St Vincent's Health Australia Limited

ABN 75 073 503 536

Group Annual Report 30 June 2014

Contents

The annual report covers St Vincent's Health Australia Limited ("SVHA") as a consolidated entity and is presented in Australian dollars.

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

Its registered office and principal place of business is:

Level 1
75 Grafton Street
Bondi Junction, NSW 2022

The annual report was authorised for issue by the directors on 2 October 2014. SVHA has the power to amend and reissue the annual report.

Your directors present their report on the consolidated entity for the year ended 30 June 2014.

Directors

The following persons held office as directors of SVHA during the whole of the financial year and up to the date of this report (unless otherwise stated):

Mr P Robertson AM (Chair)
Fr F Brennan SJ AO (Resigned on 30 June 2014)
Sr M Confoy RSC
Mr B Earle
Ms P Faulkner AO
Mr G Humphrys
Ms B Hutchinson AM (Resigned on 15 October 2013)
Prof. P Smith
Sr M Walters RSC (Resigned on 1 August 2013)
Mr P McClintock AO
Prof. S Crowe AM
Ms M Babbage (Appointed on 1 October 2013)
Sr M Wright IBVM (Appointed on 1 October 2013)

Objectives and principal activities

The short and long term objectives and principal activities of SVHA, as detailed in its 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.

Performance measurement

The directors monitor the Group's progress against these objectives at regular board meetings including:

- reports on all aspects of the Group's operations presented at regular board meetings and Committees including the following committees: the Finance and Investment Committee; the Mission, Ethics and Advocacy Committee; the People and Culture Committee; the Quality and Safety Committee; and, the Audit and Risk Committee;
- 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
- Social Accountability report which provides the board with an overview of Mission related projects across the Group including monies spent.

Review of operations

	Consolidated	
	2014	2013
	$'000	$'000
Total revenue and other income	**1,691,294**	1,595,547
Operating surplus	**27,844**	11,104
Total surplus	**29,517**	25,379

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

The Group generated an operating surplus of $27,844,000 (2013: $11,104,000). The Group grew its revenue by 6.0% and its operating surplus by 150.8% year on year. This performance improvement derived from three main areas. First, a sustained effort by management, staff and the clinical teams at the Sydney Network to return the organisation towards a break even operating position from the years of significant deficits experienced in the past. It is never an easy task to run a public hospital within the funding provided and the board are appreciative of the hospital's achievements in this regard and the NSW Ministry of Health's assistance. Second, a general improvement in the financial performance of the private hospital division and in particular of the Mater hospital in North Sydney.

Third, this year the St Vincent's Curran Foundation was consolidated into the Group accounts for the first time and the board would like to express its appreciation for the significant contribution the Foundation makes to the Sydney hospitals. The important work of the Group is greatly enhanced with the generous assistance of donors and foundations and the St Vincent's Curran Foundation along with the St Vincent's Clinic Foundation are vital contributors to keeping the hospitals at the leading edge of research and practice.

During the year, the terms and conditions of the loan between the Group and Trustees of Mary Aikenhead Ministries ('TMAM') were varied with TMAM advising 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). As a result of this change, the accounting treatment and presentation of the loan has changed from recording it at its gross undiscounted value to reflecting it in the Statement of Financial Position at its present value of $84,487,000 at 30 June 2014. This change in treatment has resulted in a $184,656,000 reduction in non-current liabilities and a corresponding increase in equity.

Going Concern

The Group's Statement of Financial Position shows an excess of current liabilities over current assets of $114,077,000 compared to the prior year's $96,204,000. However, included within current liabilities are accommodation payables of $104,980,000 (2013: $87,163,000) which are required to be categorised as current liabilities because there is no ability to defer their repayment beyond twelve months. In the normal course of business not all of these liabilities will crystallise within one year and those that do are usually replaced by incoming residential accommodation bond payments. In addition, current liabilities contains provisions for annual and long service leave of $215,192,000 (2013: $202,589,000) which are presented as current even though it is probable that amounts will be paid out over several years.

The Group has a substantial net asset position of $688,654,000 at 30 June 2014 compared to the prior year's $456,840,000, with $184,656,000 of the increase due to the change in accounting treatment of the TMAM loan. The Group also has surplus assets which could be sold if circumstances required.

These factors lead the directors and key management personnel to the opinion that the Group can pay its debts as and when they fall due and accordingly the financial report has 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

SVHA is incorporated under the Corporations Act 2001 and is a public company limited by 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 2014 SVHA had 1 member (2013: 1) so the maximum amount to be contributed towards meeting the obligations of SVHA would be $100 (2013: $100).

Subsequent events

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

Likely developments and expected results

The Group has announced its intentions to construct a new private hospital at Werribee in Victoria co-located with a new residential aged care facility, to grow the number of residential aged care beds over the next five years with extensions to existing facilities and new builds, to commence planning on a redevelopment and extension to the private hospital at Fitzroy in Melbourne, and to review all facilities at the Darlinghurst Campus in Sydney to develop a coherent plan covering the future needs of our public and private hospitals on site and the needs of our research partners. This will also include a proposed major redevelopment and expansion of the private hospital at Darlinghurst which the Group manages on behalf of the Sisters of Charity.

The dynamics of healthcare are constantly changing so, while the board has confidence in the financial sustainability and growth of the organisation, a forecast of expected results from continuing operations and future developments is not provided.

Rounding of amounts

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

Indemnification and insurance of directors and officers

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

Indemnification of auditors

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

Names, qualifications, experience, and special responsibilities of directors

Chair

Mr Paul Robertson AM (Current - Appointed 1 October 2009, appointed Chair 5 October 2012)

Qualifications Bachelor of Commerce, Fellow CPA Australia.

Experience Mr Robertson is a former Executive Director of Macquarie Bank with extensive experience in banking, finance and risk management. Mr Robertson is Chair of Social Ventures Australia, Chair of Trustees of St Vincent's Hospital Sydney and holds several private company Directorships.

Special Responsibilities Chair of Board; Chair of People and Culture Committee.

Ms Melissa Babbage (Current – Appointed 1 October 2013)

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

Experience Ms Babbage is a highly experienced financial services professional with a 19 year Investment Banking career spanning both International and Domestic Financial Markets. As a Managing Director at Deutsche Bank for 10 years, she had responsibility for growing several different business lines across both Australia/New Zealand and Asia, as Head of Commodities, Foreign Exchange and Global Finance. Her experience in financial risk management is comprehensive. Ms Babbage is a Non-Executive Director of Swiss Re Life and Health Australia Limited, Mercer Investments Australia Limited and Athletics Australia. She is a Trustee of Q Super and a Non-Executive Director of Q Super Ltd. She is also a Member of the NSW Treasurer's Business Advisory Panel.

Special Responsibilities Member, Finance and Investment Committee; Member, Audit and Risk Committee.

Fr Frank Brennan SJ AO (Appointed 1 January 2009, resigned 30 June 2014)

Qualifications Society of Jesus, Officer of the Order of Australia, BA, LLB(Hons), LLM, BD(Hons), DUniv, Hon LLD, Professor of Law.

Experience Jesuit Priest; Professor of Law at the Australian Catholic University and Adjunct Professor at the Australian National University College of Law and National Centre for Indigenous Studies. He is an advocate for Social Justice and Reconciliation. He is an advocate in Residence for the Society of St Vincent de Paul, Catholic Health Australia and Catholic Social Services Australia. In 2009, he chaired the Australian National Human Rights Consultation Committee. Fr Frank is also a Director of Jesuit Social Services and Global Foundation. Fr Frank retired from the Board on 30 June 2014.

Special Responsibilities Chair of Mission, Ethics and Advocacy Committee; Member, People and Culture Committee.

Sr Maryanne Confoy RSC (Current - Appointed 6 February 2012)

Qualifications 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.

Experience A Religious Sister of Charity and currently Professor of Pastoral Theology at Jesuit Theological College and MCD University of Divinity, Melbourne. Sr Maryanne is also a former President of the United Faculty of Theology and is visiting Professor at the School of Theology and Ministry, Boston College, USA. She is a fellow of the MCD University of Divinity. Her governance roles have included member of the Australian Catholic University Senate and Chair of MCD Board of Postgraduate Studies. Sr Maryanne is a Council member of Edmund Rice Education Australia and a member of RMIT University Ethics Committee.

Special Responsibilities Member, Mission, Ethics and Advocacy Committee.

Mr Brendan Earle (Current – Appointed 1 October 2010)

Qualifications Bachelor of Laws (Hons); Bachelor of Arts; Barrister and Solicitor, Supreme Court of Victoria.

Experience Mr Earle is a partner with the national law firm, Herbert Smith Freehills. He has over 15 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. Mr Earle 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.

Special Responsibilities Member, Finance and Investment Committee; Member, Audit and Risk Committee.

Ms Patricia Faulkner AO (Current – Appointed 1 October 2010)

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

Experience Ms Faulkner was a previous National Partner-in-Charge, Health Sector at KPMG and a previous Secretary of the Victorian Government of Human Services. She has held a number of roles with the Victorian Government over a period of almost 20 years in the Department of Labour and Department of Community Welfare Services. Ms Faulkner is Chair of Superpartners, Jesuit Social Services, Health & Hospitals Infrastructure Fund & National Health Performance Authority and a Member of The COAG Reform Council, the Commonwealth Grants Commission.

Special Responsibilities Deputy Chair, SVHA Board; Member, Quality and Safety Committee; Member, Mission, Ethics and Advocacy Committee.

Mr Gary Humphrys (Current – Appointed 1 October 2010)

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

Experience 35 years of experience in senior executive roles covering a number of disciplines including finance and accounting, treasury, taxation, IT, procurement and audit in the energy and mining industries in both the public and private sector. Mr Humphrys is Director of Ergon Energy Corporation Limited, The Holy Spirit Northside Private Hospital Limited and also Electricity Supply Industry Superannuation (Qld).

Special Responsibilities Member, Mission, Ethics and Advocacy Committee; Member, Finance and Investment Committee; Chair, Audit and Risk Committee.

Ms Belinda Hutchinson AM (Appointed 1 August 2009, resigned 15 October 2013)

Qualifications Bachelor of Economics, Fellow of the Institute of Chartered Accountants in Australia, and Fellow of the Australian Institute of Company Directors.

Experience Ms Hutchison is a former Executive Director of Macquarie Bank Limited, Head of Macquarie Underwriting; former Vice President of Citibank Australia, Head of Financial Institutions Group, and Head of New South Wales Corporate Finance Group. She was previously Chair of QBE Insurance Group Limited. Ms Hutchison was appointed Chancellor of the University of Sydney in February 2013.

Special Responsibilities None.

Prof. Peter Smith (Current– Appointed 1 October 2010)

Qualifications Bachelor of Science, Bachelor of Medicine/Bachelor of Surgery, Doctor of Medicine. Fellow of the Royal Australasian College of Physicians, Fellow of the Royal College of Pathologists Australasia and fellow of the Australian Institute of Company Directors.

Experience Professor Smith is Dean of the Faculty of Medicine at the University of New South Wales. Professor Smith is a Director of the Garvan Institute of Medical Research (Chair, Kinghorn Centre for Clinical Genomics Committee), Neuroscience Research Australia, The Sax Institute of Health Research (Chair, Research Governance Committee) and Ingham Health Research Institute. He is President, Medical Deans, Australia and New Zealand and a Group Captain, RAAF Specialist Reserve.

