

St Vincent's Health Australia Limited

Financial Report 2016



**ST VINCENT'S
HEALTH AUSTRALIA**

UNDER THE STEWARDSHIP OF MARY AIKENHEAD MINISTRIES

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CORPORATE INFORMATION

Directors	Mr P Robertson AM	Mr B Earle
	Ms P Faulkner AO	Mr G Humphrys
	Prof. M Confoy RSC	Mr P McClintock AO
	Dr M. Coote	Prof. P Smith
	Prof. S Crowe AM	Sr M Wright IBVM
Company Secretary	Mr R Beetson	Mr P Fennessy
Principal registered office	Level 22, 100 William Street, Woolloomooloo, NSW 2011	
Auditor	Ernst & Young, 200 George Street Sydney, NSW 2000	
Website address	www.svha.org.au	
ABN	ABN 75 073 503 536	

DIRECTORS' REPORT

The Directors of St Vincent's Health Australia present their report together with the financial report of St Vincent's Health Australia Limited for the year ended 30 June 2016.

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 13 October 2016. SVHA has the power to amend and reissue the financial report.

ABOUT SVHA

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

Our mission

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

Our vision

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

Our values

Compassion
Justice
Integrity
Excellence

OBJECTIVES AND PRINCIPAL ACTIVITIES

The objectives as stated in SVHA's constitution are:

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

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

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

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

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

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW

The Group generated an operating surplus of \$33,933,000 for the year ended 30 June 2016 (2015: \$18,546,000). The Group grew its revenue by 6.9% and its operating surplus increased by 83.0% year on year.

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

Going concern

The Group's Balance Sheet shows an excess of current liabilities over current assets of \$266,642,000 (2015: \$164,349,000). However, included within current liabilities are accommodation bonds / Refundable Accommodation Deposits (RADs) of \$160,607,000 (2015: \$120,686,000) which are recorded as current liabilities as required under accounting standards. However, in practice, refundable accommodation deposits (RADs) that are repaid are generally replaced by RADs from incoming residents within a short timeframe. In addition, current liabilities contains provisions for annual and long service leave of \$250,468,000 (2015: \$229,092,000) which are presented as current even though it is probable that amounts will be paid out over several years.

The Group has a substantial net asset position of \$753,781,000 at 30 June 2016 (2015: \$712,648,000).

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 2016 SVHA had 1 member (2015: 1) so the maximum amount to be contributed towards meeting the obligations of SVHA would be \$100 (2015: \$100).

DIRECTORS' REPORT

SUBSEQUENT EVENTS

The following transactions have occurred since 30 June 2016.

Acquisition of Lourdes Home for the Aged

St Vincent's Health & Aged Care Limited ("SVH&AC") acquired Lourdes Home for the Aged (Toowoomba, Queensland) on 1 July 2016 from The Corporation of the Roman Catholic Diocese of Toowoomba ("The Corporation") in accordance with the Group's aged care growth strategy. The consideration transferred for the acquisition of the business, liabilities and assets was \$nil with the provisional fair value of the net assets acquired being \$10,792,000 resulting in a discount on acquisition of \$10,792,000.

Included in the provisional fair value of property, plant and equipment is a land asset valued at \$4,025,000. Acquisition of this asset is subject to approval by the Toowoomba Regional Council ("Council") of the application for subdivision of this land from the title of a larger land parcel held by The Corporation. The Corporation and SVH&AC have entered into short-term land lease to allow SVH&AC to occupy the land pending the Council's decision. In the event the Council does not approve the subdivision, The Corporation and SVH&AC will enter into a long-term land lease and The Corporation will be liable to make a payment to SVH&AC of \$4,025,000.

Acquisition of Jabiru Aged Care

SVH&AC acquired Jabiru Aged Care (Gold Coast, Queensland) on 1 September 2016 from The Board of Benevolence and of Aged Masons Widows and Orphans' Fund ("Masonic Care") in accordance with the Group's aged care growth strategy. The consideration transferred for the acquisition of the business, liabilities and assets (excluding land) was \$3,950,000 with the provisional fair value of the net assets acquired being \$1,750,000 resulting in goodwill on acquisition of \$2,200,000. The land upon which Jabiru Aged Care operates is subleased from the Council of the City of Gold Coast ("City Council") who in turn have a head lease with the Department of Natural Resources and Mines. The current 30 year sublease expires on 30 August 2020.

The consideration of \$3,950,000 is contingent upon the City Council extending the SVH&AC's sublease to 30 August 2050, on terms and conditions acceptable to the SVH&AC and Masonic Care. SVH&AC has deposited the sum of \$3,950,000 into a Solicitor's Trust Account pending a decision on the extension of the sublease by the City Council. In the event that SVH&AC is only able to obtain an extension for a period expiring prior to 30 August 2050, a proportionate amount of the deposit is refundable to SVH&AC.

Consolidation of the Private Hospital Division

On 1 July the assets and liabilities of St Vincents & Mater Health Sydney Limited, St Vincent's Private Hospital Brisbane (currently included in the St Vincent's Health & Aged Care Limited legal entity) and St Vincent's Hospital Toowoomba Limited were transferred to St Vincent's Private Hospitals Limited (previously St Vincent's Private Hospital Melbourne Limited).

Apart from these matters, the Directors are not aware of any matter or circumstance occurring since 30 June 2016 that has significantly or may significantly affect the operations of the Group.

INDEMNIFICATION AND INSURANCE OF OFFICERS

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

INDEMNIFICATION OF AUDITOR

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

DIRECTORS' REPORT

ROUNDING OF AMOUNTS

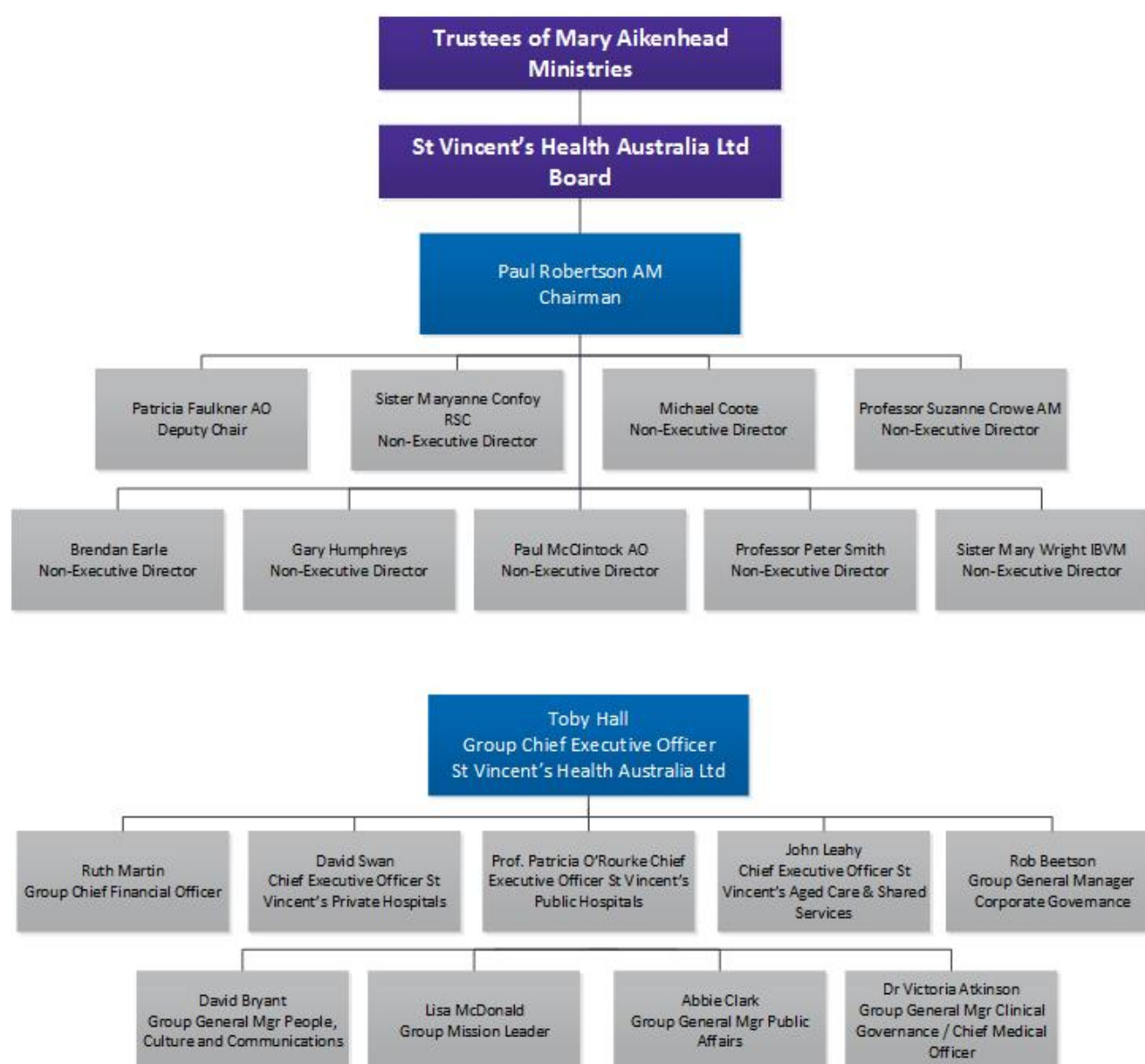
Amounts in the Directors' report and financial report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

