

# St Vincent's Health Australia Limited

## Financial Report 2018



**ST VINCENT'S  
HEALTH AUSTRALIA**

UNDER THE STEWARDSHIP OF WARRI WARRI (KIN) INDIGENES

## CONTENTS

Directors' report	2
Auditor's independence declaration	13
Profit or loss account and other comprehensive income	14
Balance sheet	15
Statement of changes in equity	16
Cash flow statement	17
Notes to the financial statements	18
Directors' declaration	71
Independent auditor's report	72

## CORPORATE INFORMATION

Directors	Mr. P Robertson AO	Mr. B Earle
	Ms. P Faulkner AO	Sr. M Wright IBVM
	Prof. M Confoy RSC	Mr. P McClintock AO
	Dr M. Coote	Ms. A McDonald
	Prof. S Crowe AM	Ms. S McPhee AM (Appointed 1 October 2017)
Company Secretary	Mr. R Beetson	Mr. P Fennessy
Principal registered office	Level 22, 100 William Street, Woolloomooloo, NSW 2011	
Auditor	Ernst & Young, 200 George Street Sydney, NSW 2000	
Website address	<a href="http://www.svha.org.au">www.svha.org.au</a>	
ABN	ABN 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 2018.

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 11 October 2018. 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 is not-for-profit and so strives to make a surplus to keep the health service sustainable to further invest in the mission to promote the healing ministry of Jesus.

The Group generated an operating surplus of \$33.67m for the year ended 30 June 2018 (2017: \$42.66m) which represented 1.58% of total revenue (2017: 2.11%). Operating surplus has reduced by \$8.99m due to facilities ramp up costs, increased depreciation, additional Mission and IT Investments as well as reduced margins due to market pricing pressure.

On 1 July 2017, the membership of St Vincent's Institute of Medical Research and Victor Chang Cardiac Research Institute were transferred to the Company following a change to their respective Constitutions. The membership transfer was at book value for \$nil consideration, representing a deemed contribution by the Trustees of the Sisters of Charity of Australia (the parent entity) to the Company of \$25.42m (St Vincent's Institute of Medical Research) and \$70.27m (Victor Chang Cardiac Research Institute).

The audited comparative figures of the Group for the year ended 30 June 2018 presented herewith are not directly comparable with the prior period due to the amalgamation of St Vincent's Institute of Medical Research and Victor Chang Cardiac Research Institute on 1 July 2017. Further information on the assets, liabilities and financial performance of these amalgamated operations is contained within Note C6.

#### Going concern

The Group's Balance Sheet shows an excess of current liabilities over current assets of \$322.27m (2017: \$344.83m). However, included within current liabilities are accommodation bonds / Refundable Accommodation Deposits (RADs) of \$311.27m (2017: \$249.13m) which are recorded as current liabilities as required under accounting standards. However, in practice, refundable accommodation deposits (RADs) that are repaid are generally replaced by RADs from incoming residents within a short timeframe. In addition, current liabilities contains provisions for annual and long service leave of \$282.63 (2017: \$263.76m) 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 \$986.52m at 30 June 2018 (2017: \$846.36m).

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 2018 SVHA had 1 member (2017: 1) so the maximum amount to be contributed towards meeting the obligations of SVHA would be \$100 (2017: \$100).



## DIRECTORS' REPORT

### SUBSEQUENT EVENTS

The following transactions have occurred since 30 June 2018.

#### Business combinations – Holy Spirit Northside Private Hospital Limited

On 1 July 2018, The Mission Congregation of the Servants of the Holy Spirit Northside Private Hospital Limited ("HSNPH") and SVHA agreed a transition of membership, whereby SVHA becomes the sole member of HSNPH subject to the Holy See approval. Prior to that SVHA had held a 50% interest in HSNPH.

#### Acquisition of St Vincent's Care Services Hawthorn (formerly Sisters of St Joseph Health Care Services (Vic)) Trading as Mary MacKillop Aged Care

Mary MacKillop Aged Care ("MMAC") is located at Hawthorn East in Victoria and is operated by St Vincent's Care Services Hawthorn (formerly Sisters of St Joseph Health Care Services (Vic)), a company limited by guarantee. The membership interest in MMAC was acquired subsequent to the reporting date on 1 July 2018 from the Trustees of the Sisters of St Joseph ("Trustees") in accordance with the company's aged care growth strategy. The consideration transferred for the acquisition of the membership interest (excluding land) of MMAC was \$18,182,000 with the fair value of the net assets acquired being \$15,126,000 resulting in a goodwill on acquisition of \$3,056,000. The land upon MMAC operates is leased by MMAC from the Trustees. The current 50 year lease expires on 30 June 2068.

#### Acquisition of Holy Spirit Care Services

Holy Spirit Home and Holy Spirit Carseldine are located at Carseldine and Holy Spirit Boondall is located at Boondall in Queensland and are operated by Holy Spirit Care Services (Brisbane) Ltd, a company limited by guarantee. Viridian Retirement Village is located at Boondall in Queensland and are operated by Holy Spirit Care Services (Boondall) Ltd, a company limited by guarantee. The Mission Congregation Servants of the Holy Spirit have agreed to transition the membership interest of the two companies and freehold title to land located at Carseldine to the company in accordance with the company's aged care growth strategy. The transition documentation was executed on 31 August 2018 and, pending satisfaction of all conditions precedent, is expected to complete on 1 November 2018.

#### Acquisition of Rosary Village

Rosary Village is located at Yennora in New South Wales and is operated by the Trustees of Catholic Aged Care Sydney. The Archdiocese of Sydney has agreed to transition the business and assets to the company in accordance with the company's aged care growth strategy. The transition documentation was executed on 25 September 2018 and, pending satisfaction of all conditions precedent, is expected to complete on 1 December 2018.

Apart from these matters, the Directors are not aware of any matter or circumstance occurring since 30 June 2018 that has significantly or may significantly affect the operations of the Group.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group will continue to operate public and private hospitals and aged care facilities, providing direct relief of sickness, suffering and distress through supporting its health service facilities and to provide relief without discrimination.

### ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is registered under the National Greenhouse and Energy Reporting Act, under which it is required to report energy consumption and greenhouse gas emissions for its Australian facilities for the 12 months ended 30 June 2018 and future periods. The Group has established a separate sustainability group and data collection systems and processes are in place to meet its requirements.

### INDEMNIFICATION AND INSURANCE OF OFFICERS

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

## DIRECTORS' REPORT

### INDEMNIFICATION OF AUDITOR

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

### ROUNDING OF AMOUNTS

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

### STRUCTURE AND MANAGEMENT

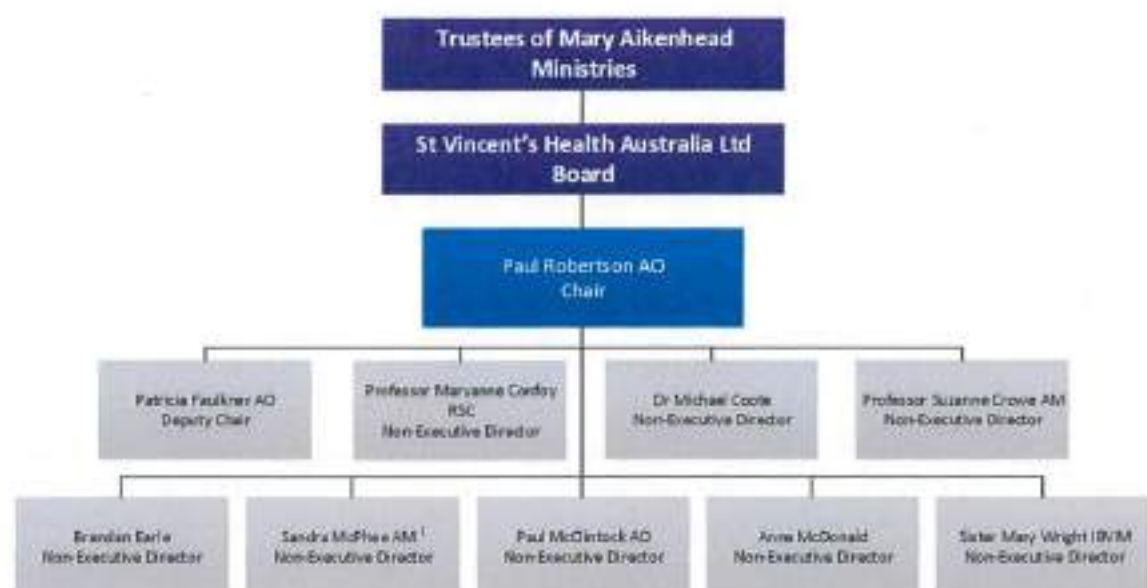
SVHA is a group of not-for-profit non-listed entities. SVHA Limited is a public company limited by guarantee and is registered with the Australian Charities and Not-for-profits Commission.

SVHA is governed by a Board of Directors ("Board") chaired by Paul Robertson. The Board exists to ensure there is effective integration and growth of the mission of Mary Aikenhead Ministries throughout the health and aged care services and to govern the SVHA group of companies pursuant to the *Australian Charities and Not-for-profits Commission Act 2012 (Cth)*, Canon law and all other relevant civil legislation. The Board must at all times operate within the Mary Aikenhead Ministries Ethical Framework and the Catholic Health Australia Code of Ethical Standards of Health and Aged Care Services in Australia (2001).

