

# St Vincent's Hospital Sydney Limited

## Financial Report 2020



**ST VINCENT'S  
HOSPITAL**  
SYDNEY

A FACILITY OF ST VINCENT'S HEALTH AUSTRALIA

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## CORPORATE INFORMATION

Directors	Mr. P McClintock AO	Ms. A Cross AM
	Mr. P Robertson AO (Retired 18 October 2019)	Mr. B Earle (Retired 31 December 2019)
	Dr. M Coote	Ms. Jill Watts (Appointed 1 August 2019)
	Prof. S Crowe AO	Mr. Paul O'Sullivan (Appointed 1 August 2019)
	Ms. S McPhee AM	Mr. Damien O'Brien (Appointed 1 November 2019)
	Ms. A McDonald	Ms. Sheila McGregor (Appointed 1 December 2019)
	Sr. M Wright IBVM (Retired 31 December 2019)	
Company Secretary	Mr. R Beetson	Mr. P Fennessy
Principal registered office	Level 22, 100 William Street, Woolloomooloo, NSW 2011	
Auditor	Ernst & Young, 200 George Street Sydney, NSW 2000	
Website address	<a href="http://www.svha.org.au">www.svha.org.au</a>	
ABN	ABN 77 054 038 872	

## DIRECTORS' REPORT

The Directors of St Vincent's Hospital Sydney Limited present their report together with the financial report of St Vincent's Hospital Sydney Limited for the year ended 30 June 2020.

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 15 October 2020. The Company has the power to amend and reissue the financial report.

### ABOUT ST VINCENT'S HOSPITAL SYDNEY LIMITED

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

#### Our mission

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

#### Our vision

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

#### Our values

*Compassion*  
*Justice*  
*Integrity*  
*Excellence*

### OBJECTIVES AND PRINCIPAL ACTIVITIES

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

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

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

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

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

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

### OPERATING AND FINANCIAL REVIEW

#### Review of operations

The Company is one of the oldest non-government public health providers in Australia. The Company comprises St Vincent's Hospital, a leading public tertiary hospital located in Darlinghurst, with co-located sub-acute services of Sacred Heart Health Services and sub-acute services at St Joseph's Hospital Auburn. The Company is a leader in heart lung transplants, research and other speciality services which include bone marrow transplant, cardiology, AIDS/HIV, mental health and drug and alcohol services. In 2019 the Company also commenced correctional health services at Parklea Correctional Centre.

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

## DIRECTORS' REPORT

### OPERATING AND FINANCIAL REVIEW (continued)

During the year, revenue and other income increased by \$19,082,000 or 3.1% due to additional purchase of activity and capacity, including COVID-19, from the NSW Government and own source revenue. A key focus for the Company has been optimising its efficiency whilst continuing to strive to improve its world-class patient-centred care. Costs were monitored closely during the year and increased by \$45,095,000 or 7.6%. In 2020, the Company generated an operating surplus of \$3,097,000. The Company is aiming to modestly exceed a break even position in future years.

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

The operating surplus specifically attributable to the hospital's General Fund (operations of the three facilities) for the year and after depreciation was \$12,368,000 compared to last year's surplus of \$24,030,000. Special Purpose and Trust funds generated a deficit of \$4,306,000 compared to last year's surplus of \$7,352,000.

This is the first set of the Company's financial statements in which AASB 15 Revenue from Contracts with Customers and AASB 16 Leases have been applied. Changes to significant accounting policies are described in Note E5.

### COVID-19

COVID-19 is an emerging growing global and local issue with as yet unknown community and economic consequences. Should the pandemic continue for an extended period of time, possible financial impacts may affect future revenue, expenditure and the value of the Company's investments.

To contain the spread of the virus and to prioritise the health and safety of our communities, various restrictions have been announced by the government. In response, the Hospital placed restrictions on non-essential visitors, implemented reduced visitor hours, deferred elective surgeries and reduced activity, transferred inpatients to private health facilities, performed COVID-19 testing and implemented work from home arrangements where appropriate.

The Hospital incurred substantial costs and reduced revenue related to COVID-19 which were covered by funding arrangements with the government resulting in a nil impact on its overall results.

### 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.
2. The Company has a Service Agreement with the Ministry for 2020-21 which provides certainty of funding for the next 6 months to 31 December 2020. Correspondence issued by the Secretary of the Ministry to the Chair of SVHA confirmed the intention to execute the final 2020-21 Service Agreement in December 2020, and no material financial impacts are expected.
3. The Company recorded an operating surplus of \$3,097,000, net current assets of \$38,754,000, current ratio of 1.19 and net assets of \$181,575,000 in 2020. Cash and cash equivalents on hand at 30 June 2020 was \$24,066,000. The Company's results and assets comprise the General Fund and Special Purpose and Trust Funds, which have restricted purposes. The General Fund recorded a total surplus of \$12,368,000 and net assets of \$19,305,000. The Company is aiming to modestly exceed break even positions in future years.
4. The Company received a letter from the Ministry dated 22 October 2009 in which it accepts some liability for employee entitlements should the Company cease activities as an Affiliated Health Organisation.

## **DIRECTORS' REPORT**

5. The National Partnership on COVID-19 Response outlines the joint responsibility of the Commonwealth and the States to protect the Australian community by ensuring that the health system can respond effectively to the outbreak of COVID-19. This includes the provision of financial stimulus packages that complement the National Health Reform Agreement.

### **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 2020, the Company had 1 member (2019: 1) so the maximum amount to be contributed towards meeting the obligations of the Company would be \$100 (2019: \$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 2020 and future periods. The Company has established data collection systems and processes are in place to meet its requirements.

### **INDEMNIFICATION AND INSURANCE OF OFFICERS**

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

### **INDEMNIFICATION OF AUDITOR**

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

### **ROUNDING OF AMOUNTS**

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

## DIRECTORS' REPORT

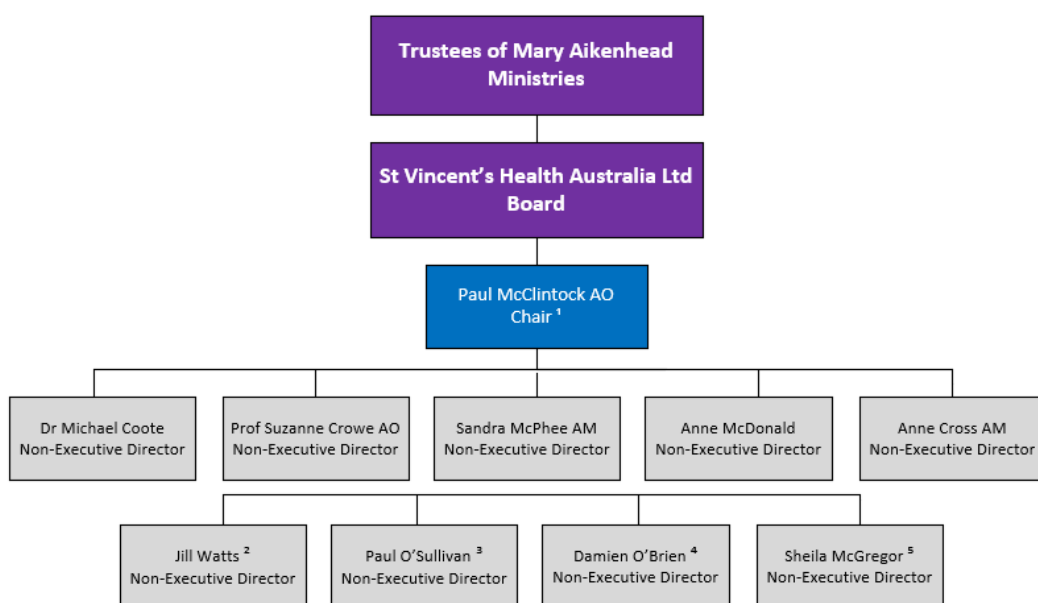
### STRUCTURE AND MANAGEMENT

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 McClintock. 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.



