

St Vincent's Health Australia Limited

Financial Report 2019



**ST VINCENT'S
HEALTH AUSTRALIA**

UNDER THE STEWARDSHIP OF MARY AIKENHEAD MINISTRIES

CONTENTS

Directors' report	2
Auditor's independence declaration	14
Profit or loss account and other comprehensive income	15
Balance sheet	16
Statement of changes in equity	17
Cash flow statement	18
Notes to the financial statements	19
Directors' declaration	67
Independent auditor's report	68

CORPORATE INFORMATION

Directors	Mr. P Robertson AO	Mr. B Earle
	Ms. P Faulkner AO (retired 31/12/2018)	Sr. M Wright IBVM
	Prof. M Confoy RSC (retired 31/12/2018)	Mr. P McClintock AO
	Dr M. Coote	Ms. A McDonald
	Prof. S Crowe AM	Ms. S McPhee AM
	Ms. A Cross AM (appointed 1 January 2019)	Mr. P O'Sullivan (appointed 1 August 2019)
	Ms. J Watts (appointed 1 August 2019)	
Company Secretary	Mr. R Beetson	Mr. P Fennessy
Principal registered office	Level 22, 100 William Street, Woolloomooloo, NSW 2011	
Auditor	Ernst & Young, 200 George Street Sydney, NSW 2000	
Website address	www.svha.org.au	
ABN	75 073 503 536	

DIRECTORS' REPORT

The Directors of St Vincent's Health Australia present their report together with the financial report of St Vincent's Health Australia Limited for the year ended 30 June 2019.

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

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

This financial report was authorised for issue by the Directors on 16 October 2019. SVHA has the power to amend and reissue the financial report.

ABOUT SVHA

St Vincent's Health Australia is the nation's largest Catholic not-for-profit health and aged care provider.

Our mission

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

Our vision

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

Our values

Compassion
Justice
Integrity
Excellence

OBJECTIVES AND PRINCIPAL ACTIVITIES

The objectives as stated in SVHA's constitution are:

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

These objectives are pursued through the principal activities of the Group being the operation of public and private hospitals and aged care facilities.

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

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

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

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW

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

The Group generated an operating surplus of \$21.42m for the year ended 30 June 2019 (2018: \$33.67m) which represented 0.88% of total revenue (2018: 1.58%). Operating surplus has reduced by \$12.24m due to facilities ramp up costs, increased depreciation, additional IT investments as well as reduced margins due to market pricing pressure.

Business combinations

The audited comparative figures of the Group for the year ended 30 June 2019 presented herewith are not directly comparable with the prior period due to the acquisitions during the year. Further information on the business combination is contained within Note A7.

St Vincent's Private Hospital Northside Limited

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

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

Mary MacKillop Aged Care is located at Hawthorn East in Victoria and is operated by St Vincent's Care Services Hawthorn (formerly Sisters of St Joseph Health Care Services (Vic)). St Vincent's Care Services Ltd (SVCS) acquired the membership interest in St Vincent's Care Services Hawthorn on 1 July 2018 from the Trustees of the Sisters of St Joseph ("TSOSJ") in accordance with the Group's aged care growth strategy.

On 1 April 2019 SVCS transferred the membership interest in St Vincent's Care Services Hawthorn to SVHA. The consideration received for the transfer was the net assets of St Vincent's Care Services Hawthorn at that date.

Holy Spirit Care Service

Holy Spirit Care Service Brisbane is located at Carseldine in Queensland and is operated by St Vincent's Care Services Carseldine Ltd (formerly Holy Spirit Care Services (Brisbane) Ltd). Holy Spirit Care Service Boondall is located at Boondall in Queensland and is operated by St Vincent's Care Services Boondall Ltd (formerly Holy Spirit Care Services (Boondall) Ltd). SVCS acquired the membership interests in St Vincent's Care Services Carseldine and St Vincent's Care Services Boondall on 1 June 2019 from the Mission Congregation Servants of the Holy Spirit ("Holy Spirit Congregation") in accordance with the Group's aged care growth strategy.

SVCS and the Holy Spirit Congregation have entered into a separate contract for the land at \$14,720,000 representing the fair value of the land at 1 June 2019. Acquisition of this land asset is subject to approval by the Brisbane City Council ("Council") of the application for subdivision of this land from the title of a larger land parcel held by the Holy Spirit Congregation. SVCS has paid \$14,720,000 into a Solicitor's Trust Account pending the settlement of the contract and this is included in the Group's Balance Sheet at 30 June 2019 as a trade and other receivables amount.

Rosary Village

Rosary Village is located at Yennora in New South Wales and was acquired on 1 December 2018 from The Trustees of Catholic Aged Care Sydney ("TCACS") in accordance with the Group's aged care growth strategy.

St Joan of Arc Villa

St Joan of Arc Villa is located at Haberfield in New South Wales and was acquired on 1 March 2019 from The Trustees of Catholic Aged Care Sydney ("TCACS") in accordance with the Group's aged care growth strategy.

DIRECTORS' REPORT

Going concern

The Group's Balance Sheet shows an excess of current liabilities over current assets of \$496.81m (2018: \$322.27m). However, included within current liabilities are accommodation bonds / Refundable Accommodation Deposits (RADs) of \$476.7m (2018: \$311.27m) which are recorded as current liabilities as required under accounting standards. However, in practice, refundable accommodation deposits (RADs) that are repaid are generally replaced by RADs from incoming residents within a short timeframe. In addition, current liabilities contain provisions for annual and long service leave of \$324.79m (2018: \$282.63m) 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 \$1.01b 30 June 2019 (2018: \$986.52m).

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

DIVIDENDS

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

MEMBER'S GUARANTEE

If SVHA is wound up the constitution states that each member is required to contribute a maximum of \$100 each towards meeting the obligations of SVHA. At 30 June 2019 SVHA had 1 member (2018: 1) so the maximum amount to be contributed towards meeting the obligations of SVHA would be \$100 (2018: \$100).

DIRECTORS' REPORT

SUBSEQUENT EVENTS

The following transactions have occurred since 30 June 2019.

On 1 July 2019, the businesses, assets and liabilities of SVPHN were transferred at book value for nil consideration to St Vincent's Private Hospitals Ltd, representing a deemed contribution to St Vincent's Health Australia Ltd (the parent entity) by SVPHNS of \$72,129,000.

John Paul Village ("JPV") is located at Heathcote in New South Wales and is operated by the Trustees of Catholic Aged Care Sydney ("TCACS"). The Archdiocese of Sydney has agreed to transition the business and assets to the company in accordance with the company's aged care growth strategy. The business and assets in JPV were acquired subsequent to the reporting date on 1 September 2019 from TCACS. The consideration transferred for the acquisition of the JPV business and assets (excluding land) was \$25,361,000. The land upon JPV operates is leased by the Company from the Trustees. The current 99 year lease expires on 31 August 2118.

Apart from these matters, the Directors are not aware of any matter or circumstance occurring since 30 June 2019 that has significantly or may significantly affect the operations of the Group.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is registered under the National Greenhouse and Energy Reporting Act, under which it is required to report energy consumption and greenhouse gas emissions for its Australian facilities for the 12 months ended 30 June 2019 and future periods. The Group has established a separate sustainability group and data collection systems and processes are in place to meet its requirements.

INDEMNIFICATION AND INSURANCE OF OFFICERS

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

INDEMNIFICATION OF AUDITOR

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

ROUNDING OF AMOUNTS

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

STRUCTURE AND MANAGEMENT

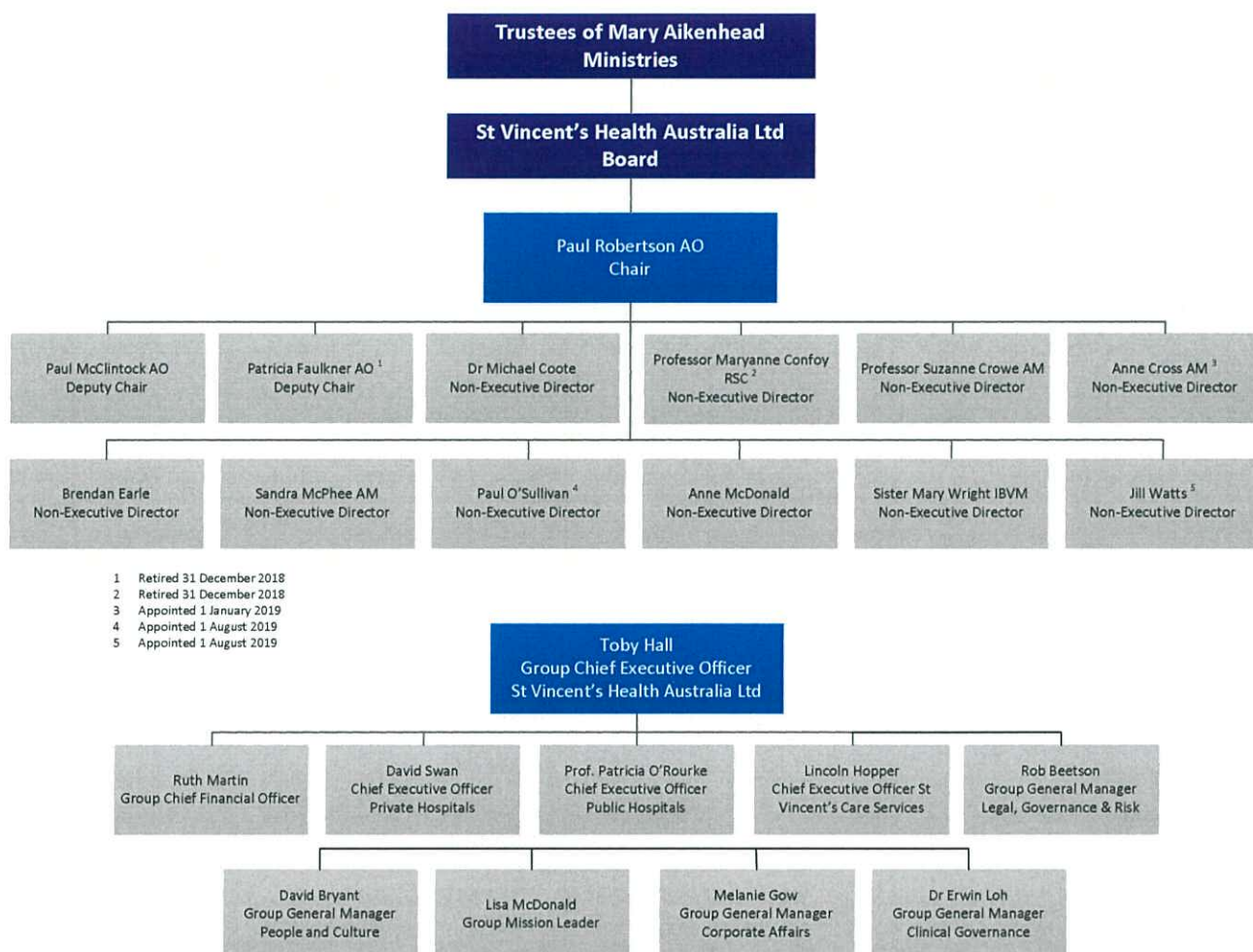
SVHA is a group of not-for-profit non-listed entities. SVHA Limited is a public company limited by guarantee and is registered with the Australian Charities and Not-for-profits Commission.

