

St Vincent's Health Australia Limited

Financial Report 2015



**ST VINCENT'S
HEALTH AUSTRALIA**

UNDER THE STEWARDSHIP OF MARY AIKENHEAD MINISTRIES

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CORPORATE INFORMATION

Directors	Mr P Robertson AM	Mr B Earle
	Ms P Faulkner AO	Mr G Humphrys
	Ms M Babbage	Mr P McClintock AO
	Sr M Confoy RSC	Prof. P Smith
	Prof. S Crowe AM	Sr M Wright IBVM
Company Secretary	Mr R Beetson	
Principal registered office	Level 1, 75 Grafton Street, Bondi Junction, NSW 2022	
Auditor	Ernst & Young, 680 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 2015.

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 24 September 2015. 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.

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW

The Group generated an operating surplus of \$18,546,000 for the year ended 30 June 2015 (2014: \$27,844,000). The Group grew its revenue by 4% and its operating surplus fell by 33% year on year. However, the fall in operating surplus must be viewed in light of two pertinent matters; the new unwinding of the Trustees of Mary Aikenhead Ministries ('TMAM') loan discount and the non-linear flow of donations and grants across years.

On 30 June 2014, the loan from TMAM to the Group was discounted from its gross value to a present value of \$84,487,000 after its terms and conditions were reviewed and its accounting treatment changed. This new accounting treatment means the discount down to the net present value of the loan is effectively unwound over its life with a non cash interest charge being applied each year. This charge was \$6,016,000 for the year ended 30 June 2015. So, the profit or loss account this year has \$6,016,000 of interest charged which it did not have last year.

The consolidation for the first time last year of the St Vincent's Curran Foundation plus certain large donations received meant the profit or loss account last year had \$5,695,000 more income than this year. The Group greatly appreciates the invaluable contribution that the Foundations and donors make to the lives of patients and residents but the flow of such funds is not always linear from year to year and this influences any explanation of the underlying performance. In addition, the Foundation has provided \$2,978,000 in additional grants for medical research and equipment over the prior year.

Taking these two matters into account, the underlying performance for the year has actually risen by \$5,391,000 and is due to a general improved performance across all the Group's operating divisions and in the face of increasingly challenging funding environments and the need to continually seek efficiencies in all that we do.

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

Going concern

The Group's Balance Sheet shows an excess of current liabilities over current assets of \$164,349,000 (2014: \$114,077,000). However, included within current liabilities are accommodation payables of \$120,686,000 (2014: \$104,980,000) which are required to be categorised as current liabilities because there is no ability to defer their repayment beyond twelve months. In the normal course of business not all of these liabilities will crystallise within one year and those that do are usually replaced by incoming residential accommodation bond payments. In addition, current liabilities contains provisions for annual and long service leave of \$229,092,000 (2014: \$215,192,000) 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 \$712,648,000 at 30 June 2015 (2014: \$688,654,000). The Group also has surplus assets which could be sold if circumstances required.

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 2015 SVHA had 1 member (2014: 1) so the maximum amount to be contributed towards meeting the obligations of SVHA would be \$100 (2014: \$100).

DIRECTORS' REPORT

SUBSEQUENT EVENTS

The following transactions have occurred since 30 June 2015.

Acquisition of Albert Court Aged Care and Eltham Aged Care

On 1 July 2015, the Group acquired an aged care facility located in Sydney from the Trustees of the Roman Catholic Church for the Archdiocese of Sydney and an aged care facility located in Eltham, Victoria from the Melbourne City Mission. These acquisitions are in accordance with the Group's aged care growth strategy.

The consideration transferred for the acquisition of the business, assets (excluding land) and liabilities of Albert Court Aged Care was \$1,500,000. The consideration transferred for the acquisition of the business, assets and liabilities of Eltham Retirement Community was \$1,554,000.

Refinancing of debt finance facilities

Subsequent to the year end, the SVHA Group is in the process of finalising a refinancing of its debt finance facilities to provide it with the capital required to undertake planned growth in both its hospitals and aged care divisions, including a redevelopment of St Vincent's Private Hospital Sydney, and construction of a new private hospital and aged care facility at Werribee in Victoria. The new facilities will also allow most of the presently described bank debt facilities in this report to be repaid. The new borrowings will be for \$300,000,000 of bilateral banking facilities in the Australian market with three lenders under individual facility agreements with the benefit of a common terms deed. The borrower entities to this new facility will be St Vincent's Healthcare Limited and St Vincent's Health & Aged Care Limited.

As part of this refinancing, the SVHA Group asked both its member, TMAM, and its ultimate controlling entity, the Trustees of the Sisters of Charity of Australia, to subordinate their mortgages to the new lenders and for the Congregation to provide security over its interests in the St Vincent's Private Hospital Sydney to the new lenders, the intended beneficiary of a significant part of the capital expenditure. To facilitate this arrangement the SVHA Group has agreed to repay, earlier than the stated repayment schedule, an amount of \$12,000,000 on the member loan from TMAM. This would have the effect of reducing the member loan from TMAM by a net present value of \$12,000,000. The annual repayments schedule of the member loan will continue as before but the prepayment has the effect of reducing the term of the loan from a final year payment in 2048 to one in 2040 as more of the quarterly repayments are directed to reduce capital than unwind the interest discount than before.

Apart from these matters, the Directors are not aware of any matter or circumstance occurring since 30 June 2015 that has significantly or may significantly affect the operations of the Group.

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 wilful acts or omissions. No payment has been made to indemnify Ernst & Young during or since the financial year.

