

St Vincent's Hospital Sydney Limited

Financial Report 2017



**ST VINCENT'S
HOSPITAL**
SYDNEY

A FACILITY OF ST VINCENT'S HEALTH AUSTRALIA

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CORPORATE INFORMATION

Directors	Mr P Robertson AM	Mr B Earle
	Ms P Faulkner AO	Sr M Wright IBVM
	Prof. M Confoy RSC	Mr P McClintock AO
	Dr M. Coote (Appointed 4 August 2016)	Ms A McDonald (Appointed 1 June 2017)
	Prof. S Crowe AM	Mr G Humphrys (Retired 30 June 2017)
	Ms S McPhee (Appointed 1 October 2017)	Prof. P Smith (Retired 31 December 2016)
Company Secretary	Mr R Beetson	Mr P Fennessy
	Level 22, 100 William Street, Woolloomooloo, NSW 2011	
Principal place of business	390 Victoria Street, Darlinghurst, NSW 2010	
Auditor	Ernst & Young, 200 George Street Sydney, NSW 2000	
Website address	www.stvincents.com.au	
ABN	77 054 038 872	

DIRECTORS' REPORT

The Directors of St Vincent's Hospital Sydney Limited present their report together with the financial report of St Vincent's Hospital Sydney Limited for the year ended 30 June 2017.

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

This financial report was authorised for issue by the Directors on 12 October 2017. The Company has the power to amend and reissue the financial report.

ABOUT ST VINCENT'S HOSPITAL SYDNEY LIMITED

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

Our mission

As a Catholic Healthcare service we bring God's love to those in need through the healing ministry of Jesus. We are especially committed to people who are poor or vulnerable.

Our vision

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

Our values

Compassion
Justice
Integrity
Excellence

OBJECTIVES AND PRINCIPAL ACTIVITIES

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

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

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

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

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

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

OPERATING AND FINANCIAL REVIEW

Review of operations

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

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

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW (continued)

During the year, revenue and other income increased by \$36,724,000 or 6.9% due to additional activity and escalation in price and donations. A key focus for the Company has been optimising its efficiency whilst continuing to strive to improve its world-class person-centred care. Costs were monitored closely during the year and increased by \$15,021,000 or 2.8%. In 2017, the Company generated an operating surplus of \$22,183,000 an improvement of \$21,703,000 on prior year. The Company is aiming to maintain and exceed a break even position in future years.

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

The operating surplus specifically attributable to the hospital's General Fund (operations of the three facilities) for the year and after depreciation was \$15,871,000 compared to last year's deficit of \$7,317,000. Special Purpose and Trust funds generated a surplus of \$21,312,000 compared to last years surplus of \$11,797,000.

Going Concern

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

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

1. The Company is listed as an Affiliated Health Organisation under the *Health Services Act 1997*. Section 127 of the Act obliges the Minister to consider funding allocations to Affiliated Health Organisations although not a quantum of funding. A Memorandum of Understanding (MOU) with the NSW Ministry of Health (the Ministry) has been in place for a number of years in relation to equity of treatment, including funding, compared to other entities with the NSW public health system. Legislative obligations combined with the MOU provide a level of surety that ongoing funding allocations will be provided by the Ministry. The MOU contains specific acknowledgments by the Minister for Health and the Ministry that St Vincent's Hospital Sydney Limited is a separate legal entity and that the Officers' and Directors' rely (in part) upon the MOU for the purposes of discharging their duties under law. The Company has commenced negotiations with the Ministry to develop a new MOU or similar agreement to reaffirm certainty of funding.
2. The Company has a Service Agreement with the Ministry for 2017-18 which provides certainty of funding for that financial year.
3. The Company recorded an operating surplus of \$22,183,000, net current assets of \$28,794,000 and net assets of \$122,584,000 in 2017. The Company's results and assets comprise the General Fund and Special Purpose and Trust Funds, which have restricted purposes. The General Fund recorded a total surplus of \$15,871,000 and net liabilities of \$7,163,000. The Company 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.
5. The Company received a letter from the Ministry dated 22 October 2005 in which it accepts some liability for employee entitlements should the Company cease activities as an Affiliated Health Organisation.

DIRECTORS' REPORT

DIVIDENDS

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

MEMBER'S GUARANTEE

If the Company is wound up the constitution states that each member is required to contribute a maximum of \$100 each towards meeting the obligations of the Company. At 30 June 2017, the Company had 1 member (2016: 1) so the maximum amount to be contributed towards meeting the obligations of the Company would be \$100 (2016: \$100).

SUBSEQUENT EVENTS

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company is registered under the National Greenhouse and Energy Reporting Act, under which it is required to report energy consumption and greenhouse gas emissions for its Australian facilities for the 12 months ended 30 June 2017 and future periods. The Company has established a separate sustainability group and data collection systems and processes are in place to meet its requirements.

INDEMNIFICATION AND INSURANCE OF OFFICERS

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

INDEMNIFICATION OF AUDITOR

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

ROUNDING OF AMOUNTS.