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

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

DIRECTORS' REPORT

STRUCTURE AND MANAGEMENT (continued)



Board of Directors

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

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

DIRECTORS' REPORT

STRUCTURE AND MANAGEMENT (continued)

Board Committees

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

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

Audit & Risk

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

Finance & Investment

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

Mission, Ethics & Advocacy

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

People & Culture Committee

The purpose of the People & Culture Committee is to assist the Board in fulfilling its responsibilities in relation to the attraction, development and retention of Board Directors, Senior Executives and employees in the SVHA group in accordance with the Mission and Values of the organisation. The Committee will provide advice to the Board regarding the setting of SVHA's standards of conduct and safeguarding the reputation of the Company. The Committee will ensure systems are in place so that the Board may discharge its obligations in relation to all SVHA operations meeting best practice benchmarks in relation to people management, workplace relations and safety. The Committee will have an oversight role in relation to work health and safety matters and workplace relation issues. The Committee will also advise the Board in regards to matters of remuneration, organisational culture and workforce strategy.

Clinical Governance & Safety Committee

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

Research & Education Committee

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

Ad hoc Royal Commissions Committee

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

DIRECTORS' REPORT

STRUCTURE AND MANAGEMENT (continued)

Information on Directors

Mr. Paul Robertson AO

Bachelor of Commerce,
Fellow, CPA Australia

Chair

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

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

Ms. Patricia Faulkner AO

(retired 31 December 2018)

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

Patricia was appointed to the Board on 1 October 2010. Patricia was a previous global Partner-in-Charge, Health Sector at KPMG and a previous Secretary of the Victorian Government Department of Human Services. She has held a number of roles with the Victorian Government over a period of almost 30 years in the Department of Labour and Department of Community Welfare Services. Patricia is Chair of Jesuit Social Services and the Telecommunication Industry Ombudsman. She is a Member of the Boards of CEDA and VicSuper. Patricia was a Deputy Commissioner to the Victorian Government's Royal Commission into Family Violence. Patricia is member of the Board of Catholic Professional Standards Limited. Patricia retired from the Board on 31 December 2018.

Patricia was Deputy Chair of the Board, a member of the Clinical Governance & Safety Committee and a member of the Mission, Ethics & Advocacy Committee. Following her retirement, Patricia accepted the Board's request to be appointed to the ad hoc Royal Commissions Committee as an external expert. Patricia also accepted the Board's request that she chair the Committee.

Prof. Maryanne Confoy RSC
(retired 31/12/2018)

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

Prof. Maryanne was appointed to the Board on 6 February 2012. She retired from the Board on 31 December 2018. Prof. Maryanne is a Religious Sister of Charity and Professor of Pastoral Theology at Pilgrim College, Melbourne University of Divinity, and a member of the Jesuit Theological Consortium. She is a Fellow of the Melbourne University of Divinity. Her governance roles have included member of the Australian Catholic University Senate and Chair of MCD Board of Postgraduate Studies, RMIT University Human Research Ethics Committee. She is a Board member of LUCRF Community Partnership Trust and The Way Community for Homeless Men.

Prof. Maryanne was a member of the Mission, Ethics & Advocacy Committee and the People & Culture Committee prior to her retirement.

Ms. Anne McDonald

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

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

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

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

DIRECTORS' REPORT

STRUCTURE AND MANAGEMENT (continued)

Information on Directors (continued)

Prof. Suzanne Crowe AM

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

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

Suzanne was appointed to the Board on 1 January 2013. Suzanne has served as a consultant physician in infectious diseases at The Alfred from 1994 to 2019. She has authored over 300 published papers, five books and 85 book chapters in the field. Her recent appointments include Associate Director of the Burnet Institute, Principal Specialist in Infectious Diseases at The Alfred Hospital and Adjunct Professor of Medicine and Infectious Diseases at Monash University, Melbourne. She is a Fellow of the Australian Academy of Health & Medical Sciences.

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

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

Mr. Brendan Earle

Bachelor of Laws (Hons);
Bachelor of Arts

Barrister and Solicitor,
Supreme Court of Victoria

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

Brendan is a member of the Finance & Investment Committee and the Audit & Risk Committee. He was a member of the Clinical Governance & Safety Committee until January 2019.

Mr. Paul McClintock AO

(appointed Deputy Chair
1/1/2019)

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

Paul was appointed to the Board on 1 January 2013. He is Chair of I-MED Network, BROADSPECTRUM, NSW Ports, Laser Clinics Australia, Sydney Health Partners and the Committee for the Economic Development of Australia.

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

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

Paul is Deputy Chair of the SVHA Board, Chair of the Finance & Investment Committee and a member of the Research & Education Committee.

DIRECTORS' REPORT

STRUCTURE AND MANAGEMENT (continued)

Information on Directors (continued)

Sr. Mary Wright IBVM

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

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

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

Dr Michael Coote

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

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

Michael is Chair of the Research & Education Committee and a member of the Clinical Governance & Safety Committee. Michael has also acted as a member of the *ad hoc* Royal Commissions Committee, deputising for Prof. Suzanne Crowe in her absence.

Ms. Sandra McPhee AM

Diploma in Education

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

Sandra also serves on the Boards of Kathmandu Ltd and the NSW Public Service Commission. She is a member of the advisory council of J.P. Morgan, and a member the Australian Institute of Company Directors and Chief Executive Women. She was Chair of the Expert Advisory Panel appointed by the Commonwealth Government in 2018 to review Employment Services resulting in the 'I Want to Work' - Employment Services 2020 Report.

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

In 2013 Sandra was awarded a Member of the Order of Australia for significant service to business and to the community through leadership and advisory roles. Sandra has many years of experience in executive roles in the airline industry in Australian and international markets and has served as Chairman of a number of board People and Culture and Remuneration committees.

Sandra is Chair of the People & Culture Committee.

DIRECTORS' REPORT

STRUCTURE AND MANAGEMENT (continued)

Information on Directors (continued)

Ms. Anne Cross AM

Master of Social Work (Research) University of Queensland, Bachelor of Social Work University of Queensland, Fellow of Australian Institute of Company Directors, Fellow of Australian Institute of Leadership & Management, Member of Chief Executive Women

Anne was appointed to the Board of St Vincent's Health Australia on 1 January 2019. Anne is an independent company director having concluded her executive career as Chief Executive of UnitingCare Queensland, one of Australia's largest not for profit health and community service organisations late in 2017. She supplemented her executive career which spanned over 30 years with Board, State and National Advisory roles. She is a fellow of the Australian Institute of Company Directors and a member of the Institute's Queensland Council since 2015. Anne was appointed as an Adjunct Professor in the Faculty of Health and Behavioural Sciences in 2008. She received recognition in the Queen's Birthday 2018 Honours List for significant service to the community through social welfare organisations in the government and not-for-profit sectors, and to women. She was named Telstra's National Business Woman of the Year in 2014 and awarded the University of Queensland's Alumni Excellence Award in 2016.

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

Mr Paul O'Sullivan

(appointed 1 August 2019)

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

Advanced Management Program, Harvard Business School

Paul was appointed as a director of SVHA and subsidiary Boards on 1 August 2019. Paul is an experienced chief executive with extensive domestic and international experience in ASX and SGX companies driving business transformation, growth and managing M&A as well as working with Board Remuneration and Audit Committees. Previous roles include Chief Executive Optus Australia and CEO Group Consumer Singel (SGP).

Paul is Chairman of Optus Australia, and sits on the Board of Commissioners Telkomsel (IDN) and has previously held Board positions with Bharti Airtel (IND) and Australia Business Community Network.

Ms Jill Watts

(appointed 1 August 2019)

Wharton Fellow, MBA; Grad Dip Health Admin & Information Systems; RM; RN

Jill was appointed as a director of SVHA and subsidiary Boards on 1 August 2019.

Jill has 40 years extensive global experience in the healthcare industry in Australia, UK, France, South Africa and SE Asia holding executive and non-executive roles. Her key strengths including leading business transformation, corporate governance frameworks and improving organisational performance.

Current roles include Governor, Sidra Hospital Board (QAT) and non-executive director IHH Healthcare (SGP, MYS).

Previous roles include Group CEO of both BMI Healthcare and Ramsay (UK) and directorships with Australian Chamber of Commerce and Royal Flying Doctor Service (UK).

Jill was voted the most influential leader in UK private health care in 2010, and one of healthcare's most influential women in 2013.