ROUNDING OF AMOUNTS

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

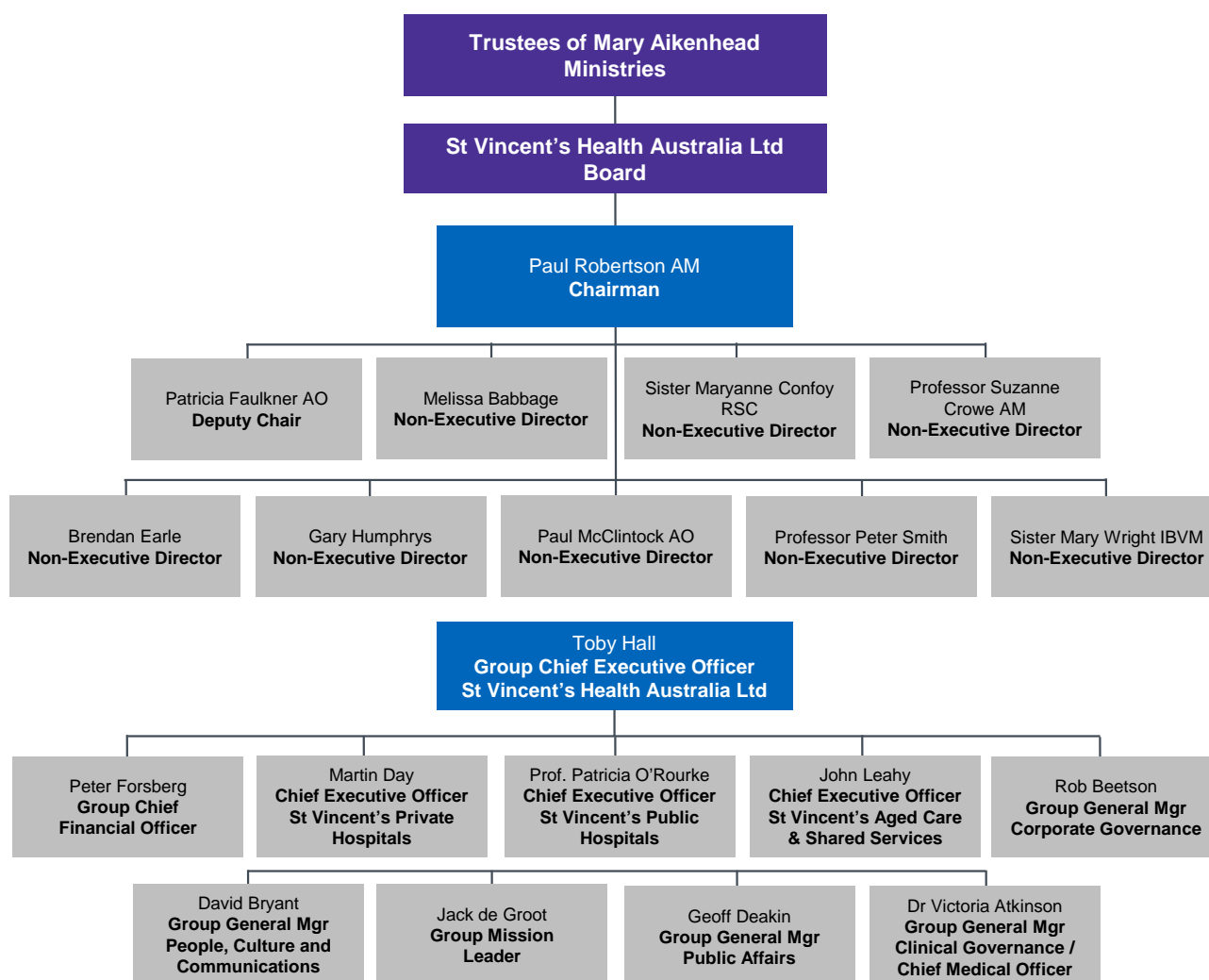
DIRECTORS' REPORT

STRUCTURE AND MANAGEMENT

SVHA is a group of not-for-profit non-listed entities. SVHA is incorporated under the Corporations Act 2001 and is a public company limited by guarantee.

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 Corporations Act 2001 (Cth), 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.



DIRECTORS' REPORT

STRUCTURE AND MANAGEMENT (continued)

Board of Directors

The Board is accountable for its key purpose to 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 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.

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 five standing Committees:

Audit & Risk

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

Finance & Investment

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

Mission, Ethics & Advocacy

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

People & Culture

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

Quality & Safety

The purpose of the Quality & Safety Committee is to ensure that systems are in place to deliver safe quality health and aged care services.

DIRECTORS' REPORT

STRUCTURE AND MANAGEMENT (continued)

Information on Directors

Mr Paul Robertson AM

Bachelor of Commerce,
Fellow, CPA Australia
Chairman

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

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 National Partner-in-Charge, Health Sector at KPMG and a previous Secretary of the Victorian Government of Human Services. She has held a number of roles with the Victorian Government over a period of almost 20 years in the Department of Labour and Department of Community Welfare Services. Patricia is Chair of The CRC on Sleep & Alertness, Jesuit Social Services and the National Health Performance Authority. , She is a Member of the Commonwealth Grants Commission, and the Board of CEDA. Patricia was recently appointed as a Deputy Commissioner to the Victorian Government's Royal Commission into Family Violence.

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

Ms Melissa Babbage

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

Melissa was appointed to the Board on 1 October 2013. Melissa is a highly experienced financial services professional with a 19 year Investment Banking career spanning both International and Domestic Financial Markets. As a managing director at Deutsche Bank for 10 years, she had responsibility for growing several different business lines across both Australia/New Zealand and Asia, as Head of Commodities, Foreign Exchange and Global Finance. Melissa is a Non-Executive Director of Swiss Re Life and Health Australia Ltd and Athletics Australia, a Trustee of Q Super and a Non-Executive Director of Q Super Ltd. Melissa was recently appointed to the Board of Mercer Investments (Aust) Ltd.

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

Sr 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.

Sr Maryanne was appointed to the Board on 6 February 2012. Sr 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 Council member of Edmund Rice Education Australia, a member of the St Vincent's Foundation Board, of the Board of LUCRF, and of The Way Community for Homeless Men.

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

DIRECTORS' REPORT

STRUCTURE AND MANAGEMENT (continued)

Information on Directors (continued)

Prof. Suzanne Crowe AM

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

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

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

Suzanne is Head of the international Clinical Research Laboratory at the Burnet Institute and the World Health Organization (WHO) Regional Reference Laboratory for HIV Resistance Testing and an adviser and consultant to the WHO Global Program on AIDS. She 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 was a previous member of the Audit & Risk Committee and is a member of the Quality & Safety Committee and a member of the Mission, Ethics & Advocacy 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 20 years' experience providing commercial legal advice across a range of industries and specialises in large or strategically important negotiated transactions including acquisitions, sales, joint ventures and corporate restructuring and acts as a relationship partner for several clients of the firm. Brendan has a long-standing interest in the Australian healthcare industry and has advised the Commonwealth Government, private insurers, aged care providers, private consulting practices and pharmaceutical manufacturers on a diverse range of projects.

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

Mr Gary Humphrys

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

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

Gary is Chair of the Audit & Risk Committee, a member of the Mission, Ethics & Advocacy Committee and a member of the Finance & Investment Committee.

DIRECTORS' REPORT

STRUCTURE AND MANAGEMENT (continued)

Information on Directors (continued)

Mr Paul McClintock AO

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

Paul was appointed to the Board on 1 January 2013. Paul was previously Chairman of Medibank Private Limited and is currently Chair of Myer Holdings Limited, I-MED Network, the Institute of Virology and NSW Ports. He is a Director of the George Institute for Global Health.

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.

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 Australian Institute of Company Directors.

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

Peter is Chair of the Quality & Safety Committee 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) and 8 years in Rome as International Leader (Loreto Sisters). She has practiced in the area of Church law in Australia (including lecturing at Yarra Theological Union) and most recently in the Vatican (in the Congregation for Institutes of Consecrated Life and Societies of Apostolic Life). Her specialty is in the area of institutional governance. Sr Mary is 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.

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. He was previously Manager of Investigations at the Health Care Complaints Commission (NSW).

DIRECTORS' REPORT

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	Quality & Safety
Mr P Robertson AM (Chair)	7/7				• 4/4	1/1
Ms P Faulkner AO	7/7			3/4		5/5
Ms M Babbage	7/7	4/5	6/7			
Sr M Confoy RSC	7/7			4/4	1/1	
Prof. S Crowe AM	5/7	1/1		3/4		4/5
Mr B Earle	6/7	5/5	6/7			
Mr G Humphrys	7/7	• 5/5	7/7	4/4		
Mr P McClintock AO	6/7		• 6/7			
Prof. P Smith	7/7				4/4	• 4/5
Sr M Wright IBVM	4/7	3/5		• 3/4	2/4	

• Chair

REMUNERATION

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

AUDITOR

Ernst & Young continues in office in accordance with section 327 of the Corporations Act 2001. The Directors have received an Independence Declaration from Ernst & Young, a copy of which is attached at page 10. Non audit services provided by Ernst & Young and are disclosed in note E2.

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



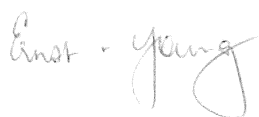
Mr Paul Robertson AM, Chair

Sydney

24 September 2015

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 consolidated financial report of St Vincent's Health Australia Limited for the financial year ended 30 June 2015, 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 the *Australian Charities and Not-for profits Commission Act 2012* or any applicable code of professional conduct.



