St Vincent's Health Australia Limited
Financial Report 2017

ST VINCENT'S
HEALTH AUSTRALIA
UNDER THE STEWARDSHIP OF MARY AIKENHEAD MINISTRIES

CONTENTS

CORPORATE INFORMATION

Directors	Mr P Robertson AM	Mr B Earle
	Ms P Faulkner AO	Sr M Wright IBVM
	Prof. M Confoy RSC	Mr P McClintock AO
	Dr M. Coote (Appointed 4 August 2016)	Ms A McDonald (Appointed 1 June 2017)
	Prof. S Crowe AM	Mr G Humphrys (Retired 30 June 2017)
	Ms S McPhee (Appointed 1 October 2017)	Prof. P Smith (Retired 31 December 2016
Company Secretary	Mr R Beetson	Mr P Fennessy
Principal registered office	Level 22, 100 William Street, Woolloomooloo, NSW 2011	
Auditor	Ernst & Young, 200 George Street Sydney, NSW 2000	
Website address	www.svha.org.au	
ABN	ABN 75 073 503 536	

DIRECTORS' REPORT

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

The financial report of St Vincent's Health Australia Limited includes financial statements for St Vincent's Health Australia Limited as a consolidated entity consisting of St Vincent's Health Australia Limited (the "Company") and its controlled entities (the "Group" or "SVHA").

SVHA is a not-for-profit company limited by guarantee, incorporated and domiciled in Australia.

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

ABOUT SVHA

St Vincent's Health Australia 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 SVHA's constitution are:

- to provide direct relief of sickness, suffering and distress through supporting the health service facilities operating hospitals, aged care facilities 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 Group being the operation of public and private hospitals and aged care facilities.

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

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

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

OPERATING AND FINANCIAL REVIEW

The Group is not-for-profit and so strives to make a surplus to keep the health service sustainable to further invest in the mission to promote the healing ministry of Jesus.

The Group generated an operating surplus of $42.656m for the year ended 30 June 2017 (2016: $33.933m) which represented 2.11% of total revenue (2016: 1.81%). The improvement in bottom line surplus is in line with the Group's strategy to expand and innovate, secure long-term financial sustainability and to continue to strive for something greater through person-centered care.

Going concern

The Group's Balance Sheet shows an excess of current liabilities over current assets of $344.830m (2016: $266.642m). However, included within current liabilities are accommodation bonds / Refundable Accommodation Deposits (RADs) of $249.126m (2016: $160.607m) which are recorded as current liabilities as required under accounting standards. However, in practice, refundable accommodation deposits (RADs) that are repaid are generally replaced by RADs from incoming residents within a short timeframe. In addition, current liabilities contains provisions for annual and long service leave of $263.764m (2016: $250.468m) which are presented as current even though it is probable that amounts will be paid out over several years.

The Group has a substantial net asset position of $846.355m at 30 June 2017 (2016: $753.781m).

Accordingly, the financial statements have been prepared on a going concern basis.

DIVIDENDS

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

MEMBER'S GUARANTEE

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

SUBSEQUENT EVENTS

The following transactions have occurred since 30 June 2017.

On 1 July 2017 Trustees of Mary Aikenhead Ministries appointed St Vincent's Health Australia Ltd (SVHA) as a Member of the company Victor Chang Cardiac Research Institute Ltd ("VCCRI"). Subsequent to the appointment, Trustees of Mary Aikenhead Ministries resigned as a member leaving SVHA as sole Member of VCCRI. SVHA will assume the responsibilities and obligations of a company member at law and looks forward to working with VCCRI in developing and applying translational research to benefit those we serve. At 31 December 2016, the audited accounts state VCCRI net assets at $71,773,727.

Apart from these matters, the Directors are not aware of any matter or circumstance occurring since 30 June 2017 that has significantly or may significantly affect the operations of the Group.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

INDEMNIFICATION AND INSURANCE OF OFFICERS

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

INDEMNIFICATION OF AUDITOR

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

ROUNDING OF AMOUNTS

Amounts in the Directors' report and financial report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

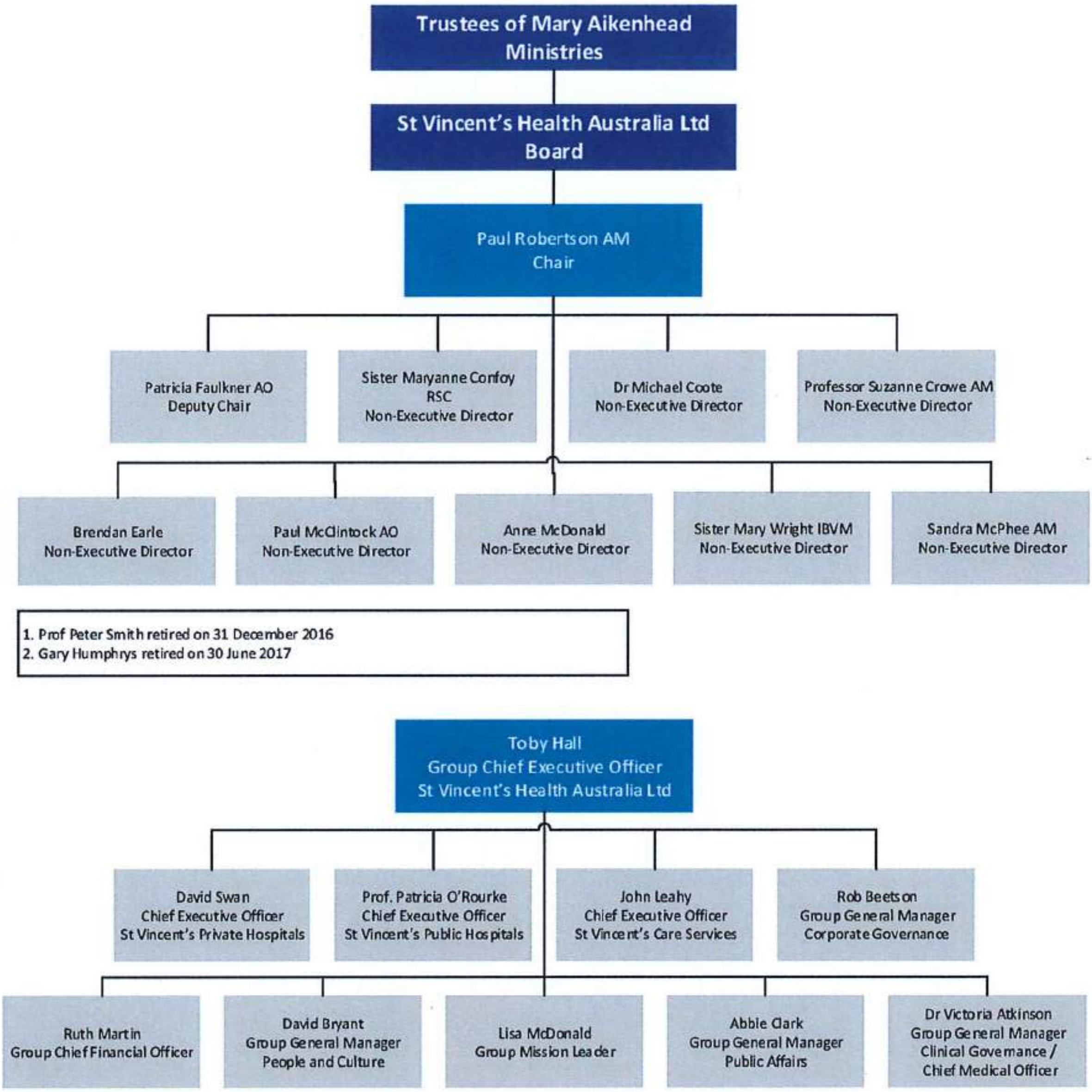
STRUCTURE AND MANAGEMENT

SVHA is a group of not-for-profit non-listed entities. SVHA Limited is a public company limited by guarantee and is registered with the Australian Charities and Not-for-profits Commission.

SVHA is governed by a Board of Directors ("Board") chaired by Paul Robertson. 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 SVHA is the responsibility of the Executive Leadership Team led by Toby Hall, the Group Chief Executive Officer.

STRUCTURE AND MANAGEMENT (continued)



Board of Directors

The Board is accountable for its key purpose to The Trustees of Mary Aikenhead Ministries ('TMAM'). Mary Aikenhead Ministries builds on the charism 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 SVHA. All Directors serve as independent non-Executive Directors and are appointed by TMAM.

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

STRUCTURE AND MANAGEMENT (continued)

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. SVHA 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 & Safety Committee (Previously Quality & Safety)

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

Research & Education Committee

The 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 our community, in particular the poor and disadvantaged.

Ad hoc Health Infrastructure Partnerships Committee

The Health Infrastructure Partnerships Committee (the HIP Committee) is an ad hoc committee of the Board of St Vincent's Health Australia (SVHA) Limited; its establishment was approved by the Board at its meeting on 8 December 2016. The Board Charter under Section 4.2 states: The Board may also establish other committees on an ad hoc basis as it deems necessary in order to assist it from time to time. The purpose of the HIP Committee is to assist the Board in the effective discharge of its responsibilities related to ensuring effective governance of the HIP program focused on SVHA developing strategic partnerships to deliver better health outcomes across NSW.

STRUCTURE AND MANAGEMENT (continued)

Information on Directors

Mr Paul Robertson AM

Bachelor of Commerce, Fellow, CPA Australia

Chair

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

Paul is Chair of the People & Culture Committee.

Ms Patricia Faulkner AO

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

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

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

Prof. Maryanne Confoy RSC

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

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

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

STRUCTURE AND MANAGEMENT (continued)

Information on Directors (continued)

Prof. Suzanne Crowe AM

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

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

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

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

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

Mr Brendan Earle

Bachelor of Laws (Hons); Bachelor of Arts

Barrister and Solicitor, Supreme Court of Victoria.

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

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

Mr Gary Humphrys

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

Gary was appointed to the Board on 1 October 2010. Gary has almost 40 years of experience in senior executive roles covering a number of disciplines including finance and accounting, treasury, taxation, IT, procurement and audit in the energy and mining industries in both the public and private sector. Gary was Deputy Chair of Ergon Energy Corporation Limited until 31 December 2016 and was a Director of The Holy Spirit Northside Private Hospital Limited. Gary is a Director of HESTA superannuation.