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

DIRECTORS' REPORT

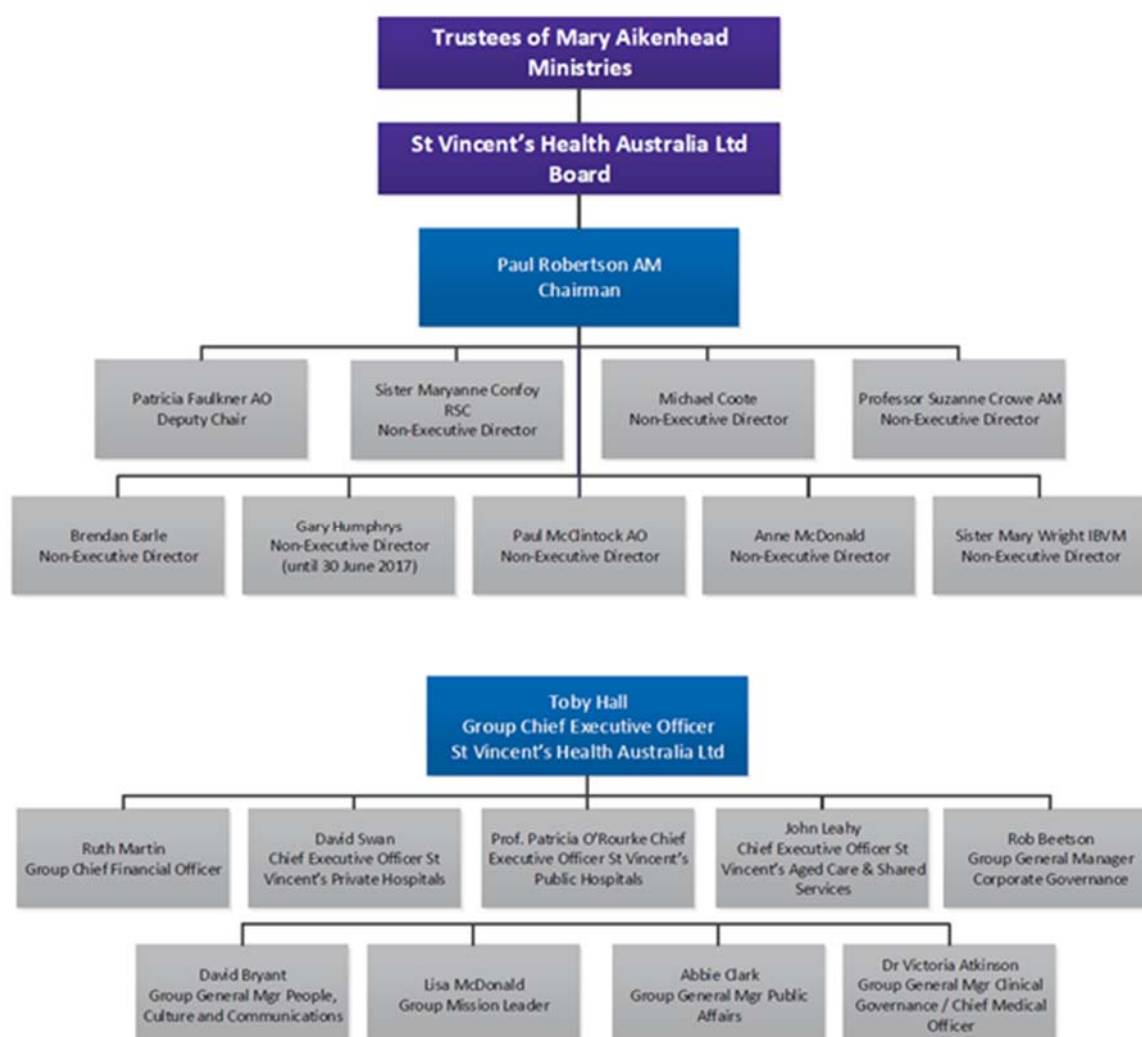
STRUCTURE AND MANAGEMENT

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

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

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

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



DIRECTORS' REPORT

STRUCTURE AND MANAGEMENT (continued)

Board of Directors

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

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

Board Committees

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

The Board is supported by seven standing Committees:

Audit & Risk

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

Finance & Investment

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

Mission, Ethics & Advocacy

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

People & Culture

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

Clinical Governance & Safety Committee (Previously Quality & Safety)

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

Research & Education Committee

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

DIRECTORS' REPORT

STRUCTURE AND MANAGEMENT (continued)

Ad hoc Health Infrastructure Partnerships Committee

The Health Infrastructure Partnerships Committee (the HIP Committee) is an ad hoc committee of the Board of St Vincent's Health Australia (SVHA) Limited (the Company); its establishment was approved by the Board at its meeting on 8 December 2016. The Board Charter under Section 4.2 states: The Board may also establish other committees on an ad hoc basis as it deems necessary in order to assist it from time to time. The purpose of the HIP Committee is to assist the Board in the effective discharge of its responsibilities related to ensuring effective governance of the HIP program and strategic alignment across SVHA group facilities in accordance with the Mission and values of the organisation.

Information on Directors

Mr Paul Robertson AM

Bachelor of Commerce,
Fellow, CPA Australia
Chairman

Paul was appointed to the Board on 1 October 2009 and was appointed as Chairman on 5 October 2012. Paul is a former Executive Director of Macquarie Bank with extensive experience in banking, finance and risk management. Paul is Chair of Social Ventures Australia, Chair of the Trustees of St Vincent's Hospital Sydney and holds several private company directorships. In 2016 Paul was appointed as chair of Alzheimer's Australia.

Paul is chair of the People & Culture Committee.

Ms Patricia Faulkner AO

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

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

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

Prof. Maryanne Confoy RSC

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

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

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

DIRECTORS' REPORT

STRUCTURE AND MANAGEMENT (continued)

Information on Directors (continued)

Prof. Suzanne Crowe AM

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

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

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

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

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

Mr Brendan Earle

Bachelor of Laws (Hons);
Bachelor of Arts

Barrister and Solicitor,
Supreme Court of Victoria.

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

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

Mr Gary Humphrys

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

Gary was appointed to the Board on 1 October 2010. Gary has almost 40 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. Gary was Deputy Chair of Ergon Energy Corporation Limited until 31 December 2016 and was a Director of The Holy Spirit Northside Private Hospital Limited. Gary is a Director of HESTA superannuation.

Gary retired from the SVHA Board on 30 June 2017. Gary was until 30 June 2017, Chair of the Audit & Risk Committee, a member of the Mission, Ethics & Advocacy Committee and a member of the Finance & Investment Committee. The SVHA Board approved suspending clause 2.3 of the SVHA Board Audit & Risk Committee Charter to allow Gary to continue as Committee Chair for a period post his retirement from the SVHA Board until 13 October 2017.

DIRECTORS' REPORT

STRUCTURE AND MANAGEMENT (continued)

Information on Directors (continued)

Mr Paul McClintock AO

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

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

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

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

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

Prof. Peter Smith

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 AICD.

Peter was appointed to the Board on 1 October 2010 and retired on 31 December 2016. Peter was Dean of the Faculty of Medicine at the University of New South Wales. Peter was a Director of the Garvan Institute of Medical Research (Chair, Kinghorn Centre for Clinical Genomics Committee), Neuroscience Research Australia and Ingham Health Research Institute. He was President, Medical Deans, Australia and New Zealand and a Group Captain, RAAF Specialist Reserve. Peter remains a Director of The Sax Institute of Health Research (Chair, Research Governance Committee)

Peter was Chair of the Clinical Governance & Safety Committee (Previously Quality & Safety) and a member of the People & Culture Committee.