Ernst & Young



Jenny Parker
Partner
Brisbane
24 September 2015

**PROFIT OR LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015**

	Notes	2015 \$'000	2014 \$'000
Revenue	A1	1,727,936	1,661,922
Other income	A1	24,174	29,372
Total revenue and other income		1,752,110	1,691,294
Employment expenses	A2	1,066,545	1,027,613
Goods and services		539,144	518,626
Finance costs		19,760	15,844
Repairs and maintenance		19,412	18,003
Depreciation and amortisation	A5 / A7	68,855	66,252
Other expenses from ordinary activities		25,522	21,377
Total expenses		1,739,238	1,667,715
Share of net surpluses of investments accounted for using the equity method	C4	5,674	4,265
Operating surplus		18,546	27,844
Capital funding received	A1	3,678	1,323
Reversal of impairment of residential aged care bed licences	A7	1,745	-
Fair value of contributed assets		-	350
Surplus for the year attributable to the members of the Parent		23,969	29,517
Other comprehensive income			
Items of Other Comprehensive Income which will be subsequently recycled into the total surplus:			
Movement in available-for-sale investments reserve		(47)	763
Revaluation of cultural assets		72	11
Total comprehensive income attributable to the members of the Parent		23,994	30,291

BALANCE SHEET

AT 30 JUNE 2015

	Notes	2015 \$'000	2014 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	B1	162,149	128,940
Trade and other receivables	A3	113,134	103,303
Inventories	A4	20,641	18,471
Investments	B2	154,118	152,766
Total current assets		450,042	403,480
Non-current assets			
Receivables	A3	38,430	44,586
Investments accounted for using the equity method	C4	11,043	5,369
Investments	B2	58,837	49,832
Property, plant and equipment	A5	897,319	896,686
Investment properties	A6	27,815	25,969
Intangible assets	A7	81,941	80,945
Total non-current assets		1,115,385	1,103,387
Total assets		1,565,427	1,506,867
LIABILITIES			
Current liabilities			
Trade and other payables	A8	194,163	162,421
Accommodation bonds and payables	A9	120,686	104,980
Borrowings	B4	67,306	33,737
Provisions	A10	232,236	216,419
Total current liabilities		614,391	517,557
Non-current liabilities			
Payables	A8	17,615	22,690
Borrowings	B4	194,700	251,596
Provisions	A10	26,073	26,370
Total non-current liabilities		238,388	300,656
Total liabilities		852,779	818,213
Net assets		712,648	688,654
Reserves		1,828	1,803
Retained surplus		710,820	686,851
Total equity		712,648	688,654

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Member's reserve \$'000	Revaluation reserve \$'000	Available for sale investments reserve \$'000	Retained surpluses \$'000	Total \$'000
2015						
Balance 1 July 2014		204	442	1,157	686,851	688,654
Total surplus attributable to the member		-	-	-	23,969	23,969
Other comprehensive income		-	72	(47)	-	25
Total comprehensive income for the year		-	72	(47)	23,969	23,994
Balance 30 June 2015		204	514	1,110	710,820	712,648
2014						
Balance 1 July 2013		204	431	394	455,811	456,840
Total surplus attributable to the member		-	-	-	29,517	29,517
Other comprehensive income		-	11	763	-	774
Total comprehensive income for the year		-	11	763	29,517	30,291
Transaction with the member in their capacity as member	B4(ii)	-	-	-	184,656	184,656
Consolidation of St Vincent's Curran Foundation	C3	-	-	-	16,867	16,867
Balance 30 June 2014		204	442	1,157	686,851	688,654

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 \$'000	2014 \$'000
Cash flows from operating activities			
Receipts from patients and grants (including GST)		1,822,865	1,745,474
Payments to suppliers and employees (including GST)		(1,723,422)	(1,674,861)
Interest and dividends received		8,096	14,098
Donations received		21,776	27,464
Interest paid		(13,125)	(14,946)
Net cash flow from operating activities	B1(ii)	116,190	97,229
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		(73,521)	(77,597)
Proceeds from disposal of plant, equipment and intangibles		928	2,079
Payments for investments		(126,380)	(202,170)
Proceeds from investments		121,942	187,221
Capital funding received		3,678	1,323
Consolidation of the St Vincent's Curran Foundation		-	4,971
Net cash flow from investing activities		(73,353)	(84,173)
Cash flows from financing activities			
Repayment of loans to related parties		-	(4,965)
Repayment of loans from related parties		2,203	2,561
Advance of loan from related party		33,000	7,000
Proceeds from accommodation bonds and entry/ingoing contributions		35,705	37,695
Repayment of accommodation bonds and entry/ingoing contributions		(18,277)	(18,400)
Repayment of borrowings		(62,259)	(51,212)
Proceeds from borrowings		-	10,000
Net cash flow from financing activities		(9,628)	(17,321)
Net increase in cash and cash equivalents held		33,209	(4,265)
Cash at the beginning of the financial year		128,940	133,205
Cash at the end of the financial year	B1	162,149	128,940

NOTES TO THE FINANCIAL STATEMENTS: ABOUT THIS REPORT FOR THE YEAR ENDED 30 JUNE 2015

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NOTES TO THE FINANCIAL STATEMENTS: ABOUT THIS REPORT FOR THE YEAR ENDED 30 JUNE 2015

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 24 September 2015. 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, the *Corporations Act 2001* 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, in accordance with ASIC Class Order 98/100; 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 \$164,349,000 (2014: \$114,077,000). However, included within current liabilities are accommodation payables of \$120,686,000 (2014: \$104,980,000) which are required to be categorised as current liabilities because there is no ability to defer their repayment beyond twelve months. In the normal course of business not all of these liabilities will crystallise within one year and those that do are usually replaced by incoming residential accommodation bond payments. In addition, current liabilities contains provisions for annual and long service leave of \$229,092,000 (2014: \$215,192,000) 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 \$712,648,000 at 30 June 2015 (2014: \$688,654,000). The Group also has surplus assets which could be sold if circumstances required.

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

NOTES TO THE FINANCIAL STATEMENTS: ABOUT THIS REPORT FOR THE YEAR ENDED 30 JUNE 2015

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
Goodwill – assumptions underlying recoverable value	A7
Insurance deductible provision – assumptions underlying assessment of future costs	A10(ii)
Long-term employee obligations – assumptions underlying assessment of employee departures and periods of service	A2

NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2015

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.

	2015 \$'000s	2014 \$'000s
Patient and resident fees	646,817	609,943
Government grants and subsidies	935,067	912,612
Non-medical revenue	44,699	40,492
Rent and other property revenue	20,053	18,640
Interest and dividend income	12,755	14,606
Other revenues	68,545	65,629
Total revenue	1,727,936	1,661,922
Donations	21,776	27,471
Net gain from fair value adjustment - investment properties (note A6)	1,846	595
Net gain from fair value adjustment - investments	552	1,306
Total other income	24,174	29,372
Mater North West extension (ii)	3,678	1,000
Australian Catholic University Clinical School (ii)	-	323
Total capital funding (included in non-operating income)	3,678	1,323

(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.

NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2015

A1 REVENUE, OTHER INCOME AND CAPITAL FUNDING (continued)

(ii) Capital funding received

Funding of \$3,678,000 (2014: \$1,000,000) was received from the Friends of the Mater Foundation for the construction of additional inpatient beds, operating theatres and a special care nursery at the Mater Hospital, North Sydney.

An amount of \$323,000 was received in the prior year from the Australian Catholic University for the development of a clinical school.

A2 EMPLOYMENT EXPENSES

Employment expenses recognised during the year are set out below.