STRUCTURE AND MANAGEMENT

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

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

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



STRUCTURE AND MANAGEMENT (continued)

Board of Directors

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

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

Board Committees

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

The Board is supported by five standing Committees:

Audit & Risk

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

Finance & Investment

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

Mission, Ethics & Advocacy

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

People & Culture

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

Quality & Safety

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

DIRECTORS' REPORT

STRUCTURE AND MANAGEMENT (continued)

Information on Directors

Mr Paul Robertson AM

Bachelor of Commerce,
Fellow, CPA Australia
Chairman

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

Paul is chair of the People & Culture Committee.

Ms Patricia Faulkner AO

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

Patricia was appointed to the Board on 1 October 2010. Patricia was a previous National Partner-in-Charge, Health Sector at KPMG and a previous Secretary of the Victorian Government of Human Services. She has held a number of roles with the Victorian Government over a period of almost 20 years in the Department of Labour and Department of Community Welfare Services. Patricia is Chair of The CRC on Sleep & Alertness, Jesuit Social Services and the National Health Performance Authority. She is a Member of the Commonwealth Grants Commission, and the Board of CEDA. Patricia is a Deputy Commissioner to the Victorian Government's Royal Commission into Family Violence and was recently appointed to the Victorian State Advisory Committee on Health.

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

Ms Melissa Babbage

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

Melissa was appointed to the Board on 1 October 2013 and resigned on 31 December 2015. Melissa is a highly experienced financial services professional with a 19 year Investment Banking career spanning both International and Domestic Financial Markets. As a managing director at Deutsche Bank for 10 years, she had responsibility for growing several different business lines across both Australia/New Zealand and Asia, as Head of Commodities, Foreign Exchange and Global Finance. Melissa was a Non-Executive Director of Mercer Investments (Aust) Ltd, Swiss Re Life and Health Australia Ltd and Athletics Australia, a Trustee of Q Super and a Non-Executive Director of Q Super Ltd.

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

Prof. Maryanne Confoy RSC

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

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

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

DIRECTORS' REPORT

STRUCTURE AND MANAGEMENT (continued)

Information on Directors (continued)

Prof. Suzanne Crowe AM

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

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

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

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

Suzanne is a member of the Quality & Safety Committee and a member of the Mission, Ethics & Advocacy Committee.

Mr Brendan Earle

Bachelor of Laws (Hons);
Bachelor of Arts

Barrister and Solicitor,
Supreme Court of Victoria.

Brendan was appointed to the Board on 1 October 2010. Brendan is a partner with the international law firm, Herbert Smith Freehills. He has over 20 years' experience providing commercial legal advice across a range of industries and specialises in large or strategically important negotiated transactions including acquisitions, sales, joint ventures and corporate restructuring and acts as a relationship partner for several clients of the firm. Brendan has a long-standing interest in the Australian healthcare industry and has advised the Commonwealth Government, private insurers, aged care providers, private consulting practices and pharmaceutical manufacturers on a diverse range of projects.

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

Mr Gary Humphrys

A member of the Institute of Chartered Accountants in Australia. Holds a Diploma of Commerce; Post Graduate Diploma in Business Administration; Graduate of the Australian Institute of Company Directors.

Gary was appointed to the Board on 1 October 2010. Gary has almost 40 years of experience in senior executive roles covering a number of disciplines including finance and accounting, treasury, taxation, IT, procurement and audit in the energy and mining industries in both the public and private sector. Gary is Deputy Chairman of Ergon Energy Corporation Limited, Director of The Holy Spirit Northside Private Hospital Limited and HESTA superannuation. Gary has recently been appointed as Chair of the Audit & Risk Committee of Brisbane's South Bank Corporation.

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

DIRECTORS' REPORT

STRUCTURE AND MANAGEMENT (continued)

Information on Directors (continued)

Mr Paul McClintock AO

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

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

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

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

Paul is Chair of the Finance & Investment Committee.

Prof. Peter Smith

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

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

Peter is Chair of the Quality & Safety Committee and a member of the People & Culture Committee.

Sr Mary Wright IBVM

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

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

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

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 has recently been on the Board of Mercy Health for the past nine years and Chair of the Board Quality Committee for four years. During this time, Mercy Health has grown 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 a Member of the Board Quality & Safety Committee.

DIRECTORS' REPORT

STRUCTURE AND MANAGEMENT (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, and Member Australian Corporate Lawyers Association. He was previously Manager of Investigations at the Health Care Complaints Commission (NSW).

Mr Paul Fennessy

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

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

Meetings of the Board and Committees

Board		Board Committees				
Director	# of meetings attended	Audit & Risk	Finance & Investment	Mission, Ethics & Advocacy	People & Culture	Quality & Safety
Mr P Robertson AM (Chair)	7/7				● 4/4	
Ms P Faulkner AO	6/7			3/4		6/8
Ms M Babbage (resigned on 31 December 2015)	4/4	3/3	4/4			
Sr M Confoy RSC	7/7			4/4	4/4	
Prof. S Crowe AM	7/7			3/4		6/8
Mr B Earle	7/7	4/4	6/7			
Mr G Humphrys	7/7	● 4/4	6/7	3/4		
Mr P McClintock AO	6/7		● 7/7			
Prof. P Smith	6/7				4/4	● 8/8
Sr M Wright IBVM	6/7	3/4		● 4/4	3/4	

● Chair

REMUNERATION

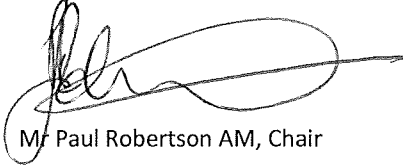
Under the legislation, the Group is not required to present a Remuneration Report but seeks to provide fair and responsible remuneration within the bands expected for a not-for-profit organisation. Note E1 contains the required remuneration disclosures.

DIRECTORS' REPORT

AUDITOR

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

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

A handwritten signature in black ink, appearing to read 'Paul Robertson', with a long horizontal flourish extending to the right.

Mr Paul Robertson AM, Chair
Sydney

13 October 2016



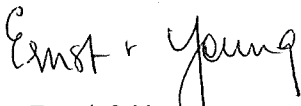
Building a better
working world

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

In relation to our audit of the financial report of St Vincent's Health Australia Limited for the financial year ended 30 June 2016, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Australian Charities and Not-for profits Commission Act 2012* or any applicable code of professional conduct.



Ernst & Young



Jenny Parker
Partner
Sydney
13 October 2016

**PROFIT OR LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016**

	Notes	2016 \$'000	2015 \$'000
Revenue	A1	1,847,482	1,727,936
Other income	A1	25,710	24,174
Total revenue and other income		1,873,192	1,752,110
Employment expenses	A2	1,125,532	1,066,545
Goods and services		587,955	539,144
Finance costs		17,975	19,760
Repairs and maintenance		15,878	19,412
Depreciation and amortisation	A5 / A7	68,749	68,855
Other expenses from ordinary activities		30,088	25,522
Total expenses		1,846,177	1,739,238
Share of investments accounted for using the equity method	C4	6,918	5,674
Operating surplus		33,933	18,546
Capital funding received	A1	11,500	3,678
Reversal of impairment of residential aged care bed licences	A7	-	1,745
Fair value of contributed intangibles	A1	7,442	-
Surplus for the year		52,875	23,969
Other comprehensive income			
Items of other comprehensive income:			
Movement in available-for-sale investments reserve		(700)	(47)
Revaluation of cultural assets		100	72
Net loss on cash flow hedges		(152)	-
Total comprehensive income		52,123	23,994

