

Calvary

Being for Others

Annual Financial Report

30 JUNE 2018

Calvary Health Care Bethlehem Ltd

ABN 81 105 303 704



Hospitality



Healing



Stewardship



Respect

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DIRECTORS' REPORT

Annual Financial Report 30 JUNE 2018 | Calvary Health Care Bethlehem Ltd

The Board of Directors of Calvary Health Care Bethlehem Ltd submit their report for the year ended 30 June 2018.

Directors

The names of the Company's Directors in office during the financial year and until the date of this report are as follows.

Directors were in office for the entire period unless otherwise stated.

| NAME | QUALIFICATIONS | AREAS OF SPECIFIC RESPONSIBILITY |
|---|---|--|
| Hon. John Watkins AM | LLB, MA, DipEd, Hon Dlitt, M acq | Chair All Committees, Ex Officio |
| Michael Roche AM (resigned 22 Nov 2017) | BA (Accounting), FCPA MACS | Deputy Chair Member, Audit & Risk Committee Chair, Strategy & Development Committee |
| Rebecca Davies (resigned 22 Nov 2017) | BEc, LLB (Hons), FAICD | Director Chair, Mission & Ethics Committee Member, Audit & Risk Committee Member, Performance & Remuneration Committee |
| Assoc Prof Richard Matthews AM | MBBS | Director Member, Clinical Governance Committee Member, Strategy & Development Committee Member, Mission & Ethics Committee |
| Prof Katherine McGrath | MBBS, FRCPA, FAICD | Director Chair, Clinical Governance Committee Member, Performance & Remuneration Committee Member, Strategy & Development Committee |
| Patrick O'Sullivan | CA, MAICD | Deputy Chair Chair, Audit & Risk Committee Member, Strategy & Development Committee |
| David Catchpole | BEc, Dip FP, FAICD, FCPA (Retired) | Director Chair, Performance & Remuneration Committee Member, Audit & Risk Committee Member, Strategy & Development Committee |
| Jennifer Stratton | BA (Economics, English & History), FAICD | Director Chair, Mission & Ethics Committee Member, Performance & Remuneration Committee Member, Clinical Governance Committee |
| Jim Birch AM | BA (Health Administ- ration), FCHSM, MNATSIHEC | Director Member, Audit & Risk Committee Member, Clinical Governance Committee Member, Strategy & Development Committee |
| Lucille Halloran | BCom (Hons), BA (Admin), ESCP, MAICD, Member CA ANZ | Director Member, Performance & Remuneration Committee Member, Mission & Ethics Committee |
| Annette Carruthers (appointed 22 Nov 2017) | MBBS (Hons), FRACGP, FAICD, Grad Dip App Fin | Director Member, Audit & Risk Committee Member, Clinical Governance Committee |
| Lucille Scmazzon (appointed 22 Nov 2017) | LLB (Hons 1), BA, GAICD | Director Member, Audit & Risk Committee Member, Mission & Ethics Committee |

DIRECTORS' REPORT

Annual Financial Report 30 JUNE 2018 | Calvary Health Care Bethlehem Ltd

Directors (cont'd)

| NAME | QUALIFICATIONS | AREAS OF SPECIFIC RESPONSIBILITY |
|----------------|--|----------------------------------|
| Philip Maloney | Bcom, LLB, GradDip CSP, ACIS, MAICD | Company Secretary |
| David Bergman | BCom, MEc, ACA ANZ, FFin, GAICD | Alternate Company Secretary |

The Directors attended the following Board meetings and applicable Committees each Director was eligible to attend:

| Director | Board Meetings | | ARC | | MEC | | PRC | | SDC | | CGC | |
|--------------------------------|----------------|-----|------|-----|------|-----|------|-----|------|-----|------|-----|
| | Held | Att | Held | Att | Held | Att | Held | Att | Held | Att | Held | Att |
| Hon John Watkins AM | 10 | 8 | | | | | | | | | | |
| Michael Roche AM | 3 | 3 | 3 | 3 | | | | | 2 | 2 | | |
| Rebecca Davies | 3 | 3 | 3 | 3 | 2 | 2 | 1 | 0 | | | | |
| Assoc Prof Richard Matthews AM | 10 | 10 | | | 3 | 3 | | | 2 | 2 | 4 | 4 |
| Prof Katherine McGrath | 10 | 10 | | | | | 3 | 3 | 2 | 2 | 4 | 4 |
| Patrick O'Sullivan | 10 | 10 | 5 | 5 | | | | | 2 | 2 | | |
| David Catchpole | 10 | 10 | 5 | 4 | | | 3 | 3 | 2 | 2 | | |
| Jennifer Stratton | 10 | 9 | | | 3 | 3 | 2 | 2 | | | 2 | 1 |
| Jim Birch AM | 10 | 10 | 5 | 3 | | | | | 2 | 2 | 4 | 4 |
| Lucille Halloran | 10 | 10 | | | 3 | 2 | 3 | 3 | | | | |
| Annette Carruthers | 7 | 7 | 2 | 2 | | | | | | | 3 | 3 |
| Lucille Scmazzon | 7 | 7 | 2 | 2 | 1 | 1 | | | | | | |