	2015 \$'000s	2014 \$'000s
Salaries and wages	987,597	952,643
Superannuation	78,948	74,970
	1,066,545	1,027,613

(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.

**NOTES TO THE FINANCIAL STATEMENTS: Key numbers
FOR THE YEAR ENDED 30 JUNE 2015**

A3 TRADE AND OTHER RECEIVABLES

	2015 \$'000s	2014 \$'000s
Current		
Trade receivables	62,044	58,392
Less: Provision for impairment of trade receivables (iii)	(2,942)	(2,479)
Net trade receivables	59,102	55,913
Amounts due from related parties (note C5)	6,767	4,408
Other receivables	27,105	25,607
Accrued revenue	13,853	11,622
Prepayments	6,307	5,753
Total current receivables	113,134	103,303
Non-current		
Victorian Department of Health and Human Services (ii)	15,642	21,242
Amounts due from related parties (note C5)	3,442	4,466
Loan to related parties (note C5)	4,005	5,169
Other receivables	15,341	13,709
Total non-current receivables	38,430	44,586

(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.

(ii) Victorian Department of Health and Human Services receivable

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 and the first instalment was 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.

Repayments are 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 twenty five year Health Services Agreement. The amount of \$15,642,000 (2014: \$21,242,000) 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, expiring August 2017.

NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2015

A3 TRADE AND OTHER RECEIVABLES (continued)

(iii) 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:

	2015 \$'000s	2014 \$'000s
1 to 3 months	307	497
3 to 6 months	1,042	600
6 months or more	1,593	1,382
	2,942	2,479

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

At 1 July	2,479	2,131
Provision for impairment recognised during the year	1,444	1,696
Receivables written off during the year as uncollectible	(981)	(927)
Unused amount reversed	-	(421)
At 30 June	2,942	2,479

Past due but not impaired receivables ageing analysis

1 to 3 months	12,050	13,861
3 to 6 months	2,563	2,222
6 months or more	2,328	1,767
	16,941	17,850

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.

NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2015

A4 INVENTORIES

Inventories of \$20,641,000 (2014: \$18,471,000) comprise medical and other consumables.

(i) Accounting policy

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

(ii) Amounts recognised in profit or loss

Inventories recognised as an expense during the year ended 30 June 2015 totalled \$377,029,000 (2014: \$355,483,000). The expense has been included in 'goods and services' in the profit or loss.

A5 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Building improvements	Plant and equipment	In course of construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2015						
Cost	219,075	511,927	354,924	443,408	30,705	1,560,039
Accumulated depreciation	-	(241,505)	(117,607)	(303,608)	-	(662,720)
Net carrying amount	219,075	270,422	237,317	139,800	30,705	897,319
Movement						
Carrying amount at 1 July	219,075	281,016	244,824	134,824	16,947	896,686
Additions	-	731	6,209	24,803	36,955	68,698
Revaluations	-	-	-	72	-	72
Disposals	-	-	(21)	(1,458)	(42)	(1,521)
Transfers between asset classes	-	10,118	48	12,989	(23,155)	-
Depreciation	-	(21,443)	(13,743)	(31,430)	-	(66,616)
Carrying amount at 30 June	219,075	270,422	237,317	139,800	30,705	897,319
Year ended 30 June 2014						
Cost	219,075	502,912	348,753	418,654	16,947	1,506,341
Accumulated depreciation	-	(221,896)	(103,929)	(283,830)	-	(609,655)
Net book amount	219,075	281,016	244,824	134,824	16,947	896,686
Movement						
Carrying amount at 1 July	217,503	279,456	228,793	130,790	27,719	884,261
Additions	1,572	7,507	19,181	36,168	18,008	82,436
Disposals	-	(27)	(1,990)	(3,183)	(334)	(5,534)
Transfers between asset classes	-	14,427	11,600	2,419	(28,446)	-
Depreciation	-	(20,347)	(12,760)	(31,370)	-	(64,477)
Carrying amount at 30 June	219,075	281,016	244,824	134,824	16,947	896,686

NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2015

A5 PROPERTY, PLANT AND EQUIPMENT (continued)

(i) Accounting policy

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

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

Subsequent costs incurred in relation to the asset are included in cost, only when it is probable that future economic benefits associated with the item will flow to the 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 loss on the disposal of property, plant and equipment of \$593,000 (2014: \$1,350,000). The expense included in 'other expenses from ordinary activities' in the profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS: Key numbers
FOR THE YEAR ENDED 30 JUNE 2015**

A5 PROPERTY, PLANT AND EQUIPMENT (continued)

(iii) Plant and equipment acquired under finance leases

During the year, the Group acquired plant and equipment of \$1,367,000 (2014: \$7,163,000) by means of finance leases.

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

	2015	2014
	\$'000s	\$'000s
Cost	62,564	61,197
Accumulated depreciation	(50,744)	(47,861)
Net book amount	11,820	13,336

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

A6 INVESTMENT PROPERTIES

	2015	2014
	\$'000s	\$'000s
Opening balance at 1 July	25,969	25,600
Additions	-	104
Disposals	-	(330)
Net gain from fair value adjustment (note A1)	1,846	595
Closing balance at 30 June	27,815	25,969

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. Fair value which is based on active market prices, adjusted for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections. Any gain or loss arising from a change in fair value is recognised in the profit or loss 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.

NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2015

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%

(iii) Non-current assets pledged as security

Refer to note B4(viii) 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.

**NOTES TO THE FINANCIAL STATEMENTS: Key numbers
FOR THE YEAR ENDED 30 JUNE 2015**

A7 INTANGIBLE ASSETS

	Goodwill \$'000	Residential aged care bed licences \$'000	Development costs and other intangibles \$'000	Total \$'000
Year ended 30 June 2015				
Cost	50,640	20,363	23,641	94,644
Accumulated amortisation and impairment	-	(1,030)	(11,673)	(12,703)
Net carrying amount	50,640	19,333	11,968	81,941
Movement				
Carrying amount at 1 July	50,640	17,588	12,717	80,945
Additions	-	-	1,490	1,490
Amortisation expense	-	-	(2,239)	(2,239)
Reversal of impairment charge	-	1,745	-	1,745
Carrying amount at 30 June	50,640	19,333	11,968	81,941
Year ended 30 June 2014				
Cost	50,640	20,363	22,151	93,154
Accumulated amortisation and impairment	-	(2,775)	(9,434)	(12,209)
Net book amount	50,640	17,588	12,717	80,945
Movement				
Carrying amount at 1 July	50,640	17,238	11,306	79,184
Additions	-	350	3,201	3,551
Amortisation expense	-	-	(1,775)	(1,775)
Impairment charge	-	-	(15)	(15)
Carrying amount at 30 June	50,640	17,588	12,717	80,945

(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 Vincents and Mercy Private Hospital Limited) on 31 March 2011.

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.

NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2015

A7 INTANGIBLE ASSETS (continued)

(i) Accounting policy (continued)

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 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS: Key numbers
FOR THE YEAR ENDED 30 JUNE 2015

A8 TRADE AND OTHER PAYABLES

	2015 \$'000s	2014 \$'000s
Current		
Trade creditors and accrued expenses	155,160	137,235
Other payables	23,940	18,582
Amounts due to related parties (unsecured) (note C5)	15,063	6,604
	194,163	162,421
Non-current		
Victorian Department of Health and Human Services (note A3(ii))	15,642	21,242
Other payables	350	278
Amount due to related parties (unsecured) (note C5)	1,623	1,170
	17,615	22,690

(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.