BALANCE SHEET

AT 30 JUNE 2016

	Notes	2016 \$'000	2015 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	B1	117,273	162,149
Trade and other receivables	A3	125,918	113,134
Inventories	A4	24,014	20,641
Investments	B2	166,464	154,118
Total current assets		433,669	450,042
Non-current assets			
Receivables	A3	38,438	38,430
Investments accounted for using the equity method	C4	17,961	11,043
Investments	B2	60,393	58,837
Property, plant and equipment	A5	1,012,920	897,319
Investment properties	A6	27,829	27,815
Intangible assets	A7	85,820	81,941
Total non-current assets		1,243,361	1,115,385
Total assets		1,677,030	1,565,427
LIABILITIES			
Current liabilities			
Trade and other payables	A8	213,013	194,163
Accommodation bonds and payables	A9	160,607	120,686
Borrowings	B4	72,345	67,306
Provisions	A10	254,346	232,236
Total current liabilities		700,311	614,391
Non-current liabilities			
Payables	A8	16,065	17,615
Borrowings	B4	172,994	194,700
Provisions	A10	33,879	26,073
Total non-current liabilities		222,938	238,388
Total liabilities		923,249	852,779
Net assets		753,781	712,648
Equity			
Reserves		1,076	1,828
Retained surplus		752,705	710,820
Total equity		753,781	712,648

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Member's reserve \$'000	Revaluation reserve \$'000	Available for sale investments reserve \$'000	Cash flow hedge reserve \$'000	Retained surpluses \$'000	Total \$'000
2016							
Balance 1 July 2015		204	514	1,110	-	710,820	712,648
Total surplus		-	-	-	-	52,875	52,875
Other comprehensive income		-	100	(700)	(152)	-	(752)
Total comprehensive income		-	100	(700)	(152)	52,875	52,123
Transaction with the members in their capacity as members	B4	-	-	-	-	(10,990)	(10,990)
Balance 30 June 2016		204	614	410	(152)	752,705	753,781
2015							
Balance 1 July 2014		204	442	1,157	-	686,851	688,654
Total surplus		-	-	-	-	23,969	23,969
Other comprehensive income		-	72	(47)	-	-	25
Total comprehensive income for the year		-	72	(47)	-	23,969	23,994
Balance 30 June 2015		204	514	1,110	-	710,820	712,648

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Receipts from patients and grants (including GST)		1,878,754	1,822,865
Payments to suppliers and employees (including GST)		(1,794,233)	(1,723,422)
Interest and dividends received		11,627	8,096
Donations received		25,711	21,776
Interest paid		(11,977)	(13,125)
Net cash flow from operating activities	B1(ii)	109,882	116,190
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		(131,262)	(73,521)
Proceeds from disposal of plant, equipment and intangibles		2,049	928
Proceeds from acquiring a business		14,016	-
Acquisition of a business		(1,556)	-
Payments for investments		(134,503)	(126,380)
Proceeds from investments		123,318	121,942
Capital funding received		7,500	3,678
Net cash flow from investing activities		(120,438)	(73,353)
Cash flows from financing activities			
Repayment of loans by related parties		-	2,203
Loan from related party		15,300	33,000
RAD, accommodation bond and ILU entry contribution inflows		44,190	35,705
RAD, accommodation bond and ILU entry contribution outflows		(27,219)	(18,277)
Repayment of borrowings		(149,567)	(62,259)
Proceeds from borrowings		86,500	-
Refinancing transaction costs		(3,524)	-
Net cash flow from financing activities		(34,320)	(9,628)
Net increase in cash and cash equivalents held		(44,876)	33,209
Cash at the beginning of the financial year		162,149	128,940
Cash at the end of the financial year	B1	117,273	162,149

NOTES TO THE FINANCIAL STATEMENTS: ABOUT THIS REPORT FOR THE YEAR ENDED 30 JUNE 2016

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NOTES TO THE FINANCIAL STATEMENTS: ABOUT THIS REPORT FOR THE YEAR ENDED 30 JUNE 2016

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 13 October 2016. The Directors have the power to amend and reissue the financial report.

Basis of preparation

The financial report is a general purpose financial report which:

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

Basis of consolidation

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

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

Going concern

The Group's Balance Sheet shows an excess of current liabilities over current assets of \$266,642,000 (2015: \$164,349,000). However, included within current liabilities are accommodation bonds / Refundable Accommodation Deposits (RADs) of \$160,607,000 (2015: \$120,686,000) which are recorded as current liabilities as required under accounting standards. However, in practice, RADs that are repaid are generally replaced by RADs from incoming residents within a short timeframe. In addition, current liabilities contains provisions for annual and long service leave of \$262,273,000 (2015: \$229,092,000) which are presented as current even though it is probable that amounts will be paid out over several years.

The Group has a substantial net asset position of \$753,781,000 at 30 June 2016 (2015: \$712,648,000).

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 2016

The notes to the financial statements

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

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

Key accounting estimates and judgements

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

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

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

<i>Area of Estimation</i>	<i>Note</i>
Property, plant and equipment – assessment of useful lives	A5
Intangible assets – assumptions underlying recoverable value	A7
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NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2016

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.

	2016 \$'000s	2015 \$'000s
Patient and resident fees	675,245	646,817
Government grants and subsidies	1,003,865	935,067
Non-medical revenue	50,475	44,699
Rent and other property revenue	23,188	20,053
Interest and dividend income	11,699	12,755
Other revenues	83,010	68,545
Total revenue	1,847,482	1,727,936
Donations	25,710	21,776
Net gain from fair value adjustment - investment properties (note A6)	-	1,846
Net gain from fair value adjustment - investments	-	552
Total other income	25,710	24,174
ED/PANDA and Gorman House redevelopment (ii)	1,500	-
Darlinghurst redevelopment strategy (ii)	2,500	-
St Vincent's Private Community Hospital Griffith construction (ii)	1,000	-
St Vincent's Private Hospital Sydney East Wing construction (ii)	6,500	-
Mater North West extension (ii)	-	3,678
Total capital funding (included in non-operating income)	11,500	3,678
Fair value gain on acquisition of business combinations (iii)	7,322	-
Fair value gain on acquisition of residential aged care bed licenses	120	-
Total fair value of contributed assets	7,442	-

(i) Accounting policy

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

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

Patient and resident income is recognised when services are provided.

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

Non-medical revenue is recognised when services are provided.

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

**NOTES TO THE FINANCIAL STATEMENTS: Key numbers
FOR THE YEAR ENDED 30 JUNE 2016**

A1 REVENUE, OTHER INCOME AND CAPITAL FUNDING (continued)

(ii) Capital funding received

Government grants of \$1,500,000 were received by St Vincent's Hospital Sydney Limited during the year ended 30 June 2016 (2015: \$nil) to fund the capital works for Gorman House and the redevelopment of Emergency Department (ED) and Psychiatric Alcohol and non-Prescription Drug Assessment (PANDA) Unit. Government grants of \$2,500,000 were received by St Vincent's Hospital Sydney Limited during 2016 (2015: \$nil) to fund the Darlinghurst redevelopment strategy.

Funding of \$1,000,000 (2015: \$nil) was received from St Vincent's Private Hospital Sydney Limited for the construction of St Vincent's Private Community Hospital Griffith facility.

Funding of \$6,500,000 (2015: \$nil) was received by St Vincent's Healthcare Limited from St Vincent's Private Hospital Sydney Limited for the construction of the new East Wing of St Vincent's Private Hospital Sydney.

Funding of \$nil (2015: \$3,678,000) was received from the Friends of the Mater Foundation for the construction of additional inpatient beds, operating theatres and a special care nursery at the Mater Hospital, North Sydney.

(iii) Fair value gain on acquisition of business combinations	2016 \$'000s	2015 \$'000s
Fair value gain on acquisition of Eltham Aged Care	5,018	-
Fair value gain on acquisition of Albert Court Aged Care	2,304	-
Total fair value of contributed assets	7,322	-

Acquisition of Eltham Aged Care

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

The final fair values of the identifiable assets and liabilities of Eltham Aged Care were:

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

NOTES TO THE FINANCIAL STATEMENTS: Key numbers
FOR THE YEAR ENDED 30 JUNE 2016

A1 REVENUE, OTHER INCOME AND CAPITAL FUNDING (continued)

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

The \$5,018,000 gain on acquisition is attributable to St Vincent's Health & Aged Care Limited (SVH&AC) being able to generate significant revenue and cost efficiencies with the facility operating as part of the Group rather than as an individual facility operated by Melbourne City Mission.

From the date of acquisition on 1 July 2015, being the beginning of the current reporting period, Eltham Aged Care contributed \$9,641,000 of revenue and \$186,000 of operating surplus to the results of the Group.