Special Responsibilities Chair of Quality and Safety Committee; Member, People and Culture Committee.

Sr Maureen Walters RSC ***(Appointed 6 February 2012, resigned 1 August 2013)***

Qualifications General Nursing Certificate at St Vincent's Hospital Sydney; Certificate in Operating Management and Techniques at the NSW College of Nursing; Diploma in Theology; Diploma in Nursing Administration at the College of Nursing Australia; and, a Bachelor of Health Administration at the University of New South Wales.

Experience A Religious Sister of Charity for over 60 years and was previously Director of Nursing and Sister Administrator of St Vincent's Hospital Melbourne and St Vincent's Private, Launceston. Her current ministry is in the Archives Department of St Vincent's Health, Melbourne. Maureen initially trained as a nurse and then gained qualifications in Health Administration and Theology. She is a former fellow of the Royal College of Nursing, Australia and has had wide-ranging governance roles including as a member of the Nursing Standing Committee of the National Health and Medical Research Council and councillor and treasurer of the Australian Catholic Health Care Association as well as for the Sisters of Charity Ministries.

Special Responsibilities Member, Quality and Safety Committee; Member, People and Culture Committee.

Mr Paul McClintock AO ***(Current - Appointed 1 January 2013)***

Qualifications 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.

Experience Previous Chairman of Medibank Private Limited and currently Chair of Thales Australia, Myer Holdings Limited, I-MED Network, the Institute of Virology and NSW Ports. He is a Director of the George Institute for Global Health.

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

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

Special Responsibilities Chair, Finance and Investment Committee; Member, Audit and Risk Committee.

Prof. Suzanne Crowe AM ***(Current - Appointed 1 January 2013)***

Qualifications 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.

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

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

Special Responsibilities Member, Quality and Safety Committee; Member Mission, Ethics and Advocacy Committee

Sr Mary Wright IBVM ***(Current - Appointed 1 October 2013)***

Qualifications

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).

Experience

Sister Mary Wright has extensive experience in leadership in Catholic Church institutions including the positions of School Principal Loreto College Ballarat and Loreto College, Kirribilli, Australian Province Leader (Loreto Sisters) and 8 years in Rome as International Leader (Loreto Sisters). She has practiced in the area of Church law in Australia (including lecturing at Yarra Theological Union) and most recently in the Vatican (in the Congregation for Institutes of Consecrated Life and Societies of Apostolic Life). Her specialty is in the area of institutional governance.

Special Responsibilities

Member, Audit and Risk Committee; Member, Mission, Ethics and Advocacy Committee; Member, People and Culture Committee.

Company Secretary

Mr Robert Beetson

Qualifications 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).

Experience Over 30 years in the health industry. 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 Corporate Lawyers Association, previously Manager of Investigations, Health Care Complaints Commission (NSW).

Meetings of Directors

The number of meetings of the SVHA's directors held during the year ended 30 June 2014, and the numbers of meetings attended by each director were:

	Number of Meetings Attended	Number of Meetings Held While in Office
Mr P Robertson AM (Chair)	7	8
Fr F Brennan SJ AO (Resigned on 30 June 2014)	7	8
Ms M Babbage (Appointed on 1 October 2013)	4	5
Sr M Confoy RSC	8	8
Prof. S Crowe AM	8	8
Mr B Earle	8	8
Ms P Faulkner AO	8	8
Mr G Humphrys	8	8
Ms B Hutchinson AM (Resigned on 15 October 2013)	4	4
Mr P McClintock AO	8	8
Prof. P Smith	8	8
Sr M Walters RSC (Resigned on 1 August 2013)	2	2
Sr M Wright IBVM (Appointed on 1 October 2013)	5	5

The number of meetings of the Finance and Investment Committee held during the year ended 30 June 2014 and the numbers of meetings attended by each member director were:

	Number of Meetings Attended	Number of Meetings Held While in Office
Mr P McClintock AO (Chair)	6	6
Ms M Babbage (Appointed on 1 October 2013) (Appointed to Committee on 10 October 2013)	2	4
Mr B Earle	6	6
Mr G Humphrys	6	6

The number of meetings of the Audit and Risk Committee held during the year ended 30 June 2014 and the numbers of meetings attended by each member director were:

	Number of Meetings Attended	Number of Meetings Held While in Office
Mr G Humphrys (Chair)	5	5
Ms M Babbage (Appointed on 1 October 2013) (Appointed to Committee on 5 February 2014)	2	2
Prof. S Crowe AM (Resigned from Committee on 26 March 2014)	4	4
Mr B Earle	5	5
Mr P McClintock AO (Resigned from Committee on 5 February 2014)	3	3
Sr M Wright IBVM (Appointed on 1 October 2013) (Appointed to Committee on 26 March 2014)	2	2

The number of meetings of the Mission, Ethics and Advocacy Committee held during the year ended 30 June 2014 and the numbers of meetings attended by each member director were:

	Number of Meetings Attended	Number of Meetings Held While in Office
Fr F Brennan SJ AO (Chair) (Resigned from Board and Committee on 30 June 2014)	4	4
Sr M Confoy RSC	4	4
Prof. S Crowe AM (Appointed to Committee on 3 April 2014)	1	1
Ms P Faulkner AO	2	4
Mr G Humphrys	3	4
Sr M Wright IBVM (Appointed on 1 October 2013) (Appointed to Committee on 28 May 2014)	1	1

The number of meetings of the People and Culture Committee held during the year ended 30 June 2014 and the numbers of meetings attended by each member director were:

	Number of Meetings Attended	Number of Meetings Held While in Office
Mr P Robertson (Chair)	4	4
Fr F Brennan SJ AO (Resigned from Board and Committee on 30 June 2014)	4	4
Prof. P Smith	3	4
Sr M Walters RSC (Resigned from Board and Committee on 1 August 2013)	1	1
Sr M Wright IBVM (Appointed on 1 October 2013) (Appointed to Committee on 26 March 2014)	1	1

The number of meetings of the Quality and Safety Committee held during the year ended 30 June 2014 and the numbers of meetings attended by each member director were:

	Number of Meetings Attended	Number of Meetings Held While in Office
Prof. P Smith (Chair)	6	6
Prof. S Crowe AM	6	6
Ms P Faulkner AO	4	6
Sr M Walters RSC (Resigned from Board and Committee on 1 August 2013)	1	1

Auditor

Ernst & Young continues in office in accordance with section 327 of the Corporations Act 2001. The directors have received an Independence Declaration from Ernst & Young, a copy of which is attached at page 11. Non audit services provided by Ernst & Young and are disclosed in note 26.

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

Mr Paul Robertson AM, Chair
Sydney
2 October 2014

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Building a better working world

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

In relation to our audit of the consolidated financial report of St Vincent's Health Australia Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

J M Parker

Jenny Parker
Partner
Brisbane
2 October 2014

St Vincent's Health Australia Limited
ABN 75 073 503 536
Statement of Comprehensive Income
For the Year Ended 30 June 2014

	Notes	Consolidated 2014 $'000	2013 $'000
Revenue	2	**1,661,922**	1,574,601
Other income	3	**29,372**	20,946
Total revenue and other income		**1,691,294**	1,595,547
Salaries and wages		**952,643**	900,162
Superannuation	4	**74,970**	69,049
Goods and services		**518,626**	504,280
Finance costs		**15,844**	16,590
Repairs and maintenance		**18,003**	17,802
Depreciation and amortisation	4	**66,252**	59,910
Net loss on disposal of non-current assets	4	**1,350**	480
Other expenses from ordinary activities		**20,027**	17,274
Total expenses		**1,667,715**	1,585,547
Share of net surpluses of investments accounted for using the equity method	11	**4,265**	1,104
Operating surplus		**27,844**	11,104
Capital funding received	3	**1,323**	6,026
Realised gain on available-for-sale investments		**-**	8,249
Fair value of contributed assets		**350**	-
Total surplus attributable to the members of the Parent		**29,517**	25,379
Other comprehensive income			
Items of Other Comprehensive Income which will be subsequently recycled into the total surplus:			
Movement in available-for-sale financial assets reserve		**763**	(5,395)
Revaluation of non-current assets		**11**	84
Total comprehensive income attributable to the members of the Parent		**30,291**	20,068

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

St Vincent's Health Australia Limited
ABN 75 073 503 536
Statement of Financial Position
As at 30 June 2014

	Notes	Consolidated 2014 $'000	2013 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5	**123,424**	127,033
Trade and other receivables	6	**103,303**	103,266
Inventories	7	**18,471**	18,166
Other financial assets	8	**26,734**	6,196
Held-to-maturity investments	9	**131,548**	121,335
Total current assets		**403,480**	375,996
Non-current assets			
Receivables	10	**44,586**	50,137
Investments accounted for using the equity method	11	**5,369**	1,104
Held-to-maturity investments	12	**49,832**	44,876
Property, plant and equipment	13	**896,686**	884,261
Investment properties	14	**25,969**	25,600
Intangible assets	15	**80,945**	79,184
Total non-current assets		**1,103,387**	1,085,162
Total assets		**1,506,867**	1,461,158
LIABILITIES			
Current liabilities			
Trade and other payables	16	**171,949**	166,532
Accommodation payables	17	**104,980**	87,163
Interest bearing liabilities	18	**24,209**	14,782
Provisions	19	**216,419**	203,723
Total current liabilities		**517,557**	472,200
Non-current liabilities			
Payables	20	**102,467**	297,596
Interest bearing liabilities	21	**171,819**	209,029
Provisions	22	**26,370**	25,493
Total non-current liabilities		**300,656**	532,118
Total liabilities		**818,213**	1,004,318
Net assets		**688,654**	456,840
Reserves	23(a)	**1,803**	1,029
Retained surplus	23(b)	**686,851**	455,811
Total equity		**688,654**	456,840

The above statement of financial position should be read in conjunction with the accompanying notes.

St Vincent's Health Australia Limited
ABN 75 073 503 536
Statement of Changes in Equity
For the Year Ended 30 June 2014

Consolidated	Notes	Members reserve $'000	Revaluation reserve $'000	Available for sale investment reserve $'000	Retained surpluses $'000	Total $'000
2014						
Balance 1 July 2013		**204**	**431**	**394**	**455,811**	**456,840**
Total surplus attributable to the members		**-**	**-**	**-**	**29,517**	**29,517**
Other comprehensive income		**-**	**11**	**763**	**-**	**774**
Total comprehensive income for the year		**-**	**11**	**763**	**29,517**	**30,291**
Transaction with the members in their capacity as members	20	**-**	**-**	**-**	**184,656**	**184,656**
Consolidation of St Vincent's Curran Foundation	29	**-**	**-**	**-**	**16,867**	**16,867**
Balance 30 June 2014	23	**204**	**442**	**1,157**	**686,851**	**688,654**
2013						
Balance 1 July 2012		204	347	5,789	430,432	436,772
Total surplus attributable to the members		-	-	-	25,379	25,379
Other comprehensive income		-	84	(5,395)	-	(5,311)
Total comprehensive income for the year		-	84	(5,395)	25,379	20,068
Balance 30 June 2013	23	204	431	394	455,811	456,840

The above statement of changes in equity should be read in conjunction with the accompanying notes.

