	(7,867)	-	(7,867)
Non-current provisions (note 17)	(467)	-	(467)
	(15)	21,420	21,405

31. CORPORATE INFORMATION

The financial report of St Vincent's Hospital Sydney Limited for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 2 October 2014. The directors have the power to amend and reissue the financial report.

St Vincent's Hospital Sydney Limited is a not-for-profit company limited by guarantee, incorporated under the Corporation Act 2001 and domiciled in Australia. Its registered office and principal place of business is:

Registered Office
Level 1
75 Grafton Street
Bondi Junction NSW 2022

Principal Place of Business
390 Victoria Street
Darlinghurst NSW 2010

The nature of the operations and principal activities of the Company are described in the Directors' Report.

St Vincent's Hospital Sydney Limited
ABN 77 054 038 872
Directors' Declaration
30 June 2014

Directors' Declaration

In the directors' opinion:

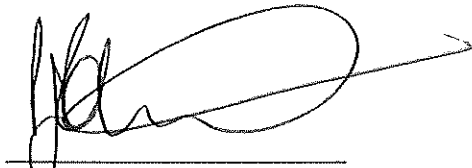
(a) the financial statements and notes set out on pages 11 to 43 of the Company are in accordance with the *Corporations Act 2001* and the *Australian Charities and Not-for-Profit Commission Act 2012* (Cth), including:

(i) complying with Accounting Standards and *Corporations Regulations 2001*; and

(ii) giving a true and fair view of the Company's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

(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.

A handwritten signature in black ink, appearing to be 'Paul Robertson', written over a horizontal line.

Mr Paul Robertson AM, Chair
Sydney
2 October 2014

Independent auditor's report to the members of St Vincent's Hospital Sydney Limited

We have audited the accompanying financial report of St Vincent's Hospital Sydney Limited, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility 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 *Corporations Act 2001* and the *Australian Charities and Not-for-Profits Commission Act 2012* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

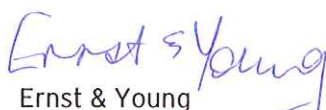
Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001* and the *Australian Charities and Not-for-Profits Commission Act 2012*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion the financial report of St Vincent's Hospital Sydney Limited is in accordance with the *Corporations Act 2001* and the *Australian Charities and Not-for-Profits Commission Act 2012*, including:

- i giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
- ii complying with Australian Accounting Standards and the *Corporations Regulations 2001* and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.



Ernst & Young



Loretta Di Mento

Loretta Di Mento
Partner
Sydney
2 October 2014