Payables

Within one year	194,163	162,421
Later than one year but not later than five years	17,615	22,690
	211,778	185,111

(ii) Fair value

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

A9 ACCOMMODATION PAYABLES

Refundable accommodation deposits under the Aged Care Act 1997	19,421	-
Accommodation bonds under the Aged Care Act 1997	58,192	66,587
Entry contributions under the Aged Care Act 1997	68	148
Ingoing contributions under the Retirement Villages Act 1999	43,005	38,245
	120,686	104,980

NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2015

A9 ACCOMMODATION PAYABLES (continued)

(i) Accounting policy

Refundable accommodation deposits, accommodation bonds and entry contributions under the Aged Care Act 1997

Refundable accommodation deposits and accommodation bonds have been paid by certain classes of non-concessional/supported residential aged care residents under the Aged Care Act 1997, upon entry into aged care facilities operated by the Company. The carrying value of the refundable accommodation deposits and accommodation bond is the amount of the bond received less any deductions. Deductions may include interest on unpaid amounts, extra service fees drawn from the bond, retention amounts and capitalised care fees. The statutory timeframe for repaying refundable accommodation deposits and accommodation bond balances is detailed in section 57-21 of the Aged Care Act and generally allows for refund of bonds within 14 days of departure or in the event of death. Interest is payable to residents on refundable accommodation deposits and accommodation bond balances from the date of death or departure to the date of repayment. Interest is chargeable to residents on accommodation bonds and fees which are received after their due date.

Entry contributions were payments made to approved providers before the introduction of the Aged Care Act 1997 in October 1997. Entry contributions are repayable within a maximum period of 6 months after the date of termination of the residence contract.

Ingoing contributions

An ingoing contribution is the amount payable by a person under a residence contract to secure the right to reside in a retirement village but does not include payment for fees and charges.

The carrying value of the ingoing contribution is the amount of the ingoing contribution received less any deductions. Deductions may include exit fees, outstanding recurrent charges, refurbishment charges, expenses relating to the resale of the right to reside in the village and any other payments provided for in the residence contract. The statutory timeframe for refunding ingoing contribution balances is detailed in section 63 of the Retirement Villages Act and is in accordance with the residence contract.

Interest is chargeable to residents if the ingoing contribution is not paid within 7 days of the date of occupancy of the unit. The current interest rate is 6.10% (2014: 6.40%).

(ii) Classification as a current liability

Accommodation payables are recognised as a current liability as the Group is unable to defer repayment of the balance due to discharged residents as prescribed within the Aged Care Act 1997 or Retirement Villages Act 1999.

However, based on past history, the Group expects accommodation payables to be settled as follows:

	2015 \$'000s	2014 \$'000s
Expected to be settled within 12 months	31,196	26,245
Expected to be settled greater than 12 months	89,490	78,735
	120,686	104,980

(iii) Movement in accommodation payables

Opening balance at 1 July	104,980	87,163
Proceeds from accommodation bonds and contributions	36,381	39,205
Repayment of accommodation bonds and contributions	(18,277)	(18,400)
Interest payable to residents	226	226
Interest and fees charged to residents	(2,624)	(3,214)
Closing balance at 30 June	120,686	104,980

NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2015

A9 ACCOMMODATION PAYABLES (continued)

(iv) Financial risk management

Liquidity risk

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

Maturity of accommodation payables

Accommodation payables have no fixed repayment dates.

A10 PROVISIONS

	2015 \$'000s	2014 \$'000s
Current		
Employee benefits (note A2(i))	229,092	215,192
Insurance deductible excess (ii)	1,008	1,003
Other provisions	2,136	224
	232,236	216,419
Non-current		
Employee benefits (note A2(i))	23,334	24,336
Insurance deductible excess (ii)	2,739	2,034
	26,073	26,370

(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)	3,037	3,568
Additional provision recognised	1,051	1,118
Claims paid	(254)	(1,135)
Annual assessment of open claims adjustment	(87)	(514)
Closing balance at 30 June (current and non-current)	3,747	3,037

NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management FOR THE YEAR ENDED 30 JUNE 2015

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 \$162,149,000 (2014: \$128,940,000) 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

	2015 \$'000s	2014 \$'000s
Surplus for the year	23,969	29,517
Capital funding received	(3,678)	(1,323)
Reversal of impairment of residential aged care bed licences	(1,745)	-
Share of surpluses of joint ventures	(5,674)	(4,265)
Depreciation and amortisation	68,855	66,252
Non-cash finance costs (unwinding of TMAM loan)	6,016	-
Net loss on disposal of non-current assets	593	1,350
Net gain from fair value adjustment - investment properties	(1,846)	(595)
Net gain from fair value adjustment - investments	(552)	(1,306)
Non-cash investment distributions	(5,161)	(2,652)
Assets received free of charge	(52)	(52)
Non-cash accommodation bond retention/ingoing contribution exit fee income, interest income and other deductions	(2,624)	(3,212)
Non-cash accommodation bond retention/ingoing contribution interest expense	226	226
Change in operating assets and liabilities:		
(Increase)/decrease in trade debtors	(3,189)	1,730
(Increase) in other debtors and prepayments	(2,674)	(1,397)
(Increase) in inventories	(2,170)	(305)
Increase/(decrease) in trade creditors and other payables	30,376	(312)
Increase in provisions	15,520	13,573
Net cash inflow from operating activities	116,190	97,229

B2 INVESTMENTS

Current

Financial assets at fair value through profit or loss	135,885	30,969
Held-to-maturity investments	9,025	113,727
Available-for-sale investments (ii)	9,208	8,070
	154,118	152,766

NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management FOR THE YEAR ENDED 30 JUNE 2015

B2 INVESTMENTS (continued)

Non-current

Financial assets at fair value through profit or loss	58,837	49,832
	<u>58,837</u>	<u>49,832</u>

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

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

Derecognition

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

NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management FOR THE YEAR ENDED 30 JUNE 2015

B2 INVESTMENTS (continued)

(ii) Movement in available-for-sale investments

	2015 \$'000s	2014 \$'000s
Opening balance at 1 July	8,070	6,196
Additions	1,185	1,434
Redemptions	-	(323)
Revaluation (deficit)/surplus	(47)	763
Closing balance at 30 June	9,208	8,070

(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.

NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management FOR THE YEAR ENDED 30 JUNE 2015

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 \$'000s	Interest rate risk		Equity price risk	
		100pb higher	100pb lower	100pb higher	100pb lower
2015					
Cash and cash equivalents	162,149	1,621	(1,621)	-	-
Financial assets at fair value through profit or loss	194,722	1,947	(1,947)	-	-
Held-to-maturity investments	9,025	903	(903)	-	-
Available-for-sale investments	9,208			921	(921)
2014					
Cash and cash equivalents	123,424	1,230	(1,230)	-	-
Financial assets at fair value through profit or loss	80,801	808	(808)	-	-
Held-to-maturity investments	119,243	1,190	(1,190)	-	-
Available-for-sale investments	8,070			81	(81)

(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:

	2015 \$'000s			2014 \$'000s		
	Free	Tied	Total	Free	Tied	Total
Cash and cash equivalents	140,278	21,871	162,149	103,056	25,884	128,940
Financial assets at fair value through profit or loss	9,065	185,657	194,722	-	80,801	80,801
Held-to-maturity investments	357	8,668	9,025	50,848	62,879	113,727
Available-for-sale investments	-	9,208	9,208	-	8,070	8,070
	149,700	225,404	375,104	153,904	177,634	331,538

NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management FOR THE YEAR ENDED 30 JUNE 2015