DIRECTORS' REPORT

STRUCTURE AND MANAGEMENT (continued)

Information on Directors (continued)

Company Secretary

Mr. Robert Beetson

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

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

Mr. Paul Fennessy

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

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

DIRECTORS' REPORT

STRUCTURE AND MANAGEMENT (continued)

Meetings of the Board and Committees

Board		Board Committees						
Director	# of meetings attended	Audit & Risk	Finance & Investment	Mission, Ethics & Advocacy	People & Culture	Clinical Governance & Safety	Research & Education	Ad hoc Royal Commissions
Mr. P Robertson AO (Chair)	7/7				2/3			
Mr. P McClintock AO	7/7	● 7/7					● 4/4	
Prof. M Confoy RSC (retired 31 December 2018)	4/4			2/2	3/3			
Dr M Coote	7/7					7/7	4/4	2/2 ¹
Ms. A Cross AM (appointed 1 January 2019)	3/3			3/3		2/3		4/4
Prof. S Crowe AM	6/7				2/2	● 4/7	4/4	2/4
Mr B Earle	7/7	6/6	7/7			5/5		
Ms. P Faulkner AO (retired 31/12/18)	3/4			2/2		4/4		● 4/4 ²
Ms. A McDonald	7/7	● 6/6	1/1					
Ms. S McPhee AM	7/7				5/5			
Sr. M Wright IBVM	7/7	5/6		● 5/5	3/5			

● Chair

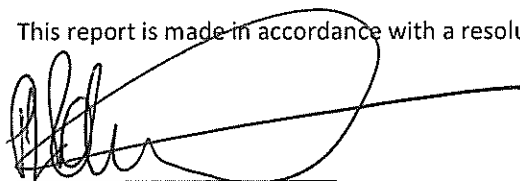
1. Dr M Coote acted as proxy for Prof. S Crowe AM
2. Ms. P Faulkner AO continued as Chair of the ad hoc Royal Commissions Committee in the capacity of an external expert at the Board's request following her retirement from the Board.

REMUNERATION

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

AUDITOR

The Directors have received an Independence Declaration from Ernst & Young, a copy of which is attached at page 14. This report is made in accordance with a resolution of the Directors.

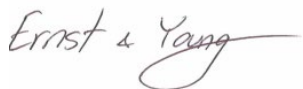


Mr. Paul Robertson AO, Chair
Sydney

16 October 2019

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

In relation to our audit of the financial report of St Vincent's Health Australia Limited for the financial year ended 30 June 2019, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of any applicable code of professional conduct.



Ernst & Young



Anthony Jones
Partner
Sydney
16 October 2019

PROFIT OR LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 \$'000	2018 \$'000
Revenue	A1	2,373,577	2,080,325
Other income	A1	65,997	47,551
Total revenue and other income		2,439,574	2,127,876
Employment expenses	A2	1,439,522	1,266,393
Goods and services		734,343	651,937
Finance costs		20,701	13,588
Repairs and maintenance		40,865	26,778
Depreciation and amortisation	A5 / A7	116,424	92,327
Other expenses from ordinary activities		66,297	49,617
Total expenses		2,418,152	2,100,640
Share of investments accounted for using the equity method	C4	-	6,430
Operating surplus		21,422	33,666
Capital funding received	A1	5,357	9,057
Fair value gain on residential aged care bed licenses	A1	840	900
Surplus for the year		27,619	43,623
Other comprehensive income			
Items of other comprehensive income:			
Movement in available-for-sale investments reserve		-	1,077
Revaluation of cultural assets		(16)	-
Net loss on cash flow hedges		(6,936)	(232)
Total comprehensive income		20,667	44,468

BALANCE SHEET
AT 30 JUNE 2019

	Notes	2019 \$'000	2018 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	B1	195,688	176,397
Trade and other receivables	A3	188,798	144,328
Inventories	A4	29,686	25,575
Investments	B2	286,635	274,272
Total current assets		<u>700,807</u>	<u>620,572</u>
Non-current assets			
Receivables	A3	46,694	36,434
Investments accounted for using the equity method	C4	-	30,372
Investments	B2	115,838	72,440
Property, plant and equipment	A5	1,524,709	1,304,220
Investment properties	A6	36,482	36,285
Intangible assets	A7	226,490	130,455
Total non-current assets		<u>1,950,213</u>	<u>1,610,206</u>
Total assets		<u>2,651,020</u>	<u>2,230,778</u>
LIABILITIES			
Current liabilities			
Trade and other payables	A8	304,626	250,716
Accommodation bonds and payables	A9	476,695	311,272
Borrowings	B4	79,479	80,906
Provisions	A10	336,816	299,946
Total current liabilities		<u>1,197,616</u>	<u>942,840</u>
Non-current liabilities			
Payables	A8	42,621	6,995
Borrowings	B4	350,535	253,043
Provisions	A10	54,868	41,385
Total non-current liabilities		<u>448,024</u>	<u>301,423</u>
Total liabilities		<u>1,645,640</u>	<u>1,244,263</u>
Net assets		<u>1,005,380</u>	<u>986,515</u>
Equity			
Reserves		(6,535)	2,449
Retained surplus		1,011,915	984,066
Total equity		<u>1,005,380</u>	<u>986,515</u>

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Member's reserve \$'000	Revaluation reserve \$'000	Available for sale investments reserve \$'000	Cash flow hedge reserve \$'000	Specified purpose reserve \$'000	Retained surpluses \$'000	Total \$'000
2019							
Balance 1 July 2018	204	626	1,190	(413)	842	984,066	986,515
Change in accounting policy (Note E5)	-	-	(1,190)*	-	-	1,190	-
Restated balance 1 July 2018	204	626	-	(413)	842	985,256	986,515
Total surplus	-	-	-	-	-	27,619	27,619
Other comprehensive income	-	(16)	-	(6,936)	-	-	(6,952)
Total comprehensive income	-	(16)	-	(6,936)	-	27,619	20,667
Transfer from Specified Purpose Reserve	-	-	-	-	(842)	842	-
Transaction with the members in their capacity as members (Note B4)	-	-	-	-	-	(1,802)	(1,802)
Balance 30 June 2019	204	610	-	(7,349)	-	1,011,915	1,005,380
2018							
Balance 1 July 2017	204	626	113	(181)	842	844,751	846,355
Total surplus	-	-	-	-	-	43,623	43,623
Other comprehensive income	-	-	1,077	(232)	-	-	845
Total comprehensive income	-	-	1,077	(232)	-	43,623	44,468
Deemed contribution by parent entity on business combination (Note C6)	-	-	-	-	-	95,692	95,692
Transaction with the members in their capacity as members	-	-	-	-	-	-	-
Balance 30 June 2018	204	626	1,190	(413)	842	984,066	986,515

*The AFS reserve of \$1,190,000 that was previously presented under accumulated OCI, was reclassified to retained surpluses as at 1 July 2018 upon adoption of AASB 9, refer to note E5, Changes in accounting policies and disclosures.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts from patients and grants (including GST)		2,452,670	2,138,586
Payments to suppliers and employees (including GST)		(2,375,343)	(2,023,910)
Interest and dividends received		16,203	14,168
Donations received		52,682	35,317
Interest paid		(11,848)	(7,712)
Net cash flow from operating activities		134,364	156,449
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		(166,740)	(191,172)
Acquisition of a business		29,291	-
Deemed contribution by parent entity on business combination (Note C6)		-	12,953
Net payments for investments		(42,863)	(45,367)
Capital funding received		5,357	9,057
Net cash flow from investing activities		(174,955)	(214,529)
Cash flows from financing activities			
Repayment of loans from related parties		-	(7,923)
Loan from related party		1,083	-
RAD, accommodation bond and ILU entry contribution inflows		82,669	135,819
RAD, accommodation bond and ILU entry contribution outflows		(71,786)	(72,765)
Repayment of borrowings		(50,584)	(21,600)
Proceeds from borrowings		98,500	75,500
Net cash flow from financing activities		59,882	109,031
Net increase in cash and cash equivalents held		19,291	50,950
Cash at the beginning of the financial year		176,397	125,447
Cash at the end of the financial year	B1	195,688	176,397

NOTES TO THE FINANCIAL STATEMENTS: ABOUT THIS REPORT FOR THE YEAR ENDED 30 JUNE 2019

A	KEY NUMBERS	
A1	Revenue, other income and capital funding	22
A2	Employment expenses	24
A3	Trade and other receivables	25
A4	Inventories	26
A5	Property, plant and equipment	26
A6	Investment properties	28
A7	Intangible assets	30
A8	Trade and other payables	38
A9	Accommodation payables	39
A10	Provisions	41
B	FINANCING ACTIVITIES AND RISK MANAGEMENT	
B1	Cash and cash equivalents	42
B2	Investments	42
B3	Cash and investments – financial risk management	43
B4	Borrowings	43
C	GROUP STRUCTURE	
C1	Ultimate parent entity and member’s guarantee	47
C2	Parent entity financial information	47
C3	Subsidiaries	48
C4	Interest in joint venture	49
C5	Related party transactions	50
C6	Deemed contribution by parent entity on business combination	52
D	UNRECOGNISED ITEMS	
D1	Commitments	53
D2	Contingent liabilities	54
D3	Subsequent events	55
E	OTHER	
E1	Key management personnel	56
E2	Economic dependency	57
E3	Nature and purpose of reserves	57
E4	Fair value hierarchy	57
E5	Changes in accounting policies and disclosures	58
E6	Other accounting policies	60

NOTES TO THE FINANCIAL STATEMENTS: ABOUT THIS REPORT FOR THE YEAR ENDED 30 JUNE 2019

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

The financial report represents the combination of St Vincent's Health Australia Limited (the "Company") and its controlled entities (the "Group" or "SVHA"). The financial report was authorised for issue by the Directors on 16 October 2019. The Directors have the power to amend and reissue the financial report.

Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board and the *Australian Charities and Not-for-profits Commission Act 2012 (Cth)*.

The Group is a not-for-profit entity which is not publicly accountable. Therefore, the consolidated financial statements for the Group are tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASB – RDRs).

The financial report has also been prepared on a going concern basis, using historical cost conventions, except for investment properties, financial assets at fair value through profit or loss and available-for-sale financial assets which are carried at fair value.

The financial report is presented in Australian dollars with all values rounded to the nearest thousand dollars unless otherwise stated and presents reclassified comparative information where required for consistency with the current year's presentation.