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

STRUCTURE AND MANAGEMENT (continued)

Information on Directors (continued)

Mr Paul McClintock AO

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

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

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

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

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

Prof. Peter Smith

Bachelor of Science, Bachelor of Medicine /Bachelor of Surgery, Doctor of Medicine. Fellow of the Royal Australasian College of Physicians, Fellow of the Royal College of Pathologists Australasia and fellow of the AICD.

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

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

Sr Mary Wright IBVM

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

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

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

Ms Anne McDonald

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

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

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

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

DIRECTORS' REPORT

STRUCTURE AND MANAGEMENT (continued)

Information on Directors (continued)

Dr Michael Coote

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

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

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

Ms Sandra McPhee AM

Diploma in Education

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

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

Company Secretary

Mr Robert Beetson

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

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

Mr Paul Fennessy

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

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

STRUCTURE AND MANAGEMENT (continued)

Meetings of the Board and Committees

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

● Chair

REMUNERATION

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

AUDITOR

The Directors have received an Independence Declaration from Ernst & Young, a copy of which is attached at page 12. Non audit services provided by Ernst & Young are disclosed in note E2.

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

Mr Paul Robertson AM, Chair

Sydney

12 October 2017

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Auditor's Independence Declaration to the Directors of St Vincent's Health Australia Limited and its controlled entities

In relation to our audit of the financial report of St Vincent's Health Australia Limited and its controlled entities for the financial year ended 30 June 2017, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Loretta Di Mento
Partner
Sydney
12 October 2017

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

	Notes	2017 $'000	2016 $'000
Revenue	A1	**1,999,236**	1,847,468
Other income	A1	**24,418**	25,724
Total revenue and other income		**2,023,654**	1,873,192
Employment expenses	A2	**1,199,469**	1,125,532
Goods and services		**650,480**	587,955
Finance costs		**15,205**	17,975
Repairs and maintenance		**20,200**	15,878
Depreciation and amortisation	A5 / A7	**76,751**	68,749
Other expenses from ordinary activities		**24,874**	30,088
Total expenses		**1,986,979**	1,846,177
Share of investments accounted for using the equity method	C4	**5,980**	6,918
Operating surplus		**42,656**	33,933
Capital funding received	A1	**23,664**	11,500
Fair value gain on business combinations	A1	**10,792**	-
Fair value gain on residential aged care bed licenses	A1	**14,100**	7,442
Surplus for the year		**91,211**	52,875
Other comprehensive income			
Items of other comprehensive income:			
Movement in available-for-sale investments reserve		**(297)**	(700)
Revaluation of cultural assets		**12**	100
Net loss on cash flow hedges		**(29)**	(152)
Total comprehensive income		**90,897**	52,123

BALANCE SHEET
AT 30 JUNE 2017

	Notes	2017 $'000	2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents	B1	**125,447**	117,273
Trade and other receivables	A3	**132,307**	125,918
Inventories	A4	**25,504**	24,014
Investments	B2	**180,405**	166,464
Total current assets		**463,663**	433,669
Non-current assets			
Receivables	A3	**28,425**	38,438
Investments accounted for using the equity method	C4	**23,942**	17,961
Investments	B2	**69,003**	60,393
Property, plant and equipment	A5	**1,158,849**	1,012,920
Investment properties	A6	**27,980**	27,829
Intangible assets	A7	**124,114**	85,820
Total non-current assets		**1,432,313**	1,243,361
Total assets		**1,895,976**	1,677,030
LIABILITIES			
Current liabilities			
Trade and other payables	A8	**185,818**	204,198
Accommodation bonds and payables	A9	**249,126**	160,607
Borrowings	B4	**95,711**	72,345
Provisions	A10	**277,838**	262,441
Total current liabilities		**808,493**	700,311
Non-current liabilities			
Payables	A8	**17,995**	16,065
Borrowings	B4	**186,295**	172,994
Provisions	A10	**36,838**	33,879
Total non-current liabilities		**241,128**	222,938
Total liabilities		**1,049,621**	923,249
Net assets		**846,355**	753,781
Reserves		**1,604**	1,076
Retained surplus		**844,751**	752,705
Total equity		**846,355**	753,781

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

	Notes	Member's reserve $'000	Revaluation reserve $'000	Available for sale investments reserve $'000	Cash flow hedge reserve $'000	Specified purpose reserve $'000	Retained surpluses $'000	Total $'000
2017								
Balance 1 July 2016		**204**	**614**	**410**	**(152)**	-	**752,705**	**753,781**
Total surplus		-	-	-	-	-	**91,211**	**91,211**
Other comprehensive income		-	**12**	**(297)**	**(29)**	**842**	**(842)**	**(314)**
Total comprehensive income		-	**12**	**(297)**	**(29)**	**842**	**90,369**	**90,897**
Transaction with the members in their capacity as members		-	-	-	-	-	**1,677**	**1,677**
Balance 30 June 2017		**204**	**626**	**113**	**(181)**	**842**	**844,751**	**846,355**
2016								
Balance 1 July 2015		204	514	1,110	-	-	710,820	712,648
Total surplus		-	-	-	-	-	52,875	52,875
Other comprehensive income		-	100	(700)	(152)		-	(752)
Total comprehensive income for the year		-	100	(700)	(152)	-	52,875	52,123
Transactions with the members in their capacity as members		-	-	-	-	-	(10,990)	(10,990)
Balance 30 June 2016		204	614	410	(152)	-	752,705	753,781

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from patients and grants (including GST)		**1,989,535**	1,878,754
Payments to suppliers and employees (including GST)		**(1,896,668)**	(1,794,233)
Interest and dividends received		**11,111**	11,627
Donations received		**21,168**	25,711
Interest paid		**(8,797)**	(11,977)
Net cash flow from operating activities	B1(ii)	**116,349**	109,882
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		**(221,762)**	(131,262)
Proceeds from disposal of plant, equipment and intangibles		**587**	2,049
Proceeds from acquiring a business		**2,312**	14,016
Acquisition of a business		**(3,905)**	(1,556)
Payments for investments		**(166,414)**	(134,503)
Proceeds from investments		**147,893**	123,318
Capital funding received		**23,664**	7,500
Net cash flow from investing activities		**(217,626)**	(120,438)
Cash flows from financing activities			
Repayment of loans by related parties		**1,333**	-
Loan from related party		**26,574**	15,300
RAD, accommodation bond and ILU entry contribution inflows		**111,372**	44,190
RAD, accommodation bond and ILU entry contribution outflows		**(39,345)**	(27,219)
Repayment of borrowings		**(21,541)**	(149,567)
Proceeds from borrowings		**31,058**	86,500
Refinancing transaction costs		**-**	(3,524)
Net cash flow from financing activities		**109,451**	(34,320)
Net increase in cash and cash equivalents held		**8,174**	(44,876)
Cash at the beginning of the financial year		**117,273**	162,149
Cash at the end of the financial year	B1	**125,447**	117,273

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

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

The financial report represents the combination of St Vincent's Health Australia Limited (the "Company") and its controlled entities (the "Group" or "SVHA"). The financial report was authorised for issue by the Directors on 12 October 2017. The Directors have the power to amend and reissue the financial report.

Basis of preparation

The financial report is a general purpose financial report which:

- has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Australian Charities and Not-for-profits Commission Act 2012 (Cth);*
- has been prepared on a going concern basis, using historical cost conventions, except for investment properties, 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; and
- presents reclassified comparative information where required for consistency with the current year's presentation.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. A list of subsidiaries at year end is contained in note C3. Subsidiaries are those over which the Group has the power to govern the financial and operating policies.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity and using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profits and losses resulting from intra-group transactions have been eliminated. Subsidiaries are consolidated from the date on which control is obtained to the date on which control is disposed.

Going concern

The Group's Balance Sheet shows an excess of current liabilities over current assets of \$344.830m (2016: \$266.642m). However, included within current liabilities are accommodation bonds / Refundable Accommodation Deposits (RADs) of \$249.126m (2016: \$160.607m) which are recorded as current liabilities as required under accounting standards. However, in practice, RADs that are repaid are generally replaced by RADs from incoming residents within a short timeframe. In addition, current liabilities contains provisions for annual and long service leave of \$263.764m (2016: \$250.468m) which are presented as current even though it is probable that amounts will be paid out over several years.

The Group has a substantial net asset position of \$846.355m at 30 June 2017 (2016: \$753.781m).

Accordingly, the financial statements have been prepared on a going concern basis.

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 Group. 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 Group;
- it helps to explain the impact of significant changes in the Group's business; or
- it relates to an aspect of the Group's operations that is important to its future performance.

Key accounting estimates and judgements

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

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

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

Area of Estimation	*Note*
Property, plant and equipment – assessment of useful lives	A5
Investment properties	A6
Intangible assets – assumptions underlying recoverable value	A7
Insurance deductible excess provision – assumptions underlying assessment of future costs	A10(ii)
Long-term employee obligations – assumptions underlying assessment of employee departures and periods of service	A2

This section explains the results and performance of the Group. 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, OTHER INCOME AND CAPITAL FUNDING

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

	2017 $'000s	2016 $'000s
Patient and resident fees	**701,284**	675,245
Government grants and subsidies	**1,099,964**	1,003,865
Non-medical revenue	**65,210**	50,475
Rent and other property revenue	**25,322**	23,188
Interest and dividend income	**11,111**	11,699
Other revenues	**96,345**	82,996
Total revenue	**1,999,236**	1,847,468
Donations	**21,785**	25,710
Net gain from fair value adjustment - investment properties (note A6)	**151**	14
Net gain from fair value adjustment - investments	**2,450**	-
Net gain from disposal of assets	**32**	-
Total other income	**24,418**	25,724
ED/PANDA and Gorman House redevelopment (ii)	**12,500**	1,500
Darlinghurst redevelopment strategy (ii)	**2,500**	2,500
St Vincent's Private Community Hospital Griffith construction (ii)	**800**	1,000
St Vincent's Private Hospital Toowoomba Redevelopment (ii)	**1,000**	-
St Vincent's Private Hospital Sydney East Wing construction (ii)	**5,500**	6,500
Miscellaneous Capital Projects	**1,364**	-
Total capital funding (included in non-operating income)	**23,664**	11,500
Fair value gain on acquisition of business combinations (iii)	**10,792**	7,322
Fair value gain on acquisition of residential aged care bed licenses	**14,100**	120
Total fair value of contributed assets	**24,892**	7,442

A1 REVENUE, OTHER INCOME AND CAPITAL FUNDING (continued)

(i) Accounting policy

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

Revenue, other income and capital funding is recognised for the Group's major operations using the methods outlined below.