Acquisition of Albert Court Aged Care

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2016

A1 REVENUE, OTHER INCOME AND CAPITAL FUNDING (continued)

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

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

From the date of acquisition on 1 July 2015, being the beginning of the current reporting period, Albert Court Aged Care contributed \$3,526,000 of revenue and \$34,000 of operating surplus to the results of the Group.

A2 EMPLOYMENT EXPENSES

Employment expenses recognised during the year are set out below.

	2016 \$'000s	2015 \$'000s
Salaries and wages	1,041,294	987,597
Superannuation	84,238	78,948
	1,125,532	1,066,545

(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 2016**

A3 TRADE AND OTHER RECEIVABLES

	2016 \$'000s	2015 \$'000s
Current		
Trade receivables	68,716	62,044
Less: Provision for impairment of trade receivables (iii)	(3,250)	(2,942)
Net trade receivables	65,466	59,102
Amounts due from related parties (note C5)	2,891	6,767
Other receivables	35,741	27,105
Accrued revenue	16,452	13,853
Prepayments	5,368	6,307
Total current receivables	125,918	113,134
Non-current		
Victorian Department of Health and Human Services (ii)	9,802	15,642
Amounts due from related parties (note C5)	2,363	3,442
Loan to related parties (note C5)	2,759	4,005
Other receivables	23,514	15,341
Total non-current receivables	38,438	38,430

(i) Accounting policy

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

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

(ii) Victorian Department of Health and Human Services receivable

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

Repayments are secured by a guarantee given by the Treasurer of the State of Victoria under Section 30 of the Health Services Act and are funded by the 25 year Health Services Agreement. The amount of \$9,802,000 (2015: \$15,642,000) represents the amount owed to annuity holders and receivable from the Victorian Department of Health and Human Services pursuant to an agreement to provide Health Services for 25 years, expiring August 2017.

NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2016

A3 TRADE AND OTHER RECEIVABLES (continued)

(iii) Financial risk management

Market risk - interest rate risk

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

Credit risk

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

Provision for impairment of trade receivables

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

	2016 \$'000s	2015 \$'000s
1 to 3 months	603	307
3 to 6 months	912	1,042
6 months or more	1,735	1,593
	3,250	2,942

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

	2016 \$'000s	2015 \$'000s
At 1 July	2,942	2,479
Provision for impairment recognised during the year	4,188	1,444
Receivables written off during the year as uncollectible	(3,715)	(981)
Unused amount reversed	(165)	-
At 30 June	3,250	2,942

Past due but not impaired receivables ageing analysis

1 to 3 months	9,451	12,050
3 to 6 months	1,968	2,563
6 months or more	4,496	2,854
	15,915	17,467

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

Amounts due from related parties

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

**NOTES TO THE FINANCIAL STATEMENTS: Key numbers
FOR THE YEAR ENDED 30 JUNE 2016**

A3 TRADE AND OTHER RECEIVABLES (continued)

(iii) Fair value

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

A4 INVENTORIES

Inventories of \$24,014,000 (2015: \$20,641,000) comprise medical and other consumables.

(i) Accounting policy

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

**NOTES TO THE FINANCIAL STATEMENTS: Key numbers
FOR THE YEAR ENDED 30 JUNE 2016**

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 2016						
Cost	227,635	488,746	400,309	468,583	130,711	1,715,984
Accumulated depreciation	-	(251,396)	(131,823)	(319,845)	-	(703,064)
Net carrying amount	227,635	237,350	268,486	148,738	130,711	1,012,920

Movement

Carrying amount at 1 July	219,075	247,731	266,833	136,840	26,840	897,319
Additions – operating	320	237	7,251	43,060	25,894	76,762
Additions – finance costs	-	-	-	-	1,688	1,688
Additions – development	-	-	-	-	88,701	88,701
Acquisitions	8,240	5,520	2,580	394	-	16,734
Revaluation	-	-	-	100	-	100
Disposals	-	(181)	(8)	(1,772)	-	(1,961)
Transfers between asset classes	-	366	7,957	4,056	(12,412)	(33)
Depreciation	-	(16,323)	(16,127)	(33,940)	-	(66,390)
Carrying amount at 30 June	227,635	237,350	268,486	148,738	130,711	1,012,920

Year ended 30 June 2015

Cost	219,075	482,826	392,765	438,533	26,840	1,560,039
Accumulated depreciation	-	(235,095)	(125,932)	(301,693)	-	(662,720)
Net carrying amount	219,075	247,731	266,833	136,840	26,840	897,319

Movement

Carrying amount at 1 July	219,075	267,473	262,091	131,138	16,947	896,694
Additions	-	193	8,930	26,477	33,261	68,861
Revaluations	-	-	-	72	-	72
Disposals	-	-	(21)	(1,458)	(42)	(1,521)
Transfers between asset classes	-	122	11,360	11,673	(23,326)	(171)
Depreciation	-	(20,057)	(15,497)	(31,062)	-	(66,616)
Carrying amount at 30 June	219,075	247,731	266,833	136,840	26,840	897,319

(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.

NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2016

A5 PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation

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

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

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

Impairment

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

Derecognition

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

Componentisation of buildings

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

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

The Group incurred a net loss on the disposal of property, plant and equipment of \$15,000 (2015: \$593,000). The expense included in 'other expenses from ordinary activities' in the profit or loss.

(iii) Plant and equipment acquired under finance leases

During the year, the Group acquired plant and equipment of \$11,246,000 (2015: \$1,367,000) by means of finance leases. Plant and equipment includes the following assets acquired under finance leases.

	2016 \$'000s	2015 \$'000s
Cost	73,647	62,564
Accumulated depreciation	(55,502)	(50,744)
Net book amount	18,145	11,820

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 2016**

A6 INVESTMENT PROPERTIES

	2016	2015
	\$'000s	\$'000s
Opening balance at 1 July	27,815	25,969
Additions	14	-
Disposals	-	-
Net gain from fair value adjustment (note A1)	-	1,846
Closing balance at 30 June	27,829	27,815

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 2016

A6 INVESTMENT PROPERTIES (continued)

(ii) Fair value

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

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

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

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

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

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

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

The Directors have assessed the fair value of investment properties as at 30 June 2016 and consider it appropriate.

(iii) Non-current assets pledged as security

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

(iv) Leasing arrangements

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

(v) Other

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

**NOTES TO THE FINANCIAL STATEMENTS: Key numbers
FOR THE YEAR ENDED 30 JUNE 2016**

A7 INTANGIBLE ASSETS

	Goodwill \$'000	Residential aged care bed licences \$'000	Development costs and other intangibles \$'000	Total \$'000
Year ended 30 June 2016				
Cost	50,640	24,808	24,420	99,868
Accumulated amortisation and impairment	-	-	(14,048)	(14,048)
Net carrying amount	50,640	24,808	10,372	85,820
Movement				
Carrying amount at 1 July	50,640	19,333	11,968	81,941
Additions	-	5,475	730	6,205
Transfer	-	-	33	33
Amortisation expense	-	-	(2,359)	(2,359)
Carrying amount at 30 June	50,640	24,808	10,372	85,820
Year ended 30 June 2015				
Cost	50,640	20,363	23,641	94,644
Accumulated amortisation and impairment	-	(1,030)	(11,673)	(12,703)
Net book amount	50,640	19,333	11,968	81,941
Movement				
Carrying amount at 1 July	50,640	17,588	12,717	80,945
Additions	-	-	1,490	1,490
Amortisation expense	-	-	(2,239)	(2,239)
Reversal of impairment charge	-	1,745	-	1,745
Carrying amount at 30 June	50,640	19,333	11,968	81,941

(i) Accounting policy

Goodwill

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

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

Residential aged care bed licences

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

NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2016

A7 INTANGIBLE ASSETS (continued)

(i) Accounting policy (continued)

Development costs and other intangibles

Development costs and other intangibles represent identifiable non-monetary assets without physical substance such as computer software development costs. Intangible assets are recognised at initial cost with subsequent 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.

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

Goodwill

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

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

Residential aged care bed licences

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

NOTES TO THE FINANCIAL STATEMENTS: Key numbers
FOR THE YEAR ENDED 30 JUNE 2016

A8 TRADE AND OTHER PAYABLES

	2016	2015
	\$'000s	\$'000s
<i>Current</i>		
Trade creditors and accrued expenses	179,769	155,160
Other payables	24,850	23,940
Amounts due to related parties (unsecured) (note C5)	8,394	15,063
	213,013	194,163
<i>Non-current</i>		
Victorian Department of Health and Human Services (note A3(ii))	9,802	15,642
Other payables	154	350
Amount due to related parties (unsecured) (note C5)	6,109	1,623
	16,065	17,615

(i) Accounting policy

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

(ii) Financial risk management

Liquidity risk

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

Maturity of trade and other payables

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

Payables

Within one year	213,013	194,163
Later than one year but not later than five years	16,065	17,615
	229,078	211,778

(iii) Fair value

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

A9 ACCOMMODATION PAYABLES

Refundable accommodation deposits (RADs)	117,815	77,613
Independent living unit (ILU) entry contributions	42,792	43,073
	160,607	120,686

NOTES TO THE FINANCIAL STATEMENTS: Key numbers FOR THE YEAR ENDED 30 JUNE 2016

A9 ACCOMMODATION PAYABLES (continued)

(i) Accounting policy

Refundable accommodation deposits (RADs)

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 accommodation bonds.