Basis of consolidation

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

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

Going concern

The Group's Balance Sheet shows an excess of current liabilities over current assets of \$496.81m (2018: \$322.27m). However, included within current liabilities are accommodation bonds / Refundable Accommodation Deposits (RADs) of \$476.70m (2018: \$311.27m) which are recorded as current liabilities as required under accounting standards. However, in practice, refundable accommodation deposits (RADs) that are repaid are generally replaced by RADs from incoming residents within a short timeframe. In addition, current liabilities contain provisions for annual and long service leave of \$342.33m (2018: \$282.63m) 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 \$1.01b at 30 June 2019 (2018: \$986.52m).

St Vincent's Hospital (Melbourne) Limited (SVHM)

When preparing its financial statements, SVHM assessed the Department of Health and Human Services (DHHS) funding and related costs for Public services to be provided in the twelve months following 30 June 2019. DHHS has committed to providing temporary cash flow support to enable SVHM to meet its current and future operational obligations as and when they fall due for a period up to September 2020 should it be required to enable continued trade in the short term for provision of health services to Victorians. In practice and historically, DHHS have provided ongoing financial support to SVHM to enable it to continue to operate, and the Directors expect this support to continue post September 2020.

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

NOTES TO THE FINANCIAL STATEMENTS: ABOUT THIS REPORT FOR THE YEAR ENDED 30 JUNE 2019

The notes to the financial statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business; or
- it relates to an aspect of the Group's operations that is important to its future performance.

Key accounting estimates and judgements

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

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

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

<i>Area of Estimation</i>	<i>Note</i>
Property, plant and equipment – assessment of useful lives and impairment assessment	A5
Investment properties	A6
Intangible assets – assumptions underlying recoverable value	A7
Insurance deductible excess provision – assumptions underlying assessment of future costs	A10(ii)
Long-term employee obligations – assumptions underlying assessment of employee departures and periods of service	A2
Estimated fair value of certain financial assets	E4

NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2019

This section explains the results and performance of the Group. It provides additional information about those individual line items in the financial statements that the Directors consider most relevant in the context of the operations of the entity, including accounting policies that are relevant for understanding the items recognised in the financial statements.

A1 REVENUE, OTHER INCOME AND CAPITAL FUNDING

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

	2019 \$'000s	2018 \$'000s
Patient and resident fees	914,147	712,790
Government grants and subsidies	1,196,126	1,142,939
Non-medical revenue	81,592	70,304
Rent and other property revenue	35,578	31,573
Interest and dividend income	16,203	14,168
Other revenues	129,931	108,551
Total revenue	2,373,577	2,080,325
Donations	52,682	35,317
Net gain from fair value adjustment - investment properties (note A6)	197	8,305
Net gain from fair value adjustment - investments	12,893	3,978
Net (loss) gain from disposal of assets	225	(49)
Total other income	65,997	47,551
St Vincent's Private Hospital Toowoomba Redevelopment (ii)	1,000	1,000
Miscellaneous capital projects	16	5
Mater Hospital Sydney redevelopment (ii)	1,526	-
St Vincent's Private Hospital Werribee	544	724
Ministry Funding for cladding remediation (ii)	550	4,963
Health Infrastructure Funding (ii)	1,721	2,365
Total capital funding (included in non-operating income)	5,357	9,057
Fair value gain on acquisition of residential aged care bed licenses (iii)	840	900
Total fair value of contributed assets	840	900

NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2019

A1 REVENUE, OTHER INCOME AND CAPITAL FUNDING (continued)

(i) Accounting policy

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

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

Patient and resident income is recognised when services are provided.

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

Non-medical revenue is recognised when services are provided.

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

(ii) Capital funding received

Government grants of \$550,000 were received during 2019 (2018: \$4,963,000) to fund the external cladding remediation works on St Vincent's Health Network O'Brien Building.

Funding of \$1,721,000 (2018: \$2,365,000) was received during 2019 from Health Infrastructure to fund the refurbishment and replacement of infrastructure at St Vincent's Health Network hospital.

Funding of \$1,000,000 (2018: \$1,000,000) was received by St Vincent's Private Hospitals Limited for the development of St Vincent's Private Hospital Toowoomba.

Funding of \$1,526,000 (2018: \$nil) was received by St Vincent's Private Hospitals Limited for the redevelopment of Mater Hospital Sydney.

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

Commonwealth government funded bed licenses obtained through the approvals round process represent an asset contribution under AASB 1004 Contributions. The Group records as income the fair value of the bed licenses obtained when the actual residential aged care beds become operational. The fair value assessment is based upon market transaction data as provided by an external consultant. During the year 28 residential aged care beds became operational (2018: 20).

NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2019

A2 EMPLOYMENT EXPENSES

Employment expenses recognised during the year are set out below.

	2019 \$'000s	2018 \$'000s
Salaries and wages	1,331,146	1,169,111
Superannuation	108,376	97,282
	1,439,522	1,266,393

(i) Accounting policy

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

Superannuation

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

Termination benefits

The Group recognises termination benefits when it commits to either terminating a current employee's employment according to a detailed formal plan without the possibility of withdrawal, or providing termination benefits following an offer made to encourage voluntary redundancy.

Short-term employee obligations

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

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

Long-term employee obligations

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

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

**NOTES TO THE FINANCIAL STATEMENTS: Key numbers
FOR THE YEAR ENDED 30 JUNE 2019**

A3 TRADE AND OTHER RECEIVABLES

	2019 \$'000s	2018 \$'000s
<i>Current</i>		
Trade receivables	103,109	72,549
Less: Provision for impairment of trade receivables (ii)	(4,467)	(3,022)
Net trade receivables	98,642	69,527
Amounts due from related parties (note C5)	434	195
Loans to related parties (note C5)	-	-
Other receivables	58,530	47,966
Accrued revenue	17,465	13,734
Prepayments	13,727	12,906
Total current receivables	188,798	144,328
<i>Non-current</i>		
Other receivables	46,694	36,434
Total non-current receivables	46,694	36,434

(i) Accounting policy

Refer to Note E6, Other Accounting Policies, Financial Instruments

(ii) Financial risk management

Market risk - interest rate risk

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

Credit risk

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

Provision for impairment of trade receivables

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

Amounts due from related parties

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

(iii) Fair value

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

NOTES TO THE FINANCIAL STATEMENTS: Key numbers
FOR THE YEAR ENDED 30 JUNE 2019

A4 INVENTORIES

Inventories of \$29,686,000 (2018: \$25,575,000) comprise medical and other consumables.

(i) Accounting policy

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

A5 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Leasehold improvements	Plant and equipment	In course of construction	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2019						
Cost	246,544	782,875	724,652	638,294	122,031	2,514,396
Accumulated depreciation	-	(335,108)	(229,840)	(424,739)	-	(989,687)
Net carrying amount	246,544	447,767	494,812	213,555	122,031	1,524,709
Movement						
Net carrying amount at 1 July	237,095	312,128	408,448	193,172	153,377	1,304,220
Additions – operating	4,025	14,269	4,931	39,642	45,125	107,992
Additions – interest	-	-	-	-	1,532	1,532
Additions – development	6	-	-	-	46,890	46,896
Acquisitions	5,366	42,659	101,208	24,007	798	174,038
Revaluation	-	-	-	-	-	-
Disposals	-	(315)	-	(776)	-	(1,091)
Transfers between asset classes	52	106,336	7,075	12,084	(125,691)	(144)
Depreciation	-	(27,310)	(26,850)	(54,574)	-	(108,734)
Net carrying amount at 30 June	246,544	447,767	494,812	213,555	122,031	1,524,709
Year ended 30 June 2018						
Cost	237,095	621,134	551,219	535,038	153,377	2,097,863
Accumulated depreciation	-	(309,006)	(142,771)	(341,866)	-	(793,643)
Net carrying amount	237,095	312,128	408,448	193,172	153,377	1,304,220

The carrying value of property, plant and equipment held under finance leases and hire purchase contracts at 30 June 2019 is \$5,847,000 (2018: \$9,868,000). Refer to Note E6 for information on the accounting treatment for finance leases.

NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2019

A5 PROPERTY, PLANT AND EQUIPMENT (continued)

(i) Accounting policy

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

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

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

Depreciation

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

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

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

Impairment

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

Derecognition

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

Componentisation of buildings

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

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

The Group incurred a net gain on the disposal of property, plant and equipment of \$225,000 (2018: net gain of \$49,000). The expense included in 'other expenses from ordinary activities' in the profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS: Key numbers
FOR THE YEAR ENDED 30 JUNE 2019**

A6 INVESTMENT PROPERTIES

	2019 \$'000s
Opening balance at 1 July	36,285
Additions	-
Disposals	-
Net gain from fair value adjustment (note A1)	197
Closing balance at 30 June	<u>36,482</u>

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

(i) Accounting policy

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

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

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

NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2019

A6 INVESTMENT PROPERTIES (continued)

(ii) Fair value

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

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

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

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

On 30 April 2018, the investment properties were independently valued by AON Risk Services Australia Limited ("AON"), a member of the Australian Property Institute. The basis of the valuation of investment properties was fair value, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction based on current prices in an active market.

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

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

The Directors have assessed the fair value of investment properties as at 30 June 2019 and consider it appropriate.

(iii) Non-current assets pledged as security

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

(iv) Leasing arrangements

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

(v) Other

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

**NOTES TO THE FINANCIAL STATEMENTS: Key numbers
FOR THE YEAR ENDED 30 JUNE 2019**

A7 INTANGIBLE ASSETS

	Goodwill \$'000	Residential aged care bed licences \$'000	Development costs and other intangibles \$'000	Total \$'000
Year ended 30 June 2019				
Cost	116,449	73,768	68,471	258,688
Accumulated amortisation and impairment	-	-	(32,198)	(32,198)
Net carrying amount	116,449	73,768	36,273	226,490
Movement				
Carrying amount at 1 July	52,761	46,978	30,716	130,455
Additions	-	1,365	11,327	12,692
Acquisitions	63,688	25,425	1,776	90,889
Transfer	-	-	144	144
Amortisation expense	-	-	(7,690)	(7,690)
Carrying amount at 30 June	116,449	73,768	36,273	226,490
Year ended 30 June 2018				
Cost	52,761	46,978	57,249	156,988
Accumulated amortisation and impairment	-	-	(26,533)	(26,533)
Net book amount	52,761	46,978	30,716	130,455

(i) Accounting policy

Goodwill

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

Goodwill of \$3,056,000 from the acquisition of St Vincent's Care Services Hawthorn on 1 July 2018, \$29,628,000 from the acquisition of SVPHN on 1 July 2018, \$7,031,000 from the acquisition of Rosary Village on 1 December 2018, \$475,000 from the acquisition of St Joan of Arc Villa on 1 March 2019, and \$23,498,000 has arisen in relation to the acquisition of Holy Spirit Care Service Brisbane and Holy Spirit Care Service Boondall on 1 June 2019 (iii).