St Vincent's Health Australia Limited
ABN 75 073 503 536
Statement of Cash Flows
For the Year Ended 30 June 2014

	Notes	Consolidated 2014 $'000	2013 $'000
Cash flows from operating activities			
Receipts from patients and grants (GST inclusive)		**1,745,474**	1,682,633
Payments to suppliers and employees (GST inclusive)		**(1,674,861)**	(1,617,183)
Interest received		**14,098**	11,835
Donations received		**28,787**	17,431
Interest paid		**(14,946)**	(16,403)
Net cash flow from operating activities	32	**98,552**	78,313
Cash flows from investing activities			
Payments for property, plant and equipment		**(75,068)**	(81,220)
Proceeds from disposal of plant and equipment		**1,749**	728
Payments for investment properties		**(104)**	-
Proceeds from disposal of investment properties		**330**	-
Payments for the acquisition of intangible assets		**(2,425)**	(4,685)
Proceeds from disposal of intangible assets		**-**	20
Payments for held-to-maturity investments		**(199,925)**	(270,716)
Proceeds from held-to-maturity investments		**187,556**	292,606
Payments for other financial assets		**(2,245)**	(1,110)
Proceeds from other financial assets		**321**	12,936
Consolidation of the St Vincent's Curran Foundation		**4,971**	-
Net cash flow from investing activities		**(84,840)**	(51,441)
Cash flows from financing activities			
Repayment of loans/advances to related parties		**(4,965)**	(4,691)
Repayment of loans/advances from related parties		**9,561**	2,718
Proceeds from accommodation bonds and entry/ingoing contributions		**37,695**	21,000
Repayment of accommodation bonds and entry/ingoing contributions		**(18,400)**	(13,689)
Repayment of borrowings		**(51,212)**	(15,793)
Proceeds from borrowings		**10,000**	8,514
Net cash flow from financing activities		**(17,321)**	(1,941)
Net increase in cash and cash equivalents held		**(3,609)**	24,931
Cash at the beginning of the financial year		**127,033**	102,102
Cash at the end of the financial year	5	**123,424**	127,033

The above statement of cash flows should be read in conjunction with the accompanying notes.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report 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").

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, the *Corporations Act 2001* and the *Australian Charities and Not-for-profits Commission Act 2012 (Cth)*. The financial report is presented in Australian dollars.

Going concern

The Group's Statement of Financial Position shows an excess of current liabilities over current assets of $114,077,000 (2013: $96,204,000). However, included within current liabilities are accommodation payables of $104,980,000 (2013: $87,163,000) which are required to be categorised as current liabilities because there is no ability to defer their repayment beyond twelve months. In the normal course of business not all of these liabilities will crystallise within one year and those that do are usually replaced by incoming residential accommodation bond payments. In addition, current liabilities contains provisions for annual and long service leave of $215,192,000 (2013: $202,589,000) which are presented as current even though it is probable that amounts will be paid out over several years.

The Group has a substantial net asset position of $688,654,000 at 30 June 2014 compared to the prior year's $456,840,000, with the $184,656,000 of the increase due to the change in accounting treatment of the TMAM loan. The Group also has surplus assets which could be sold if circumstances required.

The directors and key management personnel are therefore of the opinion that the Group can pay its debts as and when they fall due and accordingly the financial report has been prepared on a going concern basis.

Statement of compliance

This financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board.

New standards issued and adopted

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the following new or amended standard which became applicable on 1 July 2013. Adoption of these Standards did not have material effect on the financial position or performance of the Group.

AASB 119 *Employee Benefits (Revised 2011):* This standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. However this does not change the classification of the liability merely the measurement.

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. The standard requires additional disclosures for items carried at fair value.

Standards and interpretations in issue not yet adopted

Certain Australian Accounting Standards and Interpretations have been issued or amended but are not yet effective so have not been adopted by the Group for the year ending 30 June 2014. The Directors have assessed the new Standards and Interpretations, and they anticipate the following impact:

- AASB 10 *Consolidated Financial Statements*: AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements. The directors do not expect the implementation of this standard to have a material impact on the Group.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (continued)

Standards and interpretations in issue not yet adopted (continued)

- AASB 11 *Joint Arrangements:* AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. The directors do not expect the implementation of this standard to have a material impact on the Group.
- AASB 12 *Disclosure of Interests in Other Entities*: AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests. The directors expect the Group will be required to provide additional disclosures surrounding the nature and extent of interests in other entities.
- AASB 9 *Financial Instruments:* On 24 July 2014 The IASB issued the final version of IFRS 9 which replaces IAS 39 and includes a logical model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially-reformed approach to hedge accounting. The directors do not expect the implementation of this standard to have a material impact on SVHA.
- AASB 1031 *Materiality: The revised AASB 1031 is an interim standard that* cross-references to other Standards and the F*ramework (*issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed. The directors do not expect the implementation of this standard to have a material impact on SVHA.

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for investment properties and available-for-sale financial assets which are carried at fair value.

Critical accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with Australian Accounting Standards and other authoritative prouncements of the Australian Accounting Standards Board (“AASB”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. Where significant, information on these judgements, estimates and assumptions are disclosed in the relevant notes to the financial statements.

Restatement of comparative information

To align current and prior period presentation, some prior period balances have been reclassified to conform with current year presentation.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Principles of consolidation

The consolidated financial statements comprise the financial statements of St Vincent's Health Australia Limited (as parent entity) and the entities it controls as at 30 June each year. Controlled entities are those over which the Group has the power to govern the financial and operating policies. The financial statements of controlled entities are prepared for the same reporting period as the parent entity and using consistent accounting policies.

In preparing the consolidated financial statements, all inter-group balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Controlled entities are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

(c) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values of assets acquired, less liabilities assumed and non controlling interests at acquisition date. The non-controlling interest in the acquiree is measured either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

(d) Investment in associates

The Group's investment in its associates are accounted for using the equity method of accounting in the consolidated financial statements. An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% - 50% of the voting rights, and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the consolidated Statement of Financial Position at cost plus post-acquisition changes in the Group's share of net assets of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The consolidated Statement of Comprehensive Income reflects the Group's share of the results of operations of the associate. The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(e) Joint ventures

The interest in a joint venture entity is accounted for using the equity method as per Note 1(d). Under the equity method, the share of the surplus or deficit of the entity is recognised in the Statement of Comprehensive Income.

(f) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group, and specific criteria have been met for each activity described below.

The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Revenue recognition (continued)

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

Lease income is recognised on a straight line basis over the term of the lease.

Donations and trust estate distributions income is recognised upon receipt.

Asset sale gains or losses on disposal of assets are brought to account at the date an unconditional contract of sale is signed.

Dividend income from financial assets is recognised when the right to receive payments is established.

Retention and exit fee income from accommodation bonds/entry contributions and ingoing contributions is recognised as it accrues in accordance with the terms and conditions of individual resident contracts and the prescribed requirements of the Aged Care Act 1997 and Retirement Villages Act 1999.

(g) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position and Statement of Cash Flows comprise cash at bank and short term deposits with an original maturity of three months or less.

(h) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade and other receivables are generally due for settlement no more than 45 days from the date of recognition. Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of receivables is raised when there is objective evidence that the Group may not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate.

The impairment loss is recognised in the Statement of Comprehensive Income within other expenses. Subsequent recoveries of amounts previously written off or impaired are credited against other expenses in the Statement of Comprehensive Income.

(i) Inventories

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 cost is the estimated cost of replacement in the ordinary course of business.

(j) Investments and other financial assets

Classification, recognition and derecognition

Financial assets in the scope of AASB 139: Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through the profit or loss, loans and receivables, held-to-maturity investments or available-for-sale investments as appropriate.

Initial recognition of financial assets is measured at fair value plus directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and re-evaluates this designation annually.

Regular purchases and sales of financial assets are recognised on the date the Group commits to purchase the asset. Regular purchases or sales are purchases or sales of financial assets under contracts that require delivery of assets within the period established generally by regulation or concentration in the marketplace.

Financial assets 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Investments and other financial assets (continued)

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in this category. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on changes in fair value are recognised in the Statement of Comprehensive Income in the period in which they arise. Assets in this category are classified as current assets.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity investments when 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. Investments that are intended to be held-to-maturity, such as bonds, 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.

If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Such assets are carried at amortised cost using the effective interest method. Gains or losses are recognised in the profit or loss upon derecognition or impairment, as well as through the amortisation process.

(iv) Available-for-sale investments

Available-for-sale assets are non-derivative financial assets that do not have fixed maturities or fixed determinable payments and are available-for-sale, or are not classified as any of the three preceding categories. After 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.

They are included in non-current assets unless management intends to dispose of the investments within 12 months of the reporting date.

Fair value

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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Property, plant and equipment

Property, plant and equipment assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to acquisition.

Subsequent costs incurred in relation to the assets are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Some plant of the Group is required to be overhauled on a regular basis. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated over the remaining useful life of the asset. Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

Land is not depreciated. Depreciation on other property, plant and equipment assets is calculated using the straight-line method to allocate their cost, over its maximum expected useful lives, as follows:

Buildings	up to 40 years
Leasehold Improvements	see Note 1 (l)
Plant and equipment	10 years
Furniture and fittings	10 years
Computer equipment	5 years
Medical and surgical equipment	up to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Statement of Comprehensive Income.

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.

(l) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the Group, whichever is the shorter. Leasehold improvements held at the reporting date are being amortised over various periods up to 40 years.

(m) Leased non-current assets

A distinction is made between finance leases which transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits. Finance leases are capitalised. A leased asset and liability are established at the present value of minimum lease payments. The lease asset is amortised on a straight-line basis over the term of the lease, or where it is likely that the Group will obtain ownership of the asset, the life of the asset.

Finance lease payments are allocated between interest (calculated by applying the interest rate implicit in the lease to the outstanding liability) and the lease liability.

Operating lease payments are charged to the Statement of Comprehensive Income in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

Incentives received on entering into operating leases are recognised as liabilities, amortised over the period of the lease as other income in the Statement of Comprehensive Income.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Investment properties

Investment properties, principally comprising strata titled suites used by doctors, are measured initially at cost, including transaction costs. Following acquisition, investment properties are carried at fair value which is based on independent valuations based on active market prices, with consideration given to the nature, location or condition of the specific asset.

If this information is not available, the Group uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections. Gains or losses arising from changes in the fair values of investment properties are recognised in the Statement of Comprehensive Income as part of the other income in the year in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected. Any gains or losses on the retirement or disposal of an investment property are recognised in the Statement of Comprehensive Income in the year of retirement or disposal.

Transfers are made to or from investment property when, there is a change in use, evidenced by ending or commencement of owner-occupation, commencement of an operating lease to another party or ending of construction or development.

(o) Goodwill and intangibles

Goodwill

Goodwill acquired in a business combination is initially measured at cost of the business combination being the excess of the consideration transferred over the fair value of the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in the Statement of Comprehensive Income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Intangibles

Intangible assets represent identifiable non-monetary assets without physical substance such as Aged Care bed licences and computer software development costs. Intangible assets are recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the entity.

Amortisation is allocated to intangible assets with finite useful lives on a systematic basis over the asset's useful life. Amortisation begins when the assets are available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. The useful life of an intangible asset with an indefinite life is reviewed at each reporting period to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis. Intangible assets with indefinite useful lives are tested for impairment annually and are not amortised. The Group tests all intangible assets with indefinite useful lives for impairment by comparing its recoverable amount with its carrying amount annually, and whenever there is an indication that the intangible asset may be impaired. Any excess of the carrying amount over the recoverable amount is recognised as an impairment loss. Intangible assets with indefinite useful lives are not amortised.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Goodwill and intangibles (continued)

Any gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Comprehensive Income when the asset is derecognised.