B4 BORROWINGS

	2015 \$'000s			2014 \$'000s		
	Current	Non-current	Total	Current	Non-current	Total
Secured						
Amounts due to TMAM (ii)	4,852	80,941	85,793	4,710	79,777	84,487
Bank loans (iii)	8,256	83,925	92,181	6,778	133,712	140,490
AIB bondholder loan (iv)	5,832	9,810	15,642	5,579	15,663	21,242
Other loan (v)	696	6,392	7,088	869	6,847	7,716
Lease liability	3,266	9,052	12,318	3,384	10,459	13,843
	22,902	190,120	213,022	21,320	246,458	267,778
Unsecured						
Amounts due to the Trustees of the Sisters of Charity of Australia (vi)	3,805	-	3,805	4,818	-	4,818
Bank loan (vii)	599	4,580	5,179	599	5,138	5,737
Loan from St Vincent's Private Hospital Sydney (note C5)	40,000	-	40,000	7,000	-	7,000
	44,404	4,580	48,984	12,417	5,138	17,555
	67,306	194,700	262,006	33,737	251,596	285,333

(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. This resulted in a \$184,656,000 reduction in non-current liabilities and a corresponding increase in equity in the year ended 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management FOR THE YEAR ENDED 30 JUNE 2015

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 2015 year was \$4,710,000 and will increase in 2016 by CPI.
- *Security* - the loan is secured by a mortgage over the majority of the assets of the Group.
- *Interest* – nil, 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) \$54,032,000 secured bank loan (2014: \$96,000,000)

This bank loan was taken out in relation to the acquisition by St Vincent's Health Australia Limited of the remaining 50% of St Vincents & Mercy Private Hospital (now known as St Vincent's Private Hospital Melbourne Limited ("SVPHM")), and the Company's purchase of the Mercy Campus land and buildings and the Mercy Car Park. The loan is secured over properties occupied by SVPHM (known as the Fitzroy Campus, East Melbourne Campus, and the East Melbourne Car Park) and a fixed and floating charge over the assets of SVPHM.

On 2 July 2014, the loan was converted into \$40,000,000 revolving credit facility and a \$56,000,000 term facility. The \$40,000,000 revolving credit facility was fully repaid on 2 July 2014. A principal repayment of \$1,968,000 was paid during the year on the term facility (2014: \$nil)

The loan incurs interest of 4.85% (2014: 5.25%) and is variable. The loan is repayable by 2036.

(b) \$8,750,000 secured bank loan (2014: \$10,000,000)

This bank loan is secured over two properties occupied by St Vincent's Hospital Melbourne Limited at Victoria Parade, Fitzroy. This bank loan attracts a variable interest rate of 4.65% (2014: 5.20%) and a principal repayment of \$1,250,000 was paid during the year (2014: \$nil). The loan is repayable by 2018.

(c) \$9,456,000 Car Park Loan (2013: \$10,596,000)

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 attracts interest at a fixed rate of 7.05% (2014: 7.05%) and the remaining balance of the loan attracts a variable rate of interest capped at 7.05% (2014: 7.05%).

(d) \$5,092,000 bank loan (2014: \$6,258,000)

This original loan of \$13,900,000 was taken out by St Vincent's Health Australia Limited and on lent to its joint venture, The Holy Spirit Northside Private Hospital Limited. The loan is secured over the land and buildings of St Vincent's Healthcare Limited and attracts a variable interest rate of 3.73% (2014: 4.15%). No principal repayments are contractually due until July 2016. The loan is currently subject to interest only quarterly payments in arrears and the facility is expected to be repaid in the financial year ending 30 June 2022.

NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management FOR THE YEAR ENDED 30 JUNE 2015

B4 BORROWINGS (continued)

(iii) Secured bank loans (continued)

(e) \$4,452,000 bank loan (2014: \$5,411,000)

The bank loan was taken out on 6 February 2010 by St Vincent's Hospital Sydney Limited 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 interest rate of 5.0% at 30 June 2015 (2014: 5.50%). The 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 including the O'Brien car park.

(f) \$10,399,000 bank loan (2014: \$12,225,000)

The bank loan is secured by a registered first mortgage over five properties located at Scott Street, Toowoomba. The bank loan attracts a variable interest rate of 5.10% at 30 June 2015 (2014: 5.40%) and from 1 July 2013 the loan was subject to a total fixed monthly principal and interest payment in arrears. Principal repayments of \$1,225,000 (2014: \$1,417,000) were made during the year. The balance of the facility is expected to be repaid in the financial year ending 30 June 2020.

(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.

(v) Other loans

This loan represents amounts owed to the Trustees of the Sisters of Mercy (North Sydney) and is the deferred settlement in respect of the acquisition of the Mater North Sydney Hospital. The term of the loan is 21 years expiring in December 2021 and currently repayments are being made at a rate of \$88,000 (2014: \$85,000) per month.

The loan is annually indexed by the movements in the Consumer Price Index in the month of June and the loan balance is restated accordingly. This restatement is effectively interest charged at a rate equivalent to the Consumer Price Index for the previous year.

The acquisition agreement also defines that the liability of the loan at any time is the number of payments remaining multiplied by the amount of the payment at that time. This loan is secured by a second ranking mortgage over the land and buildings occupied by the Mater Hospital at Rocklands Road, North Sydney.

(vi) 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 ongoing contribution amounts payable upon occupancy of a retirement village unit operated by the Company. For the year ended 30 June 2015, TSCA elected to offset \$675,500 (2014: \$1,509,680) of ongoing contribution payable upon occupancy under this provision.

NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management FOR THE YEAR ENDED 30 JUNE 2015

B4 BORROWINGS (continued)

(vii) Unsecured bank loan

This bank loan was taken out in relation to The Holy Spirit Northside Private Hospital Limited and is unsecured. The loan attracts a variable interest rate of 3.73% (2014: 4.15%) and a principal repayment of \$559,000 was paid during the year (2014: \$522,000). The loan is repayable by 27 July 2021.

(viii) Assets pledged as security

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

	2015 \$'000s	2014 \$'000s
First mortgage		
Freehold land and buildings	130,304	138,278
Fixed and floating charge		
Cash and cash equivalents	46,470	25,576
Receivables (current and non-current)	104,327	112,841
Inventories	9,176	8,685
Investments (current and non-current)	65,427	61,990
Plant and equipment	206,971	214,542
Intangibles	14,707	15,580
Investment properties	2,260	2,260
Subordinated mortgage		
Freehold land and buildings	237,787	249,177
Investment properties	24,100	22,284
Total assets pledged as security	841,529	851,213

NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management FOR THE YEAR ENDED 30 JUNE 2015

B4 BORROWINGS (continued)

(ix) Financial risk management

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

Liquidity risk

The 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 \$82,750,000 in undrawn borrowing facilities, at variable rates (2014: \$42,750,000).

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 4.84% (2014: 5.03%).

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.

	2015 \$'000s	2014 \$'000s
Within one year	68,599	37,692
Later than one year but not later than five years	98,591	120,378
Later than five years	305,877	422,037
	473,067	580,107

The Victorian Department of Health and Human Services liability of \$15,642,000 (2014: \$21,242,000) is excluded from payables as a similar amount is included in receivables. This receivable amortises in line with the liability.

NOTES TO THE FINANCIAL STATEMENTS: Group structure FOR THE YEAR ENDED 30 JUNE 2015

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 Australian parent entity is the Trustees of the Sisters of Charity of Australia on the basis that it is the sole member of TMAM. However, in practice, TMAM, however constituted, exercises ultimate control.