<sup>1</sup> Appointed Chair 18 October 2019

<sup>2</sup> Appointed 1 August 2019

<sup>3</sup> Appointed 1 August 2019

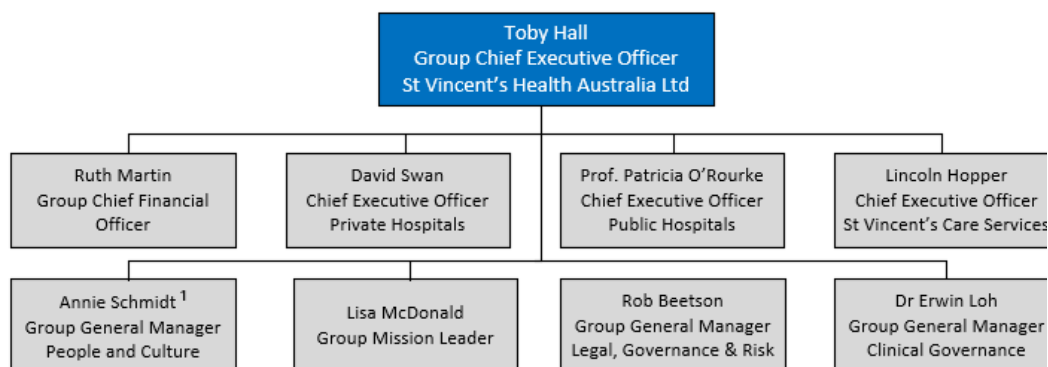
<sup>4</sup> Appointed 1 November 2019

<sup>5</sup> Appointed 1 December 2019

<sup>6</sup> Paul Robertson AO retired 18 October 2019

<sup>7</sup> Brendan Earle retired 31 December 2019

<sup>8</sup> Mary Wright IBVM retired 31 December 2019



<sup>1</sup> Group General Manager People and Culture, Annie Schmidt commenced 1 June 2020

## 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.

#### Board Committees

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

The Board is supported by six standing Committees and one *ad hoc* Committee:

#### **Audit & Risk**

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

#### **Finance & Investment**

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

#### **Mission, Ethics & Advocacy**

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

#### **People & Culture**

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 & Experience Committee**

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

## DIRECTORS' REPORT

### STRUCTURE AND MANAGEMENT (continued)

#### *Research & Education Committee*

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

#### *Ad hoc Royal Commissions Committee*

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

#### Information on Directors

##### **Mr. Paul 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

Life Governor of the Woolcock Institute of Medical Research

Appointed Chair 18 October 2019

Paul was appointed to the Board of SVHA and its subsidiaries Boards on 1 January 2013.

He is Chair of I-MED Network and Laser Clinics Australia. He was appointed to the Board of Catholic Health Australia on 12 May 2020.

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 Medibank Private, the COAG Reform Council, the Committee for the Economic Development of Australia, Symbion Health, Sydney Health Partners, Affinity Health, the Woolcock Institute of Medical Research and Director of the Australian Strategic Policy Institute. He has also served as Commissioner of the Health Insurance Commission.

Prior to his appointment as Chair in October 2019, Paul was Deputy Chair of the SVHA Board, Chair of the Finance & Investment Committee, and a member of the Research & Education Committee.

##### **Mr. Paul Robertson AO**

Bachelor of Commerce, Fellow, CPA Australia

Chair

Retired 18 October 2019

Paul was appointed to the Board of SVHA on 1 October 2009 and to SVHA's subsidiaries Boards on 1 October 2010. He was appointed as Chair on 5 October 2012. Paul retired from the Board on 18 October 2019.

Paul is a former Executive Director of Macquarie Bank with extensive experience in banking, finance and risk management. Paul is Chair of the Trustees of St Vincent's Hospital Sydney and holds several private company directorships. Paul is Chair of Kinela, Social Ventures, Goodstart Early Learning, Tonic Health Media and a Director of Dementia Australia.

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



## DIRECTORS' REPORT

### STRUCTURE AND MANAGEMENT (continued)

#### Information on Directors (continued)

**Ms. Anne Cross AM**

Master of Social Work  
(Research) University of  
Queensland

Bachelor of Social Work  
University of Queensland

Fellow of Australian Institute  
of Company Directors

Member of Chief Executive  
Women

Anne was appointed to the Board of SVHA and its subsidiaries Boards on 1 January 2019.

Anne concluded her executive career as Chief Executive of UnitingCare Queensland, one of Australia's largest not for profit health, aged care and community service organisations late in 2017. Currently she is a Director of the Australian Institute of Company Directors, a member of the Senate of the University of Queensland, Chair of Uniting Church in Australia Redress Ltd and a Director of Opera Queensland. Anne is an Adjunct Professor in the Faculty of Health and Behavioural Sciences University of Queensland.

She received recognition in the Queen's Birthday 2018 Honours List for significant service to the community and to women. She was named Telstra's National Businesswoman of the Year in 2014 and awarded the University of Queensland's Alumni Excellence Award in 2016.

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

**Prof. Suzanne Crowe AO**

MBBS (Honors), Monash  
University

Fellow, Royal Australasian  
College of Physicians

MD, Monash University.

Fellow, Australian Institute of  
Company Directors

Suzanne, a physician-scientist was appointed to the Board of SVHA and its subsidiaries Boards on 1 January 2013.

Her current positions include Emeritus Professor of Medicine, Monash University, non-executive Director of Sonic Health Ltd and non-executive Director of Avita Medical Ltd. She recently retired after over 30 years of service as a Consultant Physician in Infectious Diseases at The Alfred (1988-2019), and in research leadership positions at the Burnet Institute (1988-2019) including Associate Director, NHMRC Principal Research Fellow, Director, Healthy Ageing Program, Director, Centre for Virology. Previous positions include Head of the World Health Organization (WHO) Regional Reference Laboratory for HIV Resistance, Advisor/ Consultant to the WHO Global Program on AIDS, Deputy Chair of the Board of the Australian India Council (Department of Foreign Affairs and Trade), Member of the Prime Minister's Science, Engineering and Innovation Council Asia Working Group and President of the Australasian Society for HIV Medicine.

She has authored over 300 published papers, five books and 85 book chapters in the field. She was appointed Fellow of the Australian Academy of Health & Medical Sciences (2015). In 2020 she was appointed as an Officer of the Order of Australia in recognition of her distinguished services to health and aged care administration, to clinical governance, biomedical research and to education.

Suzanne is Chair of the Clinical Governance & Experience Committee, a member of Research & Education Committee and a member of the ad hoc Royal Commissions Committee.

**Mr. Brendan Earle**

Bachelor of Laws (Hons);  
Bachelor of Arts

Barrister and Solicitor,  
Supreme Court of Victoria

Retired 31 December 2019

Brendan was appointed to the Board of SVHA and its subsidiaries Boards on 1 October 2010. Brendan retired on 31 December 2019.

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

Brendan was a member of the Finance & Investment Committee and the Audit & Risk Committee.

## DIRECTORS' REPORT

### STRUCTURE AND MANAGEMENT (continued)

#### Information on Directors (continued)

**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)

Retired 31 December 2019

Sr. Mary was appointed to the Board of SVHA and its subsidiaries Boards on 1 October 2013. She retired from her role on 31 December 2019.

Sr Mary has extensive experience in leadership in Catholic Church institutions including the positions of School Principal Loreto College, Ballarat and Loreto College, Kirribilli, Australian Province Leader and International Leader of the Loreto Sisters. She has practiced in Church law (including lecturing at Yarra Theological Union) both in Australia and in Rome at the Congregation for Institutes of Consecrated Life and Societies of Apostolic Life in the Vatican. Her specialty is in institutional governance. Sr Mary is also a Director of Loreto Ministries Limited.