Key:

ARC Audit & Risk Committee

MEC Mission & Ethics Committee

PRC Performance & Remuneration Committee

SDC Strategy & Development Committee

CGC Clinical Governance Committee

Short and long term objectives

Calvary's strategic aims are to:

- 1) Put the person and family at the centre of care in all settings, continuing to focus on palliative and end of life care;
- 2) Sustain the ability of our hospitals, aged care facilities and community services to provide quality and compassionate care in the communities we serve;
- 3) Improve the delivery system in order to promote effective, equitable, quality care and ensure patient, resident and client safety; and
- 4) Grow, integrate and innovate within our 'circle of competence' within the environment we operate.

It's Calvary's aim to provide a highly valued service that's greater than the sum of its parts.

DIRECTORS' REPORT

Annual Financial Report 30 JUNE 2018 | Calvary Health Care Bethlehem Ltd

Principal activities

The principal activities of the Company remain the provision of specialist sub-acute services in palliative care, with a statewide role for patients with progressive neurological disease, in both inpatient and ambulatory settings.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company during the financial year.

Results

A deficit of \$1.0M was incurred for the financial year ended 30 June 2018 (2017: deficit \$0.5M).

Management is actively reviewing operational performance to improve this result. In the event of financial assistance being required the Company may call upon financial support from the Parent Entity, Little Company of Mary Health Care Limited.

Review of operations

The Company operated a public hospital providing inpatient services, centre-based clinics and palliative day centre, and community based care providing services in patients homes or residential aged care facilities.

(a) Revenues

The Company's revenue from operating activities totalled \$22.6M (2017: \$20.8M). Grants and subsidies from Government for hospital operations totalled \$21.8M (2017: \$19.8M). Grants and subsidies represent 97% (2017: 95%) of revenue from operating activities.

(b) Expenses

The Company's expenses from operating activities totalled \$24.5M (2017: \$22.9M). Expenses on personnel costs represent 76% (2017: 76%) of total operating expense.

Staffing levels have decreased during the reporting period with total staff of 140 full time equivalents as at 30 June 2018 (2017: 148). The actual number of staff as at 30 June 2018 was 276 (2017: 263).

(c) Hospital activities

The overall inpatient activity for the year was 8,992 occupied bed days, a decrease of 6% on the year ended 30 June 2017.

Future developments

Calvary is considering redeveloping the current CHCB Public Hospital as part of an integrated health precinct on its current site in Caulfield to address its aging infrastructure and ensure a sustainable Model of Care. Such a redevelopment would mean that the current public hospital will be re-built to provide modern contemporary health care accommodation alongside complementary Calvary services including residential aged care and community care.

Such a development would improve the care and service given to our residents and patients through an integrated service model that provides flexibility in care provision whilst improving the amenity of the site. Such an initiative is aligned with Government directions and Department of Health and Human Services Strategy. Such a service model change is contemplated in the Government's Statement of Priorities.

DIRECTORS' REPORT

Annual Financial Report 30 JUNE 2018 | Calvary Health Care Bethlehem Ltd

Significant events after year end

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

Deed of access and indemnity - Directors

Little Company of Mary Health Care Ltd has executed a Deed of Access & Indemnity which provides Directors with the right of access to records for seven years after they cease office and also indemnifies Directors (to the extent permitted by law) against liability incurred in the course of their duties as a Director of companies within the Calvary group ("the Group").

Indemnification of officers and auditors

Little Company of Mary Health Care Ltd paid a premium during the year in relation to a Directors & Officers Liability policy indemnifying the Directors and Officers of the Group for losses which the Director or Officer may become legally obligated to pay on account of any claim made against the Director or Officer during the policy period for a wrongful act committed during the policy period.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Rounding off

The Company is an entity to which ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies. Accordingly, amounts in the financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Proceedings on behalf of the Company

No person has applied for leave of the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Member guarantee

The Company is incorporated as a company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$100 towards meeting any outstanding obligations of the Company. As the Company only has one member, a total maximum of \$100 is payable on a wind up.

DIRECTORS' REPORT

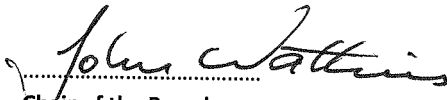
Annual Financial Report 30 JUNE 2018 | Calvary Health Care Bethlehem Ltd


Auditor's independence declaration

The auditor's independence declaration is included on page 6 of the financial statements.

The Directors' Report is signed in accordance with a resolution of Directors.