Refer to Note A7 (iii), Goodwill on acquisition of business combination.

NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2019

A7 INTANGIBLE ASSETS (continued)

(i) Accounting policy (continued)

Residential aged care bed licences

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

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

Development costs and other intangibles

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

Amortisation

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

Impairment

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

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

Derecognition

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

NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2019

A7 INTANGIBLE ASSETS (continued)

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

Goodwill

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

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

Residential aged care bed licences

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

(iii) Goodwill on acquisition of business combination

St Vincent's Private Hospital Northside Limited

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

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

The fair value of the identifiable assets and liabilities of SVPHN at the date of acquisition were as follows. The value of the non-controlling interest was determined based on its interest in the fair value of the identifiable net assets at the date of acquisition. Goodwill of \$29,628,000 arose on the acquisition, representing the excess of the cost of the acquisition over the fair value of the net identifiable assets at the date of acquisition.

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

**NOTES TO THE FINANCIAL STATEMENTS: Key numbers
FOR THE YEAR ENDED 30 JUNE 2019**

A7 INTANGIBLE ASSETS (continued)

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

St Vincent's Private Hospital Northside Limited (continued)

	2019 \$'000
Cash and cash equivalents	54,995
Trade and other receivables	15,802
Inventories	2,417
Property, plant and equipment	57,789
Intangibles	1,768
Total assets	132,771
Trade payables	17,992
Borrowings	39,210
Provisions	14,825
Total liabilities	72,027
Fair value of identified net assets acquired	60,744
Acquisition date fair value of consideration transferred:	
Cash paid	60,000
Fair value of existing 50% non-controlling interest	30,372
Total consideration transferred	90,372
Consideration transferred	90,372
Less fair value of identifiable net assets acquired	(60,744)
Goodwill arising on acquisition	29,628
Fair value of pre-existing 50% non- controlling interest	30,372
Less equity accounted carrying value of pre-existing 50% non-controlling interest	30,372
Net gain on acquisition	-
Direct costs relating to the acquisition	-
Lease commitments (a)	308,031
Contingent liabilities (Note D2)	3,643
Commitments and contingent liabilities on acquisition:	311,674

(a) Lease Commitment

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

**NOTES TO THE FINANCIAL STATEMENTS: Key numbers
FOR THE YEAR ENDED 30 JUNE 2019**

A7 INTANGIBLE ASSETS (continued)

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

Rosary Village

Rosary Village is located at Yennora in New South Wales and was acquired on 1 December 2018 from The Trustees of Catholic Aged Care Sydney ("TCACS") in accordance with the Group's aged care growth strategy. The consideration transferred for the acquisition of the business, liabilities and assets (excluding land) of Rosary Village was \$19,405,000.

The fair value of the identifiable assets and liabilities of Rosary Village at the date of acquisition on 1 December 2018 were:

	Provisional Fair Value \$'000
Cash and cash equivalents	11,051
Trade and other receivables	653
Property, plant and equipment	17,628
Intangibles	8,460
	<u>37,792</u>
Trade payables	559
Accommodation payables	24,230
Provisions	629
	<u>25,418</u>
Provisional fair value of identified net assets acquired	12,374
Acquisition date fair value of consideration paid to TCACS was:	
Cash paid	19,405
Goodwill on acquisition	<u>7,031</u>
Direct costs relating to the acquisition were:	
Included in other expenses from ordinary activities – current financial year	<u>122</u>

**NOTES TO THE FINANCIAL STATEMENTS: Key numbers
FOR THE YEAR ENDED 30 JUNE 2019**

A7 INTANGIBLE ASSETS (continued)

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

St Joan of Arc Villa

St Joan of Arc Villa is located at Haberfield in New South Wales and was acquired on 1 March 2019 from The Trustees of Catholic Aged Care Sydney ("TCACS") in accordance with the Group's aged care growth strategy. The consideration transferred for the acquisition of the business, liabilities and assets (excluding land) of St Joan of Arc Villa was \$5,341,000.

The fair value of the identifiable assets and liabilities of St Joan of Arc Villa at the date of acquisition on 1 March 2019 were:

	Provisional Fair Value \$'000
Cash and cash equivalents	9,488
Trade and other receivables	143
Property, plant and equipment	5,875
Intangibles	3,000
	<hr/> 18,506 <hr/>
Trade payables	3,536
Accommodation payables	9,544
Provisions	560
	<hr/> 13,640 <hr/>
Provisional fair value of identified net assets acquired	4,866
Acquisition date fair value of consideration paid to TCACS was:	
Cash paid	5,341
Goodwill on acquisition	475
	<hr/> <hr/>
Direct costs relating to the acquisition were:	
Included in other expenses from ordinary activities – current financial year	131
	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS: Key numbers
FOR THE YEAR ENDED 30 JUNE 2019**

A7 INTANGIBLE ASSETS (continued)

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

St Vincent's Care Services Hawthorn (formerly Sisters of St Joseph Health Care Services (Vic))

Mary MacKillop Aged Care is located at Hawthorn East in Victoria and is operated by St Vincent's Care Services Hawthorn (formerly Sisters of St Joseph Health Care Services (Vic)). SVCS acquired the membership interest in St Vincent's Care Services Hawthorn on 1 July 2018 from the Trustees of the Sisters of St Joseph ("TSOSJ") in accordance with the Group's aged care growth strategy. The consideration transferred for the acquisition of the membership interest (including the business, liabilities and assets but excluding land) of Mary MacKillop Aged Care was \$18,157,379.

	\$'000
Cash and cash equivalents	18,715
Trade and other receivables	109
Property, plant and equipment	8,984
Intangibles	5,460
	<u>33,268</u>
Trade payables	471
Accommodation payables	16,678
Provisions	1,018
	<u>18,167</u>
Fair value of membership interest acquired	15,101
Acquisition date fair value of consideration paid to TSOSJ was:	
Cash paid	18,157
Goodwill on consolidation	<u>3,056</u>
Direct costs relating to the acquisition were:	
Included in other expenses from ordinary activities – prior financial year	173
Included in other expenses from ordinary activities – current financial year	6
	<u>179</u>

**NOTES TO THE FINANCIAL STATEMENTS: Key numbers
FOR THE YEAR ENDED 30 JUNE 2019**

A7 INTANGIBLE ASSETS (continued)

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

Holy Spirit Care Service

Holy Spirit Care Service Brisbane is located at Carseldine in Queensland and is operated by St Vincent's Care Services Carseldine Ltd (formerly Holy Spirit Care Services (Brisbane) Ltd). Holy Spirit Care Service Boondall is located at Boondall in Queensland and is operated by St Vincent's Care Services Boondall Ltd (formerly Holy Spirit Care Services (Boondall) Ltd). SVCS acquired the membership interests in St Vincent's Care Services Carseldine and St Vincent's Care Services Boondall on 1 June 2019 from the Mission Congregation Servants of the Holy Spirit ("Holy Spirit Congregation") in accordance with the Group's aged care growth strategy. The consideration transferred for the acquisition of the membership interests (including the business, liabilities and assets but excluding the Carseldine land) of Holy Spirit Care Service Brisbane and Holy Spirit Care Service Boondall was \$27,755,000.

	Provisional Fair Value \$'000
Cash and cash equivalents	17,700
Trade and other receivables	625
Inventories	170
Property, plant and equipment	83,517
Intangibles	8,505
	<u>110,517</u>
Trade payables	1,545
Accommodation payables	102,803
Provisions	1,912
	<u>106,260</u>
Provisional fair value of membership interest acquired	4,257
Acquisition date fair value of consideration paid to Holy Spirit Congregation was:	
Cash paid	27,755
Goodwill on consolidation	<u>23,498</u>
Direct costs relating to the acquisition were:	
Included in other expenses from ordinary activities – prior financial year	40
Included in other expenses from ordinary activities – current financial year	339
	<u>379</u>

**NOTES TO THE FINANCIAL STATEMENTS: Key numbers
FOR THE YEAR ENDED 30 JUNE 2019**

A8 TRADE AND OTHER PAYABLES

	2019 \$'000s	2018 \$'000s
Current		
Trade creditors and accrued expenses	233,417	196,786
Other payables	64,601	47,818
Amounts due to related parties (unsecured) (note C5)	6,608	6,112
	<u>304,626</u>	<u>250,716</u>
Non-current		
Other payables	42,621	6,310
Amount due to related parties (unsecured) (note C5)	-	685
	<u>42,621</u>	<u>6,995</u>

(i) Accounting policy

Payables are initially recognised at fair value less transaction costs and subsequently carried at amortised cost. Trade payables are unsecured and are usually paid within 30 days of recognition.