RADs 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 refunds are guaranteed by the government under the prudential standards legislation.

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

The RAD liability is spread across a large portion of the resident population and therefore the repayment of individual balances that make up the current balance will be dependent upon the actual tenure of individual residents. Tenure can be more than ten years but averages approximately 3 years. Usually (but not always), when an existing RAD is repaid it is replaced by a new RAD from an incoming resident, usually of a higher amount.

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.

(ii) Classification as a current liability

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

	2016 \$'000s	2015 \$'000s
Expected to be settled within 12 months	42,640	31,196
Expected to be settled greater than 12 months	117,967	89,490
	160,607	120,686

(iii) Movement in accommodation payables

Opening balance at 1 July	120,686	104,980
Acquired	25,332	-
Proceeds from residents	44,190	36,381
Repayments to former residents	(27,110)	(18,277)
Interest payable to residents	330	226
Interest and fees charged to residents	(2,821)	(2,624)
Closing balance at 30 June	160,607	120,686

**NOTES TO THE FINANCIAL STATEMENTS: Key numbers
FOR THE YEAR ENDED 30 JUNE 2016**

A9 ACCOMMODATION PAYABLES (continued)

(iv) Financial risk management

Liquidity risk

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

Maturity of accommodation payables

Accommodation payables have no fixed repayment dates.

A10 PROVISIONS

	2016 \$'000s	2015 \$'000s
<i>Current</i>		
Employee benefits (note A2(ii))	250,468	229,092
Insurance deductible excess (ii)	1,409	1,008
Other provisions	2,469	2,136
	254,346	232,236
<i>Non-current</i>		
Employee benefits (note A2(ii))	31,717	23,334
Insurance deductible excess (ii)	2,162	2,739
	33,879	26,073

(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)	3,747	3,037
Additional provision recognised	1,023	1,051
Claims paid	(417)	(254)
Annual assessment of open claims adjustment	(782)	(87)
Closing balance at 30 June (current and non-current)	3,571	3,747

NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management FOR THE YEAR ENDED 30 JUNE 2016

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 \$117,273,000 (2015: \$162,149,000) comprise cash at bank and short term deposits.

(i) Accounting policy

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

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

	2016 \$'000s	2015 \$'000s
Surplus for the year	52,875	23,969
Capital funding received	(4,000)	-
Reversal of impairment of residential aged care bed licences	-	(1,745)
Share of surpluses of joint ventures	(6,918)	(5,674)
Depreciation and amortisation	68,749	68,855
Impairment of receivables	4,023	1,444
Non-cash finance costs	5,596	6,016
Net loss on disposal of non-current assets	-	593
Net gain from fair value adjustment - investment properties	600	(1,846)
Net gain from fair value adjustment - investments	(14)	(552)
Net gain from fair value of contributed intangibles	(7,442)	-
Non-cash investment distributions	(3,417)	(5,161)
Assets received free of charge	(88)	(52)
Non-cash accommodation bond retention/ILU entry contribution exit fee income, interest income and other deductions	(2,821)	(2,624)
Non-cash accommodation bond retention/ ILU entry contribution interest expense	330	226
Change in operating assets and liabilities:		
(Increase)/decrease in trade debtors	(2,603)	(3,189)
(Increase) in other debtors and prepayments	(13,855)	(2,674)
(Increase) in inventories	(3,373)	(2,170)
Increase/(decrease) in trade creditors and other payables	1,662	30,376
Increase in provisions	28,078	15,520
(Increase) in capital funding	(7,500)	(3,678)
Net cash inflow from operating activities	109,882	116,190

NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management FOR THE YEAR ENDED 30 JUNE 2016

B2 INVESTMENTS

	2016 \$'000s	2015 \$'000s
Current		
Fair value through profit or loss financial assets	147,303	135,885
Held-to-maturity investments	10,054	9,025
Available-for-sale investments (ii)	9,107	9,208
	166,464	154,118
Non-current	\$'000s	\$'000s
Fair value through profit or loss financial assets	60,393	58,837
	60,393	58,837

(i) Accounting policy

Financial assets at fair value through profit or loss

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

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

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

Held-to-maturity investments

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

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

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

Available-for-sale investments

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

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

NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management FOR THE YEAR ENDED 30 JUNE 2016

B2 INVESTMENTS (continued)

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

Derecognition

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

(ii) Movement in available-for-sale investments

	2016 \$'000s	2015 \$'000s
Opening balance at 1 July	9,208	8,070
Additions	599	1,185
Revaluation deficit	(700)	(47)
Closing balance at 30 June	9,107	9,208

(iii) Fair value

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

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

B3 CASH AND INVESTMENTS – FINANCIAL RISK MANAGEMENT

(i) Market risk - interest rate risk

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

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

(ii) Market risk – equity price risk

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

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

NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management FOR THE YEAR ENDED 30 JUNE 2016

B3 CASH AND INVESTMENTS – FINANCIAL RISK MANAGEMENT (continued)

(iii) Credit risk

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

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

(iv) Summarised sensitivity analysis

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

	Carrying amount \$'000s	Interest rate risk		Equity price risk	
		100pb higher	100pb lower	100pb higher	100pb lower
2016					
Cash and cash equivalents	117,273	1,173	(1,173)	-	-
Financial assets at fair value through profit or loss	207,696	2,077	(2,077)	-	-
Held-to-maturity investments	10,054	1,005	(1,005)	-	-
Available-for-sale investments	9,107	-	-	911	(911)
2015					
Cash and cash equivalents	162,149	1,621	(1,621)	-	-
Financial assets at fair value through profit or loss	194,722	1,947	(1,947)	-	-
Held-to-maturity investments	9,025	903	(903)	-	-
Available-for-sale investments	9,208	-	-	921	(921)

(v) Analysis of free and tied cash and investments

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

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

	2016 \$'000s			2015 \$'000s		
	Free	Tied	Total	Free	Tied	Total
Cash and cash equivalents	93,299	23,974	117,273	140,278	21,871	162,149
Financial assets at fair value through profit or loss	18,830	188,866	207,696	9,065	185,657	194,722
Held-to-maturity investments	529	9,525	10,054	357	8,668	9,025
Available-for-sale investments	-	9,107	9,107	-	9,208	9,208
	112,658	231,472	344,130	149,700	225,404	375,104

NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management FOR THE YEAR ENDED 30 JUNE 2016

B4 BORROWINGS

	2016 \$'000s			2015 \$'000s		
	Current	Non-current	Total	Current	Non-current	Total
Secured						
Amounts due to TMAM (ii)	4,829	81,382	86,211	4,852	80,941	85,793
Bank loans (iii)	2,253	9,414	11,667	8,256	83,925	92,181
AIB bondholder loan (iv)	6,088	3,718	9,806	5,832	9,810	15,642
Other loan (v)	-	-	-	696	6,392	7,088
Lease liability	4,755	14,279	19,034	3,266	9,052	12,318
	17,925	108,793	126,718	22,902	190,120	213,022
Unsecured						
Amounts due to the Trustees of the Sisters of Charity of Australia (vi)	3,120	-	3,120	3,805	-	3,805
Bank loan (vii)	-	55,500	55,500	599	4,580	5,179
Loan from St Vincent's Private Hospital Sydney (note C5)	51,300	8,701	60,001	40,000	-	40,000
	54,420	64,201	118,621	44,404	4,580	48,984
	72,345	172,994	245,339	67,306	194,700	262,006

(i) Accounting policy

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

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

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

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

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

On 2 December 2015, the Group made a prepayment of \$12,000,000 at the request of TMAM. This resulted in a significant change to the terms and conditions of the loan including the present value of the loan which is \$86,211,000 (2015: \$85,793,000) at 30 June. Consequently, \$10,990,000 was recognised as an equity transaction with the parent.

NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management FOR THE YEAR ENDED 30 JUNE 2016

B4 BORROWINGS (continued)

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

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

- *Repayment amount* - loan repayments are made quarterly each year and comprise a base amount which is indexed each year in line with consumer price index and an additional element as agreed but constrained such that the overall Health Ministry of the SVHA Group would not be adversely impacted by any request for payments under this element. The repayment amount for the 2016 year was \$4,781,000 and will increase in 2017 by CPI.
- *Security* - the loan is secured by a mortgage over the majority of the assets of the Group.
- *Interest* – nil at present, however, TMAM reserve the right to charge interest however interest will only be charged prospectively (after providing 12 months' notice).

(iii) Secured bank loans

(a) \$8,241,000 bank loan (2015: \$9,456,000)

The loan is secured by the mortgage over St Vincent's Hospital (Melbourne) Limited's interest in the Victoria Parade car park and its operating agreement. On 1 April 2008, the loan facility converted from the construction facility to the long term facility. A portion of the loan attracted interest at a fixed rate of 5.81% (2015: 7.05%) and the remaining balance of the loan attracts a variable rate of interest capped at 5.81% (2015: 7.05%).

(b) \$3,426,000 bank loan (2015: \$4,452,000)

The bank loan was taken out on 6 February 2010 by St Vincent's Hospital Sydney Limited for a total of \$8,300,000 for the development of the carpark in the O'Brien building. The loan is repayable over 10 years at a variable interest rate of 5.0% at 30 June 2016 (2015: 5.0%). The loan is secured with a fixed and floating charge over the cash flow and income in respect of the operation of all car parking facilities at St Vincent's Hospital Sydney Limited including the O'Brien car park.

(c) \$nil bank loan (2015: \$54,032,000)

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

On 2 July 2014, the loan was converted into \$40,000,000 revolving credit facility and a \$56,000,000 term facility. The \$40,000,000 revolving credit facility was fully repaid on 2 July 2014. Principal repayments of \$54,032,000 were paid during the year on the term facility (2015: \$1,968,000). The loan was repaid in full on 2 December 2015.

(d) \$nil bank loan (2015: \$5,092,000)

This original loan of \$13,900,000 was taken out by St Vincent's Health Australia Limited and on lent to its joint venture, The Holy Spirit Northside Private Hospital Limited. The loan was secured over the land and buildings of St Vincent's Healthcare Limited and attracted a variable interest rate of nil% (2015: 3.73%). No principal repayments were contractually due until July 2016, however, the loan was repaid in full on 2 December 2015.

NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management FOR THE YEAR ENDED 30 JUNE 2016

B4 BORROWINGS (continued)

(iii) Secured bank loans (continued)

(e) \$nil secured bank loan (2015: \$8,750,000)

This bank loan was secured over two properties occupied by St Vincent's Hospital (Melbourne) Limited at Victoria Parade, Fitzroy. This bank loan attracted a variable interest rate of nil% (2015: 4.65%) and principal repayments of \$8,750,000 were paid during the year (2015: \$1,250,000). The loan was repaid in full on 2 December 2015.

(f) \$nil bank loan (2015: \$10,399,000)

The bank loan was secured by a registered first mortgage over five properties located at Scott Street, Toowoomba. The bank loan attracted a variable interest rate of nil% at 30 June 2016 (2015: 5.10%) and from 1 July 2013 the loan was subject to a total fixed monthly principal and interest payment in arrears. The loan was repaid in full on 2 December 2015.

(iv) AIB bondholder loan

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

(v) Other loans

This loan represented amounts owed to the Trustees of the Sisters of Mercy (North Sydney) and was the deferred settlement in respect of the acquisition of the Mater North Sydney Hospital. The term of the loan was 21 years which was due to expire in December 2021. The loan was repaid in full on 7 June 2016.

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

This loan was secured by a second ranking mortgage over the land and buildings occupied by the Mater Hospital at Rocklands Road, North Sydney.

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

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

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

The balance of the amount due is classified as a current liability as it is effectively callable at the discretion of TSCA pursuant to their ability to offset any ingoing contribution amounts payable upon occupancy of a retirement village unit operated by the Company. For the year ended 30 June 2016, TSCA elected to offset \$350,000 (2015: \$334,453) of ingoing contribution payable upon occupancy under this provision.

NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management FOR THE YEAR ENDED 30 JUNE 2016

B4 BORROWINGS (continued)

(vii) Unsecured bank loans

(a) \$55,500,000 bilateral bank loan (2015: \$nil)

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

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

Interest is payable at maturity of each loan drawdown and calculated based on an actual/365 basis. The bank loan attracts a variable average rate of interest at 3.28% at 30 June 2016 (2015: nil%).

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

(b) \$nil bank loan (2015: \$5,179,000)

This bank loan was taken out in relation to The Holy Spirit Northside Private Hospital Limited and is unsecured. The loan was repaid in full on 2 December 2015.

(viii) Assets pledged as security

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

	2016 \$'000s	2015 \$'000s
First mortgage		
Freehold land and buildings	-	130,304
Fixed and floating charge		
Cash and cash equivalents	9,071	46,470
Receivables (current and non-current)	75,920	104,327
Inventories	7,179	9,176
Investments (current and non-current)	66,966	65,427
Plant and equipment	158,793	206,971
Intangibles	11,504	14,707
Investment properties	2,260	2,260
Subordinated mortgage		
Freehold land and buildings	242,349	237,787
Investment properties	24,100	24,100
Total assets pledged as security	598,142	841,529

NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management FOR THE YEAR ENDED 30 JUNE 2016

B4 BORROWINGS (continued)

(ix) 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 \$244,500,000 in undrawn borrowing facilities, at variable rates (2015: \$82,750,000).

The majority of undrawn borrowing facilities relate to current capital projects that will be completed in less than two years from balance date. The weighted average interest rate for the drawn borrowing facilities is 3.78% (2015: 4.84%).

Maturity of borrowings

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

	2016 \$'000s	2015 \$'000s
Within one year	85,221	68,599
Later than one year but not later than five years	117,850	98,591
Later than five years	235,734	305,877
	438,805	473,067

The Victorian Department of Health and Human Services liability of \$9,802,000 (2015: \$15,642,000) is excluded from payables as a similar amount is included in receivables. This receivable amortises in line with the liability.

**NOTES TO THE FINANCIAL STATEMENTS: Financing activities and risk management
FOR THE YEAR ENDED 30 JUNE 2016**

B4 BORROWINGS (continued)

(x) Summarised sensitivity analysis

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

	Carrying amount \$'000s	Interest rate risk		Equity price risk	
		100pb higher	100pb lower	100pb higher	100pb lower
2016					
Bank loans (iii)	67,167	672	(672)	-	-
AIB bondholder loan (iv)	9,806	98	(98)	-	-
Lease liability	19,034	190	(190)	-	-
Loan from St Vincent's Private Hospital Sydney (note C5)	51,300	513	(513)	-	-
2015					
Bank loans (iii)	97,360	974	(974)	-	-
AIB bondholder loan (iv)	15,642	156	(156)	-	-
Lease liability	12,318	123	(123)	-	-
Loan from St Vincent's Private Hospital Sydney (note C5)	40,000	400	(400)	-	-

NOTES TO THE FINANCIAL STATEMENTS: Group structure FOR THE YEAR ENDED 30 JUNE 2016

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 2016, SVHA had 1 member (2015: 1) so the maximum amount to be contributed towards meeting the obligations of SVHA would be \$100 (2015: \$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:

	2016	2015
	\$'000s	\$'000s
Current assets	23,635	26,022
Total assets	203,306	202,836
Current liabilities	17,000	10,437
Total liabilities	77,473	76,881
Reserves	204	204
Retained earnings	125,630	125,751
Total equity	125,834	125,955
Operating deficit recorded by the parent entity	(121)	(949)
Total comprehensive loss of the parent entity	(121)	(949)

NOTES TO THE FINANCIAL STATEMENTS: Group structure FOR THE YEAR ENDED 30 JUNE 2016

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	
		2016 %	2015 %	2016 \$'000	2015 \$'000
St Joseph's Village Limited ¹	Australia	-	100	-	-
St Vincents & Mater Health Sydney Limited	Australia	100	100	12,269	12,269
St Vincent's Clinic	Australia	100	100	6,402	6,402
The Trustee for St Vincent's Clinic Foundation	Australia	100	100	-	-
St Vincent's Health & Aged Care Limited	Australia	100	100	9,545	9,545
St Vincent's Healthcare Limited	Australia	100	100	5,261	5,261
St Vincent's Hospital (Melbourne) Limited	Australia	100	100	45,653	45,653
St Vincent's Hospital Sydney Limited	Australia	100	100	20,474	20,474
St Vincent's Hospital Toowoomba Limited	Australia	100	100	13,579	13,579
St Vincent's Private Hospitals Ltd ²	Australia	100	100	58,498	58,498
St Vincent's Curran Foundation	Australia	100	100	-	-
Aikenhead Centre for Medical Discovery Limited ³	Australia	100	-	-	-
				171,681	171,681

¹ St Joseph's Village Limited was deregistered on 18 February 2016.