Sr Mary Wright IBVM

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

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

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

Ms Anne McDonald

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

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

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

Anne is a member of the Audit & Risk Committee and will chair that Committee from 14 October 2017.

DIRECTORS' REPORT

STRUCTURE AND MANAGEMENT (continued)

Information on Directors (continued)

Dr Michael Coote

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

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

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

Ms Sandra McPhee AM

Diploma in Education

Sandra McPhee AM has been appointed as a Director of the SVHA and subsidiary Boards effective 1 October 2017. Sandra will also join the People & Culture Committee of the Board. Sandra has a long history with SVHA having served on the Sydney regional Boards prior to 2010. She is currently serving as Chair of the Sydney Regional Advisory Committee. Sandra is also on the Boards of Kathmandu Ltd and Fairfax Media Ltd and is a Board member of the NSW Public Service Commission. She has previously served as a Non-Executive Director on diverse Boards such as Coles Group Ltd, Starlight Foundation, Tourism Australia and AGL Energy Ltd.

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

Company Secretary

Mr Robert Beetson

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

Rob has worked for over 30 years in the health industry. He is admitted as a Solicitor to the Supreme Court of NSW, Member of the Law Society of NSW, Associate Member of the Governance Institute of Australia, and Member Australian Corporate Lawyers Association. Rob is also a graduate of the Australian Institute of Company Directors. He was previously Manager of Investigations at the Health Care Complaints Commission (NSW).

Mr Paul Fennessy

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

Paul was appointed as alternate Company Secretary on 11 February 2016 and has over 20 year's experience as a lawyer. He is admitted as a Solicitor to both the Supreme Court of NSW and the Supreme Court of Victoria and holds an unrestricted NSW Practising Certificate.

DIRECTORS' REPORT

Meetings of the Board and Committees

Board		Board Committees						
Director	# of meetings attended	Audit & Risk	Finance & Investment	Mission, Ethics & Advocacy	People & Culture	Clinical Governance & Safety	Research & Education	Health Infrastructure Partnerships
Mr P Robertson AM (Chair)	7/7				● 4/4			● 2/2
Ms P Faulkner AO	7/7			4/4		5/7		
Ms A McDonald (Appointed 1 June 2017)	1/1							
Sr M Confoy RSC	7/7			4/4	4/4			
Prof. S Crowe AM	7/7			3/4		● 7/7	1/1	0/2
Mr B Earle	7/7	5/5	7/7			3/4		2/2
Mr G Humphrys (Retired 30 June 2017)	7/7	● 5/5	7/7	4/4				
Mr P McClintock AO	7/7		● 7/7				0/1	1/2
Prof. P Smith (Retired 31 December 2016)	4/4				2/3	● 2/3		
Sr M Wright IBVM	6/7	5/5		● 3/4	3/4			
Dr M Coote (Appointed 4 August 2016)	7/7					6/6	1/1	1/2

● Chair

REMUNERATION

SVHA seeks to provide fair and responsible remuneration. For Board members, remuneration is within the bands expected for a not-for-profit organisation. For Executives, the remuneration is within the bands of the general market. Under the legislation, SVHA is not required to present a Remuneration Report, Note E1 contains the required remuneration disclosures.

AUDITOR

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

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

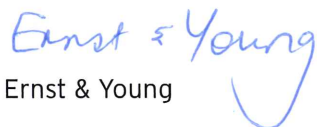


Mr Paul Robertson AM, Chair
Sydney

12 October 2017

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 2017, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of any applicable code of professional conduct.



Ernst & Young



Loretta Di Mento

Loretta Di Mento
Partner
Sydney
12 October 2017

PROFIT OR LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 \$'000	2016 \$'000
Revenue	A1	553,634	523,294
Other income	A1	12,982	6,598
Total revenue and other income		566,616	529,892
Employment expenses	A2	350,880	343,389
Goods and services		142,911	151,766
Finance costs		111	71
Repairs and maintenance		6,434	6,167
Depreciation and amortisation	A5	9,818	9,370
Other expenses from ordinary activities		34,279	18,649
Total expenses		544,433	529,412
Operating surplus		22,183	480
Capital funding received	A1	15,000	4,000
Total comprehensive profit		37,183	4,480
Allocated as follows:			
General Fund – total surplus/(deficit) for the year		15,871	(7,317)
Special Purpose and Trust Funds – total surplus for the year		21,312	11,797
Total comprehensive surplus		37,183	4,480

BALANCE SHEET

AT 30 JUNE 2017

	Notes	2017 \$'000	2016 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	B1	12,144	4,793
Trade and other receivables	A3	34,054	30,438
Inventories	A4	6,437	6,329
Investments	B2	138,634	118,915
Total current assets		191,269	160,475
Non-current assets			
Receivables	A3	1,703	2,975
Property, plant and equipment	A5	116,870	111,019
Total non-current assets		118,573	113,994
Total assets		309,842	274,469
LIABILITIES			
Current liabilities			
Trade and other payables	A6	51,999	53,688
Borrowings	B4	938	1,064
Provisions	A7	109,538	108,215
Total current liabilities		162,475	162,967
Non-current liabilities			
Provisions	A7	5,673	5,739
Borrowings	B4	19,110	20,362
Total non-current liabilities		24,783	26,101
Total liabilities		187,258	189,068
Net assets		122,584	85,401
Retained deficit – General Fund		(21,608)	(37,479)
Retained surplus – Special Purpose and Trust Fund		144,192	122,880
Total equity		122,584	85,401

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017**

	Retained surpluses \$'000	Total \$'000
2017		
Balance 1 July 2016	85,401	85,401
Total surplus	37,183	37,183
Total comprehensive surplus	37,183	37,183
Balance 30 June 2017	122,584	122,584
2016		
Balance 1 July 2015	80,921	80,921
Total surplus	4,480	4,480
Total comprehensive surplus	4,480	4,480
Balance 30 June 2016	85,401	85,401