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.

(ii) Capital funding received

Government grants of $12,500,000 were received by St Vincent's Hospital Sydney Limited during the year ended 30 June 2017 (2016: $1,500,000) to fund the capital works for Gorman House and the redevelopment of Emergency Department (ED) and Psychiatric Alcohol and non-Prescription Drug Assessment (PANDA) Unit. Government grants of $2,500,000 were received by St Vincent's Hospital Sydney Limited during 2017 (2016: $2,500,000) to fund the Darlinghurst redevelopment strategy.

Funding of $800,000 (2016: $1,000,000) was received from St Vincent's Private Hospital Sydney Limited for the construction of St Vincent's Private Community Hospital Griffith facility.

Funding of $5,500,000 (2016: $6,500,000) was received by St Vincent's Healthcare Limited from St Vincent's Private Hospital Sydney Limited for the construction of the new East Wing of St Vincent's Private Hospital Sydney.

Funding of $1,000,000 (2016: $nil) was received from St Vincent's Private Hospitals Limited for the development of St Vincent's Private Hospital Toowoomba.

(iii) Fair value gain on acquisition of business combinations	**2017 $'000s**	2016 $'000s
Fair value gain on acquisition of Lourdes Home for the Aged	**10,792**	-
Fair value gain on acquisition of Eltham Aged Care	-	5,018
Fair value gain on acquisition of Albert Court Aged Care	-	2,304
Total fair value of contributed assets	**10,792**	7,322

Acquisition of Lourdes Home for the Aged

Lourdes Home for the Aged is located at Toowoomba in Queensland and was acquired by St Vincent's Care Services Ltd ("SVCS") on 1 July 2016 from The Corporation of the Roman Catholic Diocese of Toowoomba ("The Corporation") in accordance with the Company's aged care growth strategy. The consideration transferred for the acquisition of the business, liabilities and assets of Lourdes Home for the Aged was $nil.

A1 REVENUE, OTHER INCOME AND CAPITAL FUNDING (continued)

(iii) Fair value gain on acquisition of business combinations (continued)

Acquisition of Lourdes Home for the Aged

The fair values of the identifiable assets and liabilities of Lourdes Home for the Aged as at the date of acquisition on 1 July 2016 were:

	2017 $'000
Cash and cash equivalents	2,312
Trade and other receivables	4,067
Inventories	3
Property, plant and equipment	13,455
Intangibles	5,670
	25,507
Trade payables	936
Accommodation payables	12,601
Provisions	1,178
	14,715
Fair value of identified net assets acquired	10,792
Acquisition date fair value of consideration paid to The Corporation was:	
Cash paid	-
Gain on acquisition	10,792
Direct costs relating to the acquisition were:	
Included in other expenses from ordinary activities	186
The cash inflow on acquisition was:	
Net cash acquired	2,312
Cash paid	-
Net cash inflow	2,312

The $10,792,000 gain on acquisition is attributable to SVCS being able to generate significant revenue and cost efficiencies with the facility operating as part of the Group rather than as a sole individual facility operated by SVCS.

Included in trade and other receivable assets acquired was an amount of $4,025,000 due from the Corporation. This amount equated to the fair value at 1 July 2016 of the land in Toowoomba upon which Lourdes is operated. Acquisition of this land asset is subject to approval by the Toowoomba Regional Council ("Council") of the application for subdivision of this land from the title of a larger land parcel held by The Corporation. The Corporation and SVCS have entered into short-term land lease to allow SVCS to occupy the land pending the Council's decision. Upon approval of the subdivision by the Council, The Corporation will be liable to make a payment to SVCS of $4,025,000 and SVCS will acquire the Land from the Corporation for $4,025,000. In the event the Council does not approve the subdivision, The Corporation and SVCS will enter into a long-term land lease and The Corporation will be liable to make a payment to SVCS of $4,025,000. It is the Directors expectation that the subdivision will be approved by the Council in the 2017/18 financial year

From the date of acquisition on 1 July 2016, being the beginning of the current reporting period, Lourdes Home for the Aged contributed $13,865,000 of revenue and $1,425,000 of operating surplus to the results of SVCS.

A1 REVENUE, OTHER INCOME AND CAPITAL FUNDING (continued)

(iii) Fair value gain on acquisition of business combinations (continued)

Acquisition of Eltham Aged Care

Eltham Aged Care is located at Eltham in Victoria and was acquired on 1 July 2015 from Melbourne City Mission in accordance with the SVCS's aged care growth strategy. The consideration transferred for the acquisition of the business, liabilities and assets of Eltham Aged Care was $1,556,000.

The final fair values of the identifiable assets and liabilities of Eltham Aged Care as at the date of acquisition on 1 July 2015 were:

	2016 $'000
Trade and other receivables	34
Property, plant and equipment	13,913
Intangibles	3,600
	17,547
Trade payables	18
Accommodation payables	9,458
Provisions	1,497
	10,973
Fair value of identified net assets acquired	6,574
Acquisition date fair value of consideration paid to Melbourne City Mission was:	
Cash paid	(1,556)
Gain on acquisition	5,018
Direct costs relating to the acquisition were:	
Included in other expenses from ordinary activities	543
The cash outflow on acquisition was:	
Net cash acquired	-
Cash paid	(1,556)
Net cash outflow	(1,556)

The $5,018,000 gain on acquisition is attributable to SVCS being able to generate significant revenue and cost efficiencies with the facility operating as part of the Group rather than as an individual facility operated by Melbourne City Mission.

A1 REVENUE, OTHER INCOME AND CAPITAL FUNDING (continued)

(iii) Fair value gain on acquisition of business combinations (continued)

Acquisition of Albert Court Aged Care

Albert Court Aged Care is located at Edgecliff in Sydney and was acquired on 1 July 2015 from the Trustees of Catholic Aged Care Sydney in accordance with SVCS's aged care growth strategy. The consideration transferred for the acquisition of the business, liabilities and assets (excluding land) of Albert Court Aged Care was $1,500,000.

The final fair values of the identifiable assets and liabilities of Albert Court Aged Care as at the date of acquisition on 1 July 2015 were:

	2016 $'000
Cash and cash equivalents	15,396
Trade and other receivables	250
Property, plant and equipment	2,821
Intangibles	1,755
	20,222
Trade payables	94
Accommodation payables	15,983
Provisions	341
	16,418
Fair value of identified net assets acquired	3,804
Acquisition date fair value of consideration paid to Trustees of Catholic Aged Care Sydney was:	
Cash paid	(1,500)
Gain on acquisition	2,304
Direct costs relating to the acquisition were:	
Included in other expenses from ordinary activities	108
The cash inflow on acquisition was:	
Net cash acquired	15,396
Cash paid	(1,500)
Net cash inflow	13,896

The $2,304,000 gain on acquisition is attributable to SVCS being able to generate significant revenue and cost efficiencies with the facility operating as part of the Group rather than as an individual facility operated by the Trustees of Catholic Aged Care Sydney.

On 1 July 2015 SVCS entered into a 99 year lease with the Trustees of the Roman Catholic Church for the Archdiocese of Sydney for the land upon which Albert Court Aged Care operates with a commencing annual rent payable in advance of $250,000.

A2 EMPLOYMENT EXPENSES

Employment expenses recognised during the year are set out below.

	2017 $'000s	2016 $'000s
Salaries and wages	**1,109,667**	1,041,294
Superannuation	**89,802**	84,238
	1,199,469	1,125,532

(i) Accounting policy

This disclosure note includes the accounting policies for all items related to employment expenses. This includes the treatment of balance sheet items such as provision for employee benefits (note A10).

Superannuation

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

Termination benefits

The Group 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 to encourage voluntary redundancy.

Short-term employee obligations

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

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

Long-term employee obligations

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

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

A3 TRADE AND OTHER RECEIVABLES

	2017 $'000s	2016 $'000s
Current		
Trade receivables	**69,888**	68,716
Less: Provision for impairment of trade receivables (ii)	**(3,430)**	(3,250)
Net trade receivables	**66,458**	65,466
Amounts due from related parties (note C5)	**5,234**	2,891
Loans to related parties (note C5)	**1,426**	-
Other receivables	**36,405**	35,741
Accrued revenue	**14,131**	16,452
Prepayments	**8,653**	5,368
Total current receivables	**132,307**	125,918
Non-current		
Amounts due from related parties (note C5)	**-**	2,363
Loan to related parties (note C5)	**-**	2,759
Other receivables	**28,425**	33,316
Total non-current receivables	**28,425**	38,438

(i) Accounting policy

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

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

Other receivables generally arise from transactions outside the usual operating activities of the Company. Interest is not charged in respect of these outstanding balances and collateral is not normally obtained. Other receivables include an amount from the Victorian Department of Health and Human Services which is secured by a guarantee given by the Treasurer of the State of Victoria under Section 30 of the Health Services Act and are funded by the 25 year Health Services Agreement. The amount of $3,711,000 (2016: $9,802,000) represents the amount owed to annuity holders and receivable from the Victorian Department of Health and Human Services pursuant to an agreement to provide Health Services for 25 years.

On 30 June 2016 a new 20 year Health Services Agreement (HSA) was executed between the Department of Health and Human Services and St Vincent's Hospital (Melbourne) Limited.

A3 TRADE AND OTHER RECEIVABLES (continued)

(ii) Financial risk management

Market risk - interest rate risk

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

Credit risk

Credit risk in respect of trade and other receivables is generally considered to be low given that the majority of receivables relate to funds owed by State and Commonwealth government departments 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 Group's policy that all health funds trading on credit terms are subject to credit verification procedures. Receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant.