If 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 2015, SVHA had 1 member (2014: 1) so the maximum amount to be contributed towards meeting the obligations of SVHA would be \$100 (2014: \$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:

	2015 \$'000s	2014 \$'000s
Current assets	26,022	25,700
Total assets	202,836	203,952
Current liabilities	10,437	10,786
Total liabilities	76,881	77,048
Reserves	204	204
Retained earnings	125,751	126,700
Total equity	125,955	126,904
Operating (deficit)/surplus recorded by the parent entity	(949)	23
Total comprehensive (loss)/income of the parent entity	(949)	23

NOTES TO THE FINANCIAL STATEMENTS: Group structure FOR THE YEAR ENDED 30 JUNE 2015

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	
		2015 %	2014 %	2015 \$'000	2014 \$'000
St Joseph's Village Limited	Australia	100	100	-	-
St Vincents & Mater Health Sydney Limited	Australia	100	100	12,269	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 Health and Aged Care Limited	Australia	100	100	9,545	9,545
St Vincent's Healthcare Australia 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	Australia	100	100	13,579	13,579
St Vincent's Private Hospital Melbourne Limited	Australia	100	100	58,498	58,498
St Vincent's Curran Foundation ¹	Australia	100	100	-	-
				171,681	171,681

¹ Effective 1 July 2013, St Vincent's Curran Foundation was consolidated by St Vincent's Health Australia Limited, following a change to the trust deed. The impact of this was a \$16,867,000 increase in equity.

C4 INVESTMENT IN JOINT VENTURE

SVHA has a 50% interest in The Holy Spirit Northside Private Hospital Limited, whose principal activity is healthcare, and accounts for it using the equity method. Information relating to the joint venture entity is set out below.

	2015 \$'000s	2014 \$'000s
Joint venture's results		
Revenue and other income	153,158	141,520
Operating surplus and total comprehensive income for the year	11,348	8,531
Group's share of surplus and total comprehensive income for the year	5,674	4,265
Current assets ¹	42,121	33,955
Non-current assets	66,879	64,142
Current liabilities	(26,929)	(21,688)
Non-current liabilities	(59,984)	(65,670)
Equity	22,087	(10,739)
Group's carrying amount of investment in joint venture	11,043	5,369

¹ Included in current assets are cash and cash equivalents of \$23,785,000 (2014: \$17,911,000).

NOTES TO THE FINANCIAL STATEMENTS: Group structure FOR THE YEAR ENDED 30 JUNE 2015

C4 INVESTMENT IN JOINT VENTURE (continued)

	2015 \$'000s	2014 \$'000s
Joint venture's commitments and contingent liabilities		
Lease commitments	60,327	59,421
Contingent liabilities	4,371	4,613

(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 2015 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.

The Group provides management and administrative services referred to in (d) and (e) above at cost. Otherwise the above transactions were made on normal commercial terms and conditions and at market rates.

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

Interest income from:

Joint ventures	168	237
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Lease income from:

Other related parties	7,000	6,000
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Income from the provision of management and administrative services to:

Joint ventures	3,967	3,703
Other related parties	17,506	20,766

Expenses relating to the provision of management and administrative services by:

Other related parties	24,206	21,730
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Repayment of interest-free amounts advanced from

TMAM	4,710	4,573
Trustees of the Sisters of Charity of Australia	338	338

NOTES TO THE FINANCIAL STATEMENTS: Group structure
FOR THE YEAR ENDED 30 JUNE 2015

C5 RELATED PARTY TRANSACTIONS (continued)

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

	2015 \$'000s			2014 \$'000s		
	Current	Non-current	Total	Current	Non-current	Total
Receivables						
Amounts due from related parties						
Joint ventures	452	-	452	452	-	452
Other related parties	6,315	3,442	9,757	3,956	4,466	8,422
	6,767	3,442	10,209	4,408	4,466	8,874
Loan to related party (i)						
Joint ventures	-	4,005	4,005	-	5,169	5,169
	-	4,005	4,005	-	5,169	5,169
Payables						
Amounts due to related parties (unsecured)						
Joint ventures	553	841	1,394	290	574	864
Other related parties	14,510	782	15,292	6,314	596	6,910
	15,063	1,623	16,686	6,604	1,170	7,774
Borrowings						
Loan from related party (ii)						
Loan from St Vincent's Private Hospital Sydney	40,000	-	40,000	7,000	-	7,000
	40,000	-	40,000	7,000	-	7,000

(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 3.73% at 30 June 2015 (2014: 4.15%). During the year, The Holy Spirit Northside Private Hospital Limited repaid \$1,164,000 (2014: \$2,106,000) of the loan. The loan is amortising and is expected to be fully repaid in the financial year ending 30 June 2022.

(ii) Loan from related party

The Group has a loan from St Vincent's Private Hospital Sydney Limited amounting \$40,000,000 (2014: \$7,000,000). The loan is unsecured and attracts a variable interest rate of 4.85% (2014: 3.83%). The loan was used to repay secured bank loans (note B4(iii)(a)).

NOTES TO THE FINANCIAL STATEMENTS: Unrecognised items FOR THE YEAR ENDED 30 JUNE 2015

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

2015	2014
\$'000s	\$'000s

Capital commitments

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

Within one year	35,146	11,698
Later than one year but not later than 5 years	2,195	1,631
	37,341	13,329

Lease commitments

Non-cancellable operating leases

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

Within one year	6,897	711
Later than one year but not later than 5 years	10,128	1,309
Later than 5 years	37,361	353
	54,386	2,373

During the current financial year, \$3,158,000 was recognised as an expense in the Group's profit or loss in respect of operating leases (2014: \$5,876,000).

Finance leases

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

Within one year	3,791	4,112
Later than one year but not later than 5 years	9,060	11,794
Later than 5 years	1,248	935
	14,099	16,841
Less amounts representing finance charges	1,782	2,171
	12,317	14,670

NOTES TO THE FINANCIAL STATEMENTS: Unrecognised items FOR THE YEAR ENDED 30 JUNE 2015

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 2015 are detailed below. No material losses are anticipated in respect of any of these contingent liabilities.

Entity with Rights	Nature of Security or Obligation	2015 \$'000s	2014 \$'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.	34,965	46,319
Queensland Housing Commission	Pursuant to a capital funding agreement with the Queensland Housing Commission, St Vincent's Health & Aged Care Limited ("SVHAC") 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 SVHAC 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.	183	189
Australian Catholic University Limited	Pursuant to a capital funding agreement with the Australian Catholic University, St Vincent's Hospital Toowoomba Limited may be liable to repay funds provided to assist with the original construction of clinical school at St Vincent's Hospital Toowoomba. This liability would arise if there is a breach in the terms and conditions of the capital funding agreement prior to November 2014.	-	229

NOTES TO THE FINANCIAL STATEMENTS: Unrecognised items FOR THE YEAR ENDED 30 JUNE 2015

D3 SUBSEQUENT EVENTS

The following transactions have occurred since 30 June 2015.

Acquisition of Albert Court Aged Care and Eltham Aged Care

On 1 July 2015, the Group acquired an aged care facility located in Sydney from the Trustees of the Roman Catholic Church for the Archdiocese of Sydney and an aged care facility located in Eltham, Victoria from the Melbourne City Mission. These acquisitions are in accordance with the Group's aged care growth strategy.

The consideration transferred for the acquisition of the business, assets (excluding land) and liabilities of Albert Court Aged Care was \$1,500,000. The consideration transferred for the acquisition of the business, assets and liabilities of Eltham Retirement Community was \$1,554,000.