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

**Dr. Michael Coote**

MB BS FRANZCO GAICD,  
Clinical Associate Professor  
University of Melbourne

Senior Consultant RVEEH

Lead Investigator Glaucoma  
Surgery Unit Centre for Eye  
Research Australia

Member of Australian  
Medical Association

Graduate of Australian  
Institute of Company  
Directors

Member of Royal Australian  
New Zealand College of  
Ophthalmology

Michael was appointed to the Board of SVHA and its subsidiaries Boards on 4 August 2016.

Michael is an Associate Professor and senior glaucoma consultant at the Royal Victorian Eye and Ear Hospital Melbourne and is the previous Clinical Director of Ophthalmology. He is the managing partner of Melbourne Eye Specialists - an academic private practice in Melbourne specialising in Glaucoma management.

Michael is an active researcher, mainly in glaucoma surgery research. He developed the CERA model of bleb porosity testing and has published 50 peer reviewed manuscripts, authored 8 book chapters and has given over 50 international lectures. He is currently on the Executive Board of the International Society for Glaucoma Surgery and was the program chair for the September 2018 International Congress in Glaucoma Surgery in Montreal.

Michael is Chair of the Research and Education Committee and is a member of the Clinical Governance & Experience Committee. He has also deputised for Suzanne Crowe in her absence on the Royal Commissions Committee.

**Ms. Sandra McPhee AM**

Diploma in Education

Fellow of the Australian  
Institute of Company Directors

Member of Chief Executive  
Women

Sandra was appointed to the Board of SVHA and its subsidiaries Boards on 1 October 2017. She has a long history with SVHA having served on the Sydney regional Boards prior to 2010 and as Chair of the Sydney Regional Advisory Committee.

Sandra is Chair of the NSW Public Service Commission. She is a member of the advisory council of J.P. Morgan, Chief Executive Women and Women Corporate Directors. In 2018 she was appointed by the Commonwealth Government to Chair the Employment Services - Expert Advisory Panel Review resulting in the "I Want to Work" - Employment Services 2020 Report."

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

Sandra has extensive global leadership experience in the airline and tourism industries in Australia, UK, Europe, SE Asia, the Indian sub-Continent and Africa. She has served as Chair of a number of Board People and Culture and Remuneration committees.

Sandra is Chair of the People & Culture Committee and a Member of the Mission, Ethics & Advocacy Committee.

## DIRECTORS' REPORT

### STRUCTURE AND MANAGEMENT (continued)

#### Information on Directors (continued)

**Ms. Anne McDonald**

Bachelor of Economics

Chartered Accountant, Fellow of the Institute of Chartered Accountants Australia and New Zealand

Graduate and Member of the Australian Institute of Company Directors

Anne was appointed to the Board of SVHA and its subsidiaries Boards on 1 June 2017. Anne had previously served on the Boards of several 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 a NED since 2006. She is currently a Director of ASX listed, Link Administration Group, Chair of State-Owned Corporation Water NSW and a Director of Transport Assets Holding Entity of NSW.

Anne has previously served as a Non-Executive Director on a range of public company, private company and state government Boards including The GPT Group, Spark Infrastructure, Specialty Fashion Group, Sydney Water and Health Super. Prior to her Non-Executive Director career she spent 15 years as a partner of EY.

Anne is Chair of the Audit & Risk Committee and a member of the Finance & Investment Committee.

**Mr. Paul O'Sullivan**

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

Advanced Management Program, Harvard Business School.

Appointed 1 August 2019

Paul was appointed to the Board of SVHA and its subsidiaries Boards on 1 August 2019.

Paul is an experienced chief executive with extensive domestic and international experience in ASX and SGX companies driving business transformation, growth and managing mergers and acquisitions as well as working with Board Remuneration and Audit Committees. Previous roles include Chief Executive Optus Australia and CEO Group Consumer Singel (SGP).

Paul is Chairman of Optus, Chair of the Western Sydney Airport Company, a Non-Executive Director of Coca Cola Amatil, ANZ Bank and the National Disability Insurance Agency.

Paul is the Chair of the Finance & Investment Committee and a member of the People & Culture Committee.

**Ms. Jill Watts**

Wharton Fellow, MBA

Grad Dip Health Admin & Information Systems; RM; RN

Appointed 1 August 2019

Jill was appointed to the Board of SVHA and its subsidiaries Boards on 1 August 2019.

She has over 40 years' international business experience achieved through high profile executive and non-executive Board roles in Australia, UK, France, South Africa and South-East Asia.

Jill is currently a non-executive director of the listed IHH Healthcare Berhad and the Nexus Hospitals groups. She is also a Governor with Sidra Medicine in Qatar.

Prior to establishing a non-executive Board portfolio, Jill was an advisor to Macquarie Capital and spent 10 years in the United Kingdom as Group CEO of two of the largest hospital groups, BMI Healthcare and Ramsay UK.

Jill has previously served on several high-profile Boards including the Australian Chamber of Commerce and the Royal Flying Doctor Service in the UK, Ramsay Santé in France and the Netcare Group in South Africa. Between 2008 and 2012 Jill was Chair of NHS Partners Network and in 2010 she was voted as the most influential leader in UK Private Health Care, and in 2013 as one of healthcare's most inspirational women.

Jill has a strong business, leadership and financial acumen, honed through executive roles where she actively led a number of major business transformations. In combination with over 12 years as a surveyor with the Australian College of Healthcare Standards, this has facilitated a unique knowledge base in managing both corporate and clinical risk.

Jill is a member of the People & Culture Committee and a member of the Finance & Investment Committee.

## DIRECTORS' REPORT

### STRUCTURE AND MANAGEMENT (continued)

#### Information on Directors (continued)

**Mr. Damien O'Brien**

Bachelor of Economics  
(UNSW)

MBA (Columbia University)

Diploma in Theology &  
Philosophy (St Columban's  
College)

Appointed 1 November 2019

Damien was appointed to the Board of SVHA and its subsidiaries Boards on 1 November 2019.

Damien is the former Chair and CEO of Egon Zehnder which is a leading global advisory firm specialising in Board advisory services and executive recruitment. During his career with Egon Zehnder he was based in Hong Kong, Sydney, Paris, London and Zurich. He served as Chairman between 2010 and 2018. Prior to that he was engaged by McKinsey & Company as an Associate Consultant.

He is currently a non-executive director at Ardagh Group, a New York Stock Exchange listed company, and he is a Member of the Supervisory Board of IMD Business School, Lausanne, Switzerland. He previously served on the Board of St Vincent's Private Hospital Sydney from 2002 to 2008 and the Advisory Board of Jesuits Australia from 2004 to 2007.

Damien is the Chair of the Mission, Ethics & Advocacy Committee and a Member of the Audit & Risk Committee.

**Ms. Sheila McGregor**

BA (Hons), LLB (Sydney  
University)

Graduate Australian Institute  
of Company Directors

Member of Chief Executive  
Women

Appointed 1 December 2019

Sheila was appointed a director of SVHA and its subsidiaries Boards on 1 December 2019.

Sheila is a senior partner at Gilbert + Tobin Lawyers and before that was a senior partner at Herbert Smith Freehills (then Freehills), and in those roles has advised private and public sector organisations on a range of complex legal and governance issues focused on information technology & data.

Sheila is on the Board of IAG Limited, and a member of each of the Audit, Risk & Nominations Committees. She also on the Boards of Crestone Holdings Limited and of the Sydney Writers' Festival. She is Chair of Sydney girls' school Loreto Kirribilli.