Commonwealth Government funded residential aged care bed licences and community aged care place licences have been assessed to have an indefinite life and remain on the Statement of Financial Position at the initial fair value until the Group either disposes of the licence or recognises impairment losses related to the licence. Licences obtained through the Aged Care Approvals Round process represent an asset contribution under *AASB 1004 Contributions*. The Group records as income the fair value of the bed licences and place 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.

(p) Impairment of assets

Indefinite life assets

Assets that have an indefinite life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Impairment losses are recognised in the Statement of Comprehensive Income. Impairment losses recognised for goodwill are not subsequently reversed.

Financial assets

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its costs is considered as an indicator that securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss, is removed from equity and recognised in the Statement of Comprehensive Income. Impairment losses recognised for available for sole investments are not subsequently reversed.

(q) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. These amounts are unsecured and are usually paid within 30 days of recognition.

(r) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, that it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement. Non current provisions are discounted using a rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Provisions (continued)

A provision for insurance deductible excess is recognised 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.

The Group has determined an amount to be provided for workers' compensation premiums in relation to current and previous years. The calculation is in line with guidance from the workers' compensation insurance provider and the statutory definition of wages and salaries.

(s) Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, expected to be settled within 12 months of the reporting date are recognised in trade payables in respect of employees' services provided up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for annual leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employees' services provided up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities expected to be settled after 12 months are measured at the present value of expected future payments to be made in respect of services provided to employees up to the reporting 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 reporting date on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided to employees up to the reporting date using the projected unit credit method. 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 reporting date on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when employees accept voluntary redundancy in exchange for these benefits.

Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised in provisions.

Liabilities for termination benefits expected to be settled within 12 months are measured at the amount expected to be paid when they are settled. Amounts expected to be settled more than 12 months from the reporting date are measured as the estimated future cashflows, discounted using market yields at the reporting date on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future payments.

Superannuation fund

Contributions to defined contribution superannuation funds are charged against Statement of Comprehensive Income as incurred.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Accommodation bonds / entry contributions

Accommodation bonds are paid by certain classes of non-concessional/non-supported residential aged care residents under the Aged Care Act 1997. The carrying value is the amount of the bond paid to approved providers less any deductions. The type of deductions may include interest on unpaid amounts, extra service resident fees drawn from the accommodation bond, retention amounts, capitalised care fees or any other deduction authorised under the Aged Care Act 1997. Entry contributions were payments made to approved providers before the introduction of the Aged Care Act 1997 in October 1997. Entry contributions are repayable within a maximum period of 6 months after the date of termination of the residence contract.

(u) Ingoing contributions

An ingoing contribution is the amount payable by a person under a residence contract to secure the right to reside in a retirement village but does not include payment for fees and charges. The carrying value is the amount of the ingoing contribution paid to the operator less any deductions. The type of deductions may include exit fees, outstanding general service charges, outstanding maintenance reserve contributions, expenses relating to the resale of the right to reside in the village and any other payments provided for in the residence contract.

(v) Interest bearing liabilities

All interest bearing liabilities are initially recognised at fair value of the funding received less directly attributable transaction costs. After initial recognition, interest-bearing liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised. 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.

(w) Borrowing costs

Borrowing costs include:

- interest on bank overdrafts, short term and long term borrowings, and interest rate swaps;
- amortisation of discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings; and
- finance lease charges.

Borrowing costs incurred for the construction of qualifying assets are capitalised during the time required to complete and prepare the asset for its intended use. Other borrowing costs are expensed in the period in which they are incurred.

(x) 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 item as applicable)

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

Cash flows are included in the Statement of Cash Flows including GST in the operating cash flows.

Commitments and contingencies are disclosed net of GST recoverable from, or payable to, the taxation authority.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) 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.

(z) Rounding of amounts

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

(aa) Fair value measurement

The Group measures financial assets, such as financial assets held at fair value through profit and loss and non-financial assets such as investment properties, at fair value at each balance date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of the principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of the relevant observable inputs and minimising the use of unobservable inputs.

All assets and liaiblities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as investment properties. External valuers are involved on at least a three yearly basis and the major inputs and valuation techniques are agreed with management.

Management assesses if there are any significant changes to the valuation assumptions in the intervening years and will obtain a valuation in the event that there are significant changes.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ab) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements require management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities and contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying value of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the financial results.

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology, to which the goodwill and intangibles with indefinite lives are allocated.

Provision for insurance deductible provision

A provision for insurance deductible excess is recognised in relation to the costs associated with medical malpractice claims. Estimates of the insurance deductible excess obligations are based on an assessment of future costs, which have been discounted to their present value. A portion is classified as a current provision (refer note 19), and a portion as non-current (refer note 22). In determining the insurance deductible excess provision, the entities in the wholly-owned Group have assumed no significant changes will occur in the relevant Federal and State legislation in relation to medical malpractice claims in the future.

Transaction with the members in their capacity as members

During the year the terms and conditions of the loan between the Group and Trustees of Mary Aikenhead Ministries ('TMAM') were varied with TMAM advising 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). As a result of this change, the loan has been reflected in the Statement of Financial Position at its present value (refer note 20).

	Consolidated	
	2014	2013
	$'000	$'000

2. REVENUE

Patient and resident fees	**609,943**	567,290
Government grants and subsidies	**912,612**	869,962
Non-medical revenue	**40,492**	34,559
Rents and other property revenue	**18,640**	15,547
Finance revenue	**14,606**	14,648
Other revenues	**65,629**	72,595
Total revenue	**1,661,922**	1,574,601

3. OTHER INCOME AND CAPITAL FUNDING

Donations	**27,471**	17,431
Net gain from fair value adjustment to investment properties (note 14)	**595**	3,515
Net gain from fair value adjustment to other financial assets	**1,306**	-
Total other income	**29,372**	20,946

Capital funding received in relation to the:		
Australian Catholic University Clinical School	**323**	127
The New Mater West Wing	**1,000**	-
Personally Controlled Electronic Health Record ("eHealth") Project	**-**	3,218
Huntington's Disease Ward	**-**	1,200
Murrumbidgee Clinical Teaching and Learning Centre	**-**	815
Kinghorn Cancer Centre	**-**	666
Total capital funding included in non-operating income	**1,323**	6,026

Capital funding contribution towards the development of the Australian Catholic University Clinical School

A contribution of $323,000 (2013: $127,000) was received during the year from the Australian Catholic University for the development of a clinical school.

Capital funding contribution towards construction of the new Mater West Wing

A grant of $1,000,000 (2013: nil) was received from the Friends of the Mater Foundation for the construction of additional inpatient beds, operating theatres and a special care nursery at the Mater Hospital, North Sydney.

Capital funding contribution towards the Personally Controlled Electronic Health Record System

In 2013, a Commonwealth Government grant was received during the year of $3,218,000 to fund the pilot of the Commonwealth Government's new Personally Controlled Electronic Health Record system. No similar capital funding contribution was received in 2014.

3. OTHER INCOME AND CAPITAL FUNDING (Continued)

Capital funding contribution towards the Huntington's Disease Ward

In 2013, Commonwealth Government grants of $1,200,000 were received during the year towards the establishment of a Huntington's Disease Ward at St Joseph's Hospital. No similar capital funding contribution was received in 2014.

Capital funding contribution towards the Murrumbidgee Clinical Teaching and Learning Centre

In 2013, Commonwealth Government capital funding of $815,000 was received to build the Murrumbidgee Clinical Teaching and Learning Centre in the Griffith district. No similar capital funding contribution was received in 2014.

Capital funding contribution towards the Kinghorn Cancer Centre

In 2013, Commonwealth Government grants and income from donors of a total $666,000 were received during the year towards the construction of the Kinghorn Cancer Centre. The Garvan Institute of Medical Research and St Vincent's Hospital Sydney Limited collaborated on the development of this Centre on land adjacent to the current Garvan premises. The Garvan and St Vincent's Hospital Sydney Limited each have a 50% share in this joint venture. No similar capital funding contribution was received in 2014.

4. EXPENSES

	Consolidated	
	2014	2013
	$'000	$'000
Surplus before income tax includes the following specific expenses:		
Depreciation		
Buildings	**20,347**	19,888
Plant and equipment	**27,831**	25,757
Total depreciation	**48,178**	45,645
Amortisation		
Building improvements	**12,760**	11,065
Plant and equipment under finance lease	**3,539**	1,679
Development costs and other intangible assets	**1,775**	1,521
Total amortisation	**18,074**	14,265
Total depreciation and amortisation	**66,252**	59,910
Net loss on disposal of property plant and equipment	**1,350**	480
Minimum operating lease payments	**5,876**	6,184
Defined contribution superannuation expense	**74,970**	69,049
Bad and doubtful debts	**1,696**	1,180

	Consolidated	
	2014	2013
	$'000	$'000

5. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

Cash at bank and on hand	**123,424**	127,033

The Group's exposure to interest rate risk is discussed in note 24.

The Group holds cash in current accounts and term deposits, and as investments for both its own use and funds held in trust for third parties, some of which has been donated for use on specific expenses or the acquisition of assets. The total amount of such cash and investments was $331,539,000 at 30 June 2014 (2013: $299,440,000) of which $153,905,000 (2013: $135,968,000) is free and $177,634,000 (2013: $163,472,000) is tied.

6. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

Trade receivables	**58,392**	59,707
Less: Provision for impairment of trade receivables (a)	**(2,479)**	(2,131)
	55,913	57,576
Amounts due from related parties (b)	**4,408**	4,085
Other receivables (c)	**37,231**	35,378
Less: Provision for impairment of other receivables	**(2)**	(3)
	41,637	39,460
Prepayments	**5,753**	6,230
	103,303	103,266

(a) Impaired trade receivables

At 30 June 2014, the following current trade receivables of the Group were impaired. The amount of the provision was $2,479,000 (2013: $2,131,000). The individually impaired receivables mainly relate to individuals who find themselves in unexpectedly difficult economic situations. The ageing of these receivables was as follows:

1 to 3 months	**497**	30
3 to 6 months	**600**	729
6 months or more	**1,382**	1,372
	2,479	2,131

Movements in the provision for impairment of receivables

At 1 July	**2,131**	1,297
Provision for impairment recognised during the year	**1,696**	2,458
Receivables written off during the year as uncollectible	**(927)**	(933)
Unused amount reversed	**(421)**	(691)
At 30 June	**2,479**	2,131

	Consolidated	
	2014	2013
	$'000	$'000

6. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES (Continued)

	2014 $'000	2013 $'000
Past due but not impaired		
1 to 3 months	**23,056**	31,412
3 to 6 months	**2,222**	1,786
6 months or more	**1,767**	2,140
	27,045	35,338

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

(b) Amounts due from related parties

Included in amounts due from related parties are amounts due from the following classes of related parties:

	2014 $'000	2013 $'000
Joint ventures	**452**	335
Other related parties	**3,956**	3,750
	4,408	4,085

(c) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. Interest is not charged in respect of these outstanding balances. Collateral is not normally obtained.

(d) Fair value and credit risk

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

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 24 for more information on the risk management policy of the Group and the credit quality of the entity's trade and other receivables.

7. CURRENT ASSETS – INVENTORIES

	2014 $'000	2013 $'000
Medical and other consumables - at cost	**18,471**	18,166

Inventories consumed and recognised as expenses during the year ended 30 June 2014 amounted to $355,483,000 (2013: $355,527,000).