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Receipts from patients and grants (including GST)		590,968	560,104
Payments to suppliers and employees (including GST)		(581,065)	(558,962)
Donations and other income received		27,982	10,598
Net cash flow from operating activities	B1(ii)	37,885	11,740
Cash flows used in investing activities			
Payments for property, plant and equipment		(15,677)	(8,924)
Proceeds from disposal of plant and equipment		10	176
Payments for investments		(133,619)	(115,527)
Proceeds from investments		117,619	108,658
Interest received		1,133	200
Net cash flow used in investing activities		(30,534)	(15,417)
Cash flows used in financing activities			
Repayment of loan from related party		-	(8,000)
Net cash flow used in financing activities		-	(8,000)
Net increase/(decrease) in cash and cash equivalents held		7,351	(11,677)
Cash at the beginning of the financial year		4,793	16,470
Cash at the end of the financial year	B1	12,144	4,793

NOTES TO THE FINANCIAL STATEMENTS: ABOUT THIS REPORT FOR THE YEAR ENDED 30 JUNE 2017

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NOTES TO THE FINANCIAL STATEMENTS: ABOUT THIS REPORT FOR THE YEAR ENDED 30 JUNE 2017

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

The financial report represents the financial information of St Vincent's Hospital Sydney Limited (the "Company"). The financial report was authorised for issue by the Directors on 12 October 2017. The Directors have the power to amend and reissue the financial report.

Basis of preparation

The financial report is a general purpose financial report which:

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

Going concern

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

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

1. The Company is listed as an Affiliated Health Organisation under the *Health Services Act 1997*. Section 127 of the Act obliges the Minister to consider funding allocations to Affiliated Health Organisations although not a quantum of funding. A Memorandum of Understanding (MOU) with the NSW Ministry of Health (the Ministry) has been in place for a number of years in relation to equity of treatment, including funding, compared to other entities within the NSW public health system. Legislative obligations combined with the MOU provide a level of surety that ongoing funding allocations will be provided by the Ministry. The MOU contains specific acknowledgments by the Minister for Health and the Ministry that St Vincent's Hospital Sydney Limited is a separate legal entity and that the Officers' and Directors' rely (in part) upon the MOU for the purposes of discharging their duties under law. The Company has commenced negotiations with the Ministry to develop a new MOU or similar agreement to reaffirm certainty of funding.
2. The Company has a Service Agreement with the Ministry for 2017-18 which provides certainty of funding for that financial year.
3. The Company recorded an operating surplus of \$22,183,000, net current assets of \$28,794,000 and net assets of \$122,584,000 in 2017. The Company's results and assets comprise the General Fund and Special Purpose and Trust Funds, which have restricted purposes. The General Fund recorded a total surplus of \$15,871,000 and net liabilities of \$7,163,000. The Company 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.
5. The company received a letter from the Ministry dated 22 October 2005 in which it accepts some liability for employee entitlements should the company cease activities as an Affiliated Health Organisation.

NOTES TO THE FINANCIAL STATEMENTS: ABOUT THIS REPORT FOR THE YEAR ENDED 30 JUNE 2017

The notes to the financial statements

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

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

Key accounting estimates and judgements

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

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

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

Area of Estimation

Note

Long-term employee obligations – assumptions underlying assessment of employee departures and periods of service

A2

Property, plant and equipment – assessment of useful lives

A5

NOTES TO THE FINANCIAL STATEMENTS: Key numbers

FOR THE YEAR ENDED 30 JUNE 2017

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

A1 REVENUE AND OTHER INCOME

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

	2017 \$'000s	2016 \$'000s
Patient and resident fees	36,161	39,793
Government grants and subsidies	416,280	406,406
Non-medical revenue	56,607	44,009
Rent and other property revenue	1,587	1,436
Interest revenue	1,133	200
Fair value gains on financial assets at fair value through profit or loss	3,719	3,332
Other revenue	38,147	28,118
Total revenue	553,634	532,294
Donations and other income	12,982	6,598
Total other income	12,982	6,598
Capital funding received in relation to the:		
ED/PANDA and Gorman House redevelopment (a)	12,500	1,500
Darlinghurst redevelopment strategy (b)	2,500	2,500
Total capital funding included in non-operating income	15,000	4,000

(a) ED/PANDA and Gorman House redevelopment project

Government grants of \$12,500,000 were received during the year ended 30 June 2017 (2016: \$1,500,000) to fund the capital works for Gorman House and the redevelopment of the Emergency Department (ED) and Psychiatric Alcohol and non-Prescription Drug Assessment (PANDA) Unit. The Gorman House project was completed in January 2017 comprising a 20 bed medically supervised withdrawal unit for the management of alcohol and other drug related problems. The ED/PANDA project aim is to improve ED performance, create additional ED capacity and achieve improved patient outcomes through:

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

(b) Darlinghurst redevelopment strategy

Government grants of \$2,500,000 were received during 2017 (2016: \$2,500,000) to fund the Darlinghurst redevelopment strategy. Stage 1 (planning) of the project has been completed. Stage 2 comprising the preliminary business case including service need and potential procurement strategies is expected to be completed later in 2017.

NOTES TO THE FINANCIAL STATEMENTS: Key numbers

FOR THE YEAR ENDED 30 JUNE 2017

A1 REVENUE AND OTHER INCOME (continued)

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

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

Patient and resident fees is recognised when services are provided.

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

Non-medical revenue is recognised when services are provided.

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

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

A2 EMPLOYMENT EXPENSES

Employment expenses recognised during the year are set out below.