Sheila is a member of the Research & Education Committee and the Mission, Ethics & Advocacy Committee.

#### Company Secretary

**Mr. Robert Beetson**

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

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

**Mr. Paul Fennessy**

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

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

## DIRECTORS' REPORT

### Meetings of the Board and Committees

Director	# of meetings attended	Board Committees						
		Audit & Risk	Finance & Investment	Mission, Ethics & Advocacy	People & Culture	Clinical Governance & Experience	Research & Education	Ad hoc Royal Commissions
Mr. Paul Robertson AO (Chair) <sup>1</sup>	3/3							
Mr. Paul McClintock AO (Chair) <sup>2</sup>	7/7		3/4				1/3	
Ms. Anne McDonald	6/7	● 6/6	8/9					
Ms. Sandra McPhee AM	7/7			2/3	● 4/4			
Mr. Paul O'Sullivan <sup>3</sup>	6/7		● 7/8		2/2			
Prof. Suzanne Crowe AO	7/7				2/2	● 6/6	4/4	2/4
Ms. Anne Cross AM	7/7	2/2		6/6		5/6		3/4
Dr. Michael Coote	6/7					5/6	● 4/4	1/1
Ms Jill Watts <sup>4</sup>	6/7		7/8		2/2			
Ms. Sheila McGregor <sup>5</sup>	4/4			1/3			1/1	
Mr. Damien O'Brien <sup>6</sup>	4/4	3/3		● 3/3				
Mr. Brendan Earle <sup>7</sup>	4/4	4/4	4/4					
Sr. Mary Wright IBVM <sup>8</sup>	4/4	3/4		2/3	2/2			

Chair

<sup>1</sup> Retired 18 October 2019

<sup>2</sup> Appointed Chair 18 October 2019

<sup>3</sup> Appointed 1 August 2019

<sup>4</sup> Appointed 1 August 2019

<sup>5</sup> Appointed 1 December 2019

<sup>6</sup> Appointed 1 November 2019

<sup>7</sup> Retired 31 December 2019

<sup>8</sup> Retired 31 December 2019

### REMUNERATION

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

### AUDITOR

The Directors have received an Independence Declaration from Ernst & Young, a copy of which is attached at page 12.

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



Mr. Paul McClintock AO, Chair

Sydney

15 October 2020



**Building a better  
working world**

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## **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 20 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

Anthony Jones  
Partner  
16 October 2020

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2020**

	<b>Notes</b>	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Revenue	A1	<b>633,899</b>	611,247
Other income	A1	<b>8,121</b>	11,691
<b>Total revenue and other income</b>		<b>642,020</b>	622,938
Employment expenses	A2	<b>404,779</b>	368,277
Goods and services		<b>147,574</b>	137,759
Finance costs		<b>970</b>	155
Repairs and maintenance		<b>6,755</b>	7,596
Depreciation and amortisation	A5/ A8	<b>17,873</b>	13,684
Other expenses from ordinary activities		<b>60,972</b>	66,357
<b>Total expenses</b>		<b>638,923</b>	593,828
Operating surplus		<b>3,097</b>	29,110
Capital funding received	A1	<b>4,965</b>	2,272
<b>Total comprehensive profit</b>		<b>8,062</b>	31,382
Allocated as follows:			
General Fund – total surplus for the year		<b>12,368</b>	24,030
Special Purpose and Trust Funds – total (deficit) / surplus for year		<b>(4,306)</b>	7,352
<b>Total comprehensive surplus</b>		<b>8,062</b>	31,382

**STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2020**

	<b>Notes</b>	<b>2020 \$'000</b>	<b>2019 \$'000</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	B1	24,066	25,356
Trade and other receivables	A3	28,803	35,932
Inventories	A4	7,077	6,592
Investments	B2	179,678	179,325
Total current assets		<u>239,624</u>	<u>247,205</u>
<b>Non-current assets</b>			
Receivables	A3	529	552
Property, plant and equipment	A5	166,765	145,388
Right-of-use assets	A8	20,855	-
Total non-current assets		<u>188,149</u>	<u>145,940</u>
<b>Total assets</b>		<u><b>427,773</b></u>	<u><b>393,145</b></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	A6	63,121	66,817
Lease Liabilities	A8	2,871	-
Borrowings	B4	456	816
Provisions	A7	134,422	125,020
Total current liabilities		<u>200,870</u>	<u>192,653</u>
<b>Non-current liabilities</b>			
Provisions	A7	7,814	7,008
Lease Liabilities	A8	18,130	-
Borrowings	B4	19,384	19,971
Total non-current liabilities		<u>45,328</u>	<u>26,979</u>
<b>Total liabilities</b>		<u><b>246,198</b></u>	<u><b>219,632</b></u>
<b>Net assets</b>		<u><b>181,575</b></u>	<u><b>173,513</b></u>
<b>Equity</b>			
Retained surplus/(deficit) – General Fund		19,305	6,937
Retained surplus – Special Purpose and Trust Fund		162,270	166,576
<b>Total equity</b>		<u><b>181,575</b></u>	<u><b>173,513</b></u>



**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2020**

	<b>Retained surpluses \$'000</b>	<b>Total \$'000</b>
<b>2020</b>		
Balance 1 July 2019	<b>173,513</b>	<b>173,513</b>
Total surplus	<b>8,062</b>	<b>8,062</b>
Total comprehensive surplus	<b>8,062</b>	<b>8,062</b>
<b>Balance 30 June 2020</b>	<b>181,575</b>	<b>181,575</b>
<b>2019</b>		
Balance 1 July 2018	142,131	142,131
Total surplus	31,382	31,382
Total comprehensive surplus	31,382	31,382
Balance 30 June 2019	173,513	173,513

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
Receipts from patients and grants (including GST)		692,046	645,584
Payments to suppliers and employees (including GST)		(663,387)	(608,185)
Payment of interest portion of lease liabilities		(758)	-
Donations and other income received		8,121	11,691
<b>Net cash flow from operating activities</b>		<b>36,022</b>	<b>49,090</b>
<b>Cash flows used in investing activities</b>			
Payments for property, plant and equipment		(36,069)	(30,203)
Proceeds from disposal of plant and equipment		6	33
Payments for investments		(51,690)	(49,497)
Proceeds from investments		44,613	25,884
Interest received		9,816	4,993
<b>Net cash flow used in investing activities</b>		<b>(33,324)</b>	<b>(48,790)</b>
<b>Cash flows used in financing activities</b>			
Repayment of loan from related party		(947)	(1,110)
Payment of principal portion of lease liabilities		(3,041)	-
<b>Net cash flow used in financing activities</b>		<b>(3,988)</b>	<b>(1,110)</b>
<b>Net (decrease)/increase in cash and cash equivalents held</b>		<b>(1,290)</b>	<b>(810)</b>
Cash at the beginning of the financial year		25,356	26,166
<b>Cash at the end of the financial year</b>	B1	<b>24,066</b>	<b>25,356</b>

## NOTES TO THE FINANCIAL STATEMENTS: ABOUT THIS REPORT FOR THE YEAR ENDED 30 JUNE 2020

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## NOTES TO THE FINANCIAL STATEMENTS: ABOUT THIS REPORT FOR THE YEAR ENDED 30 JUNE 2020

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 15 October 2020. The Directors have the power to amend and reissue the financial report.

### Basis of preparation

The financial report is a general purpose financial report which:

- has been prepared in accordance with Australian Accounting Standards— Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board and the *Australian Charities and Not-for-profits Commission Act 2012 (Cth)*;
- 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.
- This is the first set of the Company's financial statements in which AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases* have been applied. Changes to significant accounting policies are described in Note E5.