Provision for impairment of trade receivables

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

	2017 $'000s	2016 $'000s
1 to 3 months	**749**	603
3 to 6 months	**853**	912
6 months or more	**1,828**	1,735
	3,430	3,250

The movements in the provision for impairment of receivables is as		
At 1 July	**3,250**	2,942
Provision for impairment recognised during the year	**3,335**	4,188
Receivables written off during the year as uncollectible	**(2,723)**	(3,715)
Unused amount reversed	**(432)**	(165)
At 30 June	**3,430**	3,250

A3 TRADE AND OTHER RECEIVABLES (continued)

(ii) Financial risk management (continued)

Past due but not impaired receivables ageing analysis

	2017 **\$'000s**	2016 \$'000s
1 to 3 months	**14,630**	9,451
3 to 6 months	**4,164**	1,968
6 months or more	**7,647**	4,496
	26,441	15,915

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 group does not hold any collateral in relation to these assets.

Amounts due from related parties

Credit risk in respect of amounts due from related parties (primarily associated entities to the Group) is considered to be low given the history and stability of these entities. 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 \$25,504,000 (2016: \$24,014,000) comprise medical and other consumables.

(i) Accounting policy

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

A5 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Leasehold improvements	Plant and equipment	In course of construction	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2017						
Cost	**228,388**	**555,306**	**483,309**	**505,402**	**161,863**	**1,934,268**
Accumulated depreciation	**-**	**(285,592)**	**(143,365)**	**(346,462)**	**-**	**(775,419)**
Net carrying amount	**228,388**	**269,714**	**339,944**	**158,940**	**161,863**	**1,158,849**
Movement						
Carrying amount at 1 July	**227,635**	**237,350**	**268,486**	**147,735**	**131,714**	**1,012,920**
Additions – operating	**753**	**666**	**7,665**	**21,819**	**110,172**	**141,075**
Additions – interest	**-**	**-**	**-**	**-**	**3,158**	**3,158**
Additions – development	**-**	**-**	**-**	**-**	**68,781**	**68,781**
Acquisitions	**-**	**-**	**15,830**	**1,199**	**-**	**17,029**
Revaluation	**-**	**-**	**-**	**12**	**-**	**12**
Disposals	**-**	**-**	**-**	**(559)**	**-**	**(559)**
Transfers between asset classes	**-**	**50,066**	**65,598**	**24,041**	**(151,962)**	**(12,257)**
Depreciation	**-**	**(18,368)**	**(17,635)**	**(35,307)**	**-**	**(71,310)**
Carrying amount at 30 June	**228,388**	**269,714**	**339,944**	**158,940**	**161,863**	**1,158,849**
Year ended 30 June 2016						
Cost	227,635	488,746	400,309	468,583	130,711	1,715,984
Accumulated depreciation	-	(251,396)	(131,823)	(319,845)	-	(703,064)
Net carrying amount	227,635	237,350	268,486	148,738	130,711	1,012,920
Movement						
Carrying amount at 1 July	219,075	247,731	266,833	136,806	26,874	897,319
Additions – operating	320	237	7,251	42,091	26,863	76,762
Additions – interest	-	-	-	-	1,688	1,688
Additions – development	-	-	-	-	88,701	88,701
Acquisitions	8,240	5,520	2,580	394	-	16,734
Revaluations	-	-	-	100	-	100
Disposals	-	(181)	(8)	(1,772)	-	(1,961)
Transfers between asset classes	-	366	7,957	4,056	(12,412)	(33)
Depreciation	-	(16,323)	(16,127)	(33,940)	-	(66,390)
Carrying amount at 30 June	227,635	237,350	268,486	147,735	131,714	1,012,920

A5 PROPERTY, PLANT AND EQUIPMENT (continued)

(i) Accounting policy

Property, plant and equipment (including in the course of construction) 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 Group 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. Land is not depreciated. The depreciation rates used for each class of assets are detailed below:

Buildings	up to 40 years
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 Group)
Plant and equipment	up to 10 years
Furniture and fittings	up to 10 years
Computer equipment	up to 5 years
Medical and surgical equipment	up to 10 years

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

Impairment

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

Derecognition

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

Componentisation of buildings

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

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

The Group incurred a net gain on the disposal of property, plant and equipment of $32,000 (2016: net loss of $15,000). The expense included in 'other expenses from ordinary activities' in the profit or loss.

A5 PROPERTY, PLANT AND EQUIPMENT (continued)

(iii) Plant and equipment acquired under finance leases

During the year, the Group acquired plant and equipment of $622,000 (2016: $11,246,000) by means of finance leases.

Plant and equipment includes the following assets acquired under finance leases.

	2017 $'000s	2016 $'000s
Cost	**70,382**	73,647
Accumulated depreciation	**(56,055)**	(55,502)
Net book amount	**14,327**	18,145

Refer to note E6 for information on the accounting treatment for finance leases.

A6 INVESTMENT PROPERTIES

	2017 $'000s	2016 $'000s
Opening balance at 1 July	**27,829**	27,815
Additions	-	-
Disposals	-	-
Net gain from fair value adjustment (note A1)	**151**	14
Closing balance at 30 June	**27,980**	27,829

Investment properties, principally comprising strata titled suites used by doctors, are held for long-term rental yields and are not occupied by the Group.

(i) Accounting policy

Investment properties are initially recognised at cost including any acquisition costs and subsequently stated at fair value at each balance date as described in (ii) below. Any gain or loss arising from a change in fair value is recognised in the profit or loss account in the period.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an investment property is disposed, the gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal and is recognised in the profit or loss in the year of disposal.

A6 INVESTMENT PROPERTIES (continued)

(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 Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is included in note E5.

The Group has classified investment properties as level 3 in that one or more of the significant inputs are not based on observable market data. Where such information is not available the Directors consider information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- discounted cash flow projections based on reliable estimates of future cash flows
- capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

Investment properties are independently valued at least every 3 years. In the intervening years, the Directors assess if there are any significant changes to the valuation assumptions and will obtain a valuation in the event that there are significant changes.

On 30 June 2015, the investment properties were independently valued by Jones Lang Lasalle, a member of the Australian Property Institute. The basis of the valuation of investment properties was fair value, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction based on current prices in an active market.

The key assumptions used by Jones Lang Lasalle in determining fair value for the Group's portfolio of investment properties were in the following ranges:

Valuation technique	Inputs used to measure fair value	Range of inputs
Direct comparison approach and income capitalisation method	Gross market rent (rate per m^2)	\$362 - \$902
	Adopted capitalisation rate	7.00%

The Directors have assessed the fair value of investment properties as at 30 June 2017 and consider it appropriate.

(iii) Non-current assets pledged as security

Refer to note B4(vii) or information on non-current assets pledged as security by the Group.

(iv) Leasing arrangements

Lease income and expenses relating to investment properties are recorded in the books of a related party.

(v) Other

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties.

A7 INTANGIBLE ASSETS

	Goodwill $'000	Residential aged care bed licences $'000	Development costs and other intangibles $'000	Total $'000
Year ended 30 June 2017				
Cost	**52,761**	**46,078**	**48,389**	**147,228**
Accumulated amortisation and impairment	**-**	**-**	**(23,114)**	**(23,114)**
Net carrying amount	**52,761**	**46,078**	**25,275**	**124,114**
Movement				
Carrying amount at 1 July	**50,640**	**24,808**	**10,372**	**85,820**
Additions	**2,121**	**21,270**	**8,077**	**31,468**
Acquisitions	**-**	**-**	**10**	**10**
Transfer	**-**	**-**	**12,257**	**12,257**
Amortisation expense	**-**	**-**	**(5,441)**	**(5,441)**
Carrying amount at 30 June	**52,761**	**46,078**	**25,275**	**124,114**
Year ended 30 June 2016				
Cost	50,640	24,808	24,420	99,868
Accumulated amortisation and impairment	-	-	(14,048)	(14,048)
Net book amount	50,640	24,808	10,372	85,820
Movement				
Carrying amount at 1 July	50,640	19,333	11,968	81,941
Additions	-	5,475	730	6,205
Amortisation expense	-	-	33	33
Reversal of impairment charge	-	-	(2,359)	(2,359)
Carrying amount at 30 June	50,640	24,808	10,372	85,820

(i) Accounting policy

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill arose on the acquisition of 50% of St Vincent's Private Hospital Melbourne Limited (previously St Vincent's and Mercy Private Hospital Limited) on 31 March 2011.

Goodwill of $2,121,000 arose on the acquisition of Jabiru Aged Care on 1 September 2016 (iii).

A7 INTANGIBLE ASSETS (continued)

(i) Accounting policy (continued)

Residential aged care bed licences

Residential aged care bed licences obtained through the Aged Care Approvals Round (ACAR) represent an asset contribution under *AASB 1004 Contributions*. Residential aged care bed licences are recognised at the initial fair value until the Group either disposes of the licence or recognises impairment losses related to the licence. Fair value is determined at the date when the residential aged care beds become operational. The fair value assessment is based upon market transaction data as provided by an external consultant.

Commonwealth Government funded residential aged care bed licences have been assessed to have indefinite useful lives on the basis of the current regulatory supply restrictions applied by the Commonwealth Government. On 8 August 2011, the Productivity Commission released a report titled "Caring for Older Australians" which included a recommendation for the removal of the current regulatory supply restrictions on the number of residential aged care bed licences. On 20 April 2012 the Commonwealth Government released its response to the Productivity Commission report through its "Living Longer Living Better" reform package which rejected the immediate removal of the current regulatory supply restrictions and alternatively provided for a substantial review in 2017. Accordingly, it remains the Directors' opinion that the residential aged care bed licences place licences remain classified as intangible assets with indefinite useful lives at this time. If the substantial review proposed by the Commonwealth Government removes the current regulatory supply restrictions, it is anticipated that pursuant to AASB 136 Impairment of Assets that the recoverable amount of the residential aged care bed licences will be reduced to $nil

Development costs and other intangibles

Development costs and other intangibles represent identifiable non-monetary assets without physical substance such as computer software development costs. Intangible assets are recognised at initial cost with subsequent costs only capitalised when it is expected that additional future economic benefits will flow to the entity.

Amortisation

The Group amortises intangibles with a finite useful life using the straight-line method over a period up to 10 years. The estimation of useful lives and amortisation method are reviewed at least annually.

Impairment

Intangibles that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An intangible is considered impaired when its carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. As a not-for-profit entity, value in use is determined using depreciated replacement cost.

Impairment losses are recognised in the profit or loss in the year it arose. Impairment losses recognised for goodwill are not subsequently reversed.