	2017 \$'000s	2016 \$'000s
Salaries and wages	324,954	318,809
Superannuation	25,926	24,580
	350,880	343,389

(i) Accounting policy

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

Superannuation

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

Termination benefits

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

Short-term employee obligations

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

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

NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2017

A2 EMPLOYMENT EXPENSES (continued)

Long-term employee obligations

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

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

A3 TRADE AND OTHER RECEIVABLES

	2017 \$'000s	2016 \$'000s
Current		
Trade receivables	10,630	11,297
Less: Provision for impairment of trade receivables (ii)	(1,349)	(1,450)
Net trade receivables	9,281	9,847
Amounts due from related parties (note C4)	4,350	2,996
Other receivables	19,041	16,484
Prepayments	1,382	1,111
Total current receivables	34,054	30,438
Non-current		
Amounts due from related parties (note C4)	1,703	2,975
Total non-current receivables	1,703	2,975

(i) Accounting policy

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

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

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

(ii) Financial risk management

Market risk - interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2017

A3 TRADE AND OTHER RECEIVABLES (continued)

Credit risk

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

Provision for impairment of trade receivables

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

	2017 \$'000s	2016 \$'000s
1 to 3 months	103	309
3 to 6 months	453	504
6 months or more	793	637
	1,349	1,450

The movements in the provision for impairment of receivables is as follows:

At 1 July	1,450	1,516
Provision for impairment recognised during the year	2,248	2,634
Receivables written off during the year as uncollectible (iii)	(2,349)	(2,700)
At 30 June	1,349	1,450

Past due but not impaired receivables ageing analysis

1 to 3 months	7,498	6,869
3 to 6 months	1,114	697
6 months or more	1,656	759
	10,268	8,325

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

(iii) Receivables written off during the year as uncollectible

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

For the year ended 30 June 2017, St Vincent's Hospital Sydney has provided \$522,514 (2016: \$677,512) in treatment for Solomon Island citizens and provided \$455,397 (2016: \$1,119,060) to overseas patients with no means to pay. Under the Agreement, the Ministry of Health, Commonwealth Government and the Solomon Island Government do not provide any source of funding for this medical care.

Amounts due from related parties

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

NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2017

A3 TRADE AND OTHER RECEIVABLES (continued)

(iv) Fair value

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

A4 INVENTORIES

Inventories of \$6,437,000 (2016: \$6,329,000) comprise medical and other consumables.

(i) Accounting policy

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

(ii) Amounts recognised in profit or loss

Inventories recognised as an expense during the year ended 30 June 2017 totalled \$107,991,303 (2016: \$113,745,386). The expense has been included in "goods and services" in the profit or loss.

A5 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Plant and equipment	In course of construction	Total
	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2017				
Cost	95,727	112,423	6,938	215,088
Accumulated depreciation	(19,067)	(79,151)	-	(98,218)
Net carrying amount	76,660	33,272	6,938	116,870

Movement

Carrying amount at 1 July	73,110	30,087	7,822	111,019
Additions	4,917	5,298	5,462	15,677
Disposals	-	(8)	-	(8)
Transfers between asset classes	1,643	4,703	(6,346)	-
Depreciation	(3,010)	(6,808)	-	(9,818)
Carrying amount at 30 June	76,660	33,272	6,938	116,870

Year ended 30 June 2016

Cost	89,173	102,291	7,822	199,286
Accumulated depreciation	(16,063)	(72,204)	-	(88,267)
Net carrying amount	73,110	30,087	7,822	111,019

Movement

Carrying amount at 1 July	73,273	34,246	4,102	111,621
Additions	2,392	2,812	3,720	8,924
Disposals	-	(156)	-	(156)
Depreciation	(2,555)	(6,815)	-	(9,370)
Carrying amount at 30 June	73,110	30,087	7,822	111,019

NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2017

A5 PROPERTY, PLANT AND EQUIPMENT (continued)

(i) Accounting policy

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

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

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

Depreciation

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

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

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

Impairment

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

Derecognition

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

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

The Company generated a net profit on the disposal of property, plant and equipment of \$2,000 (2016: \$20,000 profit). The income has been included in 'other revenue' in the profit or loss.

A6 TRADE AND OTHER PAYABLES

	2017 \$'000s	2016 \$'000s
Current		
Trade creditors and accrued expenses	44,986	46,091
Other payables	471	778
Amounts due to related parties (unsecured) (note C4)	6,542	6,819
	51,999	53,688

NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2017

A6 TRADE AND OTHER PAYABLES (continued)

(i) Accounting policy

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

(ii) Financial risk management

Liquidity risk

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

Maturity of trade and other payables

The Company's trade and other payables, based on the period remaining until the contractual maturity date, are all due within one year (2016: all due within one year).

(iii) Fair value

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

A7 PROVISIONS

	2017 \$'000s	2016 \$'000s
Current		
Employee benefits (note A2(ii))	109,538	108,215
	109,538	108,215
Non-current		
Employee benefits (note A2(ii))	5,673	5,739
	5,673	5,739

(i) Accounting policy

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

NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management FOR THE YEAR ENDED 30 JUNE 2017

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

B1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents of \$12,144,000 (2016: \$4,793,000) comprise cash at bank and short term deposits.

(i) Accounting policy

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

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

	2017 \$'000s	2016 \$'000s
Surplus for the year	37,183	4,480
Depreciation	9,818	9,370
Dividend and interest income in investing	(1,133)	(200)
Fair Value gains on financial assets at fair value through the P&L	(3,719)	(3,332)
Net (profit) on sale of property, plant and equipment	(2)	(20)
Decrease/(increase) in trade receivables	566	(1,457)
(Increase)/decrease in other receivables and prepayments	(2,910)	1,094
Increase in inventories	(108)	(528)
Decrease in trade and other payables	(3,067)	(7,761)
Increase in other provisions	1,257	10,094
Net cash inflow from operating activities	37,885	11,740

B2 INVESTMENTS

Current

Financial assets at fair value through profit or loss	138,578	118,859
Available-for-sale investments (ii)	56	56
	138,634	118,915

(i) Accounting policy

Financial assets at fair value through profit or loss

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

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

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

Available-for-sale investments

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

NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management FOR THE YEAR ENDED 30 JUNE 2017

B2 INVESTMENTS (continued)

(i) Accounting policy (continued)

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

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

Derecognition

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

(ii) Movement in available-for-sale investments

	2017 \$'000s	2016 \$'000s
Opening balance at 1 July	56	56
Closing balance at 30 June	56	56

(iii) Fair value

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

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

B3 CASH AND INVESTMENTS – FINANCIAL RISK MANAGEMENT

(i) Market risk - interest rate risk

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

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

NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management FOR THE YEAR ENDED 30 JUNE 2017

B3 CASH AND INVESTMENTS – FINANCIAL RISK MANAGEMENT (continued)