² St Vincent's Private Hospital Melbourne Limited changed its name to St Vincent's Private Hospitals Ltd on 16 February 2016.

³ Aikenhead Centre for Medical Discovery Limited was incorporated on 5 May 2016.

C4 INTEREST IN JOINT VENTURE

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

	2016 \$'000s	2015 \$'000s
Joint venture's results		
Revenue and other income	164,019	153,158
Operating surplus and total comprehensive income for the year	13,836	11,348
Group's share of surplus and total comprehensive income for the year	6,918	5,674
Current assets ¹	52,320	42,121
Non-current assets	62,934	66,879
Current liabilities	(25,271)	(26,929)
Non-current liabilities	(54,060)	(59,984)
Equity	35,923	22,087
Group's carrying amount of investment in joint venture	17,961	11,043

¹ Included in current assets are cash and cash equivalents of \$34,270,000 (2015: \$23,785,000).

**NOTES TO THE FINANCIAL STATEMENTS: Group structure
FOR THE YEAR ENDED 30 JUNE 2016**

C4 INTEREST IN JOINT VENTURE (continued)

	2016	2015
	\$'000s	\$'000s
Joint venture's commitments and contingent liabilities		
Lease commitments	325,184	60,327
Contingent liabilities	4,128	4,371

(i) Accounting policy

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

C5 RELATED PARTY TRANSACTIONS

Transactions with related parties during the year ended 30 June 2016 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 other related parties:

Interest income from:

Joint ventures	108	168
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Lease income from:

Other related parties	8,000	7,000
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Income from the provision of management and administrative services to:

Joint ventures	4,031	3,967
Other related parties	13,784	17,506

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

Joint ventures	30	-
Other related parties	20,131	24,206

Repayment of interest-free amounts advanced from

TMAM	16,781	4,710
Trustees of the Sisters of Charity of Australia	688	338

NOTES TO THE FINANCIAL STATEMENTS: Group structure
FOR THE YEAR ENDED 30 JUNE 2016

C5 RELATED PARTY TRANSACTIONS (continued)

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

	2016 \$'000s			2015 \$'000s		
	Current	Non-current	Total	Current	Non-current	Total
Receivables						
Amounts due from related parties						
Joint ventures	56	-	56	452	-	452
Other related parties	2,835	2,363	5,198	6,315	3,442	9,757
	2,891	2,363	5,254	6,767	3,442	10,209
Loan to related party (i)						
Joint ventures	-	2,759	2,759	-	4,005	4,005
	-	2,759	2,759	-	4,005	4,005
Payables						
Amounts due to related parties (unsecured)						
Joint ventures	446	446	892	553	841	1,394
Other related parties	7,948	5,663	13,611	14,510	782	15,292
	8,394	6,109	14,503	15,063	1,623	16,686
Borrowings						
Loan from related party (ii)						
Loan from St Vincent's Private Hospital Sydney	51,300	8,701	60,001	40,000	-	40,000
	51,300	8,701	60,001	40,000	-	40,000

(i) Loan to related party

The Group has provided a loan to The Holy Spirit Northside Private Hospital Limited. The loan is unsecured and attracts a variable interest rate of 3.66% at 30 June 2016 (2015: 3.73%). During the year, The Holy Spirit Northside Private Hospital Limited repaid \$1,244,000 (2015: \$1,164,000) of the loan. The loan is amortising and is expected to be fully repaid in the financial year ending 30 June 2018.

(ii) Loan from related party

The Group has a loan from St Vincent's Private Hospital Sydney Limited amounting \$60,001,000 (2015: \$40,000,000). The loan is unsecured and attracts a variable interest rate of 3.29% (2015: 4.85%). The loan was used to repay secured bank loans (note B4(iii)(c)).

NOTES TO THE FINANCIAL STATEMENTS: Unrecognised items FOR THE YEAR ENDED 30 JUNE 2016

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

2016	2015
\$'000s	\$'000s

Capital commitments

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

Within one year	169,832	35,146
Later than one year but not later than 5 years	22,636	2,195
	192,468	37,341

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	7,396	6,897
Later than one year but not later than 5 years	14,430	10,128
Later than 5 years	41,233	37,361
	63,059	54,386

During the current financial year, \$2,914,000 was recognised as an expense in the Group's profit or loss in respect of operating leases (2015: \$3,158,000).

Finance leases

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

Within one year	4,756	3,791
Later than one year but not later than 5 years	13,026	9,060
Later than 5 years	1,252	1,248
	19,034	14,099
Less amounts representing finance charges	2,698	1,782
	16,336	12,317

**NOTES TO THE FINANCIAL STATEMENTS: Unrecognised items
FOR THE YEAR ENDED 30 JUNE 2016**

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 2016 are detailed below. No material losses are anticipated in respect of any of these contingent liabilities.

Entity with Rights	Nature of Security or Obligation	2016 \$'000s	2015 \$'000s
Doctors owning strata title suites in the St Vincent's Clinic building	St Vincent's Healthcare Limited ("SVHC") has given an undertaking to buy back certain clinic suites for which an approved buyer cannot be found within 90 days after the service of a Sale Notice. The amount shown represents the full value of all suites that SVHC has committed to repurchase in the event that they cannot be sold.	34,965	34,965
Queensland Housing Commission	Pursuant to a capital funding agreement with the Queensland Housing Commission, St Vincent's Health & Aged Care Limited ("SVH&AC") 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 SVH&AC 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.	176	183

NOTES TO THE FINANCIAL STATEMENTS: Unrecognised items FOR THE YEAR ENDED 30 JUNE 2016

D3 SUBSEQUENT EVENTS

The following transactions have occurred since 30 June 2016.

Acquisition of Lourdes Home for the Aged

Lourdes Home for the Aged is located at Toowoomba in Queensland and was acquired subsequent to the reporting date on 1 July 2016 from The Corporation of the Roman Catholic Diocese of Toowoomba ("The Corporation") in accordance with the Group's aged care growth strategy. The consideration transferred for the acquisition of the business, liabilities and assets of Lourdes Home for the Aged was \$nil.

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

	\$'000
Cash and cash equivalents	2,312
Trade and other receivables	5
Inventories	3
Property, plant and equipment	17,517
Intangibles	5,670
	<u>25,507</u>
Trade payables	936
Accommodation payables	12,601
Provisions	1,178
	<u>14,715</u>
 Fair value of identified net assets acquired	 10,792
Acquisition date fair value of consideration paid to The Corporation was:	
Cash paid	-
Gain on acquisition	<u>10,792</u>
 Direct costs relating to the acquisition were:	
Included in other expenses from ordinary activities	<u>137</u>
 The cash inflow on acquisition was:	
Net cash acquired	2,312
Cash paid	-
Net cash inflow	<u>2,312</u>

Included in the provisional fair value of property, plant and equipment is a land asset valued at \$4,025,000. Acquisition of this asset is subject to approval by the Toowoomba Regional Council ("Council") of the application for subdivision of this land from the title of a larger land parcel held by The Corporation. The Corporation and St Vincent's Health & Aged Care Limited (SVH&AC) have entered into short-term land lease to allow the Company to occupy the land pending the Council's decision. In the event the Council does not approve the subdivision, The Corporation and SVH&AC will enter into a long-term land lease and The Corporation will be liable to make a payment to SVH&AC of \$4,025,000. The Corporation has deposited the sum of \$4,025,000 into a Solicitor's Trust Account pending a decision of the subdivision application, on terms and conditions acceptable to both parties, by the Council.

The \$10,792,000 gain on acquisition is attributable to SVH&AC being able to generate significant revenue and cost efficiencies with the facility operating as part of the St Vincent's Health Australia rather than as an individual facility operated by The Corporation.

NOTES TO THE FINANCIAL STATEMENTS: Unrecognised items
FOR THE YEAR ENDED 30 JUNE 2016

D3 SUBSEQUENT EVENTS (continued)

Acquisition of Jabiru Aged Care

Jabiru Aged Care is located at the Gold Coast in Queensland and was acquired subsequent to the reporting date on 1 September 2016 from The Board of Benevolence and of Aged Masons Widows and Orphans' Fund ("Masonic Care") 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 Jabiru Aged Care was \$3,950,000. The land upon which Jabiru Aged Care operates is subleased from the Council of the City of Gold Coast ("City Council") who in turn have a head lease with the Department of Natural Resources and Mines. The current 30 year sublease expires on 30 August 2020.