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

## DIRECTORS' REPORT

### STRUCTURE AND MANAGEMENT (continued)



1 - Appointed 3 October 2017



1 - St Vincent's Care Services Chief Executive Officer, Dr John Leahy commenced 12 August 2018

2 - Dr Victoria Atkinson resigned 15 July 2018

### Board of Directors

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

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



## DIRECTORS' REPORT

### STRUCTURE AND MANAGEMENT (continued)

#### Board Committees

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

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

#### *Audit & Risk*

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

#### *Finance & Investment*

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

#### *Mission, Ethics & Advocacy*

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

#### *People & Culture*

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

#### *Clinical Governance & Safety Committee (Previously Quality & Safety)*

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

#### *Research & Education Committee*

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

#### *Ad hoc Health Infrastructure Partnerships Committee*

The Health Infrastructure Partnerships Committee (the HIP Committee) was an *ad hoc* committee of the Board of St Vincent's Health Australia (SVHA) Limited; its establishment was approved by the Board at its meeting on 8 December 2016. The Board Charter under Section 4.2 states: The Board may also establish other committees on an *ad hoc* basis as it deems necessary in order to assist it from time to time. The purpose of the HIP Committee was to assist the Board in the effective discharge of its responsibilities related to ensuring effective governance of the HIP program focused on SVHA developing strategic partnerships to deliver better health outcomes across NSW. The Board disbanded the committee at February 2018 as it was no longer required.



## DIRECTORS' REPORT

### STRUCTURE AND MANAGEMENT (continued)

#### Information on Directors

##### Mr. Paul Robertson AO

Bachelor of Commerce,  
Fellow, CPA Australia  
Chair

Paul was appointed to the Board on 1 October 2009 and was appointed as Chair on 5 October 2012. Paul is a former Executive Director of Macquarie Bank with extensive experience in banking, finance and risk management. Paul is Chair of Social Ventures Australia, Chair of the Trustees of St Vincent's Hospital Network Sydney, Chair of Catholic Health Australia and holds several private company directorships. Paul until recently was Chair of Alzheimer's Australia (NSW) and is now a Director on the new national body Dementia Australia.

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

Paul is Chair of the People & Culture Committee and was Chair of the *ad hoc* Health Infrastructure Committee during its tenure in FY18.

##### Ms. Patricia Faulkner AO

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

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

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

##### Prof. Maryanne Confoy RSC

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

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

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

##### Ms. Anne McDonald

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

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

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

Anne is Chair of the Audit & Risk 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 has served as a consultant physician in infectious diseases at The Alfred since 1994. She has authored over 300 published papers, five books and 85 book chapters in the field. She holds appointments as Associate Director of the Burnet Institute, Principal Specialist in Infectious Diseases at The Alfred Hospital and Adjunct Professor of Medicine and Infectious Diseases at Monash University, Melbourne. She is a Fellow of the Australian Academy of Health & Medical Sciences.

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

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

##### **Mr. Brendan Earle**

Bachelor of Laws (Hons);  
Bachelor of Arts

Barrister and Solicitor,  
Supreme Court of Victoria.

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

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

##### **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. He is Chair of I-MED Network, BROADSPECTRUM, NSW Ports, Laser Clinics Australia, Sydney Health Partners and the Committee for the Economic Development of Australia.

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

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

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



## DIRECTORS' REPORT

### STRUCTURE AND MANAGEMENT (continued)

#### Information on Directors (continued)

##### **Sr. Mary Wright IBVM**

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

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 and International Leader of the Loreto Sisters. She has practiced in the area of Church law (including lecturing at Yarra Theological Union) both in Australia and in Rome at the Congregation for Institutes of Consecrated Life and Societies of Apostolic Life in the Vatican. Her specialty is in the area of institutional governance. Sr Mary is also a Director of Loreto Ministries Limited.

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.

##### **Dr Michael Coote**

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

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

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

##### **Ms. Sandra McPhee AM**

Diploma in Education

Sandra McPhee AM was appointed as a Director of the SVHA and subsidiary Boards effective 1 October 2017. Sandra has a long history with SVHA having served on the Sydney regional Boards prior to 2010. She is currently serving as Chair of the Sydney Regional Advisory Committee.

Sandra is also on the Boards of Kathmandu Ltd, a Board member of the NSW Public Service Commission. She is Chair of the Expert Advisory Panel appointed by the Commonwealth Government to review Employment Services. She is also a member of the advisory council of J.P. Morgan, and a member of the Australian Institute of Company Directors and Chief Executive Women.

She has previously served as a Non-Executive Director on diverse Boards including Fairfax Media Limited, Coles Group Ltd, Scentre Group, Starlight Foundation, Tourism Australia, Australia Post, Perpetual Ltd and AGL Energy Ltd.

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

Sandra is a Member of the People & Culture Committee.



## DIRECTORS' REPORT

### STRUCTURE AND MANAGEMENT (continued)

#### Information on Directors (continued)

##### Company Secretary

###### Mr. Robert Beetson

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

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

###### Mr. Paul Fennessy

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

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

## DIRECTORS' REPORT

### STRUCTURE AND MANAGEMENT (continued)

#### Meetings of the Board and Committees

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

● 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

The Directors have received an Independence Declaration from Ernst & Young, a copy of which is attached at page 13. Non audit services provided by Ernst & Young are disclosed in note E2.

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



Mr. Paul Robertson AO, Chair  
Sydney

11 October 2018



Building a better working world

Ernst & Young

200 George Street

Sydney NSW 2000 Australia

GPO Box 2546 Sydney NSW 2001

Tel: +61 2 9248 5555

Fax: +61 2 9248 5959

[ey.com](http://ey.com)

## **Auditor's Independence Declaration to the Directors of St Vincent's Health Australia Limited and its Controlled Entities**

In relation to our audit of the financial report of St Vincent's Health Australia Limited for the financial year ended 30 June 2018 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 I 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.

Anthony R Jones

Partner  
Sydney

11 October 2018

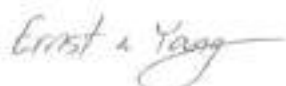
A member firm of Ernst & Young Global Limited

Liability limited by a scheme approved under Professional Standards Legislation



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

In relation to our audit of the financial report of St Vincent's Health Australia Limited and its controlled entities for the financial year ended 30 June 2018, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of any applicable code of professional conduct.



Ernst & Young



Anthony Jones  
Partner  
Sydney  
11 October 2018



**PROFIT OR LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	2018 \$'000	2017 \$'000
Revenue	A1	2,080,325	1,999,236
Other income	A1	47,551	24,418
<b>Total revenue and other income</b>		<b>2,127,876</b>	<b>2,023,654</b>
Employment expenses	A2	1,266,393	1,199,469
Goods and services		651,937	650,480
Finance costs		13,588	15,205
Repairs and maintenance		26,778	20,200
Depreciation and amortisation	A5 / A7	92,327	76,751
Other expenses from ordinary activities		49,617	24,874
<b>Total expenses</b>		<b>2,100,640</b>	<b>1,986,979</b>
Share of investments accounted for using the equity method	C4	6,430	5,980
<b>Operating surplus</b>		<b>33,666</b>	<b>42,656</b>
Capital funding received	A1	9,057	23,664
Fair value gain on business combinations	A1	-	10,792
Fair value gain on residential aged care bed licenses	A1	900	14,100
<b>Surplus for the year</b>		<b>43,623</b>	<b>91,211</b>
Other comprehensive income			
Items of other comprehensive income:			
Movement in available-for-sale investments reserve		1,077	(297)
Revaluation of cultural assets		-	12
Net loss on cash flow hedges		(232)	(29)
<b>Total comprehensive income</b>		<b>44,468</b>	<b>90,897</b>



**BALANCE SHEET**  
**AT 30 JUNE 2018**

	Notes	2018 \$'000	2017 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	B1	176,397	125,447
Trade and other receivables	A3	144,328	132,307
Inventories	A4	25,575	25,504
Investments	B2	274,272	180,405
Total current assets		620,572	463,663
<b>Non-current assets</b>			
Receivables	A3	36,434	28,425
Investments accounted for using the equity method	C4	30,372	23,942
Investments	B2	72,440	69,003
Property, plant and equipment	A5	1,304,220	1,158,849
Investment properties	A6	36,285	27,980
Intangible assets	A7	130,455	124,114
Total non-current assets		1,610,206	1,432,313
<b>Total assets</b>		<b>2,230,778</b>	<b>1,895,976</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	A8	250,716	185,818
Accommodation bonds and payables	A9	311,272	249,126
Borrowings	B4	80,906	95,711
Provisions	A10	299,946	277,838
Total current liabilities		942,840	808,493
<b>Non-current liabilities</b>			
Payables	A8	6,995	17,995
Borrowings	B4	253,043	186,295
Provisions	A10	41,385	36,838
Total non-current liabilities		301,423	241,128
<b>Total liabilities</b>		<b>1,244,263</b>	<b>1,049,621</b>
<b>Net assets</b>		<b>986,515</b>	<b>846,355</b>
<b>Equity</b>			
Reserves		2,449	1,604
Retained surplus		984,066	844,751
<b>Total equity</b>		<b>986,515</b>	<b>846,355</b>

**STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED 30 JUNE 2018

	Member's reserve \$'000	Revaluation reserve \$'000	Available for sale investments reserve \$'000	Cash flow hedge reserve \$'000	Specified purpose reserve \$'000	Retained surpluses \$'000	Total \$'000
<b>2018</b>							
Balance 1 July 2017	204	626	113	(181)	842	844,751	846,355
Total surplus	-	-	-	-	-	43,623	43,623
Other comprehensive income	-	-	1,077	(232)	-	-	845
Total comprehensive income	-	-	1,077	(232)	-	43,623	44,468
Deemed contribution by parent entity on business combination (Note C6)	-	-	-	-	-	95,692	95,692
Transaction with the members in their capacity as members	-	-	-	-	-	-	-
Balance 30 June 2018	204	626	1,190	(413)	842	984,066	986,515
<b>2017</b>							
Balance 1 July 2016	204	614	410	(152)	-	752,705	753,781
Total surplus	-	-	-	-	-	91,211	91,211
Other comprehensive income	-	12	(297)	(29)	842	(842)	(314)
Total comprehensive income	-	12	(297)	(29)	842	90,369	90,897
Transaction with the members in their capacity as members	-	-	-	-	-	1,677	1,677
Balance 30 June 2017	204	626	113	(181)	842	844,751	846,355