(ii) Market risk – equity price risk

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

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

(iii) Credit risk

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

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

(iv) Summarised sensitivity analysis

	Carrying amount \$'000s	Interest rate risk		Equity price risk	
		100BP higher	100BP lower	100BP higher	100BP lower
2017					
Cash and cash equivalents	12,144	121	(121)	-	-
Financial assets at fair value through profit or loss	138,578	1,386	(1,386)	-	-
Available-for-sale investments	56	-	-	1	(1)
2016					
Cash and cash equivalents	4,793	48	(48)	-	-
Financial assets at fair value through profit or loss	118,859	1,189	(1,189)	-	-
Available-for-sale investments	56	-	-	1	(1)

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

(v) Analysis of free and tied cash and investments

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

	2017 \$'000s			2016 \$'000s		
	Free	Tied	Total	Free	Tied	Total
Cash and cash equivalents	6,287	5,857	12,144	686	4,107	4,793
Financial assets at fair value through profit or loss	-	138,578	138,578	-	118,859	118,859
Available-for-sale investments	-	56	56	-	56	56
	6,287	144,491	150,778	686	123,022	123,708

NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management FOR THE YEAR ENDED 30 JUNE 2017

B4 BORROWINGS

	2017 \$'000s			2016 \$'000s		
	Current	Non-current	Total	Current	Non-current	Total
Secured						
Bank loans – Catholic Development Fund(ii)	938	1,110	2,048	1,064	2,362	3,426
Other loan (iii)	-	18,000	18,000	-	18,000	18,000
	938	19,110	20,048	1,064	20,362	21,426

(i) Accounting policy

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

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

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

A loan was taken out on 6 February 2009 for a total of \$8,300,000 for the development of the carpark in the O'Brien Building. The loan is repayable over 10 years at a variable rate of 4.75% at 30 June 2017 (2016: 4.75%).

The Catholic Development Fund bank loan is secured with a fixed and floating charge over the cash flow and income in respect of the operation of all car parking facilities at St Vincent's Hospital Sydney Limited together with the underground parking station under the building known as the O'Brien Building at St Vincent's Hospital Sydney Limited. The 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.

(iii) Other loans

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

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

(iv) Financial risk management

Market risk - Interest rate risk

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

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

NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management FOR THE YEAR ENDED 30 JUNE 2017

B4 BORROWINGS (continued)

(iv) Financial risk management (continued)

Liquidity risk

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

Maturity of borrowings

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

	2017 \$'000s	2016 \$'000s
Borrowings		
Within one year	938	1,064
Later than one year but not later than five years	19,110	20,362
	20,048	21,426

NOTES TO THE FINANCIAL STATEMENTS: Group Structure FOR THE YEAR ENDED 30 JUNE 2017

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

C1 ULTIMATE PARENT ENTITY AND MEMBER'S GUARANTEE

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

If the Company is wound up the constitution states that each member is required to contribute a maximum of \$100 each towards meeting the obligations of the Company. At 30 June 2017, the Company had 1 member (2016: 1) so the maximum amount to be contributed towards meeting the obligations of the Company would be \$100 (2016: \$100).

C2 COMMONLY CONTROLLED ENTITIES

For the year ended 30 June 2017, the St Vincent's Health Australia Limited wholly-owned group consists of the following commonly controlled entities. St Vincent's Health Australia Limited is the sole member of each of these entities.

St Vincent's & Mater Health Sydney Limited ¹	St Vincent's Curran Foundation
St Vincent's Hospital Toowoomba Limited ²	St Vincent's Hospital (Melbourne) Limited
St Vincent's Care Services Ltd ^{3, 5}	St Vincent's Hospital Sydney Limited
St Vincent's Clinic	St Vincent's Healthcare Limited
The Trustee for St Vincent's Clinic Foundation	Aikenhead Centre for Medical Discovery Limited ⁴
St Vincent's Private Hospitals Ltd ^{1, 2, 3}	

¹ On 1 July 2016 the operations, assets and liabilities of Mater Hospital Sydney were transferred to St Vincent's Private Hospitals Ltd.

² On 1 July 2016 the operations, assets and liabilities of St Vincent's Private Hospital Toowoomba were transferred to St Vincent's Private Hospitals Ltd. St Vincent's Hospital Toowoomba Limited was deregistered on 10 April 2017.

³ On 1 July 2016 the operations, assets and liabilities of St Vincent's Private Hospital Brisbane, previously within St Vincent's Care Services Ltd, were transferred to St Vincent's Private Hospitals Ltd.

⁴ Aikenhead Centre for Medical Discovery Limited was incorporated on 5 May 2016.

⁵ St Vincent's Health & Aged Care Limited changed its name to St Vincent's Care Services Ltd on 25 October 2016.

C3 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The Kinghorn Cancer Centre

The Garvan Institute of Medical Research (Garvan) and the Company have collaborated on the development of The Kinghorn Cancer Centre (TKCC) on land adjacent to the current Garvan premises. The purpose of TKCC is to draw upon the existing research and clinical expertise of the partners to create a facility of international standing to improve patient outcomes in the diagnosis and treatment of cancer. The construction of TKCC was funded predominately through a Commonwealth Government grant in the amount of \$70,000,000 under the terms and conditions stipulated by the Funding Agreement dated 24 June 2009. Garvan and the Company have a 50% share in this joint venture. The Company's share of current liabilities due as at 30 June 2017 is \$680,000 (2016 : \$885,000).