Derecognition

An intangible asset 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 intangible asset (difference between the proceeds of and the carrying amount of property, plant and equipment) is included in profit or loss in the year of disposal.

A7 INTANGIBLE ASSETS (continued)

(ii) Key assumptions used for value-in-use calculations

Goodwill

For the purposes of assessing impairment of goodwill, assets are grouped at the lowest levels for which goodwill is monitored for internal management purposes and allocated to cash-generating units ("CGU's"). The allocation is made to those CGU's or groups of CGU's that are expected to benefit from the business combination in which the goodwill arose.

The recoverable amount for goodwill is based on detailed 5-year forecast cash flows including a terminal value growth rate of 3% and a discount rate of 10%. The value-in-use calculations and impairment reviews are sensitive to changes in key assumptions, particularly relating to discount rates and terminal rate growth. A sensitivity analysis was performed and it was concluded that the recoverable amount of the goodwill amount exceeded its carrying value and that no impairment existed. There is no reasonably possible change in a key assumption that could result in impairment.

Residential aged care bed licences

The recoverable amount for residential aged care bed licences are based on a market valuation performed by Knight Frank Health & Aged Care Queensland. The market value exceeded the carrying value of residential aged care bed licences and it was concluded that no impairment existed.

(iii) Goodwill on acquisition of business combination

Jabiru Aged Care is located at the Gold Coast in Queensland and was acquired by SVCS on 1 September 2016 from The Board of Benevolence and of Aged Masons Widows and Orphans' Fund ("Masonic Care") in accordance with the SVCS's aged care growth strategy. The consideration transferred for the acquisition of the business, liabilities and assets (excluding land) of Jabiru Aged Care was $3,950,000.

A7 INTANGIBLE ASSETS (continued)

(iii) Goodwill on acquisition of business combination (continued)

The fair values of the identifiable assets and liabilities of Jabiru Aged Care as at the date of acquisition on 1 September 2016 were:

	2017 $'000
Cash and cash equivalents	403
Trade and other receivables	8
Property, plant and equipment	3,584
Intangibles	1,500
	5,495
Trade payables	46
Accommodation payables	3,439
Provisions	180
	3,665
Fair value of identified net assets acquired	1,829
Acquisition date fair value of consideration paid to Masonic Care was:	
Cash paid	(3,950)
Goodwill on acquisition	2,121

Direct costs relating to the acquisition.were:	
Included in other expenses from ordinary activities	96

The cash outflow on acquisition was:	
Net cash acquired	403
Cash paid	(3,950)
Net cash outflow	(3,547)

The land upon which Jabiru Aged Care operates is subleased from the Council of the City of Gold Coast ("City Council") who in turn have a head lease with the Department of Natural Resources and Mines ('the Department"). The current 30 year sublease expires on 30 August 2020. The consideration of $3,950,000 is contingent upon the City Council extending SVCS's sublease to 30 August 2050, on terms and conditions acceptable to SVCS and Masonic Care. The Company has deposited the sum of $3,950,000 into a Solicitor's Trust Account pending a decision on the extension of the sublease by the City Council. In the event that SVCS is only able to obtain an extension for a period expiring prior to 30 August 2050, a proportionate amount of the deposit is refundable to SVCS.

The City Council has recently advised that it has secured a new term lease with the Department which now expires on 9 October 2046 and that they will investigate the renewal of the sublease with SVCS in the period twelve months to two years out from the existing sublease expiry date of 30 August 2020.

It is the Directors expectation that the sublease will be extended to 8 October 2046 in the 2018/19 financial year.

A8 TRADE AND OTHER PAYABLES

	2017 $'000s	2016 $'000s
Current		
Trade creditors and accrued expenses	**161,781**	171,674
Other payables	**17,743**	24,850
Amounts due to related parties (unsecured) (note C5)	**6,294**	8,394
	185,818	204,918
Non-current		
Other payables	**16,742**	9,956
Amount due to related parties (unsecured) (note C5)	**1,253**	6,109
	17,995	16,065

(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 30 days of recognition.

(ii) Financial risk management

Liquidity risk

The Group 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 table below analyses the Group's trade and other payables into relevant maturity groupings based on the period remaining until the contractual maturity date.

	2017 $'000s	2016 $'000s
Payables		
Within one year	**185,818**	204,918
Later than one year but not later than five years	**17,995**	16,065
	203,813	220,983

(iii) Fair value

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

A9 ACCOMMODATION PAYABLES

	2017	2016
	$'000s	$'000s
Refundable accommodation deposits (RADs)	157,828	51,148
Accommodation bonds (ABs)	47,054	66,667
Independent living unit (ILU) entry contributions	44,244	42,792
	249,126	160,607

(i) Accounting policy

Refundable accommodation deposits (RADs) and accommodation bonds (ABs)

A refundable accommodation deposit (RAD) is a non-interest bearing deposit paid or payable to an Approved Provider by a resident for the resident's accommodation in an aged care facility. Prior to 1 July 2014, lump sum refundable accommodation deposits were referred to as an accommodation bond (AB).

RADs and ABs are in effect an interest-free loan.

Not all residents are required to pay RADs – the Australian Government conducts an assessment of residents' income and assets and determines if residents can be asked to pay towards their accommodation costs.

Residents who are required to pay for accommodation can chose to pay a full lump sum (RAD), a regular rental-type payment called a 'daily accommodation payment' (DAP), or a combination of both.

Accommodation bonds were not payable by residents upon their admission to non-extra service high care accommodation facilities. Under the Living Longer Living Better reforms the distinction between low care and high care has been removed.

Accommodation bond balances are reduced by annual retention fees charged in accordance with the Aged Care Act 1997, however, retention fees are not applicable to post 1 July 2014 RADs.

RAD and AB refunds are guaranteed by the government under the prudential standards legislation.

Providers are required to have sufficient liquidity to ensure they can refund RAD and AB balances as they fall due in the following twelve months. Providers are also required to implement and maintain a liquidity management strategy.

Independent living unit (ILU) entry contributions

Entry contributions relate to Independent Living Unit residents. Entry contributions are settled after a resident vacates the property and the terms and conditions are governed by applicable State-based Retirement Village Acts and the individual resident contract.

(ii) Classification as a current liability

As there is no unconditional right to defer payment for 12 months, RADs, ABs and ILU entry contributions are recorded as current liabilities. However, based on past history, the Group expects accommodation payables to be settled as follows:

	2017	2016
	$'000s	$'000s
Expected to be settled within 12 months	86,216	42,640
Expected to be settled greater than 12 months	162,910	117,967
	249,126	160,607

A9 ACCOMMODATION PAYABLES (continued)

(iii) Movement in accommodation payables

	2017	2016
	$'000s	$'000s
Opening balance at 1 July	160,607	120,686
Acquired	19,013	25,332
Proceeds from residents	111,703	44,190
Repayments to former residents	(39,888)	(27,110)
Interest payable to former residents	521	330
Interest, retentions and other deductions charged to residents	(2,830)	(2,821)
Closing balance at 30 June	249,126	160,607

(iv) Financial risk management

Liquidity risk

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

Maturity of accommodation payables

Accommodation payables have no fixed repayment dates.

A10 PROVISIONS

	2017 $'000s	2016 $'000s
Current		
Employee benefits (note A2(i))	**263,764**	250,468
Insurance deductible excess (ii)	**867**	1,409
Other provisions	**13,207**	10,564
	277,838	262,441
Non-current		
Employee benefits (note A2(i))	**34,423**	31,717
Insurance deductible excess (ii)	**2,415**	2,162
	36,838	33,879

(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.

(ii) Insurance deductible excess

Insurance deductible excess is a provision for medical malpractice claims based on an independent assessment of open claims made to reporting date and past experience on the level of claim outcomes. Estimates of the insurance deductible excess obligations are based on an assessment of future costs, which have been discounted to their present value. In determining the insurance deductible excess provision, the Group have assumed no significant changes will occur in the relevant Federal and State legislation in relation to medical malpractice claims in the future.

The movement in the insurance deductible excess provision is as follows:

Opening balance at 1 July (current and non-current)	**3,571**	3,747
Additional provision recognised	**1,016**	1,023
Claims paid	**(1,001)**	(417)
Annual assessment of open claims adjustment	**(304)**	(782)
Closing balance at 30 June (current and non-current)	**3,282**	3,571

This section outlines the financing activities of the Group and the Group's exposure to financial risk such as market risk, credit risk and liquidity risk.

B1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents of $125,447,000 (2016: $117,273,000) 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 Group, and earn interest at the respective short-term deposit rates.

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

	2017 $'000s	2016 $'000s
Surplus for the year	**91,211**	52,875
Capital funding received	**(18,164)**	(4,000)
Share of surpluses of joint ventures	**(5,980)**	(6,918)
Depreciation and amortisation	**76,751**	68,749
Impairment of receivables	**3,335**	4,188
Non-cash finance costs (unwinding of TMAM loan)	**6,408**	5,596
Net (gain) / loss on disposal of non-current assets	**(31)**	-
Net gain from fair value adjustment - investment properties	**(152)**	(14)
Net gain from fair value adjustment - investments	**-**	600
Net gain from fair value of contributed intangibles	**(24,892)**	(7,442)
Non-cash investment distributions	**(2,717)**	(3,417)
Assets received free of charge	**(8)**	(88)
Non-cash accommodation bond retention/ILU entry contribution exit fee income, interest income and other deductions	**(2,664)**	(2,821)
Non-cash accommodation bond retention/ ILU entry contribution interest expense	**144**	330
Change in operating assets and liabilities:		
(Increase)/decrease in trade debtors	**(1,172)**	(2,768)
Decrease/(Increase) in other debtors and prepayments	**128**	(13,855)
(Increase) in inventories	**(1,490)**	(3,373)
Increase/(decrease) in trade creditors and other payables	**(17,214)**	1,662
Increase in provisions	**18,356**	28,078
(Increase) in capital funding	**(5,500)**	(7,500)
Net cash inflow from operating activities	**116,349**	109,882

B2 INVESTMENTS

	2017 $'000s	2016 $'000s
Current		
Fair value through profit or loss financial assets	**163,062**	147,303
Held-to-maturity investments	**5,294**	10,054
Available-for-sale investments (ii)	**12,049**	9,107
	180,405	166,464
Non-current		
Fair value through profit or loss financial assets	**69,003**	60,393
	69,003	60,393

(i) Accounting policy

Financial assets at fair value through profit or loss

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

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

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

Held-to-maturity investments

The Group classifies held-to-maturity investments if they have fixed or determinable payments and fixed maturity and the Group has the intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Held-to-maturity investments are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. The calculation includes all fees, transaction costs and premiums or discounts. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Held-to-maturity investments are included in non-current assets, except those with maturities less than 12 months from the reporting date, which are classified as current assets.