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>			
Receipts from patients and grants (including GST)		2,138,586	1,989,535
Payments to suppliers and employees (including GST)		(2,023,910)	(1,896,668)
Interest and dividends received		14,168	11,111
Donations received		35,317	21,168
Interest paid		(7,712)	(8,797)
<b>Net cash flow from operating activities</b>	B1(ii)	<b>156,449</b>	<b>116,349</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant, equipment and intangibles		(191,172)	(221,762)
Proceeds from disposal of plant, equipment and intangibles		-	587
Proceeds from acquiring a business		-	2,312
Acquisition of a business		-	(3,905)
Deemed contribution by parent entity on business combination (Note C6)		12,953	-
Net payments for investments		(45,367)	(18,521)
Capital funding received		9,057	23,664
<b>Net cash flow from investing activities</b>		<b>(214,529)</b>	<b>(217,626)</b>
<b>Cash flows from financing activities</b>			
Repayment of loans by related parties		-	1,333
Repayment of loans from related parties		(7,923)	-
Loan from related party		-	26,574
RAD, accommodation bond and ILU entry contribution inflows		135,819	111,372
RAD, accommodation bond and ILU entry contribution outflows		(72,765)	(39,345)
Repayment of borrowings		(21,600)	(21,541)
Proceeds from borrowings		75,500	31,058
<b>Net cash flow from financing activities</b>		<b>109,031</b>	<b>109,451</b>
<b>Net increase in cash and cash equivalents held</b>		<b>50,950</b>	<b>8,174</b>
Cash at the beginning of the financial year		125,447	117,273
<b>Cash at the end of the financial year</b>	B1	<b>176,397</b>	<b>125,447</b>



**NOTES TO THE FINANCIAL STATEMENTS: ABOUT THIS REPORT  
FOR THE YEAR ENDED 30 JUNE 2018**

<b>A</b>	<b>KEY NUMBERS</b>	
A1	Revenue, other income and capital funding	21
A2	Employment expenses	24
A3	Trade and other receivables	25
A4	Inventories	27
A5	Property, plant and equipment	28
A6	Investment properties	30
A7	Intangible assets	32
A8	Trade and other payables	36
A9	Accommodation payables	37
A10	Provisions	39
<b>B</b>	<b>FINANCING ACTIVITIES AND RISK MANAGEMENT</b>	
B1	Cash and cash equivalents	40
B2	Investments	41
B3	Cash and investments – financial risk management	42
B4	Borrowings	44
<b>C</b>	<b>GROUP STRUCTURE</b>	
C1	Ultimate parent entity and member's guarantee	49
C2	Parent entity financial information	49
C3	Subsidiaries	50
C4	Interest in joint venture	51
C5	Related party transactions	52
C6	Deemed contribution by parent entity on business combination	54
<b>D</b>	<b>UNRECOGNISED ITEMS</b>	
D1	Commitments	55
D2	Contingent liabilities	56
D3	Subsequent events	57
<b>E</b>	<b>OTHER</b>	
E1	Key management personnel	60
E2	Auditor's remuneration	61
E3	Economic dependency	61
E4	Nature and purpose of reserves	61
E5	Fair value hierarchy	62
E6	Other accounting policies	62

## NOTES TO THE FINANCIAL STATEMENTS: ABOUT THIS REPORT FOR THE YEAR ENDED 30 JUNE 2018

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 11 October 2018. The Directors have the power to amend and reissue the financial report.

### Basis of preparation

The financial report is a general purpose financial report which:

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

### Basis of consolidation

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

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

### Going concern

The Group's Balance Sheet shows an excess of current liabilities over current assets of \$322.27m (2017: \$344.83m). However, included within current liabilities are accommodation bonds / Refundable Accommodation Deposits (RADs) of \$311.27m (2017: \$249.13m) which are recorded as current liabilities as required under accounting standards. However, in practice, RADs that are repaid are generally replaced by RADs from incoming residents within a short timeframe. In addition, current liabilities contains provisions for annual and long service leave of \$282.63m (2017: \$263.76m) 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 \$986.52m at 30 June 2018 (2017: \$846.36m).

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 2018

### 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:

<i>Area of Estimation</i>	<i>Note</i>
Property, plant and equipment – assessment of useful lives	A5
Investment properties	A6
Intangible assets – assumptions underlying recoverable value	A7
Insurance deductible excess provision – assumptions underlying assessment of future costs	A10(iii)
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 2018

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.

	2018 \$'000s	2017 \$'000s
Patient and resident fees	712,790	701,284
Government grants and subsidies	1,142,939	1,099,964
Non-medical revenue	70,304	65,210
Rent and other property revenue	31,573	25,322
Interest and dividend income	14,168	11,111
Other revenues	108,551	96,345
<b>Total revenue</b>	<b>2,080,325</b>	<b>1,999,236</b>
Donations	35,317	21,785
Net gain from fair value adjustment - investment properties (note A6)	8,305	151
Net gain from fair value adjustment - investments	3,978	2,450
Net (loss) gain from disposal of assets	(49)	32
<b>Total other income</b>	<b>47,551</b>	<b>24,418</b>
ED/PANDA and Gorman House redevelopment	-	12,500
Darlinghurst redevelopment strategy	-	2,500
St Vincent's Private Community Hospital Griffith construction	-	800
St Vincent's Private Hospital Toowoomba Redevelopment (ii)	1,000	1,000
St Vincent's Private Hospital Sydney East Wing construction	5	5,500
Miscellaneous Capital Projects	-	1,364
St Vincent's Private Hospital Werribee	724	-
Ministry Funding for cladding remediation (ii)	4,963	-
Health Infrastructure Funding (ii)	2,365	-
<b>Total capital funding (included in non-operating income)</b>	<b>9,057</b>	<b>23,664</b>
Fair value gain on acquisition of residential aged care bed licenses	900	14,100
Fair value gain on acquisition of business combinations (iv)	-	10,792
<b>Total fair value of contributed assets</b>	<b>900</b>	<b>24,892</b>



# NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2018

## A1 REVENUE, OTHER INCOME AND CAPITAL FUNDING (continued)

### (i) Accounting policy

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

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

*Patient and resident income* is recognised when services are provided.

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

*Non-medical revenue* is recognised when services are provided.

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

### (ii) Capital funding received

Government grants of \$4,963,000 were received during 2018 (2017: \$nil) to fund the external cladding remediation works on St Vincent's Health Network O'Brien Building.

Funding of \$2,365,000 (2017: \$nil) was received during 2018 from Health Infrastructure to fund the refurbishment and replacement of infrastructure at St Vincent's Health Network hospital.

Funding of \$1,000,000 (2017: \$1,000,000) was received by St Vincent's Private Hospitals Limited for the development of St Vincent's Private Hospital Toowoomba.

### (iii) Fair value gain on acquisition of residential aged care bed licences

Commonwealth government funded bed licences obtained through the approvals round process represent an asset contribution under AASB 1004 Contributions. The Group records as income the fair value of the bed licences obtained when the actual residential aged care beds become operational. The fair value assessment is based upon market transaction data as provided by an external consultant. During the year 20 residential aged care beds became operational (2017: 284).

### (iv) Fair value gain on acquisition of business combinations

	2018 \$'000s	2017 \$'000s
Fair value gain on acquisition of Lourdes Home for the Aged	-	10,792
<b>Total fair value of contributed assets</b>	<b>-</b>	<b>10,792</b>

### Acquisition of Lourdes Home for the Aged

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

**NOTES TO THE FINANCIAL STATEMENTS: Key numbers**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**A1 REVENUE, OTHER INCOME AND CAPITAL FUNDING (continued)**

**(iv) Fair value gain on acquisition of business combinations (continued)**

**Acquisition of Lourdes Home for the Aged**

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

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

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

Included in trade and other receivable assets acquired was an amount of \$4,025,000 due from the Corporation. This amount equated to the fair value at 1 July 2016 of the land in Toowoomba upon which Lourdes is operated. Acquisition of this land asset is subject to approval by the Toowoomba Regional Council ("Council") of the application for subdivision of this land from the title of a larger land parcel held by The Corporation. The Corporation and SVCS have entered into short-term land lease to allow SVCS to occupy the land pending the Council's decision. Upon approval of the subdivision by the Council, The Corporation will be liable to make a payment to SVCS of \$4,025,000 and SVCS will acquire the Land from the Corporation for \$4,025,000. In the event the Council does not approve the subdivision, The Corporation and SVCS will enter into a long-term land lease and The Corporation will be liable to make a payment to SVCS of \$4,025,000. It is the Directors expectation that the subdivision will be approved by the Council in the 2018/19 financial year.

**NOTES TO THE FINANCIAL STATEMENTS: Key numbers**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**A2 EMPLOYMENT EXPENSES**

Employment expenses recognised during the year are set out below.

	2018 \$'000s	2017 \$'000s
Salaries and wages	1,169,111	1,109,667
Superannuation	97,282	89,802
	<b>1,266,393</b>	<b>1,199,469</b>

**(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 2018**

**A3 TRADE AND OTHER RECEIVABLES**

	2018 \$'000s	2017 \$'000s
<b>Current</b>		
Trade receivables	72,549	69,888
Less: Provision for impairment of trade receivables (ii)	(3,022)	(3,430)
Net trade receivables	69,527	66,458
Amounts due from related parties (note C5)	195	5,234
Loans to related parties (note C5)	-	1,426
Other receivables	47,966	36,405
Accrued revenue	13,734	14,131
Prepayments	12,906	8,653
<b>Total current receivables</b>	<b>144,328</b>	<b>132,307</b>
<b>Non-current</b>		
Other receivables	36,434	28,425
<b>Total non-current receivables</b>	<b>36,434</b>	<b>28,425</b>

**(i) Accounting policy**

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

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

Other receivables generally arise from transactions outside the usual operating activities of the Company. Interest is not charged in respect of these outstanding balances and collateral is not normally obtained.