### 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.
2. The Company has a Service Agreement with the Ministry for 2020-21 which provides certainty of funding for the next 6 months to 31 December 2020. Correspondence issued by the Secretary of the Ministry to the Chair of SVHA confirmed the intention to execute the final 2020-21 Service Agreement in December 2020, and no material financial impacts are expected.
3. The Company recorded an operating surplus of \$3,097,000, net current assets of \$38,754,000, current ratio of 1.19 and net assets of \$181,575,000 in 2020. Cash and cash equivalents on hand at 30 June 2020 was \$24,066,000. The Company's results and assets comprise the General Fund and Special Purpose and Trust Funds, which have restricted purposes. The General Fund recorded a total surplus of \$12,368,000 and net assets of \$19,305,000. The Company is aiming to modestly exceed break even positions in future years.
4. The Company received a letter from the Ministry dated 22 October 2009 in which it accepts some liability for employee entitlements should the Company cease activities as an Affiliated Health Organisation.
5. The National Partnership on COVID-19 Response outlines the joint responsibility of the Commonwealth and the States to protect the Australian community by ensuring that the health system can respond effectively to the outbreak of COVID-19. This includes the provision of financial stimulus packages that complement the National Health Reform Agreement.

## NOTES TO THE FINANCIAL STATEMENTS: ABOUT THIS REPORT FOR THE YEAR ENDED 30 JUNE 2020

### 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:

<b>Area of Estimation</b>	<b>Note</b>
Long-term employee obligations – assumptions underlying assessment of employee departures and periods of service	A2
Property, plant and equipment – assessment of useful lives	A5
Leases – determining lease term and discount rate	A8(vi)

## NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2020

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.

	2020 \$'000s	2019 \$'000s
Patient and resident fees	29,663	36,681
Government grants and subsidies	450,062	436,026
COVID-19 Government subsidies	9,859	-
Non-medical revenue	70,791	70,437
Rent and other property revenue	1,177	1,837
Interest revenue	9,815	4,993
Fair value (loss)/ gain on financial assets at fair value through profit or loss	(6,723)	5,738
Other revenue	69,255	55,535
<b>Total revenue</b>	<b>633,899</b>	<b>611,247</b>

Donations and other income	8,121	11,691
<b>Total other income</b>	<b>8,121</b>	<b>11,691</b>

Capital funding received in relation to the:

External cladding (b)	-	550
Replacement of generator in Aikenhead (c)	-	824
Replacement of operating theatre lights/pendants (d)	-	736
Removal of hazardous materials at St Joseph's Hospital (e)	1,443	162
Replacement of nurse and emergency call system (f)	2,306	-
COVID-19 oxygen Tank (g)	483	-
DeLacy building façade Restoration (h)	733	-
<b>Total capital funding included in non-operating income</b>	<b>4,965</b>	<b>2,272</b>

#### (a) Accounting policy

Refer to Note E5 for full details on the adoption and transition to AASB 15

#### (b) External cladding

Government grants of nil were received during 2020 (2019: \$550,000) to fund the external cladding remediation works on the O'Brien building.

#### (c) Replacement of generator in Aikenhead

Government grants of nil were received during 2020 (2019: \$823,570) for the upgrade of the generator in the Aikenhead building.

## NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2020

### A1 REVENUE AND OTHER INCOME (continued)

#### (d) Replacement of operating theatre lights/pendants

Government grants of nil were received during 2020 (2019: \$736,450) for the replacement and installation of operating theatre lights and operating theatre pendants within multiple theatres and procedure rooms within St Vincent's Hospital Sydney. The replacement will enhance and modernise theatre operations. The project commenced in February 2018 and was paused whilst further fundraising occurred. The project is due for completion in 2020-21.

#### (e) Removal of hazardous material from St Joseph's Hospital

Government grants of \$1,443,000 were received during 2020 (2019: \$162,128) for the removal of hazardous materials at St Joseph's Hospital. This project commenced in 2019 and is due for completion in January 2021.

#### (f) Replacement of nurse and emergency call system

Government grants of \$2,306,000 were received during 2020 (2019: \$nil) for the upgrade of the nurse call system across multiple levels of St Vincent's Hospital Sydney (O'Brien building, Xavier, operating theatres and Sacred Heart Hospital), which is required to maintain a continuous and reliable communication system between patients and nursing staff. The nurse call project is due for completion in September 2020.

#### (g) COVID-19 oxygen Tank

Government grants of \$483,000 were received during 2020 (2019: \$nil) for the installation of a second oxygen tank, firewall and control equipment to increase capacity at St Vincent's Hospital Sydney.

#### (h) DeLacy Building Façade Restoration

Government grants of \$733,000 were received during 2020 (2019: \$nil) for the façade restoration of the historic DeLacy building forecourt. This project was completed in June 2020.

### A2 EMPLOYMENT EXPENSES

Employment expenses recognised during the year are set out below.

	2020 \$'000s	2019 \$'000s
Salaries and wages	375,166	341,286
Superannuation	29,613	26,991
	<b>404,779</b>	<b>368,277</b>

#### (i) Accounting policy

This disclosure note includes the accounting policies for all items related to employment expenses. This includes the treatment of statement of financial position 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

## NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2020

### A2 EMPLOYMENT EXPENSES (continued)

#### (i) Accounting policy (continued)

reporting date. They are measured at the amounts expected to be paid when the liabilities are settled and are classified as current where the Company does not have an unconditional right to defer the liability beyond 12 months of the reporting date.

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

#### *Long-term employee obligations*

Liabilities for long service leave and annual leave which are expected to be settled more than 12 months from the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the statement of financial position 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 Australian Government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

### A3 TRADE AND OTHER RECEIVABLE

	2020 \$'000s	2019 \$'000s
<b>Current</b>		
Trade receivables	7,169	8,036
Less: Allowance for expected credit losses (ii)	(714)	(1,287)
Net trade receivables	6,455	6,749
Amounts due from related parties (note C4)	2,702	2,880
Accrued revenue	7,008	5,770
Other receivables	11,619	19,199
Prepayments	1,019	1,334
<b>Total current receivables</b>	<b>28,803</b>	<b>35,932</b>
<b>Non-current</b>		
Amounts due from related parties (note C4)	529	552
<b>Total non-current receivables</b>	<b>529</b>	<b>552</b>

#### (i) Accounting policy

Refer to note E6, Other Accounting policies , Financial Instruments

#### (ii) Financial risk management

##### Market risk - interest rate risk

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

##### Credit risk

Credit risk in respect of trade and other receivables is generally considered to be low given that the majority of receivables relate to funds owed by State and Australian 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



## NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2020

### **A3 TRADE AND OTHER RECEIVABLE (continued)**

#### **(ii) Financial risk management (continued)**

trading on credit terms are subject to credit verification procedures. Receivable balances are monitored on an on-going basis with the result that the Company's exposure to bad debts is not significant.

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

#### ***Allowance for expected credit losses***

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

#### ***Amounts due from related parties***

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

#### **(iii) 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 \$7,077,000 (2019: \$6,592,000) 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.