Available-for-sale investments

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

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

B2 INVESTMENTS (continued)

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

Derecognition

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

(ii) Movement in available-for-sale investments

	2017	2016
	$'000s	$'000s
Opening balance at 1 July	**9,107**	9,208
Additions	**3,239**	599
Revaluation deficit	**(297)**	(700)
Closing balance at 30 June	**12,049**	9,107

(iii) Fair value

The measurement of fair value may in some cases be subjective and may depend on the inputs used in the calculations. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is included in note E5.

The Group 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 Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

B3 CASH AND INVESTMENTS – FINANCIAL RISK MANAGEMENT

(i) Market risk - interest rate risk

The Group's main interest rate risk arises from cash and bank deposits earning variable rates and long-term borrowings with variable rates. These expose the Group 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 Group 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 group.

(ii) Market risk – equity price risk

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

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

B3 CASH AND INVESTMENTS – FINANCIAL RISK MANAGEMENT (continued)

(iii) Credit risk

Cash deposits are currently limited to major trading banks and financial institutions including the Archdiocesan Development Fund ("ADF") and certain Catholic Development Funds ("CDFs"). The Group has an investment policy that seeks to limit the amount of credit risk exposure to any one of the approved financial institutions based on their credit rating.

Investments held with major Australian trading banks and other Australian owned banks and corporations have a Standard & Poor's long term rating of "A" or better and/or a short term rating of A-2 or better. The ADF and CDFs are not rated but cash at bank and term deposits held with them are generally considered to be a low credit risk.

(iv) Summarised sensitivity analysis

The following sensitivity analysis shows the effect on profit or loss and equity if the market price of the underlying equity securities/units at balance date had been 1% higher/lower with all other variables held constant.

	Carrying amount	Interest rate risk		Equity price risk	
	$'000s	100pb higher	100pb lower	100pb higher	100pb lower
2017					
Cash and cash equivalents	**125,447**	**1,254**	**(1,254)**	-	-
Financial assets at fair value through profit or loss	**232,065**	**2,321**	**(2,321)**	-	-
Held-to-maturity investments	**5,294**	**53**	**(53)**	-	-
Available-for-sale investments	**12,049**	-	-	**120**	**(120)**
2016					
Cash and cash equivalents	117,273	1,173	(1,173)	-	-
Financial assets at fair value through profit or loss	207,696	2,077	(2,077)	-	-
Held-to-maturity investments	10,054	101	(101)	-	-
Available-for-sale investments	9,107	-	-	91	(91)

(v) Analysis of free and tied cash and investments

The Group holds cash and investments for both its own unrestricted use and funds either held in trust for third parties or held for restricted use on specific expenses or the acquisition of assets.

The analysis of free and tied cash and investments (current and non-current) is as follows:

	2017 $'000s			2016 $'000s		
	Free	Tied	Total	Free	Tied	Total
Cash and cash equivalents	**107,654**	**17,793**	**125,447**	93,299	23,974	117,273
Financial assets at fair value through profit or loss	**23,726**	**208,339**	**232,065**	18,830	188,866	207,696
Held-to-maturity investments	**518**	**4,776**	**5,294**	529	9,525	10,054
Available-for-sale investments	-	**12,049**	**12,049**	-	9,107	9,107
	131,898	**242,957**	**374,855**	112,658	231,472	344,130

B4 BORROWINGS

	2017 $'000s			2016 $'000s		
	Current	Non-current	Total	Current	Non-current	Total
Secured						
Amounts due to TMAM (ii)	**4,921**	**80,692**	**85,613**	4,829	81,382	86,211
Bank loans (iii)	**2,573**	**6,859**	**9,432**	2,253	9,414	11,667
AIB bondholder loan (iv)	**3,711**	**-**	**3,711**	6,088	3,718	9,806
Lease liability	**4,697**	**10,045**	**14,742**	4,755	14,279	19,034
	15,902	**97,596**	**113,498**	17,925	108,793	126,718
Unsecured						
Amounts due to the Trustees of the Sisters of Charity of Australia (v)	**2,449**	**-**	**2,449**	3,120	-	3,120
Bank loan (vi)	**-**	**79,500**	**79,500**	-	55,500	55,500
Loan from St Vincent's Private Hospital Sydney (note C5)	**77,360**	**9,199**	**86,559**	51,300	8,701	60,001
	79,809	**88,699**	**168,508**	54,420	64,201	118,621
	95,711	**186,295**	**282,006**	72,345	172,994	245,339

Borrowings are managed within a Group Treasury policy. This includes ensuring that the Group at all times has sufficient liquid cash resources to meet anticipated financial as well as ensuring compliance with borrowing facilities including financial covenants. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period. Financial risk management approach is covered further in this section.

(i) Accounting policy

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

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

(ii) Amounts due to The Trustees of Mary Aikenhead Ministries ('TMAM') (secured) (current and non-current)

On 1 January 2003, the Group acquired $369,547,000 of freehold land and buildings and $15,246,000 of investment properties from the Trustees of the Sisters of Charity of Australia (TSCA). The acquisition of these assets was financed by the provision of a loan from TSCA and the assumption of certain liabilities payable previously by TSCA. On 1 July 2009, the loan was assigned by TSCA to TMAM.

On 14 May 2014, TMAM advised the Group that there is no present intention to charge interest on the loan and that should this intention change, interest would only be charged prospectively (after providing 12 months' notice). This resulted in a significant change to the terms and conditions of the loan. Consequently, the loan which previously was reflected in the balance sheet at its nominal value is now reflected in the Balance Sheet at its present value.

On 2 December 2015, the Group made a prepayment of $12,000,000 at the request of TMAM. This resulted in a significant change to the terms and conditions of the loan including the present value of the loan. Consequently, $10,990,000 was recognised as an equity transaction with the parent.

B4 BORROWINGS (continued)

(ii) Amounts due to the Trustees of Mary Aikenhead Ministries ('TMAM') (secured) (current and non-current) (continued)

The terms of the loan are reviewed annually and agreed between the parties. Relevant aspects of the terms and conditions of the loan as currently agreed include:

- *Repayment amount* - loan repayments are made quarterly each year and comprise a base amount which is indexed each year in line with consumer price index and an additional element as agreed but constrained such that the overall Health Ministry of the SVHA Group would not be adversely impacted by any request for payments under this element. The repayment amount for the 2017 year was $4,828,000 and will increase in 2018 by CPI.
- *Security* - the loan is secured by a mortgage over the majority of the assets of the Group.
- *Interest* – nil at present, however, TMAM reserve the right to charge interest however interest will only be charged prospectively (after providing 12 months' notice).

(iii) Secured bank loans

(a) $6,948,000 bank loan (2016: $8,241,000)

CBA loan facility of $15,000,000 with residual amount classified as a current liability. The loan is secured by the mortgage over St Vincent's Hospital (Melbourne) Limited's interest in the Victoria Parade car park and its operating agreement. On 1 April 2008, the loan facility converted from the construction facility to the long term facility. A portion of the loan attracted interest at a fixed rate of 7.05% (2016: 5.81%) and the remaining balance of the loan attracts a variable rate of interest capped at 7.05% (2016: 5.81%). Residual loan repayments of $1.9m will be made monthly until November 2017 at which stage repayments become voluntary until the face value of the loan becomes payable.

(b) $2,048,000 bank loan (2016: $3,426,000)

A loan was taken out on 6 February 2009 for a total of $8,300,000 for the development of the carpark in the O'Brien Building. The loan is repayable over 10 years at a variable rate of 4.5% at 30 June 2017 (2016: 5.00%). Repayments are in equal, monthly instalments and will be fully repaid by the second quarter of financial year 2019. The Catholic Development Fund bank loan is secured with a fixed and floating charge over the cash flow and income in respect of the operation of all car parking facilities at St Vincent's Hospital Sydney Limited together with the underground parking station under the building known as the O'Brien Building at St Vincent's Hospital Sydney Limited. The car park income flows to the Trustees of St Vincent's Hospital Sydney and they pay the interest and principal repayments on this loan. Accordingly, no interest paid or payable on this loan has been reflected in this financial report.

(c) $436,000 bank loan (2016: $nil)

On 1 January 2017 St Vincent's Private Hospitals Ltd took a loan in the amount of $680,000 for the purchase of Philips medical equipment. The loan is repayable over 8 quarterly instalments at a fixed rate of 3% at 30 June 2017 (2016: nil%)

(iv) AIB bondholder loan

St Vincent's Hospital (Melbourne) Limited issued Inflation Indexed Annuities of $80,000,000 (face value) on 9 December 1992. Payments are by quarterly instalments over a 25 year period with the first instalment made on 20 February 1993. The annuity has a quarterly base payment of $1,414,000 which is adjusted quarterly by the movement in the Consumer Price Index. The total payment made to the annuity holders represents a progressive repayment of their loans plus interest. The loan is secured by fixed and floating charge over the assets and undertakings of St Vincent's Hospital (Melbourne) Limited and the residual balance of the loan is classified as a current liability.

B4 BORROWINGS (continued)

(v) Amounts due to the Trustees of the Sisters of Charity of Australia

On 28 June 2013, the Group acquired 190 residential aged care bed licences at a total cost of $6,750,000 from The Congregation of the Religious Sisters of Charity of Australia ("Congregation"). The acquisition of these intangible assets was financed by the provision of a loan by the Congregation. On 28 June 2013, the loan was assigned by the Congregation to the Trustees of the Sisters of Charity of Australia ("TSCA").

Fixed repayments of $84,375 are made quarterly each year. While TSCA has the right to charge interest none has been charged.

The balance of the amount due is classified as a current liability as it is effectively callable at the discretion of TSCA pursuant to their ability to offset any ingoing contribution amounts payable upon occupancy of an independent living unit operated by the Company. For the year ended 30 June 2017, TSCA elected to offset $331,000 (2016: $350,000) of ingoing contribution payable upon occupancy under this provision.