**NOTES TO THE FINANCIAL STATEMENTS: Key numbers**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**A3 TRADE AND OTHER RECEIVABLES (continued)**

**(ii) Financial risk management**

**Market risk - interest rate risk**

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

**Credit risk**

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

**Provision for impairment of trade receivables**

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

	2018 \$'000s	2017 \$'000s
1 to 3 months	329	749
3 to 6 months	1,206	853
6 months or more	1,487	1,828
	<b>3,022</b>	<b>3,430</b>

The movements in the provision for impairment of receivables is as

At 1 July	3,430	3,250
Provision for impairment recognised during the year	3,849	3,335
Receivables written off during the year as uncollectible	(4,132)	(2,723)
Unused amount reversed	(125)	(432)
At 30 June	<b>3,022</b>	<b>3,430</b>

**NOTES TO THE FINANCIAL STATEMENTS: Key numbers**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**A3 TRADE AND OTHER RECEIVABLES (continued)**

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

*Past due but not impaired receivables ageing analysis*

	2018	2017
	\$'000s	\$'000s
1 to 3 months	14,750	14,630
3 to 6 months	4,763	4,164
6 months or more	2,987	7,647
	<b>22,500</b>	<b>26,441</b>

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

*Amounts due from related parties*

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

**(iii) Fair value**

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

**A4 INVENTORIES**

Inventories of \$25,575,000 (2017: \$25,504,000) comprise medical and other consumables.

**(i) Accounting policy**

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

**NOTES TO THE FINANCIAL STATEMENTS: Key numbers**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**A5 PROPERTY, PLANT AND EQUIPMENT**

	Freehold land	Buildings	Leasehold improvements	Plant and equipment	In course of construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Year ended 30 June 2018</b>						
Cost	237,095	621,134	551,219	535,038	153,377	2,097,863
Accumulated depreciation	-	(309,006)	(142,771)	(341,866)	-	(793,643)
Net carrying amount	237,095	312,128	408,448	193,172	153,377	1,304,220
<b>Movement</b>						
Net carrying amount at 1 July	228,388	269,714	339,944	158,940	161,863	1,158,849
Deemed contribution from parent on business combination (Note C5)	-	250	42,448	4,751	-	47,449
Additions – operating	-	-	4,876	44,572	82,602	132,050
Additions – interest	-	-	-	-	5,227	5,227
Additions – development	8,707	459	-	-	42,253	51,419
Acquisitions	-	-	-	-	-	-
Revaluation	-	-	-	(21)	-	(21)
Disposals	-	(34)	(3)	(648)	-	(685)
Transfers between asset classes	-	61,567	41,568	29,649	(138,568)	(5,784)
Depreciation	-	(19,828)	(20,385)	(44,071)	-	(84,284)
Net carrying amount at 30 June	237,095	312,128	408,448	193,172	153,377	1,304,220
<b>Year ended 30 June 2017</b>						
Cost	228,388	555,306	483,309	505,402	161,863	1,934,268
Accumulated depreciation	-	(285,592)	(143,365)	(346,462)	-	(775,419)
Net carrying amount	228,388	269,714	339,944	158,940	161,863	1,158,849
<b>Movement</b>						
Net carrying amount at 1 July	227,635	237,350	268,486	147,735	131,714	1,012,920
Additions – operating	753	666	7,665	21,819	110,172	141,075
Additions – interest	-	-	-	-	3,158	3,158
Additions – development	-	-	-	-	68,781	68,781
Acquisitions	-	-	15,830	1,199	-	17,029
Revaluations	-	-	-	12	-	12
Disposals	-	-	-	(559)	-	(559)
Transfers between asset classes	-	50,066	65,598	24,041	(151,962)	(12,257)
Depreciation	-	(18,368)	(17,635)	(35,307)	-	(71,310)
Net carrying amount at 30 June	228,388	269,714	339,944	158,940	161,863	1,158,849

The carrying value of property, plant and equipment held under finance leases and hire purchase contracts at 30 June 2018 is \$9,868,000 (2017: \$14,327,000). Refer to Note E6 for information on the accounting treatment for finance leases.

**NOTES TO THE FINANCIAL STATEMENTS: Key numbers**  
**FOR THE YEAR ENDED 30 JUNE 2018**

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

**(i) Accounting policy**

Property, plant and equipment (including in the course of construction) is measured at historical cost less accumulated depreciation and impairment losses.

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

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

**Depreciation**

Items of property, plant and equipment are depreciated on the straight-line method over their estimated useful lives. Land is not depreciated. The depreciation rates used for each class of assets are detailed below:

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

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

**Impairment**

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

**Derecognition**

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

**Componentisation of buildings**

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

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

The Group incurred a net loss on the disposal of property, plant and equipment of \$49,000 (2017: net gain of \$32,000). 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 2018**

**A6 INVESTMENT PROPERTIES**

	2018 \$'000s	2017 \$'000s
Opening balance at 1 July	27,980	27,829
Additions	-	-
Disposals	-	-
Net gain from fair value adjustment (note A1)	8,305	151
Closing balance at 30 June	36,285	27,980

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

**(i) Accounting policy**

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2018

### 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 April 2018, the investment properties were independently valued by AON Risk Services Australia Limited ("AON"), 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 AON in determining fair value for the Company's portfolio of properties were in the following ranges:

Valuation technique	Inputs used to measure fair value	Range of inputs
Direct comparison approach	Gross market rent (rate per m <sup>2</sup> )	\$10,068 - \$12,350
Income capitalisation method	Adopted capitalisation rate	6.25%

The Directors have assessed the fair value of investment properties as at 30 June 2018 and consider it appropriate.

#### (iii) Non-current assets pledged as security

Refer to note B4(vii) for 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 2018**

**A7 INTANGIBLE ASSETS**

	Goodwill \$'000	Residential aged care bed licences \$'000	Development costs and other intangibles \$'000	Total \$'000
<b>Year ended 30 June 2018</b>				
Cost	52,761	46,978	57,249	156,988
Accumulated amortisation and impairment	-	-	(26,533)	(26,533)
Net carrying amount	52,761	46,978	30,716	130,455
<b>Movement</b>				
Carrying amount at 1 July	52,761	46,078	25,275	124,114
Additions	-	900	7,700	8,600
Acquisitions	-	-	-	-
Transfer	-	-	5,784	5,784
Amortisation expense	-	-	(8,043)	(8,043)
Carrying amount at 30 June	52,761	46,978	30,716	130,455
<b>Year ended 30 June 2017</b>				
Cost	52,761	46,078	48,389	147,228
Accumulated amortisation and impairment	-	-	(23,114)	(23,114)
Net book amount	52,761	46,078	25,275	124,114
<b>Movement</b>				
Carrying amount at 1 July	50,640	24,808	10,372	85,820
Additions	2,121	21,270	8,077	31,468
Acquisitions	-	-	10	10
Transfer	-	-	12,257	12,257
Amortisation expense	-	-	(5,441)	(5,441)
Carrying amount at 30 June	52,761	46,078	25,275	124,114

**(i) Accounting policy**

**Goodwill**

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2018

### A7 INTANGIBLE ASSETS (continued)

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

##### *Residential aged care bed licences*

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

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

##### *Development costs and other intangibles*

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

##### *Amortisation*

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

##### *Impairment*

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

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

##### *Derecognition*

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



**NOTES TO THE FINANCIAL STATEMENTS: Key numbers**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**A7 INTANGIBLE ASSETS (continued)**

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

***Goodwill***

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

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

***Residential aged care bed licences***

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS: Key numbers**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**A7 INTANGIBLE ASSETS (continued)**

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

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

	2017 \$'000
Cash and cash equivalents	403
Trade and other receivables	8
Property, plant and equipment	3,584
Intangibles	1,500
	<u>5,495</u>
Trade payables	46
Accommodation payables	3,439
Provisions	180
	<u>3,665</u>
Fair value of identified net assets acquired	1,829
Acquisition date fair value of consideration paid to Masonic Care was:	
Cash paid	(3,950)
Goodwill on acquisition	<u>2,121</u>
Direct costs relating to the acquisition were:	
Included in other expenses from ordinary activities	<u>96</u>
The cash outflow on acquisition was:	
Net cash acquired	403
Cash paid	(3,950)
Net cash outflow	<u>(3,547)</u>

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS: Key numbers**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**A8 TRADE AND OTHER PAYABLES**

	2018 \$'000s	2017 \$'000s
<i>Current</i>		
Trade creditors and accrued expenses	196,786	161,781
Other payables	47,818	17,743
Amounts due to related parties (unsecured) (note C5)	6,112	6,294
	<u>250,716</u>	<u>185,818</u>
<i>Non-current</i>		
Other payables	6,310	16,742
Amount due to related parties (unsecured) (note C5)	685	1,253
	<u>6,995</u>	<u>17,995</u>

**(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.

	2018 \$'000s	2017 \$'000s
<b>Payables</b>		
Within one year	250,716	185,818
Later than one year but not later than five years	6,995	17,995
	<u>257,711</u>	<u>203,813</u>

**(iii) Fair value**

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

**NOTES TO THE FINANCIAL STATEMENTS: Key numbers**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**A9 ACCOMMODATION PAYABLES**

	2018	2017
	\$'000s	\$'000s
Refundable accommodation deposits (RADs)	223,912	157,828
Accommodation bonds (ABs)	43,641	47,054
Independent living unit (ILU) entry contributions	43,719	44,244
	<b>311,272</b>	<b>249,126</b>

**(i) Accounting policy**

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

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

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

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

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

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

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

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

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

**Independent living unit (ILU) entry contributions**

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

**(ii) Classification as a current liability**

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

	2018	2017
	\$'000s	\$'000s
Expected to be settled within 12 months	78,734	86,216
Expected to be settled greater than 12 months	232,538	162,910
	<b>311,272</b>	<b>249,126</b>



**NOTES TO THE FINANCIAL STATEMENTS: Key numbers**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**A9 ACCOMMODATION PAYABLES (continued)**

**(iii) Movement in accommodation payables**

	2018	2017
	\$'000s	\$'000s
Opening balance at 1 July	249,126	160,607
Acquired	-	19,013
Proceeds from residents	138,575	111,703
Repayments to former residents	(74,165)	(39,888)
Interest payable to former residents	788	521
Interest, retentions and other deductions charged to residents	(3,052)	(2,830)
Closing balance at 30 June	311,272	249,126

**(iv) Financial risk management**

**Liquidity risk**

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

**Maturity of accommodation payables**

Accommodation payables have no fixed repayment dates.