	2017 \$'000s	2016 \$'000s
Share of joint venture's commitments		
Lease commitments	12,310	12,990

NOTES TO THE FINANCIAL STATEMENTS: Group Structure FOR THE YEAR ENDED 30 JUNE 2017

C3 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(i) Accounting policy

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

C4 RELATED PARTY TRANSACTIONS

Transactions with related parties during the year ended 30 June 2017 consisted of:

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

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

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

	2017 \$'000s	2016 \$'000s
<i>Income from the provision of management, clinical and administrative services to:</i>		
Parent entity	985	-
Commonly controlled entities	6,094	1,447
Other related parties	5,817	6,441
<i>Income from the lease of property to:</i>		
Commonly controlled entities	34	-
<i>Expenses relating to the provision of management, clinical and administrative services by:</i>		
Parent entity	8,532	1,611
Commonly controlled entities	367	89
Other related parties	16,698	19,311
<i>Expenses relating to interest expense by:</i>		
Commonly controlled entities	52	-

NOTES TO THE FINANCIAL STATEMENTS: Group Structure
FOR THE YEAR ENDED 30 JUNE 2017

C4 RELATED PARTY TRANSACTIONS (continued)

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

	2017			2016		
	\$'000s			\$'000s		
	Current	Non-current	Total	Current	Non-current	Total
Receivables						
Amounts due from related parties						
Parent entity	217	-	217	-	-	-
Commonly controlled	127	-	127	1,521	-	1,521
Other related parties	4,006	1,703	5,709	1,475	2,975	4,450
	4,350	1,703	6,053	2,996	2,975	5,971
Payables						
Amounts due to related parties (unsecured)						
Parent entity	1,114	-	1,114	-	-	-
Commonly controlled	111	-	111	371	-	371
Other related parties	5,317	-	5,317	6,448	-	6,448
	6,542	-	6,542	6,819	-	6,819
Borrowings						
Loan from related party						
Parent entity (note B4)	-	18,000	18,000	-	18,000	18,000
	-	18,000	18,000	-	18,000	18,000

NOTES TO THE FINANCIAL STATEMENTS: Unrecognised items

FOR THE YEAR ENDED 30 JUNE 2017

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

D1 COMMITMENTS

During the current financial year, \$2,398,000 was recognised as an expense in the Company's profit or loss in respect of operating leases (2016: \$3,376,000).

Capital commitments

Commitments for capital projects contracted for at the balance date but not recognised as liabilities are 2017: Nil (2016 : Nil)

Lease commitments

Non-cancellable operating leases

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

	2017 \$'000s	2016 \$'000s
Within one year	2,079	2,398
Later than one year but not later than 5 years	3,811	3,803
	5,890	6,201

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

D2 CONTINGENT LIABILITIES

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

There are no known contingent liabilities of the Company at 30 June 2017.

D3 SUBSEQUENT EVENTS

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

NOTES TO THE FINANCIAL STATEMENTS: Unrecognised items FOR THE YEAR ENDED 30 JUNE 2017

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

E1 KEY MANAGEMENT PERSONNEL

Directors

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

Mr P Robertson AM	Mr B Earle
Ms P Faulkner AO	Mr G Humphrys (Retired 30 June 2017)
Ms A McDonald (Appointed 1 June 2017)	Mr P McClintock AO
Prof. M Confoy RSC	Prof. P Smith (Retired 31 December 2016)
Prof. S Crowe AM	Sr M Wright IBVM
Dr M. Coote (Appointed 4 August 2016)	

Executives

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

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

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

Compensation

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

	2017 \$'000s	2016 \$'000s
Short-term employee benefits	680	684
Post-employment benefits	40	42
Termination benefits	-	-
Total	720	726

NOTES TO THE FINANCIAL STATEMENTS: Unrecognised items

FOR THE YEAR ENDED 30 JUNE 2017

E2 AUDITOR'S REMUNERATION

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

	2017 \$'000s	2016 \$'000s
Assurance services		
Ernst & Young Australian firm		
Audit of financial reports	130	135
Total remuneration for assurance services	130	135
Non-assurance services		
Ernst & Young Australian firm	-	30
Total remuneration for non-assurance services	-	30
Total remuneration	130	165

E3 ECONOMIC DEPENDENCY

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

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

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

E4 FAIR VALUE HIERARCHY

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS: Unrecognised items

FOR THE YEAR ENDED 30 JUNE 2017

E5 OTHER ACCOUNTING POLICIES

Goods and services tax

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

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

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

Income tax

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

Finance leases

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term. Refer note D1 for information on the finance lease liability.

Operating leases

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

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

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

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

Government grants

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

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

NOTES TO THE FINANCIAL STATEMENTS: Unrecognised items

FOR THE YEAR ENDED 30 JUNE 2017

E5 OTHER ACCOUNTING POLICIES (continued)

Interest income

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

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

The Group has an interest rate swap that is used as a hedge for the exposure of changes in the fair value of its fixed rate secured loan.

New standards issued and adopted from 1 July 2016

The Group applied the below first time amendments, which are effective for annual periods beginning on or after 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the annual consolidated financial statements of the Group. The nature of each new standard or amendment is described below:

**NOTES TO THE FINANCIAL STATEMENTS: Unrecognised items
FOR THE YEAR ENDED 30 JUNE 2017**

E5 OTHER ACCOUNTING POLICIES (continued)

Reference	Description	Application of Standard	Application by Group
AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.	1 July 2015	1 July 2016
AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations	The amendments require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in AASB 3 Business Combinations and other Australian Accounting Standards that do not conflict with the requirements of AASB 11 Joint Arrangements.	1 January 2016	1 July 2016

New standards issued and adopted from 1 July 2016 (continued)

Reference	Description	Application of Standard	Application by Group
AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation	The amendments clarify the principle in AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.	1 January 2016	1 July 2016
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	<p>The amendments clarify certain requirements in:</p> <ul style="list-style-type: none"> - AASB 5 Non-current Assets Held for Sale and Discontinued Operations – Changes in methods of disposal - AASB 7 Financial Instruments: Disclosures - servicing contracts; applicability of the amendments to AASB 7 to condensed interim financial statements - AASB 119 Employee Benefits - regional market issue regarding discount rate - AASB 134 Interim Financial Reporting- disclosure of information 'elsewhere in the interim financial report' 	1 January 2016	1 July 2016

**NOTES TO THE FINANCIAL STATEMENTS: Unrecognised items
FOR THE YEAR ENDED 30 JUNE 2017**

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	This Standard amends AASB 101 Presentation of Financial Statements to clarify existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying the Standard in determining what information to disclose, where and in what order information is presented in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures.	1 January 2016	1 July 2016
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New and amended standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below. The adoption of the below standards is expected to have an impact on the Group's financial statements. We are currently in the process of quantifying that impact, at this stage, the Group is not able to estimate the effect of the new rules on the Group's financial statements. The Group will make more detailed assessments of the effect over the next twelve months.