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

	\$'000
Cash and cash equivalents	442
Property, plant and equipment	3,500
Intangibles	1,500
	<u>5,442</u>
Accommodation payables	3,519
Provisions	173
	<u>3,692</u>
Fair value of identified net assets acquired	1,750
Acquisition date fair value of consideration paid to Masonic Care was:	
Cash paid	3,950
Goodwill at acquisition date	<u>2,200</u>
Direct costs relating to the acquisition were:	
Included in other expenses from ordinary activities	<u>30</u>
The cash outflow on acquisition was:	
Net cash acquired	442
Cash paid	(3,950)
Net cash outflow	<u>(3,508)</u>

The consideration of \$3,950,000 is contingent upon the City Council extending SVH&AC's sublease to 30 August 2050, on terms and conditions acceptable to SVH&AC and Masonic Care. SVH&AC has deposited the sum of \$3,950,000 into a Solicitor's Trust Account pending a decision on the extension of the sublease by the City Council. In the event that SVH&AC Limited is only able to obtain an extension for a period expiring prior to 30 August 2050, a proportionate amount of the deposit is refundable to SVH&AC.

**NOTES TO THE FINANCIAL STATEMENTS: Unrecognised items
FOR THE YEAR ENDED 30 JUNE 2016**

D3 SUBSEQUENT EVENTS (continued)

Consolidation of the Private Hospital Division

On 1 July the assets and liabilities of St Vincents & Mater Health Sydney Limited, St Vincent's Private Hospital Brisbane (currently included in the St Vincent's Health & Aged Care Limited legal entity) and St Vincent's Hospital Toowoomba Limited were transferred to St Vincent's Private Hospitals Limited (previously St Vincent's Private Hospital Melbourne Limited).

Apart from these matters, the Directors are not aware of any matter or circumstance occurring since 30 June 2016 that has significantly or may significantly affect the operations of the Group.

NOTES TO THE FINANCIAL STATEMENTS: Other FOR THE YEAR ENDED 30 JUNE 2016

This section includes information that the Directors do not consider to be significant in understanding the financial performance and position of the Group, but must be disclosed to comply with the Accounting Standards, the *Australian Charities and Not-for-Profits Commission Act 2012* and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

E1 KEY MANAGEMENT PERSONNEL

Directors

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

Mr P Robertson AM	Mr B Earle
Ms P Faulkner AO	Mr G Humphrys
Ms M Babbage (resigned on 31 December 2015)	Mr P McClintock AO
Prof. M Confoy RSC	Prof. P Smith
Prof. S Crowe AM	Sr M Wright IBVM

Executives

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

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

Mr T Hall	Group Chief Executive Officer
Ms R Martin	Group Chief Financial Officer (appointed on 27 July 2015)
Mr P Forsberg	Group Chief Financial Officer (resigned on 24 September 2015)
Mr R Beetson	Group General Manager, Corporate Governance
Mr M Day	Chief Executive Officer, Private Hospitals Division (resigned on 10 June 2016)
Mr J Leahy	Chief Executive Officer, Aged Care and Shared Services Division
Prof. P O'Rourke	Chief Executive Officer, Public Hospitals Division

Compensation

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

	2016	2015
	\$	\$
Short-term employee benefits	4,673,973	4,137,501
Post-employment benefits	209,232	194,001
Other	87,540	-
Termination benefits	239,279	-
Total	5,210,024	4,331,502

There are no other long term benefits as at year end (2015: \$nil).

NOTES TO THE FINANCIAL STATEMENTS: Other FOR THE YEAR ENDED 30 JUNE 2016

E2 AUDITOR'S REMUNERATION

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

	2016 \$	2015 \$
Assurance services		
Ernst & Young Australian firm		
Audit of financial reports	648,272	646,167
Other audit firms for any entity in the Group		
Audit of financial reports	98,000	92,000
Total remuneration for assurance services	746,272	738,167
Non-assurance services		
Ernst & Young Australian firm	35,000	34,000
Other audit firms for any entity in the Group	-	-
Total remuneration for non-assurance services	35,000	34,000
Total remuneration	781,272	772,167

E3 ECONOMIC DEPENDENCY

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

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

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

E4 NATURE AND PURPOSE OF RESERVES

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

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

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

NOTES TO THE FINANCIAL STATEMENTS: Other

FOR THE YEAR ENDED 30 JUNE 2016

E5 FAIR VALUE HIERARCHY

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

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

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

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

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

E6 OTHER ACCOUNTING POLICIES

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.

The rate at which interest has been capitalised to qualifying assets is disclosed in note A5.

Goods and services tax

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

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

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

Income tax

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

NOTES TO THE FINANCIAL STATEMENTS: Other
FOR THE YEAR ENDED 30 JUNE 2016

E6 OTHER ACCOUNTING POLICIES (continued)

Finance leases

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

Operating leases

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

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

New standards issued and adopted from 1 July 2015

The Group has assessed that there is no significant impact of these new standards and interpretations on the Group's financial statements.

New and amended standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below. The adoption of the below standards is expected to have an impact on the Group's financial statements. We are currently in the process of quantifying that impact, at this stage, the Group is not able to estimate the effect of the new rules on the Group's financial statements. The Group will make more detailed assessments of the effect over the next twelve months.

Reference	Description	Application of Standard	Application by Group
AASB 9 Financial Instruments	AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.	1 January 2018	1 July 2018

NOTES TO THE FINANCIAL STATEMENTS: Other
FOR THE YEAR ENDED 30 JUNE 2016

E6 OTHER ACCOUNTING POLICIES (Continued)

Reference	Description	Application of Standard	Application by Group
AASB 15 Revenue from Contracts with Customers	In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations (IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue—Barter Transactions Involving Advertising Services). The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.	1 January 2018	1 July 2018
AASB 116 Property Plant and Equipment and AASB 138 Intangible Assets	The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.	1 January 2016	1 July 2016
AASB 124 Related Party Disclosures	The amendments to AASB 124 Related Party Disclosures extend the scope of that Standard to include not-for-profit public sector entities.	1 July 2016	1 July 2016
AASB 13 Fair Value Measurement	The amendments to AASB 13 Fair Value Measurement extend the scope of that Standard to exempt not-for-profit public sector entities from certain requirements of the Standard.	1 July 2016	1 July 2016
AASB 16 Leases	During February 2016, the AASB issued AASB16 Leases, which replaces the existing leases guidance in AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Lease – Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. AASB 16 incorporates the requirements of IFRS 16 Leases issued by the IASB.	1 January 2019	1 July 2019

NOTES TO THE FINANCIAL STATEMENTS: Other
FOR THE YEAR ENDED 30 JUNE 2016

E6 OTHER ACCOUNTING POLICIES (Continued)

Reference	Description	Application of Standard	Application by Group
AASB 107 Statement of Cash Flows	This Standard amends AASB 107 Statement of Cash Flows (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017	1 July 2017
AASB 136 Impairment of Assets	This Standard amends AASB 136 to remove references to depreciated replacement cost as a measure of value in use for not-for-profit entities and clarify that not-for-profit entities holding non-cash-generating specialised assets at fair value in accordance with AASB 13 [under the revaluation model in AASB 116 and AASB 138] no longer need to consider AASB 136. Not-for-profit entities holding such assets at cost will determine recoverable amounts using current replacement cost in AASB 13.	1 January 2017	1 July 2017

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2016

In the Directors' opinion:

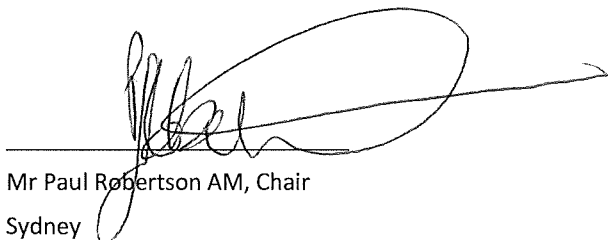
(a) the financial statements and notes set out on pages 13 to 60 of the consolidated entity are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012 (Cth)*, including:

(i) complying with Accounting Standards, the *Australian Charities and Not-for-Profits Commission Act 2012* 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 2016 and of its performance for the financial year ended on that date;

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

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



Mr Paul Robertson AM, Chair
Sydney

13 October 2016

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

Report on the financial report

We have audited the accompanying financial report of St Vincent's Health Australia Limited (the 'registered entity'), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the registered entity and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence


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

Opinion

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

- i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- ii complying with Australian Accounting Standards and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.


Ernst & Young


Jenny Parker
Sydney
13 October 2016