(vi) Unsecured bank loans

$79,500,000 bilateral bank loan (2016: $55,500,000)

On 4 November 2015, St Vincent's Healthcare Limited and St Vincent's Health & Aged Care Limited, as borrowers, established a $300,000,000 revolving, term facility. The facility has an effective term of 5 years ending on 18 November 2020 with an option to extend for a further year to 18 November 2021.

The principal is repayable in full at the maturity date of the loan. Loans within the facility limit can be drawn in a minimum of $1,000,000 face value and multiples of $500,000 thereafter for terms of one, two, three and six months.

Interest is payable at maturity of each loan drawdown and calculated based on an actual/365 basis. The bank loan attracts a variable average rate of interest at 3.03% at 30 June 2017 (2016: 3.28%).

A number of subsidiaries of the parent entity, have guaranteed the loan. The loan is unsecured, except for security granted by the Trustees of the Sisters of Charity of Australia and The Congregation of Religious Sisters of Charity of Australia over the assets used to conduct the business of St Vincent's Private Hospital Sydney and any interest in St Vincent's Private Hospital Medical Imaging.

(vii) Assets pledged as security

The carrying amounts of non-current assets pledged as security are:

	2017 $'000s	2016 $'000s
Fixed and floating charge		
Cash and cash equivalents	**12,105**	9,071
Receivables (current and non-current)	**70,141**	75,920
Inventories	**7,380**	7,179
Investments (current and non-current)	**69,684**	66,966
Plant and equipment	**157,353**	158,793
Intangibles	**10,429**	11,504
Investment properties	**2,400**	2,260
Subordinated mortgage		
Freehold land and buildings	**233,652**	242,349
Investment properties	**24,100**	24,100
Total assets pledged as security	**587,244**	598,142

B4 BORROWINGS (continued)

(viii) Financial risk management

Market risk - interest rate risk

The Group's main interest rate risk arises long-term borrowings with variable rates. These expose the Group 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.

The Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

Liquidity risk

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

Financing arrangements

The Group has limited undrawn borrowing facilities that are not committed to current capital projects. Given the nature of the Group and the financial obligations that it currently has, this position is considered to be of low risk. The Group has access to $220,500,000 in undrawn borrowing facilities, at variable rates (2016: $244,500,000).

The majority of undrawn borrowing facilities relate to current capital projects that will be completed in less than two years from balance date. The weighted average interest rate for the drawn borrowing facilities is 3.03% (2016: 3.78%).

Maturity of borrowings

The table below analyses the Group's borrowings into relevant maturity groupings based on the period remaining until the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest), and therefore may not reconcile with the amounts disclosed on the Balance Sheet.

	2017	2016
	$'000s	$'000s
Within one year	**105,239**	85,221
Later than one year but not later than five years	**143,037**	117,850
Later than five years	**217,181**	235,734
	465,457	438,805

The Victorian Department of Health and Human Services liability of $3,711,000 (2016: $9,802,000) is excluded from payables as a similar amount is included in receivables. This receivable amortises in line with the liability.

B4 BORROWINGS (continued)

(ix) Summarised sensitivity analysis

The following sensitivity analysis shows the effect on profit or loss and equity if the market price of borrowings at balance date had been 1% higher/lower with all other variables held constant. The analysis includes only borrowings exposed to interest rate risk.

	Carrying amount	Interest rate risk	
	$'000s	100pb higher	100pb lower
2017			
Bank loans (iii)	**88,932**	**889**	**(889)**
AIB bondholder loan (iv)	**3,711**	**37**	**(37)**
Lease liability	**14,742**	**147**	**(147)**
Loan from St Vincent's Private Hospital Sydney (note C5)	**86,559**	**866**	**(866)**
2016			
Bank loans (iii)	67,167	672	(672)
AIB bondholder loan (iv)	9,806	98	(98)
Lease liability	19,034	190	(190)
Loan from St Vincent's Private Hospital Sydney (note C5)	51,300	513	(513)

This section provides information which will help users understand how the group structure affects the financial position and performance of the Group 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 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 SVHA is wound up the constitution states that each member is required to contribute a maximum of $100 each towards meeting the obligations of SVHA. At 30 June 2017, SVHA had 1 member (2016: 1) so the maximum amount to be contributed towards meeting the obligations of SVHA would be $100 (2016: $100).

C2 PARENT ENTITY FINANCIAL INFORMATION

The parent entity in the wholly-owned Group is St Vincent's Health Australia Limited. As the parent entity, it holds the interest in the subsidiaries and joint ventures and acts as a holding company, employing staff and paying fees for service. These costs are then recovered from the operating subsidiaries, joint ventures and other related parties such that the parent entity eventually breaks even.

The results of the parent entity are as follows:

	2017 $'000s	2016 $'000s
Current assets	**27,142**	23,635
Total assets	**207,778**	203,306
Current liabilities	**22,033**	17,000
Total liabilities	**82,883**	77,473
Reserves	**204**	204
Retained earnings	**124,691**	125,630
Total equity	**125,895**	125,834
Operating deficit recorded by the parent entity	**(939)**	(121)
Total comprehensive loss of the parent entity	**(939)**	(121)

C3 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries. SVHA is the sole member of each of all of these controlled entities.

Name of Entity	Country of Incorporation	Equity Holding		Carrying amount	
		2017	2016	**2017**	2016
		%	%	**$'000**	$'000
St Vincents & Mater Health Sydney Limited [1]	Australia	100	100	-	12,269
St Vincent's Clinic	Australia	100	100	6,402	6,402
The Trustee for St Vincent's Clinic Foundation	Australia	100	100	-	-
St Vincent's Care Services Ltd [3,5]	Australia	100	100	9,545	9,545
St Vincent's Healthcare Limited	Australia	100	100	5,261	5,261
St Vincent's Hospital (Melbourne) Limited	Australia	100	100	45,653	45,653
St Vincent's Hospital Sydney Limited	Australia	100	100	20,474	20,474
St Vincent's Hospital Toowoomba Limited [2]	Australia	100	100	-	13,579
St Vincent's Private Hospitals Ltd [1,2,3]	Australia	100	100	84,346	58,498
St Vincent's Curran Foundation	Australia	100	100	-	-
Aikenhead Centre for Medical Discovery Limited [4]	Australia	100	100	-	-
				171,681	171,681

[1] On 1 July 2016, the operations, assets and liabilities of St Vincents & Mater Health Sydney Limited were transferred to St Vincent's Private Hospitals Ltd. This had nil impact on the Group.
[2] On 1 July 2016, the operations, assets and liabilities of St Vincent's Hospital Toowoomba Limited were transferred to St Vincent's Private Hospitals Ltd. This had nil impact on the Group. St Vincent's Hospital Toowoomba Limited was deregistered on 10 April 2017.
[3] On 1 July 2016, the operations, assets and liabilities of St Vincent's Private Hospital Brisbane, previously within St Vincent's Care Services Ltd, were transferred to St Vincent's Private Hospitals Ltd. This had nil impact on the Group.
[4] Aikenhead Centre for Medical Discovery Limited was incorporated on 5 May 2016
[5] St Vincent's Health & Aged Care Limited changed its name to St Vincent's Care Services Ltd on 25 October 2016.

C4 INTEREST IN JOINT VENTURE

SVHA has a 50% interest in The Holy Spirit Northside Private Hospital Limited ("HSNPH"), whose principal activity is healthcare. The Group's interest is accounted for using the equity method. Summarised financial information relating to the joint venture, based on its financial statements, and reconciliation with the carrying amount of the investment in the entity is set out below.

	2017 $'000s	2016 $'000s
Joint venture's results		
Revenue and other income	**170,186**	164,019
Operating surplus and total comprehensive income for the year	**11,961**	13,836
Group's share of surplus and total comprehensive income for the year	**5,980**	6,918
Current assets[1]	**60,452**	52,320
Non-current assets	**62,923**	62,934
Current liabilities	**(26,381)**	(25,271)
Non-current liabilities	**(49,110)**	(54,060)
Equity	**47,884**	35,923
Group's carrying amount of investment in joint venture	**23,942**	17,961

[1] Included in current assets are cash and cash equivalents of $43,003,000 (2016: $34,270,000).

	2017 $'000s	2016 $'000s
Joint venture's commitments and contingent liabilities		
Lease commitments	**314,867**	325,184
Contingent liabilities	**3,885**	4,128

(i) Accounting policy

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

C5 RELATED PARTY TRANSACTIONS

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

(a) Loans advanced by St Vincent's Health Australia Limited;

(b) Loans repaid by St Vincent's Health Australia Limited;

(c) Payment of interest on the above loans;

(d) Recovery of costs for the provision of management and administrative services; and

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

Management and administrative services referred to in (d) and (e) 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 St Vincent's Private Hospital Sydney:

	2017 $'000s	2016 $'000s
Interest income from:		
Joint ventures	**56**	108
Lease income from:		
St Vincent's Private Hospital Sydney	**9,000**	8,000
Income from the provision of management and administrative services to:		
Joint ventures	**5,536**	4,031
St Vincent's Private Hospital Sydney	**15,958**	13,784
Expenses relating to the provision of management and administrative services by:		
Joint ventures	**217**	30
St Vincent's Private Hospital Sydney	**20,737**	20,131
Repayment of interest-free amounts advanced from		
TMAM	**4,828**	16,781
Trustees of the Sisters of Charity of Australia	**671**	685

C5 RELATED PARTY TRANSACTIONS (continued)

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

	2017 $'000s			2016 $'000s		
	Current	Non-current	Total	Current	Non-current	Total
Receivables						
Amounts due from related parties						
Joint ventures	**14**	**-**	**14**	56	-	56
St Vincent's Private Hospital Sydney	**5,220**	**-**	**5,220**	2,835	2,363	5,198
	5,234	**-**	**5,234**	2,891	2,363	5,254
Loan to related party (i)						
Joint ventures	**1,426**	**-**	**1,426**	-	2,759	2,759
	1,426	**-**	**1,426**	-	2,759	2,759
Payables						
Amounts due to related parties (unsecured)						
Joint ventures	**141**	**559**	**700**	446	446	892
St Vincent's Private Hospital Sydney	**6,153**	**694**	**6,847**	7,948	5,663	13,611
	6,294	**1,253**	**7,547**	8,394	6,109	14,503
Borrowings						
Loan from related party (ii)						
St Vincent's Private Hospital Sydney	**77,360**	**9,199**	**86,559**	51,300	8,701	60,001
	77,360	**9,199**	**86,559**	51,300	8,701	60,001

(i) Loan to related party

The Group has provided a loan to The Holy Spirit Northside Private Hospital Limited. The loan is unsecured and attracts a variable interest rate of 3.66% at 30 June 2017 (2016: 3.66%). During the year, The Holy Spirit Northside Private Hospital Limited repaid $1,333,000 (2016: $1,244,000) of the loan. The loan was fully repaid on 28 July 2017.