**NOTES TO THE FINANCIAL STATEMENTS: Key numbers**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**A10 PROVISIONS**

	<b>2018</b> <b>\$'000s</b>	<b>2017</b> <b>\$'000s</b>
<b>Current</b>		
Employee benefits (note A2(i))	282,627	263,764
Insurance deductible excess (ii)	884	867
Other provisions	16,435	13,207
	<b>299,946</b>	<b>277,838</b>
<b>Non-current</b>		
Employee benefits (note A2(i))	38,593	34,423
Insurance deductible excess (ii)	2,792	2,415
	<b>41,385</b>	<b>36,838</b>

**(i) Accounting policy**

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

**(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)	3,282	3,571
Additional provision recognised	1,019	1,016
Claims paid	(1,134)	(1,001)
Annual assessment of open claims adjustment	509	(304)
Closing balance at 30 June (current and non-current)	<b>3,676</b>	<b>3,282</b>

## NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management FOR THE YEAR ENDED 30 JUNE 2018

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 \$176,397,000 (2017: \$125,447,000) 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

	2018 \$'000s	2017 \$'000s
Surplus for the year	43,623	91,211
Capital funding received	(9,057)	(23,664)
Share of surpluses of joint ventures	(6,430)	(5,980)
Depreciation and amortisation	92,327	76,751
Impairment of receivables	3,724	3,335
Non-cash finance costs (unwinding of TMAM loan)	5,966	6,408
Net loss / (gain) on disposal of non-current assets	49	(31)
Net gain from fair value adjustment - investment properties	(8,305)	(152)
Net gain from fair value adjustment - investments	(3,978)	(2,450)
Net gain from fair value of contributed intangibles	(900)	(24,892)
Non-cash investment distributions	(5,103)	(2,717)
Assets received free of charge	(1,340)	(8)
Non-cash accommodation bond retention/ILU entry contribution exit fee income, interest income and other deductions	(2,953)	(2,664)
Non-cash accommodation bond retention/ILU entry contribution interest expense	(90)	144
Change in operating assets and liabilities:		
(Increase)/decrease in trade debtors	(2,661)	(1,172)
Decrease/(increase) in other debtors and prepayments	(23,426)	128
(Increase) in inventories	(71)	(1,490)
Increase/(decrease) in trade creditors and other payables	48,419	(14,764)
Increase in provisions	26,655	18,356
Net cash inflow from operating activities	156,449	116,349

**NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**B2 INVESTMENTS**

	2018 \$'000s	2017 \$'000s
<b>Current</b>		
Fair value through profit or loss financial assets	255,407	163,062
Held-to-maturity investments	2,607	5,294
Available-for-sale investments (ii)	16,258	12,049
	<b>274,272</b>	<b>180,405</b>
<b>Non-current</b>		
Fair value through profit or loss financial assets	72,440	69,003
	<b>72,440</b>	<b>69,003</b>

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

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

**Held-to-maturity investments**

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

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

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

**Available-for-sale investments**

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

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



## NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management FOR THE YEAR ENDED 30 JUNE 2018

### B2 INVESTMENTS (continued)

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

#### Derecognition

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

#### (ii) Movement in available-for-sale investments

	2018 \$'000s	2017 \$'000s
Opening balance at 1 July	12,049	9,107
Additions	3,973	3,239
Revaluation deficit	236	(297)
Closing balance at 30 June	16,258	12,049

#### (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 2018**

**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
<b>2018</b>					
Cash and cash equivalents	176,397	1,764	(1,764)	-	-
Financial assets at fair value through profit or loss	327,847	3,278	(3,278)	-	-
Held-to-maturity investments	2,607	26	(26)	-	-
Available-for-sale investments	16,258	-	-	163	(163)
<b>2017</b>					
Cash and cash equivalents	125,447	1,254	(1,254)	-	-
Financial assets at fair value through profit or loss	232,065	2,321	(2,321)	-	-
Held-to-maturity investments	5,294	53	(53)	-	-
Available-for-sale investments	12,049	-	-	120	(120)

**(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:

	2018 \$'000s			2017 \$'000s		
	Free	Tied	Total	Free	Tied	Total
Cash and cash equivalents	157,444	18,953	176,397	107,654	17,793	125,447
Financial assets at fair value through profit or loss	16,181	311,666	327,847	23,726	208,339	232,065
Held-to-maturity investments	-	2,607	2,607	518	4,776	5,294
Available-for-sale investments	16,258	-	16,258	-	12,049	12,049
	189,883	333,226	523,109	131,898	242,957	374,855



**NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**B4 BORROWINGS**

	2018 \$'000s			2017 \$'000s		
	Current	Non-current	Total	Current	Non-current	Total
<b>Secured</b>						
Amounts due to TMAM (ii)	5,068	81,590	86,658	4,921	80,692	85,613
Bank loans (iii)	1,431	-	1,431	2,573	6,859	9,432
AlB bondholder loan (iv)	-	-	-	3,711	-	3,711
Lease liability	4,431	6,742	11,173	4,697	10,045	14,742
	<b>10,930</b>	<b>88,332</b>	<b>99,262</b>	<b>15,902</b>	<b>97,596</b>	<b>113,498</b>
<b>Unsecured</b>						
Amounts due to the Trustees of the Sisters of Charity of Australia (v)	1,051	-	1,051	2,449	-	2,449
Bank loan (vi)	-	155,000	155,000	-	79,500	79,500
Loan from St Vincent's Private Hospital Sydney (note C5)	68,925	9,711	78,636	77,360	9,199	86,559
	<b>69,976</b>	<b>164,711</b>	<b>234,687</b>	<b>79,809</b>	<b>88,699</b>	<b>168,508</b>
	<b>80,906</b>	<b>253,043</b>	<b>333,949</b>	<b>95,711</b>	<b>186,295</b>	<b>282,006</b>

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

**(i) Accounting policy**

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management  
FOR THE YEAR ENDED 30 JUNE 2018**

**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 2018 year was \$4,921,000 and will increase in 2019 by CPI.
- *Security* - the loan is secured by a mortgage over the majority of the assets of the Group.
- *Interest* - nil at present, however, TMAM reserve the right to charge interest however interest will only be charged prospectively (after providing 12 months' notice).

**(iii) Secured bank loans**

**(a) \$nil bank loan (2017: \$6,948,000)**

CBA loan facility of \$15,000,000. The loan was secured by a mortgage over St Vincent's Hospital (Melbourne) Limited's interest in the Victoria Parade car park and its operating agreement. The loan facility was repaid in full during the financial year.

**(b) \$1,107,000 bank loan (2017: \$2,048,000)**

A loan was taken out on 6 February 2009 for a total of \$8,300,000 for the development of the carpark in the O'Brien Building. The loan is repayable over 10 years at a variable rate of 5.25% at 30 June 2017 (2017: 4.75%). Repayments are in equal, monthly instalments and will be fully repaid by the second quarter of financial year 2019. The Catholic Development Fund bank loan is secured with a fixed and floating charge over the cash flow and income in respect of the operation of all car parking facilities at St Vincent's Hospital Sydney Limited together with the underground parking station under the building known as the O'Brien Building at St Vincent's Hospital Sydney Limited. The car park income flows to the Trustees of St Vincent's Hospital Sydney and they pay the interest and principal repayments on this loan. Accordingly, no interest paid or payable on this loan has been reflected in this financial report.

**(c) \$324,000 bank loan (2017: \$436,000)**

On 1 January 2017 St Vincent's Private Hospitals Ltd took a loan in the amount of \$680,000 for the purchase of Philips medical equipment. The loan is repayable over 8 quarterly instalments at a fixed rate of 3.0% at 30 June 2018 (2017: 3.0%).

**(iv) AIB bondholder loan**

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



**NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management  
FOR THE YEAR ENDED 30 JUNE 2018**

**B4 BORROWINGS (continued)**

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

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

Fixed repayments of \$59,375 (2017: \$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 incoming contribution amounts payable upon occupancy of an independent living unit operated by the Company. For the year ended 30 June 2018, TSCA elected to offset \$1,161,000 (2017: \$331,000) of incoming contribution payable upon occupancy under this provision.

**(vi) Unsecured bank loans**

***\$155,000,000 bilateral bank loan (2017: \$79,500,000)***

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

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

Interest is payable at maturity of each loan drawdown and calculated based on an actual/365 basis. The bank loan attracts a variable average rate of interest at 3.35% at 30 June 2018 (2017: 3.03%).

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

**(vii) Assets pledged as security**

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

	2018 \$'000s	2017 \$'000s
<b>Fixed and floating charge</b>		
Cash and cash equivalents	12,656	12,105
Receivables (current and non-current)	67,070	70,141
Inventories	6,997	7,380
Investments (current and non-current)	74,279	69,684
Plant and equipment	151,337	157,353
Intangibles	15,002	10,429
Investment properties	2,639	2,400
<b>Subordinated mortgage</b>		
Freehold land and buildings	224,974	233,652
Investment properties	32,136	24,100
<b>Total assets pledged as security</b>	<b>587,090</b>	<b>587,244</b>

**NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**B4 BORROWINGS (continued)**

**(viii) Financial risk management**

**Market risk - interest rate risk**

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

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

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

**Liquidity risk**

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

**Financing arrangements**

The Group has limited undrawn borrowing facilities that are not committed to current capital projects. Given the nature of the Group and the financial obligations that it currently has, this position is considered to be of low risk. The Group has access to \$145,000,000 in undrawn borrowing facilities, at variable rates (2017: \$220,500,000).

The majority of undrawn borrowing facilities relate to current capital projects that will be completed in less than two years from balance date. The weighted average interest rate for the drawn borrowing facilities is 3.03% (2017: 3.03%).