Reference	Description	Application of Standard	Application by Group
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. AASB 2015-10 defers the mandatory effective date (application date) of AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016.	1 January 2018	1 July 2018
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	The amendments to AASB 107 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).	1 January 2017	1 July 2017

NOTES TO THE FINANCIAL STATEMENTS: Unrecognised items
FOR THE YEAR ENDED 30 JUNE 2017

AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non- Cash-Generating Specialised Assets of Not- for-Profit Entities	This Standard amends AASB 136 Impairment of Assets to remove references to depreciated replacement cost as a measure of value in use for not-for-profit entities and clarify that not-for-profit entities holding non-cash-generating specialised assets at fair value in accordance with AASB 13 Fair Value Measurement [under the revaluation model in AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets] no longer need to consider AASB 136. Not-for-profit entities holding such assets at cost may determine recoverable amounts using current replacement cost in AASB 13 as a measure of fair value for the purposes of AASB 136.	1 January 2017	1 July 2017
AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investments Property, Annual Improvements 2014-2016 Cycle and Other Amendments	The amendments clarify certain requirements in: <ul style="list-style-type: none"> - AASB 1 First-time Adoption of Australian Accounting Standards –deletion of exemptions for first-time adopters and addition of an exemption arising from AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration - AASB 12 Disclosure of Interests in Other Entities – clarification of scope - AASB 128 Investments in Associates and Joint Ventures – measuring an associate or joint venture at fair value - AASB 140 Investment Property – change in use. 	1 January 2018	1 July 2018
AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle	This Standard clarifies the scope of AASB 12 Disclosure of Interests in Other Entities by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations.	1 January 2017	1 July 2017
AASB 9, and relevant amending standards Financial Instruments	AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement. Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss. For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair	1 January 2018	1 July 2018

NOTES TO THE FINANCIAL STATEMENTS: Unrecognised items
FOR THE YEAR ENDED 30 JUNE 2017

	<p>value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.</p> <p>All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO.</p> <p>The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9.</p> <p>The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.</p>		
<p>AASB 15, and relevant amending standards Revenue from Contracts with Customers</p>	<p>AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 Construction Contracts, AASB 118 Revenue, AASB Interpretation 13 Customer Loyalty Programmes, AASB Interpretation 15 Agreements for the Construction of Real Estate, AASB Interpretation 18 Transfers of Assets from Customers and AASB Interpretation 131 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 (or AASB 16 Leases, once applied).</p> <p>The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:</p> <ul style="list-style-type: none"> - Step 1: Identify the contract(s) with a customer - Step 2: Identify the performance obligations in the contract - Step 3: Determine the transaction price - Step 4: Allocate the transaction price to the performance obligations in the contract - Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation 	1 January 2018	1 July 2018
<p>AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration</p>	<p>The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.</p>	1 January 2018	1 July 2018

NOTES TO THE FINANCIAL STATEMENTS: Unrecognised items
FOR THE YEAR ENDED 30 JUNE 2017

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

DIRECTORS' DECLARATION

In the Directors' opinion:

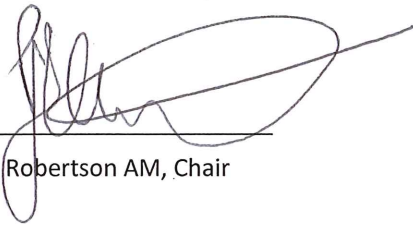
(a) the financial statements and notes set out on pages 12 to 43 of the Company are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012 (Cth)*, including:

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

(ii) giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the financial year ended on that date;

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in dark ink, appearing to read 'Paul Robertson', is written over a horizontal line. The signature is stylized with a large loop at the end.

Mr Paul Robertson AM, Chair

Sydney

12 October 2017



**ST VINCENT'S
HEALTH AUSTRALIA**

UNDER THE STEWARDSHIP OF MARY AIKENHEAD MINISTRIES

St Vincent's Health Australia Ltd

ABN 75 073 503 536

Level 22, 100 William Street
Woolloomooloo NSW 2011

Telephone 02 9367 1100

Facsimile 02 9367 1199

www.svha.org.au

12 October 2017

The Directors
St Vincent's Hospital Sydney Limited
Level 22, 100 William Street
Woolloomooloo NSW 2011

Dear Directors

Letter of Support

I write in relation to the statutory accounts of St Vincent's Hospital Sydney Limited ("SVHS").

The parent entity, St Vincent Health Australia Ltd ("SVHA"), is aware that the SVHS board of directors have concerns that they may not be able to make the necessary declaration under Section 60.15 of the Australian Charities and Not-for-profits Commission Regulation 2013 (Cth) that SVHS will be able to pay its debts as and when they become due.

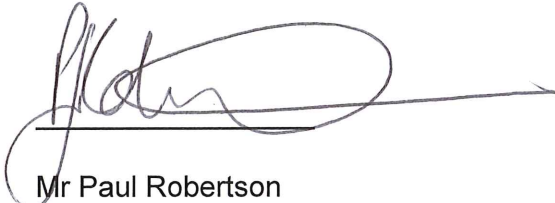
The SVHA board believes that the NSW Ministry of Health is responsible for ensuring SVHS is adequately funded to meet its obligations.

However, the SVHA board has considered the matter and, in the event that this obligation is not fulfilled, then SVHA stands ready to provide such support to SVHS from its available cash reserves.

To enable the directors of SVHS to make the declaration required under the Corporations Act, the board of SVHA have agreed that SVHA will provide any necessary financial assistance to SVHS, to the extent available, to allow that company to meet its obligations. Such financial assistance will be provided on terms and conditions to be agreed at the time between the boards of SVHS and SVHA.

This support will be available to SVHS for 12 months only from the date the statutory accounts for SVHS for the financial year ending 30 June 2017 are signed.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'P. Robertson', is written over a horizontal line. The signature is stylized with a large loop and a long horizontal stroke extending to the right.

Mr Paul Robertson
Chairman

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

Opinion

We have audited the financial report of St Vincent's Hospital Sydney Limited (the Company), the balance sheet as at 30 June 2017, the profit or loss account and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

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

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Ernst & Young
Ernst & Young

Loretta Di Mento
Partner
Sydney
12 October 2017