	Consolidated	
	2014	2013
	$'000	$'000

8. CURRENT ASSETS – OTHER FINANCIAL ASSETS

Available-for-sale investments (a)	**8,070**	6,196
Investments at fair value through profit or loss (b)	**18,664**	-
	26,734	6,196

(a) Movement in available-for-sale investments		
At the beginning of the year	**6,196**	15,168
Additions	**1,434**	1,110
Redemptions	**(323)**	(12,936)
Revaluation surplus	**763**	2,854
At the end of the financial year	**8,070**	6,196

Available-for-sale investments primarily represent units in unlisted cash management unit trusts, equities and deposits with financial institutions.

(b) The consolidation of the St Vincent's Curran Foundation for the first time this year has brought its investment portfolio into the Group's Statement of Financial Position.

Interest rate exposure

The Group's exposure to interest rate risk is discussed in note 24.

Impairment and risk exposure

None of the investments are either past due or impaired.

9. CURRENT ASSETS - HELD-TO-MATURITY INVESTMENTS

Deposits with major trading banks and finance institutions	**131,548**	121,335

Held-to-maturity investments represents term deposits with financial institutions and earn interest at rates of between 3.37% and 5.52% (2013: 3.65% and 5.80%). The Group's exposure to interest rate risk and credit risk is discussed in note 24.

	Consolidated	
	2014	2013
	$'000	$'000

10. NON-CURRENT ASSETS - RECEIVABLES

	2014 $'000	2013 $'000
Victorian Department of Health (a)	**21,242**	26,567
Loan to Holy Spirit Northside Private Hospital Limited (b)	**5,169**	7,275
Amounts due from the Trustees of St Vincent's Hospital Sydney	**4,466**	4,865
Other debtors	**13,709**	11,430
	44,586	50,137

(a) Amounts due from Victorian Department of Health

St Vincent's Hospital (Melbourne) Limited issued Inflation Indexed Annuities of $80.0 million (face value) on 9 December 1992. Repayments are secured by a guarantee given by the Treasurer of the State of Victoria under Section 30 of the Health Services Act and are funded by the twenty five year Health Services Agreement. The amount of $21,242,000 (2013: $26,567,000) represents the amount owed to annuity holders and receivable from the Victorian Department of Health pursuant to an agreement to provide Health Services for 25 years, expiring August 2017.

Payments are by quarterly instalments over a 25 year period and the first instalment was made on 20 February 1993. The annuity has a quarterly base payment of $1,414,000 which is adjusted quarterly by the movement in the Consumer Price Index.

The total payment made to the annuity holders represents a progressive repayment of their loans plus interest.

(b) Loan to Holy Spirit Northside Private Hospital Limited

The Group has provided a loan to The Holy Spirit Northside Private Hospital Limited. The loan is unsecured and attracts a variable interest rate of 4.15% at 30 June 2014 (2013: 4.55%). The loan is amortising and is expected to be fully repaid in the financial year ending 30 June 2022.

(c) Impaired receivables and receivables past due not impaired

None of the non-current receivables are impaired or past due but not impaired.

(d) Risk exposure

The Group's exposure to interest rate risk and credit risk is discussed in note 24.

(e) Fair values

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

	Consolidated	
	2014	2013
	$'000	$'000

11. NON-CURRENT ASSETS - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in joint venture	**5,369**	1,104

Investments in joint venture are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity. Information relating to the joint ventures is set out below.

Name of Entity	Principal Activity	Membership Interest		Consolidated Carrying Amount	
		2014	2013	**2014**	2013
		%	%	**$'000**	$'000
The Holy Spirit Northside Private Hospital Limited	Healthcare	**50%**	50%	**5,369**	1,104
St Vincents Research Biotechnology Precinct Limited (a)	Healthcare	**-**	100%	**-**	-
				5,369	1,104

(a) St Vincents Research Biotechnology Precinct Limited was deregistered on 2 October 2013.

Movements in carrying amounts of investments in joint venture

At the beginning of the year	**1,104**	-
Share of surpluses from ordinary activities	**4,265**	1,104
At the end of the financial year	**5,369**	1,104

Share of joint ventures' commitments and contingent liabilities

Lease commitments	**7,252**	7,914
Contingent liabilities	**2,307**	2,429

Summary of the performance and financial position of joint venture

The aggregate retained surpluses, assets and liabilities of joint venture are:

Surpluses for the year	**8,531**	5,201
Assets	**98,097**	94,076
Liabilities	**(87,358)**	(91,868)

12. NON-CURRENT ASSETS - HELD-TO-MATURITY INVESTMENTS

Fixed interest securities and floating rate notes	**49,832**	44,876

Held-to-maturity investments represents term deposits with financial institutions and earn interest at rates of between 3.37% and 5.52% (2013: 3.65% and 5.80%). The Group's exposure to interest rate risk and credit risk is discussed in note 24.

13. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Building improvements	Plant and equipment	Leased plant and equipment	In course of construction	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2014							
Opening net book value	**217,503**	**279,456**	**228,793**	**121,078**	**9,712**	**27,719**	**884,261**
Additions	**1,572**	**7,507**	**19,181**	**28,994**	**7,163**	**18,784**	**83,201**
Revaluations	**-**	**-**	**-**	**11**	**-**	**-**	**11**
Disposals	**-**	**(27)**	**(1,990)**	**(3,183)**	**-**	**(334)**	**(5,534)**
Transfers between asset classes (note below)	**-**	**14,427**	**11,600**	**2,419**	**-**	**(29,222)**	**(776)**
Depreciation (note 4)	**-**	**(20,347)**	**(12,760)**	**(27,831)**	**(3,539)**	**-**	**(64,477)**
Closing net book value	**219,075**	**281,016**	**244,824**	**121,488**	**13,336**	**16,947**	**896,686**
At 30 June 2014							
Cost	**219,075**	**502,912**	**348,753**	**357,457**	**61,197**	**16,947**	**1,506,341**
Accumulated depreciation	**-**	**(221,896)**	**(103,929)**	**(235,969)**	**(47,861)**	**-**	**(609,655)**
Net book amount	**219,075**	**281,016**	**244,824**	**121,488**	**13,336**	**16,947**	**896,686**
Year ended 30 June 2013							
Opening net book value	206,839	296,388	177,402	113,272	5,255	51,956	851,112
Additions	10,664	960	6,573	32,811	5,528	34,208	90,744
Revaluations	-	-	-	84	-	-	84
Disposals	-	(17)	-	(995)	-	(199)	(1,211)
Transfers between asset classes (note below)	-	2,013	55,883	1,663	608	(58,246)	1,921
Depreciation (note 4)	-	(19,888)	(11,065)	(25,757)	(1,679)	-	(58,389)
Closing net book value	217,503	279,456	228,793	121,078	9,712	27,719	884,261
At 30 June 2013							
Cost	217,503	481,005	320,412	337,619	54,034	27,719	1,438,292
Accumulated depreciation	-	(201,549)	(91,619)	(216,541)	(44,322)	-	(554,031)
Net book amount	217,503	279,456	228,793	121,078	9,712	27,719	884,261

During the year, the Group transferred $776,000 from property, plant and equipment to intangible assets (2013: a transfer of $1,921,000 from intangible assets to property, plant and equipment).

Refer to note 21 for information on non-current assets pledged as security by the Group.

	Consolidated	
	2014	2013
	$'000	$'000

14. NON-CURRENT ASSETS – INVESTMENT PROPERTIES

Investment properties at valuation	**25,969**	25,600

(a) Reconciliation

Reconciliation of the carrying amounts of investment properties at the beginning and end of the current financial year are set out below.

At the beginning of the year	**25,600**	22,085
Additions	**104**	-
Disposals	**(330)**	-
Net gain from fair value adjustment (note 3)	**595**	3,515
Carrying amount at 30 June	**25,969**	25,600

(b) Valuation basis

On 30 June 2014, the fair value of investment properties was reviewed by the Directors, 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 investment properties portfolio is independently valued every three years.

(c) Non-current assets pledged as security

Refer to note 21 for information on non-current assets pledged as security by the Group.

(d) Leasing arrangements

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

(e) 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.

(f) Description of valuation techniques used and key inputs to valuation on investment properties

The valuation of investment properties involves a degree of judgement and consequently investment properties are classified in level 3 of the fair value hierarchy.

14. NON-CURRENT ASSETS – INVESTMENT PROPERTIES (Continued)

(f) Description of valuation techniques used and key inputs to valuation on investment properties

The table below outlines the inputs used by the independent valuers in determining the fair value of the investment properties.

Valuation technique	Inputs used to measure fair value	Range of inputs
Direct comparison approach and income capitalisation method	Gross market rent (rate per m^2)	\$990 - \$11,440
	Estimated annual net income (rate per suite)	\$9,570 - \$521,660
	2 year average specialty market rental growth	4.00% - 6.00%
	Adopted capitalisation rate	6.25% - 7.00%

15. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Residential aged care bed licences \$'000	Development costs and other intangibles \$'000	Goodwill \$'000	Total \$'000
Year ended 30 June 2014				
Opening net book value	**17,238**	**11,306**	**50,640**	**79,184**
Additions	**350**	**2,425**	**-**	**2,775**
Disposals	**-**	**(15)**		**(15)**
Transfers between asset classes	**-**	**776**	**-**	**776**
Amortisation expense (note 4)	**-**	**(1,775)**	**-**	**(1,775)**
Closing net book value	**17,588**	**12,717**	**50,640**	**80,945**
At 30 June 2014				
Cost	**20,363**	**22,151**	**50,640**	**93,154**
Accumulated amortisation and impairment	**(2,775)**	**(9,434)**	**-**	**(12,209)**
Net book amount	**17,588**	**12,717**	**50,640**	**80,945**
Year ended 30 June 2013				
Opening net book value	9,738	10,083	50,640	70,461
Additions	7,500	4,685	-	12,185
Impairment charge	-	(20)	-	(20)
Transfers between asset classes		(1,921)	-	(1,921)
Amortisation expense (note 4)	-	(1,521)	-	(1,521)
Closing net book value	17,238	11,306	50,640	79,184
At 30 June 2013				
Cost	20,013	18,102	50,640	88,755
Accumulated amortisation and impairment	(2,775)	(6,796)	-	(9,571)
Net book amount	17,238	11,306	-	79,184

15. NON-CURRENT ASSETS – INTANGIBLE ASSETS (CONTINUED)

Goodwill

A total amount of $50,639,846 was recognised as goodwill with the acquisition of 50% of St Vincent's Private Hospital Melbourne Limited (previously St Vincents and Mercy Private Hospital Limited) on 31 March 2011. This amount included $5,626,346 recognised in relation to the 50% share previously owned by the parent entity.

The goodwill attributed to this cash generating unit has been tested for impairment at least annually. The impairment test is based on a detailed 5-year forecast cash flows. The recoverable amount representing the cash generating unit's value in use has been based on discounted cash flows using a discount rate of 10%. Terminal value growth rate of 3%.

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.

16. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated 2014 $'000	2013 $'000
Trade creditors and accrued expenses	**137,235**	130,323
Other creditors	**18,582**	18,507
Amounts due to The Trustees of Mary Aikenhead Ministries (secured) (note 20)	**4,710**	4,600
Amounts due to related parties (unsecured) (a)	**11,422**	13,102
	171,949	166,532

(a) Amounts due to related parties (unsecured)

Included in amounts due to related parties are amounts due to the following classes of related parties:

Joint ventures	**290**	230
Other related parties	**11,132**	12,872
	11,422	13,102

Included in amounts due to related parties (both current and non-current) are contributions to the St Vincent's Health Australia Group medical malpractice cash deductible pool of $1,728,000 (2013: $1,869,000). The amounts are unsecured and attract a variable interest rate of 3.50% at 30 June 2014 (2013: 4.16%).

17. CURRENT LIABILITIES – ACCOMMODATION PAYABLES

	Consolidated	
	2014	2013
	$'000	$'000
Accommodation payables	**104,980**	87,163
Accommodation bonds under the Aged Care Act 1997	**66,587**	55,084
Entry contributions under the Aged Care Act 1997	**148**	148
Ingoing contributions under the Retirement Villages Act 1999	**38,245**	31,931
Total accommodation payables	**104,980**	87,163
Accommodation payables expected to be paid within the next 12 months	**26,245**	21,790
Accommodation payables not expected to be paid within the next 12 months	**78,735**	65,373
Total accommodation payables	**104,980**	87,163
Movement in accommodation payables		
Carrying amount at the beginning of the financial year	**87,163**	81,910
Proceeds from accommodation bonds and contributions	**39,205**	21,000
Repayment of accommodation bonds and contributions	**(18,400)**	(13,689)
Interest payable to residents	**226**	186
Interest and fees charged to residents	**(3,214)**	(2,244)
Carrying amount at the end of the financial year	**104,980**	87,163

Accommodation payable amounts expected to be paid within the next 12 months is estimated based on historical trends. Accommodation payables are recognised as a current liability as the Group is unable to defer repayment of the balance due to discharged residents as prescribed within the Aged Care Act 1997 or Retirement Villages Act 1999.

Accommodation bonds and entry contributions under the Aged Care Act 1997

Accommodation bonds are paid by certain classes of non-concessional/supported residential aged care residents under the Aged Care Act 1997, upon entry into aged care facilities operated by the Group. The balance is the amount of the bond received, less any deductions. The type of deduction may be interest on unpaid amounts, extra service fees drawn from the bond, retention amounts, and capitalised care fees. The statutory timeframe for refunding accommodation bond balances is detailed in section 57-21 of the Aged Care Act and generally allows for refund of bonds within 14 days of departure or in the event of death.

Interest is payable to residents on accommodation bond balances from the date of death or departure and refund of the accommodation bond. Interest is chargeable to residents on accommodation bonds and fees which are received after their due date.

17. CURRENT LIABILITIES – ACCOMMODATION PAYABLES (Continued)

Ingoing contributions under the Retirement Villages Act 1999

An ingoing contribution is the amount payable by a person under a residence contract to secure the right to reside in a retirement village but does not include payment for fees and charges. The balance is the amount of the contribution paid to the operator less any deductions. The type of deductions may include departure fees, outstanding recurrent charges, refurbishment charges, expenses relating to the resale of the right to reside in the village and any other payments provided for in the residence contract. The statutory timeframe for refunding ingoing contribution balances is detailed in section 181 of the Retirement Villages Act is generally in accordance with the residence contract.

Interest is chargeable to residents if the in-going contribution is not paid within 7 days of the date of occupancy of the unit. The current interest rate is 6.40% (2013: 6.90%).

	Consolidated	
	2014	2013
	$'000	$'000
18. CURRENT LIABILITIES – INTEREST BEARING LIABILITIES		
Secured		
Bank loans	**6,778**	6,112
AIB bondholder loan	**5,579**	5,330
Other loan	**869**	883
Lease liability	**3,384**	1,935
	16,610	14,260
Unsecured		
Loan from St Vincent's Private Hospital Sydney	**7,000**	-
Bank loans	**599**	522
	7,599	522
	24,209	14,782

Information concerning the details of borrowings and the security relating to each of the secured liabilities is included in note 21.

Information about the Group's exposure to credit and interest rate risk is provided in note 24.

19. CURRENT LIABILITIES – PROVISIONS

	2014	2013
Employee benefits (note 25) (a)	**215,192**	202,589
Other provisions	**224**	-
Insurance deductible excess (note 22)	**1,003**	1,134
	216,419	203,723

(a) Amounts in current provisions which are not expected to be settled within the next 12 months

Employee benefits include annual leave and long service leave. The current provision for annual and long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current even though it is probable that these amounts will be paid out over several years.

	Consolidated	
	2014	2013
	$'000	$'000

20. NON-CURRENT LIABILITIES – PAYABLES

Obligation to Victorian Department of Health to provide health services (note 10(a))	**21,242**	26,567
Other liabilities	**278**	384
Amount due to The Trustees of Mary Aikenhead Ministries (secured) (a)	**79,777**	269,118
Amount due to related parties (unsecured) (b)	**1,170**	1,527
	102,467	297,596

(a) $84,487,000 secured loan from The Trustees of Mary Aikenhead Ministries (2013: $273,718,000) (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 the Trustees of Mary Aikenhead Ministries (TMAM).

The terms of the loan are reviewed annually and agreed between the parties. During the year the terms and conditions of the loan between the Group and Trustees of Mary Aikenhead Ministries ('TMAM') were varied with TMAM advising 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). As a result of this change, the loan has been reflected in the Statement of Financial Position at its present value of $84,487,000 for the year ended 30 June 2014. This has resulted in a $184,656,000 reduction in non-current liabilities and a corresponding increase in equity.

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 2013/14 year was $4,573,000 and will increase in 2014/15 by CPI indexation of 3.0% to $4,710,000.

Security - the loan is secured by a mortgage over majority of the assets of the Group.

Interest – TMAM have advised 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).

The fair value of the loan at 30 June 2014 (using CPI at 3.0% annually) was $84,487,000 (based on cash flows discounted using a rate of 7.27%). The interest rate used to discount the TMAM loan was derived from the 20 year Australian interest rate swap combined with a credit margin applicable to a similar credit rated entity as the Group.

(b) Amounts due to related parties (unsecured)

Included in amounts due to related parties are amounts due to the following classes of related parties:

Joint ventures	**574**	746
Other related parties	**596**	781
	1,170	1,527

Included in amounts due to related parties (both current and non-current) are contributions to the St Vincent's Health Australia Group medical malpractice cash deductible pool of $1,728,000 (2013: $1,869,000). The amounts are unsecured and attract a variable interest rate of 3.50% at 30 June 2014 (2013: 4.16%).

21. NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

	Consolidated	
	2014 $'000	2013 $'000
Secured		
Bank loans	**133,712**	166,553
AIB bondholder loan	**15,663**	21,237
Other loan	**6,847**	7,654
Lease liability	**10,459**	7,848
	166,681	203,292
Unsecured		
Bank loans	**5,138**	5,737
	5,138	5,737
	171,819	209,029

Summary of interest bearing liabilities (current and non-current)

	2014 $'000	2013 $'000
Secured		
Bank loans (notes 18 and 21) (a)	**140,490**	172,665
AIB bondholder loan (notes 18 and 21) (b)	**21,242**	26,567
Other loan (notes 18 and 21) (c)	**7,716**	8,537
Lease liability (notes 18 and 21)	**13,843**	9,783
	183,291	217,552
Unsecured		
Loan from St Vincent's Private Hospital Sydney (note 18) (d)	**7,000**	-
Bank loans (notes 18 and 21) (e)	**5,737**	6,259
	12,737	6,259
	196,028	223,811

(a) Details of the Group's secured bank loans are as follows:

(i) $96,000,000 secured bank loan (2013: $96,000,000)

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

The loan is interest only for the first three years and then amortising with the loan fully repayable by March 2036. The loan incurs interest of 5.25% (2013: 5.75%) and is variable.

21. NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES (Continued)

(ii) $10,000,000 secured bank loan (2013: $10,000,000)

This bank loan is secured over two properties occupied by St Vincent's Hospital Melbourne Limited at Victoria Parade, Fitzroy.

This bank loan attracts a variable interest rate of 5.20% (2013: 5.30%) and is interest only for the first three years with the loan repayable by 2018.

(iii) $6,258,000 bank loan (2013: $7,275,000)

This original loan of $13,900,000 was taken out by St Vincent's Health Australia Limited and on lent to its associate, The Holy Spirit Northside Private Hospital Limited. The loan is secured over the land and buildings of St Vincent's Healthcare Limited and attracts a variable interest rate of 4.15% (2013: 4.55%). No principal repayments are contractually due until July 2016. The loan is currently subject to interest only quarterly payments in arrears and the facility is expected to be repaid in the financial year ending 30 June 2022.

(iv) $12,225,000 bank loan (2013: $13,642,000)

The bank loan is secured by a first mortgage over 5 properties located at Scott Street, Toowoomba and attracts a variable interest rate of 5.40% at 30 June 2014 (2013: 5.90%). The loan was subject to interest only payments in the period 1 July 2012 to 30 June 2014. From 1 July 2013, the loan will be subject to a total fixed monthly principal and interest payment in arrears. The balance of the facility is expected to be repaid in the financial year ending 30 June 2020.

(v) $10,596,000 Car Park Loan (2013: $11,668,000)

The loan is secured by the mortgage over St Vincent's Hospital (Melbourne) Limited's interest in the Victoria Parade car park and its operating agreement. On 1 April 2008, the loan facility converted from the construction facility to the long term facility. A portion of the loan attracts interest at a fixed rate of 7.05% (2013: 7.05%) and the remaining balance of the loan attracts a variable rate of interest capped at 7.05% (2013: 7.05%).

(vi) $5,411,000 bank loan (2013: $5,768,000)

The bank loan was taken out on 6 February 2010 by St Vincent's Hospital Sydney Limited for a total of $8,300,000 for the development of the carpark in the O'Brien building. The loan is repayable over 10 years at a variable interest rate of 5.50% at 30 June 2014 (2013: 5.90%). The loan is secured with a fixed and floating charge over the cash flow and income in respect of the operation of all car parking facilities at St Vincent's Hospital Limited including the O'Brien car park.

(vii) $nil secured bank loans (2013: $26,712,000)

During the year the two variable interest loans of $9,067,000 and $14,645,000 and a fixed interest loan of $3,000,000 relating to the Mater Hospital were repaid. These loans attracted interest rates during the year of 4.99%, 4.99% and 8.65% respectively (2013: 5.21%, 5.21% and 8.65%).

A new two year revolver facility of $36,000,000 was executed on 18 March 2014. This loan was undrawn at 30 June 2014. This facility is secured by a first mortgage over the Group's freehold land and buildings occupied by the Mater Hospital at Rocklands Road, North Sydney.

(viii) $nil bank loan (2013: $1,600,000)

During the year, this bank loan was repaid. The bank loan was secured by a first mortgage over five properties located at Scott Street, Toowoomba.

21. NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES (Continued)

(b) Details of the AIB Bond Holder Loan of $21,242,000 (2013: $26,567,000) are:

St Vincent's Hospital (Melbourne) Limited issued Inflation Indexed Annuities of $80.0 million (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.

(c) Details of the other secured loans of the Group of $7,716,000 (2013: $8,537,000) are as follows:

These loans represent amounts owed to the Trustees of the Sisters of Mercy (North Sydney). During the year, the remaining balance of $276,000 on the loan which arose from the purchase of the Mater Convent on 30 June 2009 was repaid. The other loan of $7,716,000 represents the deferred settlement in respect of the acquisition of the Mater North Sydney Hospital. The term of the loan is 21 years expiring in December 2021 and currently repayments are being made at a rate of $85,000 (2013: $85,000) per month.