**NOTES TO THE FINANCIAL STATEMENTS: Key numbers**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**A5 PROPERTY, PLANT AND EQUIPMENT**

	Leasehold improvements	Plant and equipment	In course of construction	Total
	\$'000	\$'000	\$'000	\$'000
<b>Year ended 30 June 2020</b>				
Cost	129,212	150,195	24,645	304,052
Accumulated depreciation	(30,464)	(106,823)	-	(137,287)
Net carrying amount	98,748	43,372	24,645	166,765
<b>Movement</b>				
Carrying amount at 1 July	84,791	41,774	18,823	145,388
Additions	18,365	11,905	5,822	36,092
Disposals	(2)	(26)	-	(28)
Depreciation	(4,406)	(10,281)	-	(14,687)
Carrying amount at 30 June	98,748	43,372	24,645	166,765
<b>Year ended 30 June 2019</b>				
Cost	110,849	138,316	18,823	267,988
Accumulated depreciation	(26,058)	(96,542)	-	(122,600)
Net carrying amount	84,791	41,774	18,823	145,388

**(i) Accounting policy**

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

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

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

**Depreciation**

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

Leasehold improvements	up to 40 years (shorter of (a) the unexpired period of the lease or (b) the estimated useful life of the improvement to the Company)
Plant and equipment	up to 25 years
Furniture and fittings	up to 10 years
Computer equipment	up to 5 years
Medical and surgical equipment	up to 10 years

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

## NOTES TO THE FINANCIAL STATEMENTS: Key numbers

### FOR THE YEAR ENDED 30 JUNE 2020

#### A5 PROPERTY, PLANT AND EQUIPMENT (continued)

##### (i) Accounting policy (continued)

###### **Impairment**

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

###### **Derecognition**

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

#### A6 TRADE AND OTHER PAYABLES

	2020 \$'000s	2019 \$'000s
<b>Current</b>		
Trade creditors and accrued expenses	54,618	55,676
Other payables	1,677	2,115
Amounts due to related parties (unsecured) (note C4)	6,826	9,026
	<b>63,121</b>	<b>66,817</b>

##### (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 (2019: 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.

## NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2020

### A7 PROVISIONS

	2020 \$'000s	2019 \$'000s
<b>Current</b>		
Employee benefits (note A2(i))	130,826	119,507
Other	3,596	5,513
	<b>134,422</b>	<b>125,020</b>
<b>Non-current</b>		
Employee benefits (note A2(i))	7,814	7,008
	<b>7,814</b>	<b>7,008</b>

#### (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.

### A8 LEASES

#### Leases as a lessee

The Company leases assets including land and buildings and medical equipment. Information about leases for which the Company is a lessee is presented below.

(i) Right-of-use assets	Property \$'000s	Medical equipment \$'000s	Total \$'000s
Balance at 1 July 2019	22,616	1,171	23,787
Additions	254	-	254
Depreciation charge for the year	(2,909)	(277)	(3,186)
Balance at 30 June 2020	<b>19,961</b>	<b>894</b>	<b>20,855</b>

(ii) Lease liabilities	2020 \$'000s
<b>Maturity analysis – contractual undiscounted cash flows</b>	
Less than one year	3,573
One to five years	7,541
More than 5 years	41,407
<b>Total undiscounted lease liabilities as 30 June</b>	<b>52,521</b>

#### Lease liabilities included in the statement of financial position at 30 June

Current	2,871
Non-current	18,130
	<b>21,001</b>

## NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2020

### A8 LEASES (continued)

#### Leases as a lessee (continued)

(iii) Amounts recognised in profit or loss	2020 \$'000s
Interest on lease liabilities	758
Expenses relating to leases of low value assets, excluding short-term leases of low-value assets	161
	<u>919</u>

(iv) Amounts recognised in the statement of cash flows	2020 \$'000s
Payment of principal portion of lease liabilities	3,041
Payment of interest portion of lease liabilities	758
Total cash outflow for leases	<u>3,799</u>

#### (v) Extension options

Some property leases contain extension options exercisable by the Company. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors.

#### (vi) Significant accounting judgements, estimates and assumptions

In applying AASB 16, the Company has made the following judgements.

In determining the lease term used to ascertain total future lease payments, the Company considers all facts and circumstances that create an economic benefit to exercise an extension option. Renewal options are only considered to be part of the lease term if the lease is reasonably certain to be extended. The Company has included renewal periods as part of the lease term for leases where it is reasonably certain they will be extended. This assessment is reviewed if a significant event or significant changes in circumstances occurs which affects this assessment and is also within the control of the Company.

Where the Company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to calculate the present value of future lease payments. The IBR is the interest rate that the lessee would have to pay to borrow over a similar term of each lease. The Company estimates the IBR using market interest rates.

## NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management FOR THE YEAR ENDED 30 JUNE 2020

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 \$24,066,000 (2019: \$25,356,000) comprise cash at bank and short term deposits.

#### (i) Accounting policy

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

### B2 INVESTMENTS

	2020 \$'000s	2019 \$'000s
<b>Current</b>		
Financial assets at fair value through profit or loss	179,678	179,325

#### (i) Accounting policy

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

#### (ii) Fair value

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

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

### B3 CASH AND INVESTMENTS – FINANCIAL RISK MANAGEMENT

#### Interest rate risk

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

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

## NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management FOR THE YEAR ENDED 30 JUNE 2020

### B4 BORROWINGS

	2020 \$'000s			2019 \$'000s		
	Current	Non-current	Total	Current	Non-current	Total
<b>Secured</b>						
Commonly controlled entities loan (ii)	-	18,000	18,000	-	18,000	18,000
Other related party loans (iii)	456	1,384	1,840	816	1,971	2,787
	<b>456</b>	<b>19,384</b>	<b>19,840</b>	<b>816</b>	<b>19,971</b>	<b>20,787</b>

#### (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 statement of financial position 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) Commonly controlled entities loan

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

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

#### (iii) Other related party loans (current and non-current)

The NEAP (National Energy Action Plan) Project included installation of Solar panels, energy saving LED lights, wirelessly addressable electrical switches and infrastructural improvements initially funded by SVHA. A loan was consequently created for St Vincent's Health Network Sydney (SVHNS) to repay \$2,275,000 over 2.7 years commencing 1st June 2018. Savings anticipated to be derived from this investment are both financial (energy cost savings) and environmental (reduced greenhouse gas emissions). Repayments consisted of \$754,657 (2019: \$256,560) for the balance of the loan as per agreed schedule. The loan attracts an interest rate of 3.5% per annum.

The Workday Project is a Human Resource Information System, implemented in 2017 and initially funded by SVHA. A loan was consequently created for SVHNS to repay \$2,960,000 over 10 years commencing 1st June 2018. Repayments consisted of \$192,000 (2019: \$192,000) for the balance of the loan as per agreed schedule. The loan attracts an interest rate of 3.5% per annum.

#### (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 2020

### 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.

	2020 \$'000s	2019 \$'000s
<b>Borrowings</b>		
Within one year	456	816
Later than one year but not later than five years	18,767	19,162
Later than 5 years	617	809
	<b>19,840</b>	<b>20,787</b>



## NOTES TO THE FINANCIAL STATEMENTS: Group Structure FOR THE YEAR ENDED 30 JUNE 2020

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 2020, the Company had 1 member (2019: 1) so the maximum amount to be contributed towards meeting the obligations of the Company would be \$100 (2019: \$100).

### C2 COMMONLY CONTROLLED ENTITIES

For the year ended 30 June 2020, the St Vincent's Health Australia Limited wholly-owned group consists of the following commonly controlled entities. St Vincent's Health Australia Limited is the sole member of each of these entities.

St Vincent's Private Hospitals Ltd	The Trustee for St Vincent's Clinic Foundation
St Vincent's & Mater Health Sydney Limited	St Vincent's Curran Foundation
St Vincent's Care Services Limited	St Vincent's Hospital (Melbourne) Limited
St Vincent's Clinic	St Vincent's Hospital Sydney Limited
St Vincent's Health Australia Foundation Queensland	St Vincent's Healthcare Limited
St Vincent's Health Australia Foundation Victoria	Aikenhead Centre for Medical Discovery Limited
Victor Chang Cardiac Research Institute	St Vincent's Institute of Medical Research
St Vincent's Private Hospital Northside Limited <sup>1</sup>	St Vincent's Care Services Hawthorn <sup>2</sup>

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

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

### C3 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

#### The Kinghorn Cancer Centre

The Garvan Institute of Medical Research (Garvan) and the Company have collaborated on the development of The Kinghorn Cancer Centre (TKCC) on land adjacent to the current Garvan premises. The purpose of TKCC is to draw upon the existing research and clinical expertise of the partners to create a facility of international standing to improve patient outcomes in the diagnosis and treatment of cancer. The construction of TKCC was funded predominately through an Australian 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 2020 is \$680,000 (2019 : \$680,000).