On behalf of the Directors.


.....
Chair of the Board


.....
Director

Dated at MELBOURNE this 28th day of August 2018.

Auditor-General's Independence Declaration

To the Directors, Calvary Health Care Bethlehem Ltd

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General, an independent officer of parliament, is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised.

Under the *Audit Act 1994*, the Auditor-General is the auditor of each public body and for the purposes of conducting an audit has access to all documents and property, and may report to parliament matters which the Auditor-General considers appropriate.

Independence Declaration

As auditor for Calvary Health Care Bethlehem Ltd for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit.
- no contraventions of any applicable code of professional conduct in relation to the audit.

MELBOURNE
6 September 2018



Ron Mak
as delegate for the Auditor-General of Victoria

DIRECTORS' DECLARATION

Annual Financial Report 30 JUNE 2018 | Calvary Health Care Bethlehem Ltd

In the opinion of the directors of the Company:

1. the Company is not publicly accountable;
2. the financial statements and notes, set out on pages 8 to 23, are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:
 - (a) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the Australian Charities and Not-for-profits Commission Regulation 2013; and
 - (b) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its performance, for the financial year ended on that date;
3. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors


Chair of the Board


Director

Dated at MELBOURNE this 28th day of August 2018.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Annual Financial Report 30 JUNE 2018 | Calvary Health Care Bethlehem Ltd

| | Note | 2018 \$ '000 | 2017 \$ '000 |
|---|------|-----------------|-----------------|
| Revenue from operations | | 22,596 | 20,807 |
| Other income | | 772 | 1,583 |
| Total revenue for the year | 2 | 23,368 | 22,390 |
| Employee benefits expense | | 18,612 | 17,318 |
| Depreciation expense | | 431 | 526 |
| Building utilisation charge | | 915 | 916 |
| Supplies | | 525 | 443 |
| Contracted services | | 1,330 | 1,314 |
| LCMHC shared service contributions | | 1,002 | 760 |
| Operating lease rental expenses | | 313 | 125 |
| Repairs and maintenance | | 242 | 355 |
| Other expenses | | 1,106 | 1,153 |
| Total expenses for the year | | 24,476 | 22,910 |
| Result from operating activities | | (1,108) | (520) |
| Finance income | | 69 | 52 |
| Finance costs | | - | 3 |
| Net deficit for the year | | (1,039) | (471) |
| Total comprehensive loss for the year attributable to members of the Company | | (1,039) | (471) |

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 12 to 23.

STATEMENT OF FINANCIAL POSITION

Annual Financial Report 30 JUNE 2018 | Calvary Health Care Bethlehem Ltd

| | Note | 2018 \$ '000 | 2017 \$ '000 |
|--------------------------------------|------|-----------------|-----------------|
| Current assets | | | |
| Cash and cash equivalents | 4 | 2,305 | 2,195 |
| Trade and other receivables | 5 | 441 | 372 |
| Other financial assets | 6 | 800 | 800 |
| Other current assets | | 69 | 96 |
| Total current assets | | 3,615 | 3,463 |
| Non-current assets | | | |
| Trade and other receivables | 5 | 1,039 | 888 |
| Other financial assets | 6 | 8,784 | 9,699 |
| Property, plant and equipment | 7 | 772 | 1,034 |
| Total non-current assets | | 10,595 | 11,621 |
| Total assets | | 14,210 | 15,084 |
| Current liabilities | | | |
| Trade and other payables | | 1,162 | 954 |
| Provisions | 9 | 4,127 | 3,671 |
| Income received in advance | | 1,275 | 1,678 |
| Total current liabilities | | 6,564 | 6,303 |
| Non-current liabilities | | | |
| Provisions | 9 | 629 | 725 |
| Total non-current liabilities | | 629 | 725 |
| Total liabilities | | 7,193 | 7,028 |
| NET ASSETS | | 7,017 | 8,056 |
| Equity | | | |
| Reserves | | 1,934 | 1,866 |
| Retained earnings | | 5,083 | 6,190 |
| TOTAL EQUITY | | 7,017 | 8,056 |

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 12 to 23.