**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.

	2018 \$'000s	2017 \$'000s
Within one year	95,091	105,239
Later than one year but not later than five years	214,657	143,037
Later than five years	203,596	217,181
	<b>513,344</b>	<b>465,457</b>

The Victorian Department of Health and Human Services liability of \$nil (2017: \$3,711,000) is excluded from payables as a similar amount is included in receivables. This receivable amortises in line with the liability.

**Changes in liabilities arising from financing activities**

	1 July 2017	Cash flow	Non-cash	30 June 2018
Amounts due to TMAM	85,613	(4,921)	5,966	86,658
Bank loans	88,932	67,499	-	156,431
AIB bondholder loan	3,711	(3,711)	-	-
Lease liability	14,742	(3,569)	-	11,173
Amounts due to the Trustees of the Sisters of Charity of Australia	2,449	(1,398)	-	1,051
Loan from St Vincent's Private Hospital Sydney	86,559	(7,923)	-	78,636
	<b>282,006</b>	<b>45,977</b>	<b>5,966</b>	<b>333,949</b>

**NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**B4 BORROWINGS (continued)**

**(viii) Financial risk management (continued)**

*Changes in liabilities arising from financing activities*

	1 July 2016	Cash flow	Non-cash	30 June 2017
Amounts due to TMAM	86,211	(4,828)	4,230	85,613
Bank loans	67,167	21,765	-	88,932
AIB bondholder loan	9,806	(6,095)	-	3,711
Lease liability	19,034	(4,292)	-	14,742
Amounts due to the Trustees of the Sisters of Charity of Australia	3,120	(671)	-	2,449
Loan from St Vincent's Private Hospital Sydney	60,001	26,558	-	86,559
	<b>245,339</b>	<b>32,437</b>	<b>4,230</b>	<b>282,006</b>

**(ix) Summarised sensitivity analysis**

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

	Carrying amount \$'000s	Interest rate risk	
		100pb higher	100pb lower
<b>2018</b>			
Bank loans (iii)	156,431	1,564	(1,564)
AIB bondholder loan (iv)	-	-	-
Lease liability	11,173	112	(112)
Loan from St Vincent's Private Hospital Sydney (note C5)	78,636	786	(786)
<b>2017</b>			
Bank loans (iii)	88,932	889	(889)
AIB bondholder loan (iv)	3,711	37	(37)
Lease liability	14,742	147	(147)
Loan from St Vincent's Private Hospital Sydney (note C5)	86,559	866	(866)



## NOTES TO THE FINANCIAL STATEMENTS: Group structure FOR THE YEAR ENDED 30 JUNE 2018

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

### C1 ULTIMATE PARENT ENTITY AND MEMBER'S GUARANTEE

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

If SVHA is wound up the constitution states that each member is required to contribute a maximum of \$100 each towards meeting the obligations of SVHA. At 30 June 2018, SVHA had 1 member (2017: 1) so the maximum amount to be contributed towards meeting the obligations of SVHA would be \$100 (2017: \$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:

	2018 \$'000s	2017 \$'000s
Current assets	15,545	27,142
Total assets	207,358	207,778
Current liabilities	23,083	22,033
Total liabilities	85,067	82,883
Reserves	204	204
Retained earnings	122,087	124,691
Total equity	122,291	125,895
Operating deficit recorded by the parent entity	(2,604)	(939)
Total comprehensive loss of the parent entity	(2,604)	(939)



**NOTES TO THE FINANCIAL STATEMENTS: Group structure**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**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	
		2018	2017	2018	2017
		%	%	\$'000	\$'000
St Vincents & Mater Health Sydney Limited	Australia	100	100	-	-
St Vincent's Clinic	Australia	100	100	6,402	6,402
The Trustee for St Vincent's Clinic Foundation	Australia	100	100	-	-
St Vincent's Care Services Ltd	Australia	100	100	9,545	9,545
St Vincent's Healthcare Limited	Australia	100	100	5,261	5,261
St Vincent's Hospital (Melbourne) Limited	Australia	100	100	45,653	45,653
St Vincent's Hospital Sydney Limited	Australia	100	100	20,474	20,474
St Vincent's Hospital Toowoomba Limited	Australia	100	100	-	-
St Vincent's Private Hospitals Ltd	Australia	100	100	84,346	84,346
St Vincent's Curran Foundation	Australia	100	100	-	-
Alkenhead Centre for Medical Discovery Limited	Australia	100	100	-	-
St Vincent's Health Australia Foundation Queensland <sup>1</sup>	Australia	100	100	-	-
St Vincent's Health Australia Foundation Victoria <sup>2</sup>	Australia	100	100	-	-
Victor Chang Cardiac Research Institute <sup>3</sup>	Australia	100	-	-	-
St Vincent's Institute of Medical Research <sup>4</sup>	Australia	100	-	-	-
				<b>171,681</b>	<b>171,681</b>

<sup>1</sup> On 20 April 2017 St Vincent's Health Australia established St Vincent's Health Australia Foundation Queensland.

<sup>2</sup> On 20 April 2017, St Vincent's Health Australia established St Vincent's Health Australia Foundation Victoria.

<sup>3</sup> On 1 July 2017 St Vincent's Health Australia became the sole member of Victor Chang Cardiac Research Institute.

<sup>4</sup> On 1 July 2017 St Vincent's Health Australia became the sole member of St Vincent's Institute of Medical Research.

**NOTES TO THE FINANCIAL STATEMENTS: Group structure**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**C4 INTEREST IN JOINT VENTURE**

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

	2018 \$'000s	2017 \$'000s
<b>Joint venture's results</b>		
Revenue and other income	173,464	170,186
Operating surplus and total comprehensive income for the year	12,860	11,961
Group's share of surplus and total comprehensive income for the year	6,430	5,980
Current assets <sup>1</sup>	72,528	60,452
Non-current assets	60,243	62,923
Current liabilities	(68,700)	(26,381)
Non-current liabilities	(3,326)	(49,110)
Equity	60,745	47,884
Group's carrying amount of investment in joint venture	30,372	23,942

<sup>1</sup> Included in current assets are cash and cash equivalents of \$43,003,000 (2016: \$34,270,000).

	2018 \$'000s	2017 \$'000s
<b>Joint venture's commitments and contingent liabilities</b>		
Lease commitments	315,151	314,867
Contingent liabilities	3,643	3,885

**(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.

**NOTES TO THE FINANCIAL STATEMENTS: Group structure**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**C5 RELATED PARTY TRANSACTIONS**

Transactions with related parties during the year ended 30 June 2018 consisted of:

- (a) Loans advanced by St Vincent's Health Australia Limited;
- (b) Loans repaid by St Vincent's Health Australia Limited;
- (c) Payment of interest on the above loans;
- (d) Recovery of costs for the provision of management and administrative services; and
- (e) Payment for the provision of management and administrative services.

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

The following transactions occurred with joint ventures and St Vincent's Private Hospital Sydney:

	2018 \$'000s	2017 \$'000s
<i>Interest income from:</i>		
Joint ventures	4	56
<i>Lease income from:</i>		
St Vincent's Private Hospital Sydney	13,800	9,000
<i>Income from the provision of management and administrative services to:</i>		
Joint ventures	5,975	5,536
St Vincent's Private Hospital Sydney	23,144	15,958
<i>Expenses relating to the provision of management and administrative services by:</i>		
Joint ventures	356	217
St Vincent's Private Hospital Sydney	22,352	20,737
<i>Repayment of interest-free amounts advanced from</i>		
TMAM	4,921	4,828
Trustees of the Sisters of Charity of Australia	1,398	671

**NOTES TO THE FINANCIAL STATEMENTS: Group structure**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**C5 RELATED PARTY TRANSACTIONS (continued)**

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

	2018 \$'000s			2017 \$'000s		
	Current	Non-current	Total	Current	Non-current	Total
<b>Receivables</b>						
<b>Amounts due from related parties</b>						
Joint ventures	4	-	4	14	-	14
St Vincent's Private Hospital Sydney	191	-	191	5,220	-	5,220
	<b>195</b>	<b>-</b>	<b>195</b>	<b>5,234</b>	<b>-</b>	<b>5,234</b>
<b>Loan to related party (i)</b>						
Joint ventures	-	-	-	1,426	-	1,426
	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,426</b>	<b>-</b>	<b>1,426</b>
<b>Payables</b>						
<b>Amounts due to related parties (unsecured)</b>						
Joint ventures	99	685	784	141	559	700
St Vincent's Private Hospital Sydney	6,014	-	6,014	6,153	694	6,847
	<b>6,112</b>	<b>685</b>	<b>6,798</b>	<b>6,294</b>	<b>1,253</b>	<b>7,547</b>
<b>Borrowings</b>						
<b>Loan from related party (ii)</b>						
St Vincent's Private Hospital Sydney	68,925	9,711	78,636	77,360	9,199	86,559
	<b>68,925</b>	<b>9,711</b>	<b>78,636</b>	<b>77,360</b>	<b>9,199</b>	<b>86,559</b>

**(i) Loan to related party**

The Group has provided a loan to The Holy Spirit Northside Private Hospital Limited. The loan was fully repaid on 28 July 2017 (2017: \$1,426,000).

**(ii) Loan from related party**

The Group has a loan from St Vincent's Private Hospital Sydney Limited amounting to \$78,636,000 (2017: \$86,559,000). The loan is unsecured and attracts a variable interest rate of 3.39% (2017: 3.29%). The loan was used to repay secured bank loans (note B4(iii)(c)).



**NOTES TO THE FINANCIAL STATEMENTS: Group structure**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**C6 DEEMED CONTRIBUTION BY PARENT ENTITY ON BUSINESS COMBINATION**

On 1 July 2017, the businesses, assets and liabilities of St Vincent's Institute of Medical Research and Victor Chang Cardiac Research Institute was transferred to the Company at book value for nil consideration, representing a deemed contribution by the Trustees of the Sisters of Charity of Australia (the ultimate parent entity) to the Company of \$95,692,000

Where the combining entities are ultimately controlled by the same party both before and after the combination, the transaction is a "common control" transaction, outside the scope of AASB 3 *Business Combinations*. Such a transaction is accounted for using the "pooling of interests" method resulting in the continuation of existing accounting values that would have occurred if the assets and liabilities had already been part of the Group. As a result the accounting treatment under the "Pooling of interest" method has been applied as follows:

- The assets and liabilities are reflected at their carrying amounts;
- No new goodwill or other intangible assets are recognised as a result of the combination;
- The excess of the book value of the consideration over the carrying value of the assets and liabilities has been recorded as a "Deemed Contribution" in equity.