(ii) Financial risk management

Liquidity risk

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

(iii) Fair value

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

**NOTES TO THE FINANCIAL STATEMENTS: Key numbers
FOR THE YEAR ENDED 30 JUNE 2019**

A9 ACCOMMODATION PAYABLES

	2019	2018
	\$'000s	\$'000s
Refundable accommodation deposits (RADs)	314,833	223,912
Accommodation bonds (ABs)	46,372	43,641
Independent living unit (ILU) entry contributions	115,490	43,719
	476,695	311,272

(i) Accounting policy

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

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

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

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

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

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

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

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

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

Independent living unit (ILU) entry contributions

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

(ii) Classification as a current liability

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

	2019	2018
	\$'000s	\$'000s
Expected to be settled within 12 months	178,924	78,734
Expected to be settled greater than 12 months	297,771	232,538
	476,695	311,272

**NOTES TO THE FINANCIAL STATEMENTS: Key numbers
FOR THE YEAR ENDED 30 JUNE 2019**

A9 ACCOMMODATION PAYABLES (continued)

(iii) Movement in accommodation payables

	2019	2018
	\$'000s	\$'000s
Opening balance at 1 July	311,272	249,126
Acquired	157,001	-
Proceeds from residents	82,669	138,575
Repayments to former residents	(71,784)	(74,165)
Interest payable to former residents	999	788
Interest, retentions and other deductions charged to residents	(3,462)	(3,052)
Closing balance at 30 June	476,695	311,272

(iv) Financial risk management

Liquidity risk

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

Maturity of accommodation payables

Accommodation payables have no fixed repayment dates.

**NOTES TO THE FINANCIAL STATEMENTS: Key numbers
FOR THE YEAR ENDED 30 JUNE 2019**

A10 PROVISIONS

	2019 \$'000s	2018 \$'000s
Current		
Employee benefits (note A2(i))	324,791	282,627
Insurance deductible excess (ii)	1,226	884
Other provisions	10,799	16,435
	336,816	299,946
Non-current		
Employee benefits (note A2(i))	50,137	38,593
Insurance deductible excess (ii)	4,731	2,792
	54,868	41,385

(i) Accounting policy

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

(ii) Insurance deductible excess

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

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

Opening balance at 1 July (current and non-current)	3,676	3,282
Additional provision recognized	1,275	1,019
Acquired	902	-
Claims paid	(696)	(1,134)
Annual assessment of open claims adjustment	800	509
Closing balance at 30 June (current and non-current)	5,957	3,676

NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management FOR THE YEAR ENDED 30 JUNE 2019

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

B1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents of \$195,688,000 (2018: 176,397,000) comprise cash at bank and short term deposits.

(i) Accounting policy

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

B2 INVESTMENTS

	2019 \$'000s	2018 \$'000s
Current		
Fair value through profit or loss financial assets	272,102	271,665
Other financial assets at amortised cost	14,533	2,607
	286,635	274,272
Non-current		
Fair value through profit or loss financial assets	115,838	72,440
	115,838	72,440

(i) Accounting policy

Refer to Note E6, Other Accounting Policies, Financial Instruments

(ii) Fair value

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

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

**NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management
FOR THE YEAR ENDED 30 JUNE 2019**

B3 CASH AND INVESTMENTS – FINANCIAL RISK MANAGEMENT

Interest rate risk

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

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

B4 BORROWINGS

	2019 \$'000s			2018 \$'000s		
	Current	Non-current	Total	Current	Non-current	Total
Secured						
Amounts due to TMAM (ii)	5,425	83,815	89,240	5,068	81,590	86,658
Bank loans (iii)	-	-	-	1,431	-	1,431
Lease liability	3,457	3,285	6,742	4,431	6,742	11,173
	8,882	87,100	95,982	10,930	88,332	99,262
Unsecured						
Amounts due to the Trustees of the Sisters of Charity of Australia (iv)	813	-	813	1,051	-	1,051
Bank loan (v)	-	253,500	253,500	-	155,000	155,000
Loan from St Vincent's Private Hospital Sydney (note C5)	69,784	9,935	79,719	68,925	9,711	78,636
	70,597	263,435	334,032	69,976	164,711	234,687
	79,479	350,535	430,014	80,906	253,043	333,949

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

(i) Accounting policy

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

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

**NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management
FOR THE YEAR ENDED 30 JUNE 2019**

B4 BORROWINGS (continued)

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

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

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

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

On 11 November 2018, the Group agreed to prepayments of \$250,000 per annum at the request of TMAM. This resulted in a change to the present value of the loan. Consequently, \$1,802,000 was recognised as an equity transaction with the parent.

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

- *Repayment amount* - loan repayments are made quarterly each year and comprise a base amount which is indexed each year in line with consumer price index and an additional element as agreed but constrained such that the overall Health Ministry of the SVHA Company would not be adversely impacted by any request for payments under this element. The repayment amount for the 2019 year was \$5,273,880 and will increase in 2020 by CPI.
- *Security* - the loan is secured by a mortgage over the majority of the assets of the Group.
- *Interest* – nil at present, however, TMAM reserve the right to charge interest however interest will only be charged prospectively (after providing 12 months' notice).

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

	2019 \$'000s	2018 \$'000s
Subordinated mortgage		
Freehold land and buildings	233,716	224,974
Investment properties	32,136	32,136
Total assets pledged as security	265,852	257,110

(iii) Secured bank loans

(a) \$nil bank loan to Catholic Development Fund (2018: \$1,107,000)

A loan was taken out on 6 February 2009 for a total of \$8,300,000 for the development of the carpark in the O'Brien Building. The loan was repayable over 10 years and was fully repaid on 14 December 2018.

The Catholic Development Fund bank loan was secured with a fixed and floating charge over the cash flow and income in respect of the operation of all car parking facilities at St Vincent's Hospital Sydney Limited together with the underground parking station under the building known as the O'Brien Building at St Vincent's Hospital Sydney Limited. The carpark income flows to the Trustees of St Vincent's Hospital Sydney and the loan was fully repaid on 14 December 2018.

NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management FOR THE YEAR ENDED 30 JUNE 2019

B4 BORROWINGS (continued)

(iii) Secured bank loans (continued)

(b) \$nil bank loan (2018: \$324,000)

On 1 January 2017 St Vincent's Private Hospitals Ltd took a loan in the amount of \$680,000 for the purchase of Philips medical equipment. The loan is repayable over 8 quarterly instalments at a fixed rate of 3.0% at 30 June 2019 (2018: 3.0%)

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

On 28 June 2013, the Group acquired 190 residential aged care bed licences at a total cost of \$4,750,000 from The Congregation of the Religious Sisters of Charity of Australia ("Congregation"). The acquisition of these intangible assets was financed by the provision of a loan by the Congregation. On 28 June 2013, the loan was assigned by the Congregation to the Trustees of the Sisters of Charity of Australia ("TSCA").

On 28 June 2013, St Joseph's Village Limited acquired 80 residential aged care bed licences at a total cost of \$2,000,000 from The Congregation of the Religious Sisters of Charity of Australia ("Congregation"). The acquisition of these intangible assets was financed by the provision of a loan by the Congregation. On 28 June 2013, the loan was assigned by the Congregation to TSCA. On 1 July 2015 the assets, liabilities and operations of St Joseph's Village Limited were transferred to the Group.

Fixed repayments of \$59,375 (2018: \$59,375) are made quarterly each year. While TSCA has the right to charge interest none has been charged.

The balance of the amount due is classified as a current liability as it is effectively callable at the discretion of TSCA pursuant to their ability to offset any ingoing contribution amounts payable upon occupancy of an independent living unit operated by the Group. For the year ended 30 June 2019, TSCA elected to offset \$nil (2018: \$1,161,000) of ingoing contribution payable upon occupancy under this provision.

(v) Unsecured bank loans

\$253,500,000 bilateral bank loan (2018: \$155,000,000)

On 12 March 2019, St Vincent's Healthcare Limited refinanced its current facility, increasing from \$300,000,000 to \$450,000,000 with various maturity dates (\$75,000,000: 21 March 2024; \$25,000,000: 20 March 2024; \$50,000,000: 21 March 2026).

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

Interest is payable at maturity of each loan drawdown and calculated based on an actual/365 basis. The bank loan attracts a variable average rate of interest at 3.68% at 30 June 2019 (2018: 3.35%)

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

NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management FOR THE YEAR ENDED 30 JUNE 2019

B4 BORROWINGS (continued)

(vi) Financial risk management

Market risk - interest rate risk

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

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

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

Liquidity risk

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

Financing arrangements

The Group has limited undrawn borrowing facilities that are not committed to current capital projects. Given the nature of the Group and the financial obligations that it currently has, this position is considered to be of low risk. The Group has access to \$196,500,000 in undrawn borrowing facilities, at variable rates (2018: \$145,000,000).

The majority of undrawn borrowing facilities relate to current capital projects that will be completed in less than two years from balance date. The weighted average interest rate for the drawn borrowing facilities is 3.68% (2018: 3.03%).

NOTES TO THE FINANCIAL STATEMENTS: Group structure FOR THE YEAR ENDED 30 JUNE 2019

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

C1 ULTIMATE PARENT ENTITY AND MEMBER'S GUARANTEE

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

If SVHA is wound up the constitution states that each member is required to contribute a maximum of \$100 each towards meeting the obligations of SVHA. At 30 June 2019, SVHA had 1 member (2018: 1) so the maximum amount to be contributed towards meeting the obligations of SVHA would be \$100 (2018: \$100).