Refinancing of debt finance facilities

Subsequent to the year end, the SVHA Group is in the process of finalising a refinancing of its debt finance facilities to provide it with the capital required to undertake planned growth in both its hospitals and aged care divisions, including a redevelopment of St Vincent's Private Hospital Sydney, and construction of a new private hospital and aged care facility at Werribee in Victoria. The new facilities will also allow most of the presently described bank debt facilities in this report to be repaid. The new borrowings will be for \$300,000,000 of bilateral banking facilities in the Australian market with three lenders under individual facility agreements with the benefit of a common terms deed. The borrower entities to this new facility will be St Vincent's Healthcare Limited and St Vincent's Health & Aged Care Limited.

As part of this refinancing, the SVHA Group asked both its member, TMAM, and its ultimate controlling entity, the Trustees of the Sisters of Charity of Australia, to subordinate their mortgages to the new lenders and for the Congregation to provide security over its interests in the St Vincent's Private Hospital Sydney to the new lenders, the intended beneficiary of a significant part of the capital expenditure. To facilitate this arrangement the SVHA Group has agreed to repay, earlier than the stated repayment schedule, an amount of \$12,000,000 on the member loan from TMAM. This would have the effect of reducing the member loan from TMAM by a net present value of \$12,000,000. The annual repayments schedule of the member loan will continue as before but the prepayment has the effect of reducing the term of the loan from a final year payment in 2048 to one in 2040 as more of the quarterly repayments are directed to reduce capital than unwind the interest discount than before.

Apart from these matters, the Directors are not aware of any matter or circumstance occurring since 30 June 2015 that has significantly or may significantly affect the operations of the Group.

NOTES TO THE FINANCIAL STATEMENTS: OTHER

FOR THE YEAR ENDED 30 JUNE 2015

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, the *Corporations Act 2001* or the *Corporations Regulations*.

E1 KEY MANAGEMENT PERSONNEL

Directors

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

Mr P Robertson AM	Mr B Earle
Ms P Faulkner AO	Mr G Humphrys
Ms M Babbage	Mr P McClintock AO
Sr M Confoy RSC	Prof. P Smith
Prof. S Crowe AM	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
Mr P Forsberg	Group Chief Financial Officer
Mr R Beetson	Group General Manager, Corporate Governance
Mr M Day	Chief Executive Officer, Private Hospitals Division
Mr J Leahy	Chief Executive Officer, Aged Care and Shared Services Division
Prof. P O'Rourke	Chief Executive Officer, Public Hospitals Division

Compensation

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

	2015 \$	2014 \$
Short-term employee benefits	4,137,501	3,452,014
Post-employment benefits	194,001	190,233
Termination benefits	-	43,589
Total	4,331,502	3,685,836

There are no other long term benefits as at year end (2014: nil).

NOTES TO THE FINANCIAL STATEMENTS: OTHER FOR THE YEAR ENDED 30 JUNE 2015

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:

	2015 \$	2014 \$
Assurance services		
Ernst & Young Australian firm		
Audit of financial reports and other audit work under Corporations Act 2001	646,167	670,792
Other audit firms for any entity in the Group		
Audit of financial reports and other audit work under Corporations Act 2001	92,000	107,000
Total remuneration for assurance services	738,167	777,792
Non-assurance services		
Ernst & Young Australian firm	34,000	114,700
Other audit firms for any entity in the Group	-	-
Total remuneration for non-assurance services	34,000	114,700
Total remuneration	772,167	892,492

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 Department 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 funds 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.

NOTES TO THE FINANCIAL STATEMENTS: OTHER FOR THE YEAR ENDED 30 JUNE 2015

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.

E6 OTHER ACCOUNTING POLICIES

Goods and services tax

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

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

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

Income tax

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

Finance leases

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

NOTES TO THE FINANCIAL STATEMENTS: OTHER FOR THE YEAR ENDED 30 JUNE 2015

E6 OTHER ACCOUNTING POLICIES (continued)

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the 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.

New standards issued and adopted from 1 July 2014

All new and amended Australian Accounting Standards and Interpretations mandatory at 1 July 2014 to the Group have been adopted, including:

<i>Reference</i>	<i>Description</i>
AASB 11 Joint Arrangements	AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. There was no material change to the Group's financial statements arising from initial application of this standard.
AASB 12 Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarized information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests. The Group's financial statements include disclosure of its interest in other entities.
AASB 103 Materiality	The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed. There was no material change to the Group's financial statements arising from initial application of this standard.
AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 <i>Financial Instruments: Presentation</i> to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. There was no change to the Group's financial statements arising from initial application of this standard.
AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	AASB 2013-3 amends the disclosure requirements in AASB 136 <i>Impairment of Assets</i> . The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. There was no change to the Group's financial statements arising from initial application of this standard.

NOTES TO THE FINANCIAL STATEMENTS: OTHER FOR THE YEAR ENDED 30 JUNE 2015

E6 OTHER ACCOUNTING POLICIES (continued)

New standards issued and adopted from 1 July 2014 (continued)

<i>Reference</i>	<i>Description</i>
AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	The Standard contains three main parts and makes amendments to a number of Standards and Interpretations. There was no change to the Group's financial statements arising from initial application of this standard.

New and amended standards and interpretations issued but not yet effective

The following standards, amendments to standards and interpretations are relevant to current operations. They are available for early adoption but have not been applied by the Group in this financial report.

<i>Reference</i>	<i>Description</i>	<i>Application of standard</i>	<i>Application by Group</i>
AASB 9 Financial Instruments	<p>AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.</p> <p>No material change to the Group's financial statements is expected to arise from initial application of this standard.</p>	1 January 2018	1 July 2018
AASB 15 Revenue from Contracts with Customers	<p>In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations (IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue—Barter Transactions Involving Advertising Services).</p> <p>The core principle of IFRS 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 the entity expects to be entitled in exchange for those goods or services.</p> <p>The Group is still in the process of assessing the impact of the application of this standard on the financial performance of the Group.</p>	1 January 2018	1 July 2018

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 JUNE 2015

In the Directors' opinion:

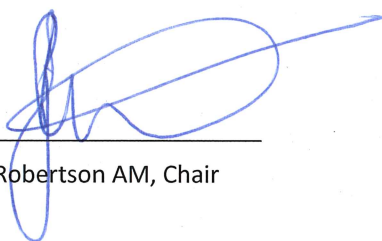
(a) the financial statements and notes set out on pages 11 to 51 of the consolidated entity are in accordance with the *Corporations Act 2001* and the *Australian Charities and Not-for-profits Commission Act 2012 (Cth)*, including:

(i) complying with Accounting Standards, *Corporations Regulations 2001* 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 2015 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.

A handwritten signature in blue ink, consisting of a large, stylized 'P' followed by a horizontal line and a long, sweeping flourish.

Mr Paul Robertson AM, Chair

Sydney

24 September 2015

Independent auditor's report to the members of St Vincent's Health Australia Limited and its Controlled Entities

Report on the financial report

We have audited the accompanying financial report of St Vincent's Health Australia Limited (the 'company'), which comprises the balance sheet as at 30 June 2015, the profit or loss account and other comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the *Corporations Act 2001* and the *Australian Charities and Not-for-Profits Commission Act 2012* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

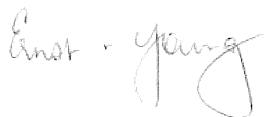
Independence

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

Opinion

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

- i giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- ii complying with Australian Accounting Standards and the *Corporations Regulations 2001* and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.



Ernst & Young



Jenny Parker
Partner
Brisbane
24 September 2015