On 1 July 2017 the assets and liabilities of the above mentioned entities were transferred for nil consideration, representing a deemed contribution by the Trustees of the Sisters of Charity of Australia.

The carrying values of the identifiable assets and liabilities transferred were:

	St Vincent's Institute of Medical Research	Victor Chang Cardiac Research	Total
	\$'000s	\$'000s	\$'000s
Cash and cash equivalent	11,201	1,752	12,953
Trade and other receivables	1,770	6,640	8,410
Inventories	0	195	195
Investments	14,998	51,698	66,696
Property, plant and equipment	3,353	44,096	47,449
	31,322	104,381	135,703
Trade payables	2,230	32,162	34,392
Borrowings	-	-	-
Provisions	3,668	1,951	5,619
	5,898	34,113	40,011
Book value of identified net assets acquired	25,424	70,268	95,692
Book value of consideration paid to Trustees of the Sisters of Charity of Australia at acquisition date	-	-	-
Cash paid	-	-	-
Deemed contribution by parent entity	25,424	70,268	95,692
Direct costs relating to the acquisitions	-	-	-
The cash inflows on acquisition were:			
Net cash acquired	11,201	1,752	12,953
Cash paid	-	-	-
Net cash inflow	11,201	1,752	12,953
From the date of the transfers on 1 July 2017, being the beginning of the current reporting period, the operations of the two entities contributed revenue and operating surplus / (deficit) to the results of the Group as follows:			
Revenue	23,829	24,425	48,254
Operating surplus	27	1,674	1,701

## NOTES TO THE FINANCIAL STATEMENTS: Unrecognised items FOR THE YEAR ENDED 30 JUNE 2018

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

	2018 \$'000s	2017 \$'000s
--	-----------------	-----------------

#### Capital commitments

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

Within one year	74,809	100,531
Later than one year but not later than 5 years	47,609	32,280
	<b>122,418</b>	<b>132,811</b>

#### 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	8,635	7,636
Later than one year but not later than 5 years	14,636	15,046
Later than 5 years	42,792	44,403
	<b>66,063</b>	<b>67,085</b>

During the current financial year, \$1,252,000 was recognised as an expense in the Group's profit or loss in respect of operating leases (2017: \$2,514,000).

##### Finance leases

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

Within one year	3,979	4,697
Later than one year but not later than 5 years	6,214	9,692
Later than 5 years	-	353
	<b>10,193</b>	<b>14,742</b>
Less amounts representing finance charges	761	1,047
	<b>9,432</b>	<b>13,695</b>

**NOTES TO THE FINANCIAL STATEMENTS: Unrecognised items  
FOR THE YEAR ENDED 30 JUNE 2018**

**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 2018 are detailed below. No material losses are anticipated in respect of any of these contingent liabilities.

Entity with Rights	Nature of Security or Obligation	2018 \$'000s	2017 \$'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.	48,598	49,242
Queensland Housing Commission	Pursuant to a capital funding agreement with the Queensland Housing Commission, St Vincent's Care Services Limited ("SVCS") may be liable to repay funds provided to assist with the original construction of public rental units at St John the Baptist Retirement Community. This liability would arise if SVCS ceased to operate the Community or if there is a breach in the terms and conditions of the capital funding agreement prior to the 22 June 2044.	164	170

## NOTES TO THE FINANCIAL STATEMENTS: Unrecognised items FOR THE YEAR ENDED 30 JUNE 2018

### D3 SUBSEQUENT EVENTS

Apart from the matters disclosed below, the Directors are not aware of any matter or circumstance occurring since 30 June 2018 that has significantly or may significantly affect the operations of the Group.

#### Business combinations – Holy Spirit Northside Private Hospital Limited

The following transactions have occurred since 30 June 2018.

On 1 July 2018, The Mission Congregation of the Servants of the Holy Spirit Northside Private Hospital Limited ("HSNPH") and SVHA agreed a transition of membership, whereby SVHA becomes the sole member of HSNPH subject to the Holy See approval. Prior to that SVHA had held a 50% interest in HSNPH.

The consideration transferred for the acquisition is \$60,000,000, paid in five equal instalments annually commencing from 1 July 2018 to 1 July 2022.

The provisioned fair value of the identifiable assets and liabilities of HSNPH at the date of acquisition were as follows. The provisioned value of the non-controlling interest was determined based on its interest in the fair value of the identifiable net assets at the date of acquisition. Provisioned goodwill of \$28,774,000 arose on the acquisition, representing the excess of the cost of the acquisition over the fair value of the net identifiable assets at the date of acquisition.

Note C4 Interest in Joint venture discloses the Group's carrying amount of investment at 30 June 2018 and the Group's share of surplus and total comprehensive income for the financial year ending 30 June 2018.

	Provisional
	\$'000
Cash and cash equivalents	54,995
Trade and other receivables	15,802
Inventories	2,417
Property, plant and equipment	57,789
Intangibles	1,768
<b>Total provisional assets</b>	<b>132,771</b>
Trade payables	17,990
Borrowings	39,210
Provisions	14,826
<b>Total provisional liabilities</b>	<b>72,026</b>
<b>Provisional fair value of identified net assets acquired</b>	<b>60,745</b>
<b>Acquisition date fair value of consideration transferred:</b>	
Cash paid	60,000
Fair value of existing 50% non-controlling interest	30,372
<b>Total consideration transferred</b>	<b>90,372</b>
Consideration transferred	90,372
Less provisional fair value of identifiable net assets acquired	(60,745)
<b>Goodwill arising on acquisition:</b>	<b>29,627</b>



**NOTES TO THE FINANCIAL STATEMENTS: Unrecognised items**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**D3 SUBSEQUENT EVENTS (continued)**

	<b>\$'000</b>
Fair value of pre-existing 50% non- controlling interest	30,372
Less equity accounted carrying value of pre-existing 50% non-controlling interest	30,372
<b>Net gain on acquisition</b>	<b>-</b>
<b>Direct costs relating to the acquisition</b>	<b>-</b>
Cash acquired with the subsidiary	54,995
Cash paid	(12,000)
<b>Net Cash flows on acquisition</b>	<b>42,995</b>
Cash flows payable to Congregation of the Servants of the Holy Spirit (Current)	(12,000)
Cash flows payable to Congregation of the Servants of the Holy Spirit (Non-Current)	(36,000)
<b>Total Net Cash flows from the acquisition</b>	<b>(5,005)</b>
Lease commitments (i)	315,151
Contingent liabilities (ii)	3,643
<b>Commitments and contingent liabilities on acquisition:</b>	<b>318,794</b>

**(i) Lease Commitment**

HSNPH leases from the State of Queensland the land on which the HSNPH campus is located, the lease for the land expires on 23 November 2065. At the end of the lease term, ownership of the leasehold improvements transitions to the State of Queensland at no cost. The rent is fixed with an annual CPI review (with a floor). Contingent rent is payable under the Collocation Agreement in the event that Earnings Before Interest, Taxation, Depreciation and Amortisation as a percentage of Gross Revenue exceeds an agreed threshold percentage.

**(ii) Contingent liability**

In the financial year ended 30 June 2011, HSNPH entered into a capital funding agreement with the Commonwealth Department of Health & Ageing which enabled HSNPH to receive funding for capital works under the Commonwealth Government's Innovative Clinical Teaching and Training Grants Program. Under the agreement HSNPH received capital grant funding of \$4,857,000 to assist in the funding of the construction of a Clinical Education Centre which was completed and opened on 8 November 2012. Pursuant to agreement, HSNPH may be liable to repay any funds advanced by the Commonwealth Department of Health & Ageing if HSNPH ceases to operate the Clinical Education Centre or if there is a breach in the terms and conditions of the capital funding agreement prior to 8 November 2032.

## NOTES TO THE FINANCIAL STATEMENTS: Unrecognised items FOR THE YEAR ENDED 30 JUNE 2018

### D3 SUBSEQUENT EVENTS (continued)

#### **Acquisition of St Vincent's Care Services Hawthorn (formerly Sisters of St Joseph Health Care Services (Vic)) Trading as Mary MacKillop Aged Care**

Mary MacKillop Aged Care ("MMAC") is located at Hawthorn East in Victoria and is operated by St Vincent's Care Services Hawthorn (formerly Sisters of St Joseph Health Care Services (Vic)), a company limited by guarantee. The membership interest in MMAC was acquired subsequent to the reporting date on 1 July 2018 from the Trustees of the Sisters of St Joseph ("Trustees") in accordance with the company's aged care growth strategy. The consideration transferred for the acquisition of the membership interest (excluding land) of MMAC was \$18,182,000 with the fair value of the net assets acquired being \$15,126,000 resulting in a goodwill on acquisition of \$3,056,000. The land upon MMAC operates is leased by MMAC from the Trustees. The current 50 year lease expires on 30 June 2068.

#### **Acquisition of Holy Spirit Care Services**

Holy Spirit Home and Holy Spirit Carseldine are located at Carseldine and Holy Spirit Boondall is located at Boondall in Queensland and are operated by Holy Spirit Care Services (Brisbane) Ltd, a company limited by guarantee. Viridian Retirement Village is located at Boondall in Queensland and are operated by Holy Spirit Care Services (Boondall) Ltd, a company limited by guarantee. The Mission Congregation Servants of the Holy Spirit have agreed to transition the membership interest of the two companies and freehold title to land located at Carseldine to the company in accordance with the company's aged care growth strategy. The transition documentation was executed on 31 August 2018 and, pending satisfaction of all conditions precedent, is expected to complete on 1 November 2018.