Both loans are annually indexed by the movements in the Consumer Price Index in the month of December each year for the first loan and June for the second loan and the loan balances are restated accordingly. This restatement is effectively interest charged at a rate equivalent to the Consumer Price Index for the previous year.

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

(d) $7,000,000 unsecured loan from St Vincent's Private Hospital Sydney Limited (2013: nil)

The Group has a loan from St Vincent's Private Hospital Sydney Limited amounting $7,000,000. The loan is unsecured and attracts a variable interest rate of 3.83% (2013: nil%). The loans were used to repay the secured bank loans (note 22(a)(vii)).

(e) Details of the other unsecured bank loan of the Group of $5,737,000 (2013: $6,259,000) is:

This bank loan was taken out in relation to The Holy Spirit Northside Private Hospital Limited and is unsecured. The loan attracts a variable interest rate of 4.15% (2013: 4.55%) and a principal repayment of $522,000 was paid on 27 July 2013. The loan is repayable by 27 July 2021.

(f) Risk Exposure

Information about the Group's exposure to interest rate risk is provided in note 24.

(g) Fair Value

Non-current liabilities – interest bearing liabilities are classified in level 2 of the fair value hierarchy.

The Group establishes fair value by using valuation techniques including 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.

21. NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES (Continued)

(h) Assets pledged as security

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

	Consolidated 2014 $'000	2013 $'000
First mortgage		
Freehold land and buildings	138,278	143,488
Fixed and floating charge		
Cash and cash equivalents	25,576	26,174
Receivables (current and non-current)	122,841	123,695
Inventories	8,685	8,123
Held-to-maturity investments (current and non-current)	61,990	57,942
Plant and equipment	214,542	206,940
Intangibles	15,580	14,142
Investment properties	2,260	1,930
Subordinated mortgage		
Freehold land and buildings	249,177	260,567
Investment properties	22,284	22,509
Total assets pledged as security	**861,213**	865,510

22. NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated 2014 $'000	2013 $'000
Employee benefits (note 25)	**24,336**	23,059
Insurance deductible excess (a)	**2,034**	2,434
	26,370	25,493

(a) Insurance deductible excess

A provision for insurance deductible excess is recognised in relation to the costs associated with medical malpractice claims. 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 entities in the wholly-owned Group have assumed no significant changes will occur in the relevant Federal and State legislation in relation to medical malpractice claims in the future.

Movement in insurance deductible excess provision	2014	2013
Carrying amount at the beginning of the financial year (current and non-current)	**3,568**	3,166
Additional provision recognised	**1,118**	1,145
Claims paid	**(1,135)**	(355)
Annual assessment of open claims adjustment	**(514)**	(388)
Carrying amount at the end of the financial year (notes 19 and 22)	**3,037**	3,568

	Consolidated	
	2014	2013
	$'000	$'000

23. RESERVES AND RETAINED SURPLUSES

(a) Reserves

	2014 $'000	2013 $'000
(i) Members funds		
Opening balance at the beginning of the financial year	**204**	204
Distributions to members	**-**	-
Closing balance at the end of the financial year	**204**	204
(ii) Revaluation reserve		
Opening balance at the beginning of the financial year	**431**	347
Revaluation surplus for property, plant and equipment	**11**	84
Closing balance at the end of the financial year	**442**	431
(iii) Available-for-sale investment reserve		
Opening balance at the beginning of the financial year	**394**	5,789
Revaluation surplus for available-for-sale investment (note 8)	**763**	2,854
Revaluation reserve realised on disposal of available for sale investments	**-**	(8,249)
Closing balance at the end of the financial year	**1,157**	394
Total Reserves	**1,803**	1,029

Nature and purpose of reserves

Members' funds reserve was created on the incorporation of the parent entity.

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

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

(b) Retained surpluses

	2014 $'000	2013 $'000
Opening balance at the beginning of the financial year	**455,811**	430,432
Surplus for the year	**29,517**	25,379
Transaction with the members in their capacity as members (note 20)	**184,656**	-
Consolidation of St Vincent's Curran Foundation (note 29)	**16,867**	-
Closing balance at the end of the financial year	**686,851**	455,811

24. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis, and monitoring of interest rates and ageing analysis for credit risk.

Risk management is documented by policies approved by the Board and, where appropriate, the member. The Board provides direction on relevant risk management principles. The Group retains independent third party advisors where appropriate to provide advice on risk issues.

The Group’s principal financial instruments are cash and cash equivalents, investments, trade and other receivables, trade and other payables, and interest bearing liabilities.

	Consolidated	
	2014	2013
	$’000	$’000
The Group holds the following financial instruments:		
Financial Assets		
Cash and cash equivalents	**123,424**	127,033
Trade and other receivables (current)	**97,550**	97,036
Other financial assets (current)	**26,734**	6,196
Held-to-maturity investments (current)	**131,548**	121,335
Receivables (non-current)	**44,586**	50,137
Held-to-maturity investments (non-current)	**49,832**	44,876
Total financial assets	**473,674**	446,613
Financial Liabilities		
Trade and other payables (current)	**171,949**	166,532
Accommodation payables (current)	**104,980**	87,163
Borrowings (current)	**24,209**	14,782
Payables (non-current)	**102,467**	297,596
Borrowings (non-current)	**171,819**	209,029
Total financial liabilities	**575,424**	775,102

(a) Market Risk

(i) Price risk

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.

24. FINANCIAL RISK MANAGEMENT (Continued)

(i) Price risk (continued)
The maximum exposure to market risk at the reporting date is the fair value of the securities and the unit trust units classified as available-for-sale. Significant or prolonged declines in fair value below cost are considered an indicator of impairment of available-for-sale financial assets. Upon review, the fair value of available-for-sale financial assets resulted in a increase of $763,000 to equity for the year ended 30 June 2014 (2013: $2,854,000 decrease to equity).

During the financial year and at the reporting date, if prices relating to certain available-for-sale investments had moved by +/- 10%, with all other variables held constant, the surplus for the Group for the year, and equity at the reporting date, would have been $807,000 (2013: $647,000) higher / lower.

(ii) Interest rate risk
The Group's exposure to market interest rates relates primarily to the following:

Cash at bank deposits, held-to-maturity investments and available-for-sale investments
The Group has an investment policy that seeks to limit this risk by restricting 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.

Interest Bearing Liabilities
Borrowings are at both fixed and variable rates. The variable risk 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.

As at reporting date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk:

	Consolidated	
	2014	2013
	$'000	$'000
Financial assets		
Cash and cash equivalents	**123,424**	127,033
Loans to related parties	**5,169**	7,275
Held-to-maturity investments (current and non-current)	**181,380**	166,211
	309,973	300,519
Financial liabilities		
Trade and other payables (current and non-current)	**1,912**	1,913
Bank loans (current and non-current)	**146,227**	167,756
AIB bondholder loan (current and non-current)	**21,242**	26,567
Lease liabilities (current and non-current)	**13,843**	9,783
Loans from related parties	**7,000**	-
Other loans (current and non-current)	**7,716**	8,537
	197,940	214,556
Net exposure	**112,033**	85,963

24. FINANCIAL RISK MANAGEMENT (Continued)

During the financial year and at reporting date, if interest rates had increased by 1% (100 basis points) then, with all other variables held constant, the operating surplus would have been affected by an increase of $112,000 in the consolidated entity if rates had moved up and the reverse if rates had moved down.

(b) Credit Risk

Cash at bank deposits are held with 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 credit risk by restricting the banks and financial institutions that can be accepted based on their credit rating. The ADF and CDFs are not rated but cash at bank deposits held with them are generally considered to be a low credit risk. 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 ratings of the banks and finance institutions are independently monitored on a regular basis.

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.

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 the Group. Credit risk is also assessed by reviewing current financial information including management and statutory accounts, budgets and cash forecasts.

As outlined above, the Group trades and deals only with recognised and creditworthy parties and, as such, collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

(c) Liquidity Risk

Prudent liquidity management implies maintaining sufficient cash, cash equivalents and investments with short term maturity to meet financial obligations as and when they fall due. The Group manages liquidity risk by continuously monitoring forecast and actual cash flow and matching the maturity profiles of financial assets and liabilities. As noted above 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 matches the term of the borrowing with the expected cash flows required to repay principal and interest. No financier has requested early repayment of any facility.

	Consolidated	
	2014	2013
	$'000	$'000
The Group has access to the following undrawn borrowing facilities at the reporting date:		
At variable rates:		
Total facility	**188,977**	184,114
Used at balance date	**146,227**	175,924
Unused at balance date	**42,750**	8,190

24. FINANCIAL RISK MANAGEMENT (Continued)

Undrawn borrowing facilities
The majority of undrawn borrowing facilities relate to current capital projects that will be completed in less than two years from balance date.

Maturity of financial liabilities
As at reporting date, SVHA's remaining contractual maturities of its financial liabilities were as follows:

	Consolidated	
	2014	2013
	$'000	$'000
Trade and other payables		
Within one year	**167,469**	160,205
Later than one year but not later than five years	**44,337**	22,932
Later than five years	**247,268**	254,274
No fixed repayment date	**104,980**	87,163
	564,054	524,574
Interest bearing liabilities		
Within one year	**32,644**	24,294
Later than one year but not later than five years	**98,731**	111,045
Later than five years	**174,769**	188,105
Interest bearing liabilities	**306,144**	323,444

Trade and other payables with no fixed repayment dates represent Accommodation Payables.

Excluded from trade and other payables above is the obligation to Victorian Department of Health to provide health services of $21,242,000 (2013: $26,567,000) as included in receivables is a similar amount that offsets this liability and amortises in line with the liability.

As at reporting date, the following financial liabilities of the Group had an offsetting asset that matured in line with the liability thus funding the liability:

Bank loans	**6,258**	7,275

As at the reporting date the Group had the following variable interest rate bank borrowings:

Bank loans	**146,227**	167,756
Weighted average interest rates	**5.03%**	5.48%

(d) Fair value estimates
The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 the fair value is calculated using quoted prices in active markets.
Level 2 the fair value is estimated using in inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3 the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

24. FINANCIAL RISK MANAGEMENT (Continued)

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Other financial assets	26,734			

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

	Consolidated	
	2014 $'000s	2013 $'000s

25. EMPLOYEE BENEFITS

Employee benefit and related on-costs liabilities		
Provision for employee benefits – current (note 19)	**215,192**	202,589
Provision for employee benefits – non-current (note 22)	**24,336**	23,059
Aggregate employee benefit and related on-costs liabilities	**239,528**	225,648

	2014 $	2013 $

26. REMUNERATION OF AUDITORS

Assurance services		
Ernst & Young Australian firm		
Audit of financial reports and other audit work under Corporations Act 2001	**670,792**	664,273
Other audit firms for any entity in the Group		
Audit of financial reports and other audit work under Corporations Act 2001	**107,000**	101,000
Total remuneration for assurance services	**777,792**	765,273
Non-assurance services		
Ernst & Young Australian firm	**114,700**	222,000
Other audit firms for any entity in the Group	**-**	-
Total remuneration for non-assurance services	**114,700**	222,000
Total remuneration	**892,492**	987,273

	Consolidated	
	2014	2013
	$'000s	$'000s
27. COMMITMENTS FOR EXPENDITURE		
(a) Capital commitments		
Commitments for capital projects contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	**11,698**	19,699
Later than one year but not later than 5 years	**1,631**	-
	13,329	19,699
(b) Lease commitments		
Cancellable operating leases – Group as lessee		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	**3,824**	4,168
Later than one year but not later than 5 years	**4,651**	7,065
Later than 5 years	**132**	104
	8,607	11,337
Non-cancellable operating leases – Group as lessee		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**711**	523
Later than one year but not later than 5 years	**1,309**	1,875
Later than 5 years	**353**	537
	2,373	2,935
Finance leases		
Commitments for minimum lease payments in relation to finance leases are payable as follows:		
Within one year	**4,112**	2,676
Later than one year but not later than 5 years	**11,794**	8,209
Later than 5 years	**935**	571
	16,841	11,456
Less amounts representing finance charges	**2,171**	1,675
	14,670	9,781
(c) Operating commitments		
Orders placed for goods and services – not recognised as a liability are payable as follows:		
Within one year	**1,231**	1,107
Later than one year but not later than 5 years	**-**	100
	1,231	1,207

28. RELATED PARTIES

Parent entity and ultimate parent entity

The Parent entity in the wholly-owned Group is St Vincent's Health Australia Limited. 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 the Trustees of Mary Aikenhead Ministries ("TMAM"). From an accounting viewpoint, the ultimate Australian parent entity is the Trustees of the Sisters of Charity of Australia on the basis that it is the sole member of TMAM. However, in practice, TMAM, however constituted, exercises ultimate control.