(ii) Loan from related party

The Group has a loan from St Vincent's Private Hospital Sydney Limited amounting to $86,559,000 (2016: $60,001,000). The loan is unsecured and attracts a variable interest rate of 3.39% (2016: 3.29%). The loan was used to repay secured bank loans (note B4(iii)(c)).

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

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

D1 COMMITMENTS

	2017 $'000s	2016 $'000s

Capital commitments

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

	2017 $'000s	2016 $'000s
Within one year	**100,531**	169,832
Later than one year but not later than 5 years	**32,280**	22,636
	132,811	192,468

Lease commitments

Non-cancellable operating leases

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

	2017 $'000s	2016 $'000s
Within one year	**7,636**	7,396
Later than one year but not later than 5 years	**15,046**	14,430
Later than 5 years	**44,403**	41,233
	67,085	63,059

During the current financial year, $2,514,000 was recognised as an expense in the Group's profit or loss in respect of operating leases (2016: $2,914,000).

Finance leases

Commitments for minimum lease payments in relation to finance leases are payable as follows:

	2017 $'000s	2016 $'000s
Within one year	**4,697**	4,756
Later than one year but not later than 5 years	**9,692**	13,026
Later than 5 years	**353**	1,252
	14,742	19,034
Less amounts representing finance charges	**1,047**	2,698
	13,695	16,336

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.

The contingent liabilities of the Group at 30 June 2017 are detailed below. No material losses are anticipated in respect of any of these contingent liabilities.

Entity with Rights	**Nature of Security or Obligation**	**2017 $'000s**	2016 $'000s
Doctors owning strata title suites in the St Vincent's Clinic building	St Vincent's Healthcare Limited ("SVHC") has given an undertaking to buy back certain clinic suites for which an approved buyer cannot be found within 90 days after the service of a Sale Notice. The amount shown represents the full value of all suites that SVHC has committed to repurchase in the event that they cannot be sold.	**49,242**	49,814
Queensland Housing Commission	Pursuant to a capital funding agreement with the Queensland Housing Commission, St Vincent's Care Services Limited ("SVCS") may be liable to repay funds provided to assist with the original construction of public rental units at St John the Baptist Retirement Community. This liability would arise if SVCS ceased to operate the Community or if there is a breach in the terms and conditions of the capital funding agreement prior to the 22 June 2044.	**170**	176

D3 SUBSEQUENT EVENTS

The following transactions have occurred since 30 June 2017.

On 1 July 2017 Trustees of Mary Aikenhead Ministries appointed St Vincent's Health Australia Ltd (SVHA) as a Member of the company Victor Chang Cardiac Research Institute Ltd ("VCCRI"). Subsequent to the appointment, Trustees of Mary Aikenhead Ministries resigned as a member leaving SVHA as sole Member of VCCRI. SVHA will assume the responsibilities and obligations of a company member at law and looks forward to working with VCCRI in developing & applying translational research to benefit those we serve. At 31 December 2016, the audited accounts state VCCRI net assets at $71,773,727.

Apart from these matters, the Directors are not aware of any matter or circumstance occurring since 30 June 2017 that has significantly or may significantly affect the operations of the Group.

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

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

E1 KEY MANAGEMENT PERSONNEL

Directors

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

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

Executives

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

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

Mr T Hall	Group Chief Executive Officer
Ms R Martin	Group Chief Financial Officer
Mr R Beetson	Group General Manager, Corporate Governance
Mr D Swan	Chief Executive Officer, Private Hospitals Division
Mr J Leahy	Chief Executive Officer, Aged Care Division
Prof. P O'Rourke	Chief Executive Officer, Public Hospitals Division

Compensation

The compensation paid to Directors and specified executives noted above is as follows:

	2017 **$**	2016 $
Short-term employee benefits	**4,325,331**	4,673,973
Post-employment benefits	**183,768**	209,232
Other	**107,530**	87,540
Termination benefits	**-**	239,279
Total	**4,616,629**	5,210,024

There are no other long term benefits as at year end (2016: $nil).

There were no loans or transactions between the Group and its key management personnel during the financial year (2016: $nil).

E2 AUDITOR'S REMUNERATION

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

	2017 $	2016 $
Assurance services		
Ernst & Young Australian firm		
Audit of financial reports	**548,097**	648,272
Other audit firms for any entity in the Group		
Audit of financial reports	**92,000**	98,000
Total remuneration for assurance services	**640,097**	746,272
Non-assurance services		
Ernst & Young Australian firm	-	35,000
Total remuneration for non-assurance services	-	35,000
Total remuneration	**640,097**	781,272

E3 ECONOMIC DEPENDENCY

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

- Queensland Department of Health
- NSW Ministry of Health
- Victorian Department of Health and Human Services
- Commonwealth Department of Health and Ageing
- Commonwealth Department of Veterans' Affairs

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

E4 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.

E5 FAIR VALUE HIERARCHY

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

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 group 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. This is the case for investment properties. Where such information is not available the Directors consider information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- discounted cash flow projections based on reliable estimates of future cash flows
- capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

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

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 Group for the construction of a qualifying asset, the amount of financing costs capitalised are those incurred in relation to that borrowing.

Goods and services tax

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

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

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

Income tax

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

E6 OTHER ACCOUNTING POLICIES (continued)

Finance leases

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

Operating leases

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

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

Government grants

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

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

Interest income

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

E6 OTHER ACCOUNTING POLICIES (continued)

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

Business combinations

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

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

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

E6 OTHER ACCOUNTING POLICIES (continued)

Cash flow hedges (interest rate swap contracts)

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

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

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

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

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

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

New standards issued and adopted from 1 July 2016

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

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

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

E6 OTHER ACCOUNTING POLICIES (continued)

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

Reference	Description	Application of Standard	Application by Group
AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation	The amendments clarify the principle in AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.	1 January 2016	1 July 2016
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	The amendments clarify certain requirements in: - AASB 5 Non-current Assets Held for Sale and Discontinued Operations – Changes in methods of disposal - AASB 7 Financial Instruments: Disclosures - servicing contracts; applicability of the amendments to AASB 7 to condensed interim financial statements - AASB 119 Employee Benefits - regional market issue regarding discount rate - AASB 134 Interim Financial Reporting- disclosure of information 'elsewhere in the interim financial report'	1 January 2016	1 July 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	This Standard amends AASB 101 Presentation of Financial Statements to clarify existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying the Standard in determining what information to disclose, where and in what order information is presented in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures.	1 January 2016	1 July 2016

E6 OTHER ACCOUNTING POLICIES (continued)

New and amended standards and interpretations issued but not yet effective

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

Reference	Description	Application of Standard	Application by Group
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. AASB 2015-10 defers the mandatory effective date (application date) of AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016.	1 January 2018	1 July 2018
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	The amendments to AASB 107 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).	1 January 2017	1 July 2017
AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities	This Standard amends AASB 136 Impairment of Assets to remove references to depreciated replacement cost as a measure of value in use for not-for-profit entities and clarify that not-for-profit entities holding non-cash-generating specialised assets at fair value in accordance with AASB 13 Fair Value Measurement [under the revaluation model in AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets] no longer need to consider AASB 136. Not-for-profit entities holding such assets at cost may determine recoverable amounts using current replacement cost in AASB 13 as a measure of fair value for the purposes of AASB 136.	1 January 2017	1 July 2017
AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investments Property, Annual Improvements 2014-2016 Cycle and Other Amendments	The amendments clarify certain requirements in: - AASB 1 First-time Adoption of Australian Accounting Standards –deletion of exemptions for first-time adopters and addition of an exemption arising from AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration - AASB 12 Disclosure of Interests in Other Entities – clarification of scope - AASB 128 Investments in Associates and Joint Ventures – measuring an associate or joint venture at fair value - AASB 140 Investment Property – change in use.	1 January 2018	1 July 2018

E6 OTHER ACCOUNTING POLICIES (continued)

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

Reference	Description	Application of Standard	Application by Group
AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle	This Standard clarifies the scope of AASB 12 Disclosure of Interests in Other Entities by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations.	1 January 2017	1 July 2017
AASB 9, and relevant amending standards Financial Instruments	AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement. Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss. For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO. The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9. The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.	1 January 2018	1 July 2018

E6 OTHER ACCOUNTING POLICIES (continued)

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

Reference	Description	Application of Standard	Application by Group
AASB 15, and relevant amending standards Revenue from Contracts with Customers	AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 Construction Contracts, AASB 118 Revenue, AASB Interpretation 13 Customer Loyalty Programmes, AASB Interpretation 15 Agreements for the Construction of Real Estate, AASB Interpretation 18 Transfers of Assets from Customers and AASB Interpretation 131 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 (or AASB 16 Leases, once applied). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps: - Step 1: Identify the contract(s) with a customer - Step 2: Identify the performance obligations in the contract - Step 3: Determine the transaction price - Step 4: Allocate the transaction price to the performance obligations in the contract - Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation	1 January 2018	1 July 2019
AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration	The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.	1 January 2018	1 July 2018
AASB 16 Leases	AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.	1 January 2019	1 July 2019

E6 OTHER ACCOUNTING POLICIES (continued)

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

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

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2017

In the Directors' opinion:

(a) the financial statements and notes set out on pages 13 to 68 of the consolidated entity 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 consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date;

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

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

Mr Paul Robertson AM, Chair

Sydney

12 October 2017

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Independent Auditor's Report to the Members of St Vincent's Health Australia Limited and its Controlled Entities

Opinion

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

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Ernst & Young

Ernst & Young

L Di Mento

Loretta Di Mento
Partner
Sydney
12 October 2017