#### **Acquisition of Rosary Village**

Rosary Village is located at Yennora in New South Wales and is operated by the Trustees of Catholic Aged Care Sydney. The Archdiocese of Sydney has agreed to transition the business and assets to the company in accordance with the company's aged care growth strategy. The transition documentation was executed on 25 September 2018 and, pending satisfaction of all conditions precedent, is expected to complete on 1 December 2018.

Apart from these matters, the Directors are not aware of any matter or circumstance occurring since 30 June 2018 that has significantly or may significantly affect the operations of the Group.

## NOTES TO THE FINANCIAL STATEMENTS: Other

### FOR THE YEAR ENDED 30 JUNE 2018

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

#### E1 KEY MANAGEMENT PERSONNEL

##### Directors

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

Mr. P Robertson AO	Mr. B Earle
Ms. P Faulkner AO	Sr. M Wright IBVM
Ms. A McDonald	Mr. P McClintock AO
Prof. M Confoy RSC	Ms. S McPhee AM (Appointed 1 October 2017)
Prof. S Crowe AM	Dr M Coote

##### Executives

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

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

Mr. T Hall	Group Chief Executive Officer
Ms. R Martin	Group Chief Financial Officer
Mr. R Beetson	Group General Manager, Legal, Governance & Risk
Mr. D Swan	Chief Executive Officer, Private Hospitals Division
Mr. J Leahy	Chief Executive Officer, St Vincent's Care Services <sup>1</sup>
Prof. P O'Rourke	Chief Executive Officer, Public Hospitals Division

<sup>1</sup> St Vincent's Care Services Chief Executive Officer, Lincoln Hopper commenced 13 August 2018

##### Compensation

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

	2018	2017
	\$	\$
Short-term employee benefits	4,644,798	4,325,331
Post-employment benefits	186,931	183,768
Other	10,874	107,530
Termination benefits	-	-
<b>Total</b>	<b>4,842,603</b>	<b>4,616,629</b>

There are no other long term benefits as at year end (2017: \$nil).

There were no loans or transactions between the Group and its key management personnel during the financial year (2017: \$nil).



## NOTES TO THE FINANCIAL STATEMENTS: Other FOR THE YEAR ENDED 30 JUNE 2018

### 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:

	2018 \$	2017 \$
<b>Assurance services</b>		
Ernst & Young Australian firm		
Audit of financial reports	540,415	548,097
<b>Other audit firms for any entity in the Group</b>		
Audit of financial reports	129,000	92,000
<b>Total remuneration for assurance services</b>	<b>669,415</b>	<b>640,097</b>
<b>Non-assurance services</b>		
Ernst & Young Australian firm	407,716	-
<b>Total remuneration for non-assurance services</b>	<b>-</b>	<b>-</b>
<b>Total remuneration</b>	<b>1,077,130</b>	<b>640,097</b>

### E3 ECONOMIC DEPENDENCY

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

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

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

### E4 NATURE AND PURPOSE OF RESERVES

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS: Other FOR THE YEAR ENDED 30 JUNE 2018

### E5 FAIR VALUE HIERARCHY

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

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

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

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for investment properties. Where such information is not available the Directors consider information from a variety of sources including:

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

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

### E6 OTHER ACCOUNTING POLICIES

#### Finance costs

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

#### Goods and services tax

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

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

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

#### Income tax

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

## NOTES TO THE FINANCIAL STATEMENTS: Other

### FOR THE YEAR ENDED 30 JUNE 2018

#### E6 OTHER ACCOUNTING POLICIES (continued)

##### Finance leases

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

##### Operating leases

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

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

##### Government grants

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

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

##### Interest income

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



## NOTES TO THE FINANCIAL STATEMENTS: Other FOR THE YEAR ENDED 30 JUNE 2018

### E6 OTHER ACCOUNTING POLICIES (continued)

#### Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

#### Business combinations

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS: Other**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**E6 OTHER ACCOUNTING POLICIES (continued)**

**Cash flow hedges (interest rate swap contracts)**

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS: Other  
FOR THE YEAR ENDED 30 JUNE 2018

**E6 OTHER ACCOUNTING POLICIES (continued)**

**New standards issued and adopted from 1 July 2017**

The Group applied the below first time amendments, which are effective for annual periods beginning on or after 1 July 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time for 30 June 2018 financial year, they did not have a material impact on the annual consolidated financial statements of the Group. The nature of each new standard or amendment is described below:

Reference	Description	Application of Standard	Application by Group
AASB 2016-2 <i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i>	The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information in Note B4 (viii).	1 January 2017	1 July 2017
AASB 2017-2 <i>Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle</i>	The amendments clarify that the disclosure requirements in AASB 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. These amendments did not affect the Group's financial statements as the Group does not have assets classified as held for sale.	1 January 2017	1 July 2017



**NOTES TO THE FINANCIAL STATEMENTS: Other**  
FOR THE YEAR ENDED 30 JUNE 2018

**E6 OTHER ACCOUNTING POLICIES (continued)**

**New and amended standards and interpretations issued but not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below. The adoption of the below standards is expected to have an impact on the Group's financial statements. We are currently in the process of quantifying that impact, at this stage, the Group is not able to estimate the effect of the new rules on the Group's financial statements. The Group will make more detailed assessments of the effect over the next twelve months.

Reference	Description	Application of Standard	Application by Group
AASB 2014-10 <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3 <i>Business Combinations</i> . Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. AASB 2015-10 defers the mandatory effective date (application date) of AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016.	1 January 2018	1 July 2018
AASB 2017-1 <i>Amendments to Australian Accounting Standards – Transfers of Investments Property, Annual Improvements 2014-2016 Cycle and Other Amendments</i>	The amendments clarify certain requirements in: - AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> – deletion of exemptions for first-time adopters and addition of an exemption arising from AASB Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i> - AASB 12 <i>Disclosure of Interests in Other Entities</i> – clarification of scope - AASB 128 <i>Investments in Associates and Joint Ventures</i> – measuring an associate or joint venture at fair value - AASB 140 <i>Investment Property</i> – change in use.	1 January 2018	1 July 2018
AASB 2017-6 <i>Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation</i>	This standard amends AASB 9 <i>Financial Instruments</i> to permit entities to measure at amortised cost or fair value through other comprehensive income particular financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature. This is a subject to meeting other conditions, such as the nature of the business model relevant to the financial asset. Otherwise, the financial assets would be measured at fair value through profit or loss. The standard also clarifies the Basis for Conclusion that, under AASB 9, gains and losses arising on modifications of financial liabilities that do not result in derecognition should be recognised in profit or loss.	1 January 2019	1 July 2019
Annual improvements to IFRS Standards 2015-2017 Cycle	The amendments clarify certain requirements in: - IFRS 3 <i>Business Combinations</i> and IFRS 11 <i>Joint Arrangements</i> – previously held interest in a joint operation. - IAS 23 <i>Borrowing Costs</i> – borrowing costs eligible for capitalisation.	1 January 2019	1 July 2019

NOTES TO THE FINANCIAL STATEMENTS: Other  
FOR THE YEAR ENDED 30 JUNE 2018

**E6 OTHER ACCOUNTING POLICIES (continued)**

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

Reference	Description	Application of Standard	Application by Group
AASB 9, and relevant amending standards <i>Financial Instruments</i>	<p>AASB 9 replaces AASB 139 <i>Financial Instruments: Recognition and Measurement</i>.</p> <p>Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.</p> <p>There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.</p> <p>Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.</p> <p>For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.</p> <p>All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO.</p> <p>The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9.</p> <p>The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.</p>	1 January 2018	1 July 2018



NOTES TO THE FINANCIAL STATEMENTS: Other  
FOR THE YEAR ENDED 30 JUNE 2018

**E6 OTHER ACCOUNTING POLICIES (continued)**

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

Reference	Description	Application of Standard	Application by Group
AASB 15, and relevant amending standards <i>Revenue from Contracts with Customers</i>	<p>AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 <i>Construction Contracts</i>, AASB 118 <i>Revenue</i>, AASB Interpretation 13 <i>Customer Loyalty Programmes</i>, AASB Interpretation 15 <i>Agreements for the Construction of Real Estate</i>, AASB Interpretation 18 <i>Transfers of Assets from Customers</i> and AASB Interpretation 131 <i>Revenue – Barter Transactions Involving Advertising Services</i>) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 (or AASB 16 <i>Leases</i>, once applied).</p> <p>The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:</p> <ul style="list-style-type: none"> <li>- Step 1: Identify the contract(s) with a customer</li> <li>- Step 2: Identify the performance obligations in the contract</li> <li>- Step 3: Determine the transaction price</li> <li>- Step 4: Allocate the transaction price to the performance obligations in the contract</li> <li>- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation</li> </ul>	1 January 2018	1 July 2019
AASB Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.	1 January 2018	1 July 2018
AASB 16 <i>Leases</i>	<p>AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 <i>Leases</i>. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).</p> <p>Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.</p>	1 January 2019	1 July 2019



NOTES TO THE FINANCIAL STATEMENTS: Other  
FOR THE YEAR ENDED 30 JUNE 2018

**E6 OTHER ACCOUNTING POLICIES (continued)**

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

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

## DIRECTORS' DECLARATION

### FOR THE YEAR ENDED 30 JUNE 2018

In the Directors' opinion:

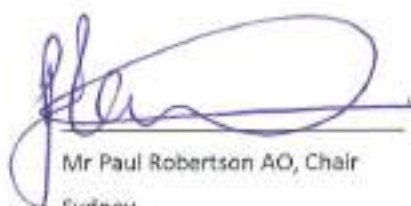
(a) the financial statements and notes set out on pages 14 to 70 of the consolidated entity are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012 (Cth)*, including:

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

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date;

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

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



Mr Paul Robertson AO, Chair

Sydney

11 October 2018

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

### Opinion

We have audited the financial report of St Vincent's Health Australia Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 30 June 2018, the consolidated profit or loss account and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

### Basis for Opinion

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

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

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

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

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

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

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



## Responsibilities of the Directors for the Financial Report

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

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

## Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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



Ernst & Young



Anthony Jones  
Partner  
Sydney  
11 October 2018