Group

The Group consists of St Vincent's Health Australia Limited and its controlled entities. Ownership interests in these controlled entities are set out in note 29. Transactions between St Vincent's Health Australia Limited and other entities in the Group are eliminated in full. Transactions during the year ended 30 June 2014 consisted of:

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

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

	Consolidated	
	2014	2013
	$'000s	$'000s
Aggregate amounts included in the determination of surplus from ordinary activities that resulted from transactions with each class of other related parties:		
Interest revenue from:		
Joint ventures	**237**	349
Lease income from:		
Other related parties	**6,000**	5,209
Income from the provision of management and administrative services to:		
Joint ventures	**3,703**	3,644
Other related parties	**20,766**	20,093
Expenses relating to the provision of management and administrative services by:		
Other related parties	**21,730**	18,124

28. RELATED PARTIES (Continued)

	Consolidated 2014 $'000s	2013 $'000s
Aggregate amounts brought to account in relation to other transactions with each class of other related parties:		
Repayments of loans by:		
Joint ventures	**2,106**	951
Proceeds of advances from:		
Joint ventures	**47**	141
Other related parties	**7,000**	6,750
Repayment of interest-free amounts advanced from		
Ultimate parent entity	**4,573**	4,466
Other related parties	**338**	84

29. INVESTMENTS IN CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Equity Holding 2014 %	2013 %	Carrying amount 2014 $'000	2013 $'000
Sacred Heart Hospice Limited[1]	Australia	-	100	-	20,007
St Joseph's Hospital Limited[1]	Australia	-	100	-	-
St Joseph's Village Limited	Australia	100	100	-	-
St Vincents & Mater Health Sydney Limited	Australia	100	100	12,269	12,269
St Vincent's Clinic	Australia	100	100	6,402	6,402
The Trustee for St Vincent's Clinic Foundation	Australia	100	100	-	-
St Vincent's Health and Aged Care Limited	Australia	100	100	9,545	9,545
St Vincent's Healthcare Australia Limited	Australia	100	100	5,261	5,261
St Vincent's Hospital (Melbourne) Limited	Australia	100	100	45,653	45,653
St Vincent's Hospital Sydney Limited	Australia	100	100	20,474	467
St Vincent's Hospital Toowoomba Limited	Australia	100	100	13,579	13,579
St Vincent's Private Hospital Melbourne Limited	Australia	100	100	58,498	58,498
St Vincent's Curran Foundation[2]	Australia	100	-	-	-
				171,681	171,681

[1] During the year, the assets and liabilities of these entities were transferred to St Vincent's Hospital Sydney Limited. These entities were deregistered on 7 April 2014.

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

St Vincent's Health Australia Limited is the sole member of each of all of the above controlled entities.

30. KEY MANAGEMENT PERSONNEL DISCLOSURES

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

Mr P Robertson AM
Fr F Brennan SJ AO (Resigned on 30 June 2014)
Sr M Confoy RSC
Mr B Earle
Ms P Faulkner AO
Mr G Humphrys
Ms B Hutchinson AM (Resigned on 15 October 2013)
Prof. P Smith
Sr M Walters RSC (Resigned on 1 August 2013)
Mr P McClintock AO
Prof. S Crowe AM
Ms M Babbage (Appointed on 1 October 2013)
Sr M. Wright IBVM (Appointed on 1 October 2013)

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
Dr T Batten	Group Chief Executive Officer
Mr P Forsberg	Group Chief Financial Officer
Mr R Beetson	Group General Manager, Corporate Governance
Mr M Day	SVHA DPrivH – Chief Executive Officer
Mr J Leahy	SVCS – Chief Executive Officer
Prof. P O'Rourke	SVHA DPubH – Chief Executive Officer

Dr Batten resigned as Group Chief Executive Officer on 13 October 2013. Mr Leahy was Acting Group Chief Executive Officer to 3 April 2014. Mr Hall was appointed as Group Chief Executive Officer on 3 April 2014.

Compensation

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

Compensation Category	**2014 $**	2013 $
Short-term employee benefits	**3,452,014**	2,016,929
Post-employment benefits	**190,233**	107,984
Termination benefits	**43,589**	-
Total	**3,685,836**	2,124,913

There are no other long term benefits as at year end (2013: nil).

31. ECONOMIC DEPENDENCY

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

- Queensland Department of Health
- NSW Department of Health
- Victorian Department of Health
- 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.

32. RECONCILIATION OF SURPLUS FOR THE YEAR TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2014	2013
	$'000s	$'000s
Surplus for the year	**29,517**	25,379
Depreciation and amortisation	**66,252**	59,910
Net loss on disposal of non-current assets	**1,350**	480
Net gain from fair value adjustment to investment properties	**(595)**	(3,515)
Net gain from fair value adjustment to other financial assets	**(1,306)**	-
Realised gain on available-for-sale investments	**-**	(8,249)
Assets received free of charge	**(52)**	(787)
Non cash investment distributions	**(2,652)**	(2,452)
Non-cash accommodation bond retention/in-going contribution exit fee income, interest income and other deductions	**(3,212)**	(2,244)
Non-cash accommodation bond retention/in-going contribution interest expense	**226**	186
Share of surpluses of joint ventures	**(4,265)**	(1,104)
Change in operating assets and liabilities:		
Decrease in trade debtors	**1,730**	9,221
(Increase)/ decrease in other debtors and prepayments	**(1,397)**	3,923
(Increase) in inventories	**(305)**	(919)
(Decrease) in trade creditors and other liabilities	**(312)**	(9,039)
Increase in provisions	**13,573**	7,523
Net cash inflow from operating activities	**98,552**	78,313

Non-cash investing activities

The Group acquired property, plant and equipment for $7,163,000 (2013: $6,914,000) by means of finance leases.

33. CONTINGENT LIABILITIES

The consolidated entity had contingent liabilities at 30 June 2014 which are detailed below. No material losses are anticipated in respect of any of these contingent liabilities.

		Consolidated	
Entity with Rights	**Nature of Security or Obligation**	**2014 $000**	**2013 $000**
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.	**46,319**	41,173
Queensland Housing Commission	Pursuant to a capital funding agreement with the Queensland Housing Commission, a controlled entity 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 the Company ceased to operate the Community or if there is a breach in the terms and conditions of the capital funding agreement prior to 22 June 2044.	**189**	195
Commonwealth Government and NSW Government	An agreement was signed with the Commonwealth Government and NSW Government by one of the subsidiaries relating to part funding of the construction of the St Vincent's Research and Biotechnology buildings. Should the Company demolish, dispose of, mortgage or otherwise encumber this building or breach the agreement without prior consent of the Government, it may be liable to repay the capital grant advanced by the Government. The Group's share of the grant is $9,500,000.	**9,500**	9,500
Commonwealth Government	An agreement was signed with the Commonwealth Government relating to part funding of the construction of the Kinghorn Cancer Centre. Should the Company demolish, dispose of, mortgage or otherwise encumber this building, or breach the agreement, without prior consent of the Government, it may be liable to repay the capital grant advanced by the Government. The Company's share of the grant upon building completion is $35m. The Kinghorn Cancer Centre was completed in 2012.	**35,000**	35,000
School fees for disadvantaged students	Commitments given by St Vincent's Private Hospital Melbourne Limited for sponsorship of two disadvantaged students for school fees and equipment. This amounts to approximately $12,000 per year for a further two years, contingent upon the students remaining in Australia, continuing studies and future fee costs.	**23**	12

33. CONTINGENT LIABILITIES (Continued)

		Consolidated	
Entity with Rights	**Nature of Security or Obligation**	**2014 $000**	**2013 $000**
Australian Catholic University Limited	Pursuant to a capital funding agreement with the Australian Catholic University, the Company may be liable to repay funds provided to assist with the original construction of clinical school at St Vincent's Hospital Toowoomba. This liability would arise if there is a breach in the terms and conditions of the capital funding agreement prior to November 2014.	**229**	90

34. SUBSEQUENT EVENTS

The Directors are not aware of any matter or circumstance occurring since 30 June 2014 that has significantly or may significantly affect the operations of the Group.

35. MEMBERS' GUARANTEE

SVHA is limited by guarantee. If SVHA is wound up, the Constitution states that each member is required to contribute a maximum of $100 each towards meeting any outstanding obligations of SVHA.

	2014 Number	2013 Number
Number of members	**1**	1

36. INFORMATION RELATING TO ST VINCENT'S HEALTH AUSTRALIA LIMITED

	2014 $'000s	2013 $'000s
Current assets	**25,700**	21,731
Total assets	**178,252**	202,154
Current liabilities	**10,786**	6,945
Total liabilities	**66,263**	75,273
Reserves	**204**	204
Retained earnings	**126,700**	126,677
Total equity	**126,904**	126,881
Operating surplus/(deficit) recorded by the parent entity	**23**	(111)
Total comprehensive income/(deficit) of the parent entity	**23**	(111)

36. INFORMATION RELATING TO ST VINCENT'S HEALTH AUSTRALIA LIMITED (Continued)

St Vincent's Health Australia ('SVHA') as the parent entity 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 SVHA eventually breaks even.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 12 to 59 of the consolidated entity are in accordance with the *Corporations Act 2001* and the *Australian Charities and Not-for-profits Commission Act 2012 (Cth)*, including:

(i) complying with Accounting Standards and *Corporations Regulations 2001*; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

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

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

Mr Paul Robertson AM, Chair

Sydney
2 October 2014

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

Report on the financial report

We have audited the accompanying financial report of St Vincent's Health Australia Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001 and the Australian Charities and Not-for-Profits Commission Act 2012*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the financial report.

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Opinion

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

i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

ii complying with Australian Accounting Standards and the *Corporations Regulations 2001* and the *Australian Charities and Not-for-Profits Commission Act 2012*.

Ernst & Young

Ernst & Young

J M Parker

Jenny Parker
Partner
Brisbane
2 October 2014