C2 PARENT ENTITY FINANCIAL INFORMATION

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

The results of the parent entity are as follows:

	2019 \$'000s	2018 \$'000s
Current assets	22,980	15,545
Total assets	268,454	207,358
Current liabilities	52,417	23,083
Total liabilities	151,463	85,067
Reserves	204	204
Retained earnings	116,787	122,087
Total equity	116,991	122,291
Operating deficit recorded by the parent entity	(5,300)	(2,604)
Total comprehensive loss of the parent entity	(5,300)	(2,604)

NOTES TO THE FINANCIAL STATEMENTS: Group structure FOR THE YEAR ENDED 30 JUNE 2019

C3 SUBSIDIARIES

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

Name of Entity	Country of Incorporation	Equity Holding		Carrying amount	
		2019	2018	2019	2018
		%	%	\$'000	
St Vincents & Mater Health Sydney Limited	Australia	100	100	-	-
St Vincent's Clinic	Australia	100	100	6,402	6,402
The Trustee for St Vincent's Clinic Foundation	Australia	100	100	-	-
St Vincent's Care Services Ltd	Australia	100	100	9,545	9,545
St Vincent's Healthcare Limited	Australia	100	100	5,261	5,261
St Vincent's Hospital (Melbourne) Limited	Australia	100	100	45,653	45,653
St Vincent's Hospital Sydney Limited	Australia	100	100	20,474	20,474
St Vincent's Private Hospitals Ltd	Australia	100	100	84,346	84,346
St Vincent's Curran Foundation	Australia	100	100	-	-
Aikenhead Centre for Medical Discovery Limited	Australia	100	100	-	-
St Vincent's Health Australia Foundation Queensland	Australia	100	100	-	-
St Vincent's Health Australia Foundation Victoria	Australia	100	100	-	-
Victor Chang Cardiac Research Institute	Australia	100	100	-	-
St Vincent's Institute of Medical Research	Australia	100	100	-	-
St Vincent's Private Hospital Northside Limited ¹	Australia	100	50	90,372	-
St Vincent's Care Services Boondall Ltd ²	Australia	100	0	4,193	-
St Vincent's Care Services Carseldine Ltd ³	Australia	100	0	23,562	-
St Vincent's Care Services Hawthorn ⁴	Australia	100	0	-	-
				289,808	171,681

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

² On 1 June 2019, The Mission Congregation of the Servants of the Holy Spirit and SVHA agreed a transition of membership, whereby St Vincent's Care Services Ltd became the sole member of St Vincent's Care Services Boondall Ltd (formerly Holy Spirit Care Services (Boondall) Ltd.)

³ On 1 June 2019, The Mission Congregation of the Servants of the Holy Spirit and SVHA agreed a transition of membership, whereby St Vincent's Care Services Ltd became the sole member of St Vincent's Care Services Carseldine Ltd (formerly Holy Spirit Care Services (Brisbane) Ltd.)

⁴ On 1 July 2018, The Trustees of the Sisters of St Joseph and SVHA agreed a transition of membership, whereby St Vincent's Care Services Ltd became the sole member of St Vincent's Care Services Hawthorn (formerly Sisters of St Joseph Health Care Services (Vic). On 1 April 2019, St Vincent's Care Services Ltd transferred the membership of St Vincent's Care Services Hawthorn to St Vincent's Health Australia Limited. On 5 September 2019 St Vincent's Care Services Hawthorn was deregistered.

NOTES TO THE FINANCIAL STATEMENTS: Group structure FOR THE YEAR ENDED 30 JUNE 2019

C4 INTEREST IN JOINT VENTURE

On 1 July 2018, The Mission Congregation of the Servants of the Holy Spirit and SVHA agreed a transition of membership, whereby SVHA becomes the sole member of Holy Spirit Northside Private Hospital Limited (now formally known as St Vincent's Private Hospital Northside Limited "SVPHN") subject to the Holy See approval (Note A7(iii)). Until 30 June 2018, SVHA held a 50% interest in SVPHN and the Group's interest in SVPHN was accounted for using the equity method.

Summarised financial information relating to the joint venture, based on its financial statements, and reconciliation with the carrying amount of the investment in the entity as at 30 June 2018 is set out below.

	2018 \$'000s
Joint venture's results	
Revenue and other income	173,464
Operating surplus and total comprehensive income for the year	12,860
Group's share of surplus and total comprehensive income for the year	6,430
Current assets ¹	72,528
Non-current assets	60,243
Current liabilities	(68,700)
Non-current liabilities	(3,326)
Equity	60,745
Group's carrying amount of investment in joint venture	30,372

¹ Included in current assets are cash and cash equivalents of \$43,003,000.

	2018 \$'000s
Joint venture's commitments and contingent liabilities	
Lease commitments	315,151
Contingent liabilities	3,643

(i) Accounting policy

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

**NOTES TO THE FINANCIAL STATEMENTS: Group structure
FOR THE YEAR ENDED 30 JUNE 2019**

C5 RELATED PARTY TRANSACTIONS

Transactions with related parties during the year ended 30 June 2019 consisted of:

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

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

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

	2019	2018
	\$'000s	\$'000s
<i>Interest income from:</i>		
Joint ventures	-	4
<i>Lease income from:</i>		
St Vincent's Private Hospital Sydney	14,352	13,800
<i>Income from the provision of management and administrative services to:</i>		
Joint ventures	-	5,975
St Vincent's Private Hospital Sydney	20,220	23,144
<i>Expenses relating to the provision of management and administrative services by:</i>		
Joint ventures	-	356
St Vincent's Private Hospital Sydney	20,455	22,352
<i>Repayment of interest-free amounts advanced from</i>		
TMAM	5,274	4,921
Trustees of the Sisters of Charity of Australia	-	1,398

NOTES TO THE FINANCIAL STATEMENTS: Group structure
FOR THE YEAR ENDED 30 JUNE 2019

C5 RELATED PARTY TRANSACTIONS (continued)

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

	2019 \$'000s			2018 \$'000s		
	Current	Non-current	Total	Current	Non-current	Total
Receivables						
Amounts due from related parties						
Joint ventures	-	-	-	4	-	4
St Vincent's Private Hospital Sydney	434	-	434	191	-	191
	434	-	434	195	-	195
Payables						
Amounts due to related parties (unsecured)						
Joint ventures	-	-	-	99	685	784
St Vincent's Private Hospital Sydney	6,608	-	6,608	6,014	-	6,014
	6,608	-	6,608	6,112	685	6,798
Borrowings						
Loan from related party (i)						
St Vincent's Private Hospital Sydney	69,784	9,935	79,719	68,925	9,711	78,636
	69,784	9,935	79,719	68,925	9,711	78,636

(i) Loan from related party

The Group has a loan from St Vincent's Private Hospital Sydney Limited amounting to \$79,719,000 (2018: \$78,636,000). The loan is unsecured and attracts a variable interest rate of 3.39% (2018: 3.39%).

NOTES TO THE FINANCIAL STATEMENTS: Group structure
FOR THE YEAR ENDED 30 JUNE 2019

C6 DEEMED CONTRIBUTION BY PARENT ENTITY ON BUSINESS COMBINATION

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

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

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

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

The carrying values of the identifiable assets and liabilities transferred as at 1 July 2018 were:

	St Vincent's Institute of Medical Research	Victor Chang Cardiac Research	Total
	\$'000s	\$'000s	\$'000s
Cash and cash equivalent	11,201	1,752	12,953
Trade and other receivables	1,770	6,640	8,410
Inventories	-	195	195
Investments	14,998	51,698	66,696
Property, plant and equipment	3,353	44,096	47,449
	31,322	104,381	135,703
Trade payables	2,230	32,162	34,392
Borrowings	-	-	-
Provisions	3,668	1,951	5,619
	5,898	34,113	40,011
Book value of identified net assets acquired	25,424	70,268	95,692
Book value of consideration paid to Trustees of the Sisters of Charity of Australia at acquisition date	-	-	-
Cash paid	-	-	-
Deemed contribution by parent entity	25,424	70,268	95,692
Direct costs relating to the acquisitions	-	-	-
The cash inflows on acquisition were:			
Net cash acquired	11,201	1,752	12,953
Cash paid	-	-	-
Net cash inflow	11,201	1,752	12,953

NOTES TO THE FINANCIAL STATEMENTS: Unrecognised items FOR THE YEAR ENDED 30 JUNE 2019

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

D1 COMMITMENTS

	2019 \$'000s	2018 \$'000s
--	-----------------	-----------------

Capital commitments

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

Within one year	68,746	74,809
Later than one year but not later than 5 years	42,707	47,609
	111,453	122,418

Operating expenditure commitments

Within one year	3,300	1,898
-----------------	--------------	--------------

Collocation agreement commitments

Commitments for minimum payments in relation to the Collocation Agreement with the State of Queensland are payable as follows:

Within one year	3,078	-
Later than one year but not later than five years	13,265	-
Later than five years (i)	285,520	-
	301,863	-

(i) Collocation agreement commitments later than 5 years

On 1 July 2018, SVHA becomes the sole member of SVPHN. Prior to that SVHA had held a 50% interest in SVPHN and the investment in SVPHN was equity accounted. Please refer to Note A7(iii).

SVPHN leases from the State of Queensland the land on which SVPHN campus is located, the lease for the land expires on 23 November 2065. At the end of the lease term, ownership of the leasehold improvements transitions to the State of Queensland at no cost. The rent is fixed with an annual CPI review (with a floor).

Contingent rent is payable under the Collocation Agreement in the event that Earnings Before Interest, Taxation, Depreciation and Amortisation as a percentage of Gross Revenue exceeds an agreed threshold percentage.

Lease commitments

Non-cancellable operating leases

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

Within one year	8,412	8,635
Later than one year but not later than 5 years	17,236	14,636
Later than 5 years (ii)	600,819*	42,792
	626,467	66,063

(ii) Non-cancellable operating leases later than 5 years

During FY19 SVCS entered into land leases for Yennora (99-year lease), Haberfield (99-year lease) and Hawthorn (50-year lease) campuses. The present value of the non-cancellable operating leases later than 5 years is \$6,191,000.

**NOTES TO THE FINANCIAL STATEMENTS: Unrecognised items
FOR THE YEAR ENDED 30 JUNE 2019**

D1 COMMITMENTS (continued)

Finance leases

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

	2019 \$'000s	2018 \$'000s
Within one year	3,290	3,979
Later than one year but not later than 5 years	3,403	6,214
	6,693	10,193
Less amounts representing finance charges	479	761
	6,214	9,432

D2 CONTINGENT LIABILITIES

A contingent liability is a liability that is not sufficiently certain to qualify for recognition as a provision where uncertainty may exist regarding the outcome of future events.

The contingent liabilities of the Group at 30 June 2019 are detailed below. No material losses are anticipated in respect of any of these contingent liabilities.