	2020 \$'000s	2019 \$'000s
<b>Share of joint venture's commitments</b>		
Lease commitments	10,270	10,950

## NOTES TO THE FINANCIAL STATEMENTS: Group Structure FOR THE YEAR ENDED 30 JUNE 2020

### 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 statement of financial position 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 2020 consisted of:

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

	2020 \$'000s	2019 \$'000s
<b><i>Income from the provision of management, clinical and administrative services to:</i></b>		
Parent entity	3,209	3,418
Commonly controlled entities	741	733
Other related parties	10,343	8,525
<b><i>Income from the lease of property to:</i></b>		
Commonly controlled entities	31	33
<b><i>Expenses relating to the provision of management, clinical and administrative services by:</i></b>		
Parent entity	14,830	12,335
Commonly controlled entities	17	391
Other related parties	21,047	19,184
<b><i>Expenses relating to interest expense by:</i></b>		
Commonly controlled entities	52	52

## NOTES TO THE FINANCIAL STATEMENTS: Group Structure

### FOR THE YEAR ENDED 30 JUNE 2020

#### C4 RELATED PARTY TRANSACTIONS (continued)

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

	2020 \$'000s			2019 \$'000s		
	Current	Non-current	Total	Current	Non-current	Total
<b>Receivables</b>						
<b>Amounts due from related parties</b>						
Parent entity	1,010	-	1,010	1,608	-	1,608
Commonly controlled	291	529	820	563	552	1,115
Other related parties	1,401	-	1,401	709	-	709
	<b>2,702</b>	<b>529</b>	<b>3,231</b>	<b>2,880</b>	<b>552</b>	<b>3,432</b>
<b>Payables</b>						
<b>Amounts due to related parties (unsecured)</b>						
Parent entity	2,857	-	2,857	2,688	-	2,688
Commonly controlled	5	-	5	254	-	254
Other related parties	3,964	-	3,964	6,084	-	6,084
	<b>6,826</b>	<b>-</b>	<b>6,826</b>	<b>9,026</b>	<b>-</b>	<b>9,026</b>
<b>Borrowings</b>						
<b>Loan from related party</b>						
Commonly controlled (note B4)	-	18,000	18,000	-	18,000	18,000
Parent entity (note B4)	456	1,384	1,840	816	1,971	2,787
	<b>456</b>	<b>19,384</b>	<b>19,840</b>	<b>816</b>	<b>19,971</b>	<b>20,787</b>

## NOTES TO THE FINANCIAL STATEMENTS: Unrecognised items

### FOR THE YEAR ENDED 30 JUNE 2020

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

##### Capital commitments

Commitments for capital projects contracted for at the statement of financial position date but not recognised as liabilities are as follows:

	2020 \$'000s	2019 \$'000s
Within one year	-	-
	-	-

##### Lease commitments

###### *Non-cancellable operating leases*

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

Within one year	-	2,956
Later than one year but not later than 5 years	-	1,558
	-	4,514

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 2020.

#### 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: Other

### FOR THE YEAR ENDED 30 JUNE 2020

This section includes information that the Directors do not consider to be significant in understanding the financial performance and position of the Company, but must be disclosed to comply with the Accounting Standards and the *Australian Charities and Not-for-profits Commission Regulations 2013*.

#### E1 KEY MANAGEMENT PERSONNEL

##### Directors

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

Mr. P McClintock AO	Ms. A Cross AM
Mr. P Robertson AO (Retired 18 October 2019)	Mr. B Earle (Retired 31 December 2019)
Dr M Coote	Sr. M Wright IBVM (Retired 31 December 2019)
Prof. S Crowe AO	Ms. Jill Watts (Appointed 1 August 2019)
Ms. S McPhee AM	Mr. Paul O'Sullivan (Appointed 1 August 2019)
Ms. A McDonald	Mr. Damien O'Brien (Appointed 1 November 2019)
	Ms. Sheila McGregor (Appointed 1 December 2019)

##### Executives

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

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

Mr. T Hall	Group Chief Executive Officer
Ms. R Martin	Group Chief Financial Officer
Mr. R Beetson	Group General Manager, Legal, Governance & Risk
Mr. D Swan	Chief Executive Officer, Private Hospitals Division
Mr. L Hopper	Chief Executive Officer, St Vincent's Care Services
Prof. P O'Rourke	Chief Executive Officer, Public Hospitals Division

##### Compensation

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

The compensation paid to key management personnel is as follows:

	2020 \$'000s	2019 \$'000s
Total compensation paid to key management personnel	<u>784</u>	<u>780</u>

## NOTES TO THE FINANCIAL STATEMENTS: Other FOR THE YEAR ENDED 30 JUNE 2020

### E2 ECONOMIC DEPENDENCY

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

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

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

### E3 NATURE AND PURPOSE OF RESERVES

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

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

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

### E4 FAIR VALUE HIERARCHY

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

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

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

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

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

### E5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

#### New and amended standards and interpretation

The Company applied, for the first time, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

#### AASB 15 *Revenue from Contracts with Customers*

Effective from 1 July 2019, the Company has adopted AASB 15 *Revenue from Contracts with Customers* with respect to revenue recognition, which replaces AASB 118 *Revenue* and AASB 111 *Construction Contracts* and applies to all revenue

**E5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)**

**New and amended standards and interpretation (continued)**

***AASB 15 Revenue from Contracts with Customers (continued)***

arising from contracts with customers unless the contracts are in the scope of other standards. In applying the new revenue standard, the Company is required to consider the five-step model to contracts with customers, and is required to recognise revenue to depict the transfer of goods or services in an amount that reflects consideration to which the Company expects to be entitled to.

The Company has applied the modified retrospective method of adoption with the effect of initially applying this standard recognised at the date of its initial application (i.e. 1 July 2019). Accordingly, comparative information has not been restated – i.e. it is presented as previously reported under AASB 118 and related interpretations. The Company has elected to apply the modified retrospective method to all contracts at the date of initial application. There is no impact on the statement of financial position at 30 June 2019, nor on the opening retained earnings of the Company at 1 July 2019.

There were no impacts on the Company upon adoption of AASB 15 on 1 July 2019. Under AASB 15, there was no change in the Company's recognition of revenue from patients, as revenue is recognised on satisfaction of the performance obligations of the entity, being the provision of medical services to patients. Similarly, there was no change in the Company's recognition of income from care services, as revenue is recognised over time as services are provided:

- Patient and resident income 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.

The Company's revenue recognition of interest income, investment gains/(losses) and foreign exchange gains/ (losses) were unaffected as these items are excluded from the scope of AASB 15.

***AASB 16 Leases***

The Company has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and IFRIC 4. The details of accounting policies under AASB 117 and IFRIC 4 are disclosed separately if they are different from those under AASB 16 and the impact of changes is disclosed in Note E5.

**Policy applicable from 1 July 2019**

At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of the physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either the Company has the right to operate the asset, or the Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

## NOTES TO THE FINANCIAL STATEMENTS: Other

### FOR THE YEAR ENDED 30 JUNE 2020

#### E5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

##### New and amended standards and interpretation (continued)

##### AASB 16 *Leases* (continued)

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

##### Policy applicable before 1 July 2019

For contracts entered into before 1 July 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and

The arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:

- The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

##### As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under purchase option that Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate



## NOTES TO THE FINANCIAL STATEMENTS: Other

### FOR THE YEAR ENDED 30 JUNE 2020

#### E5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

##### New and amended standards and interpretation (continued)

##### AASB 16 Leases (continued)

of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

##### Short term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

##### Accounting policies for leases under AASB 117, IFRIC 4 and on transition date

In the comparative period, under AASB 117, as a lessee the Company classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently the assets were accounted for in accordance with the accounting policy applicable to the asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

The Company has applied AASB 16 with a date of initial application of 1 July 2019. As a result the Company has changed its accounting policy for lease contracts. The Company applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. The details of the changes in accounting policies are disclosed below.

##### Definition of a lease

Previously the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under AASB 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease (Note E5).

##### As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Company. Under AASB 16, the Company recognises right-of-use assets and lease liabilities for most leases (i.e. these leases are on the statement of financial position).

The Company decided to apply recognition exemptions to short-term leases and leases of IT equipment. For leases of other assets, which were classified as operating under AASB 117, the Company recognised right-of-use assets and lease liabilities.

At transition lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate at 1 July 2019. Right-of-use assets are measured at either:

- Their carrying amount as if AASB 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application; or
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Company applied this approach to all its leases.

## NOTES TO THE FINANCIAL STATEMENTS: Other

### FOR THE YEAR ENDED 30 JUNE 2020

#### E5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

##### New and amended standards and interpretation (continued)

##### AASB 16 Leases (continued)

The Company used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with remaining lease terms of less than 12 months at transition date.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance lease under AASB 117, the carrying amount of the right-of use asset and the lease liability at 1 July 2019 are determined at the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date.

##### Impacts on financial statements

On transition to AASB 16, the Company recognised an additional \$23,787,377 of right-of-use assets and \$23,787,377 of lease liabilities.

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 3.31%.

	<b>1 July 2019</b> <b>\$000</b>
Operating lease commitment at 30 June 2019 as disclosed in the Company's financial statements	4,514
Discounted using the incremental borrowing rate at 1 July 2019	(303)
Additional lease liabilities recognised	<u>14,738</u>
	18,949
Finance lease liabilities recognised as at 30 June 2019	
- Recognition exemption for short-term leases	(504)
- Extension and termination options reasonably certain to be exercised	5,342
<b>Lease liabilities recognised at 1 July 2019</b>	<b><u><u>23,787</u></u></b>

**NOTES TO THE FINANCIAL STATEMENTS: Other**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**E5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)**

**New and amended standards and interpretation (continued)**

Several other amendments and interpretations apply for the first time in the period beginning on or after 1 July 2019, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The nature of each new standard or amendment is described below:

Reference	Description	Application of Standard	Application by Group
AASB 1058 Income of Not-for-profit Entities AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-profit Entities Revised AASB 1004 issued in December 2016	AASB 1058 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 its fair value principally to enable the entity to further its objectives (discounted goods and services). There was no impact on the Company upon adoption of AASB 1058 on 1 July 2019.	1 January 2019	1 July 2019
AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-profit Entities	AASB 2018-8 postpones the requirement for Not-for-profit entities to recognise peppercorn leases at fair value. Applying the temporary relief, Not-for-profit entities can measure right of use assets associated with peppercorn leases at the present value of payments required. If they choose to apply the deferral option, specific disclosures need to be made to explain the effects of peppercorn leases.	1 January 2019	1 July 2019
AASB 2019-6 Amendments to Australian Accounting Standards – Research Grants and Not-for-profit Entities	AASB 2019-6 gives a 6 month deferral of the application of AASB 1058/15 in relation to research grants only, to provide further education to address the continuing divergent views on revenue recognition for research grants	1 January 2019	1 July 2019

**NOTES TO THE FINANCIAL STATEMENTS: Other**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**E5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)**

**New and amended standards and interpretation (continued)**

Reference	Description	Application of Standard	Application by Group
Amendments to AASB 128 Long-term interests in associates and joint ventures	<p>The amendments clarify that an entity applies AASB 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in AASB 9 applies to such long-term interests.</p> <p>The amendments also clarified that, in applying AASB 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying AASB 128 Investments in Associates and Joint Ventures.</p> <p>These amendments had no impact on the financial statements as the Company does not have long term interests in its associate and joint venture.</p>	1 January 2019	1 July 2019
Annual Improvements 2015-2017 Cycle - AASB 11 Joint Arrangements	<p>An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in AASB 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.</p> <p>These amendments had no impact on the financial statements of the Company as there is no transaction where a joint control is obtained.</p>	1 January 2019	1 July 2019
Annual Improvements 2015-2017 Cycle - AASB 123 Borrowing Costs	<p>The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.</p> <p>Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.</p>	1 January 2019	1 July 2019

## NOTES TO THE FINANCIAL STATEMENTS: Other

### FOR THE YEAR ENDED 30 JUNE 2020

#### E6 OTHER ACCOUNTING POLICIES

##### Finance costs

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

##### Goods and services tax

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST) except when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority (in which case the GST is recognised as part of the cost of the acquisition of the asset or as part of the expense). The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the statement of cash flows including GST in the operating cash flows. Commitments and contingencies are disclosed net of GST recoverable from, or payable to, the taxation authority.

##### 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*.

##### Government grants and subsidies

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

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

##### Interest income

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

##### Current versus non-current classification

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

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading

## NOTES TO THE FINANCIAL STATEMENTS: Other

### FOR THE YEAR ENDED 30 JUNE 2020

#### E6 OTHER ACCOUNTING POLICIES (continued)

##### Current versus non-current classification

- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

##### Financial Instruments

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

##### i) Financial assets

##### *Initial recognition and measurement*

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

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

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

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

##### *Subsequent measurement*

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

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

##### *Financial assets at amortised cost (debt instruments)*

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

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

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

The Company's financial assets at amortised cost includes loans, advances, receivables (including trade receivables and other receivables), and held-to-maturity investments.

## NOTES TO THE FINANCIAL STATEMENTS: Other

### FOR THE YEAR ENDED 30 JUNE 2020

#### E6 OTHER ACCOUNTING POLICIES (continued)

##### Financial Instruments (continued)

###### *Financial assets at fair value through profit or loss*

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

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

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

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

##### **Derecognition**

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

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

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

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

##### **Impairment of financial assets**

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

- Trade receivables note A3

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

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

## NOTES TO THE FINANCIAL STATEMENTS: Other

### FOR THE YEAR ENDED 30 JUNE 2020

#### E6 OTHER ACCOUNTING POLICIES (continued)

##### Financial Instruments (continued)

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

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

##### ii) Financial liabilities

##### *Initial recognition and measurement*

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

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

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

##### *Subsequent measurement*

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

##### *Financial liabilities at fair value through profit or loss*

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

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

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

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

##### *Loans and borrowings*

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

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

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

##### *Derecognition*

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



## **NOTES TO THE FINANCIAL STATEMENTS: Other FOR THE YEAR ENDED 30 JUNE 2020**

### **E6 OTHER ACCOUNTING POLICIES (continued)**

#### **Financial Instruments (continued)**

##### **iii) Offsetting of financial instruments**

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

## DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 JUNE 2020

In the Directors' opinion:

(a) the financial statements and notes set out on pages 13 to 47 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 2020 and of its performance for the financial year ended on that date;

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

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



---

Mr. Paul McClintock AO, Chair

Sydney

15 October 2020

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

### Opinion

We have audited the financial report of St Vincent's Hospital Sydney Limited (the Company), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow 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 2020 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards - Reduced Disclosure Requirements 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* (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

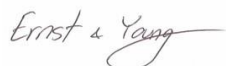
The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Act 2012* and for such internal control 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 - Reduced Disclosure Requirements will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_files/ar3.pdf](http://www.auasb.gov.au/auditors_files/ar3.pdf). This description forms part of our auditor's report.



Ernst & Young



Anthony Jones  
Partner  
Sydney  
16 October 2020