Entity with Rights	Nature of Security or Obligation	2019 \$'000s	2018 \$'000s
Doctors owning strata title suites in the St Vincent's Clinic building	St Vincent's Healthcare Limited ("SVHC") has given an undertaking to buy back certain clinic suites for which an approved buyer cannot be found within 90 days after the service of a Sale Notice. The amount shown represents the full value of all suites that SVHC has committed to repurchase in the event that they cannot be sold.	48,598	48,598
Queensland Housing Commission	Pursuant to a capital funding agreement with the Queensland Housing Commission, St Vincent's Care Services Limited ("SVCS") may be liable to repay funds provided to assist with the original construction of public rental units at St John the Baptist Retirement Community. This liability would arise if SVCS ceased to operate the Community or if there is a breach in the terms and conditions of the capital funding agreement prior to the 22 June 2044.	-	164
Commonwealth Department of Health & Ageing	In the financial year ended 30 June 2011, SVPHN entered into a capital funding agreement with the Commonwealth Department of Health & Ageing which enabled HSNPH to receive funding for capital works under the Commonwealth Government's Innovative Clinical Teaching and Training Grants Program. Under the agreement HSNPH received capital grant funding of \$4,857,000 to assist in the funding of the construction of a Clinical Education Centre which was completed and opened on 8 November 2012. Pursuant to agreement, HSNPH may be liable to repay any funds advanced by the Commonwealth Department of Health & Ageing if HSNPH ceases to operate the Clinical Education Centre or if there is a breach in the terms and conditions of the capital funding agreement prior to 8 November 2032.	3,400	-

NOTES TO THE FINANCIAL STATEMENTS: Unrecognised items FOR THE YEAR ENDED 30 JUNE 2019

D2 CONTINGENT LIABILITIES (continued)

During FY19, St Vincent's Hospital (Melbourne) Limited, one of the entities within the Group, has inspected its buildings and has identified that it needs to rectify cladding issues related to the main hospital inpatient building in Fitzroy upon taking into account the recent developments with the Victorian Government in identifying non-compliant cladding. As such the cladding works have given rise to a contingent liability as the proposed works are subject to great uncertainty given the nature and timing of the works required, the cladding product to be utilized, and ultimate funding source has yet to be determined. The contingent liability is estimated to be in the range of \$10m - \$17m. Discussions are being held with the Department of Health and Human Services to seek funding for the works.

D3 SUBSEQUENT EVENTS

The following transactions have occurred since 30 June 2019.

On 1 July 2019, the businesses, assets and liabilities of SVPHN were transferred at book value for nil consideration to St Vincent's Private Hospitals Ltd, representing a deemed contribution to St Vincent's Health Australia Ltd (the parent entity) by SVPHNS of \$72,129,000.

John Paul Village ("JPV") is located at Heathcote in New South Wales and is operated by the Trustees of Catholic Aged Care Sydney ("TCACS"). The Archdiocese of Sydney has agreed to transition the business and assets to the company in accordance with the company's aged care growth strategy. The business and assets in JPV were acquired subsequent to the reporting date on 1 September 2019 from TCACS. The consideration transferred for the acquisition of the JPV business and assets (excluding land) was \$25,361,000. The land upon JPV operates is leased by the Company from the Trustees. The current 99 year lease expires on 31 August 2118.

Apart from these matters, the Directors are not aware of any matter or circumstance occurring since 30 June 2019 that has significantly or may significantly affect the operations of the Group.

NOTES TO THE FINANCIAL STATEMENTS: Other FOR THE YEAR ENDED 30 JUNE 2019

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

E1 KEY MANAGEMENT PERSONNEL

Directors

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

Mr. P Robertson AO	Mr. B Earle
Ms. P Faulkner AO (retired 31 December 2018)	Sr. M Wright IBVM
Ms. A McDonald	Mr. P McClintock AO
Prof. M Confoy RSC (retired 31 December 2018)	Ms. S McPhee AM
Prof. S Crowe AM	Dr M Coote
Ms. A Cross AM (appointed 1 January 2019)	

Executives

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

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

Mr. T Hall	Group Chief Executive Officer
Ms. R Martin	Group Chief Financial Officer
Mr. R Beeton	Group General Manager, Legal, Governance & Risk
Mr. D Swan	Chief Executive Officer, Private Hospitals Division
Mr. J Leahy	Chief Executive Officer, St Vincent's Care Services ¹
Mr. L Hopper	Chief Executive Officer, St Vincent's Care Services ²
Prof. P O'Rourke	Chief Executive Officer, Public Hospitals Division

¹ The last day of John Leahy appointed as St Vincent's Care Services Chief Executive Officer was 12 August 2018

² St Vincent's Care Services Chief Executive Officer, Lincoln Hopper commenced 13 August 2018

Compensation

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

	2019	2018
	\$	\$
Total compensation paid to key management personnel	4,317,156	4,842,603

There were no loans or transactions between the Group and its key management personnel during the financial year (2018: \$nil).

NOTES TO THE FINANCIAL STATEMENTS: Other FOR THE YEAR ENDED 30 JUNE 2019

E2 ECONOMIC DEPENDENCY

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

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

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

E3 NATURE AND PURPOSE OF RESERVES

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

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

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

E4 FAIR VALUE HIERARCHY

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS: Other FOR THE YEAR ENDED 30 JUNE 2019

E5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretation

The Group applied AASB 9 for the first time. The nature and effect of the changes as a result of adoption of the new accounting standard are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have a significant impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaced AASB 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

With the exception of hedge accounting, which the Group applied prospectively, the Group has applied AASB 9 retrospectively, with the initial application date of 1 July 2018. In accordance with the transitional provisions in AASB 9(7.2.15) and (7.2.26), comparative figures have not been restated. The reclassifications and the adjustments arising from the adoption of the new standard are therefore not reflected in the balance sheet as at 30 June 2018, but are recognised in the opening balance sheet on 1 July 2018.

The effect of adopting AASB 9 is, as follows:

(a) Classification and measurement

Under AASB 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 July 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of AASB 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under AASB 139. The following are the changes in the classification of the Group's financial assets:

- Trade receivables, Held-to-maturity investment and Other loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as Debt instruments at amortised cost.
- Listed equity investments previously classified as AFS financial assets are now classified and measured as Financial assets at fair value through profit or loss.

As a result of the change in classification of the Group's listed equity investments, the AFS reserve of \$1,190,000 related to those investments that were previously presented under accumulated OCI, was reclassified to Retained surpluses as at 1 July 2018.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS: Other
FOR THE YEAR ENDED 30 JUNE 2019

E5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretation (continued)

In summary, upon the adoption of AASB 9, the Group had the following required or elected reclassifications:

As at 1 July 2018		AASB 9 measurement category		
		Fair value through profit or loss	Amortised cost	Fair value through OCI
AASB 139 measurement category	\$000	\$000	\$000	\$000
<i>Loans and receivables</i>				
Trade receivables	69,257	-	69,527	-
Amounts due from related parties	195	-	195	-
Other receivables	84,400	-	84,400	-
<i>Held-to-maturity investments</i>	2,607	-	2,607	-
<i>Available-for-sale investments</i>	16,258	16,258	-	-
		16,258	156,729	-

(b) Impairment

The adoption of AASB 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

The adoption of AASB 9 did not have a significant financial impact on the Group and therefore there was no material change in Retained surpluses as 1 July 2018.

(c) Hedge accounting

The Group applied hedge accounting prospectively. At the date of initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships.

NOTES TO THE FINANCIAL STATEMENTS: Other FOR THE YEAR ENDED 30 JUNE 2019

E6 OTHER ACCOUNTING POLICIES

Finance costs

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

Goods and services tax

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

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

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

Income tax

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

Finance leases

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

Operating leases

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

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

Government grants

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

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

E6 OTHER ACCOUNTING POLICIES (continued)

Interest income

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

Business combinations

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with AASB 9.

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

NOTES TO THE FINANCIAL STATEMENTS: Other FOR THE YEAR ENDED 30 JUNE 2019

E6 OTHER ACCOUNTING POLICIES (continued)

Cash flow hedges (interest rate swap contracts)

The Group uses interest rate swap contracts to hedge its interest rate risks, predominantly arising from financing activities. Interest rate swap contracts are initially recognised at fair value on the date the contract is entered into and are subsequently re-measured at fair value. Interest rate swap is carried as financial asset when the fair value is positive and as financial liability when the fair value is negative.

At the inception of a hedge relationship, the Group designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Before 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting cash attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Beginning 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedge that meet all the qualifying criteria for hedge accounting are accounted for cash flow hedges by the Group.

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

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

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

The effective portion of the gain or loss on the interest rate swaps is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the interest rate swaps and the cumulative change in fair value of the hedged liability.

The interest rate swaps and the interest payments on the underlying financial liability occur simultaneously and the amount accumulated in OCI is reclassified to the profit or loss as a reclassification adjustment over the period that the floating rate interest payments on the underlying financial liability affect the profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

E6 OTHER ACCOUNTING POLICIES (continued)

Financial Instruments

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

i) Financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

E6 OTHER ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial assets at fair value through profit or loss

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

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

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

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

Derecognition

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

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

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

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

Impairment of financial assets

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

- Trade receivables note A3

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

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

E6 OTHER ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

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

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

ii) Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

Loans and borrowings

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

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

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

Derecognition

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

NOTES TO THE FINANCIAL STATEMENTS: Other
FOR THE YEAR ENDED 30 JUNE 2019

E6 OTHER ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

iii) Offsetting of financial instruments

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

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 JUNE 2019

In the Directors' opinion:

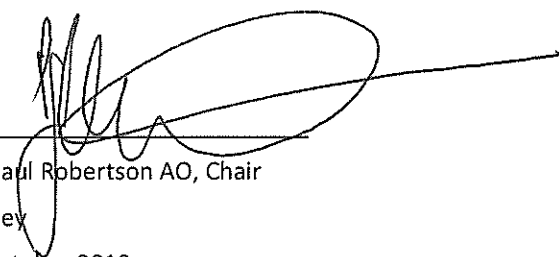
(a) the financial statements and notes set out on pages 15 to 66 of the consolidated entity are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012 (Cth)*, including:

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

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date;

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

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



Mr Paul Robertson AO, Chair
Sydney
16 October 2019

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

Opinion

We have audited the financial report of St Vincent's Health Australia Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

Basis for Opinion

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

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

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

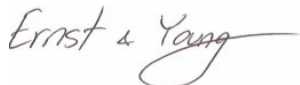
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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



Ernst & Young



Anthony Jones
Partner
Sydney
16 October 2019