STATEMENT OF CASH FLOWS

Annual Financial Report 30 JUNE 2018 | Calvary Health Care Bethlehem Ltd

| | Note | 2018 \$ '000 | 2017 \$ '000 |
|--|------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 603 | 3,280 |
| Government grants received | | 23,329 | 22,970 |
| Capital grants received | | 30 | 28 |
| Payments to suppliers and employees | | (24,524) | (23,835) |
| Interest received | | 69 | 52 |
| Finance costs | | - | (3) |
| Other income received | | 772 | 667 |
| Net cash provided by operating activities | | 279 | 3,159 |
| Cash flows from investing activities | | | |
| Proceeds on disposal of property, plant and equipment | | - | 15 |
| Payment for property, plant and equipment | | (169) | (125) |
| Return of funds deposited with LCMHC National Treasury | | - | (1,000) |
| Payment for investment in term deposits | | - | (800) |
| Net cash used in investing activities | | (169) | (1,910) |
| Net increase in cash held | | 110 | 1,249 |
| Cash at the beginning of the financial year | | 2,195 | 946 |
| Cash at end of the financial year | | 2,305 | 2,195 |
| Separate disclosure of operating and other cash at the end of the financial year: | | | |
| Operating cash | | 1,952 | 1,803 |
| Special purpose, trust and other restricted cash | 8 | 353 | 392 |
| | | 2,305 | 2,195 |

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 12 to 23.

STATEMENT OF CHANGES IN EQUITY

Annual Financial Report 30 JUNE 2018 | Calvary Health Care Bethlehem Ltd

| 2018 | Retained earnings \$ '000 | Specific purpose reserve \$ '000 | Total \$ '000 |
|--|--|---|--------------------------|
| Balance 1 July 2017 | 6,190 | 1,866 | 8,056 |
| Net deficit for the year | (1,039) | - | (1,039) |
| Total comprehensive loss for the year | (1,039) | - | (1,039) |
| Transfers (from)/to reserves | (68) | 68 | - |
| Balance 30 June 2018 | 5,083 | 1,934 | 7,017 |

| 2017 | Retained earnings \$ '000 | Specific purpose reserve \$ '000 | Total \$ '000 |
|--|--|---|--------------------------|
| Balance 1 July 2016 | 7,609 | 918 | 8,527 |
| Net deficit for the year | (471) | - | (471) |
| Total comprehensive loss for the year | (471) | - | (471) |
| Transfers (from)/to reserves | (948) | 948 | - |
| Balance 30 June 2017 | 6,190 | 1,866 | 8,056 |

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on pages 12 to 23.

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies

Reporting Entity

Calvary Health Care Bethlehem Ltd is a not for profit Public Company limited by guarantee, incorporated and domiciled in Australia.

Statement of Compliance

The financial statements are general purpose financial statements which have been prepared in accordance with the Australian Charities and Not-for-profits Commission Act 2012 and Australian Accounting Standards - Reduced Disclosure Requirements, and comply with other requirements of the law.

The financial statements were authorised by the Board on 28 August 2018.

Basis of Preparation

The financial statements have been prepared on the basis of historical cost. All amounts are presented in Australian dollars.

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and in accordance with the Class Instrument, amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Taxation

The Company is exempt from income tax under the current provisions of the Australian Income Tax Assessment Act (1997). Accordingly, there is no income tax expense or income tax payable.

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Rendering of services

Patient fee revenue is recognised when the fee in respect of services provided is receivable. Accrued patient income represents an estimate of fees due from patients not billed at balance date. This estimate is calculated with reference to individual episode information and per diem rates.

Grants received

Reciprocal grants

Grants received on the condition that specified services be delivered, or conditions fulfilled, are considered reciprocal. Such grants are initially recognised as a liability and revenue is recognised as services are performed or conditions fulfilled.

Non-reciprocal grants

Revenue is recognised when the grant is received or receivable.

Resources received free of charge

Revenue is recognised when fair value can be reliably measured. Usage of resources is recognised as a corresponding expense.

NOTES TO THE FINANCIAL STATEMENTS

Interest

Interest income is recognised using the effective interest method.

Rental income

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

Donations

Donations are recognised at fair value in other income when received and any obligations in relation to the donation are extinguished.

(c) Finance costs

Borrowing costs include interest and finance lease/hire purchase finance charges and are recognised using the effective interest method.

(d) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and term deposits with a term of less than three months. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(e) Financial instruments

Financial assets and liabilities are recognised when an entity becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transactions costs on the date when they originated. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Held to maturity investments

Term deposits with fixed maturity dates in excess of three months that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Impairment of financial assets

Non-derivative financial assets are assessed for indicators of impairment at the end of each reporting period and are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

NOTES TO THE FINANCIAL STATEMENTS

Trade receivables are assessed for impairment on a collective basis where they are not assessed to be impaired individually. The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows.

The carrying amount is reduced by the impairment loss through the use of an allowance account for trade receivables. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition

The Company derecognised a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to the asset to another entity. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of consideration received and receivable and is recognised in profit or loss.

Financial liabilities

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest rate method.

Derecognition

The Company derecognises financial liabilities when, and only when, the Company's obligations are either discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the profit or loss.

(f) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss during the financial period in which they are incurred.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight line method. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

NOTES TO THE FINANCIAL STATEMENTS

The depreciation/amortisation rates used for each class of asset are as follows:

| | 2018 | 2017 |
|---------------------|-------------|-------------|
| Plant and equipment | 10.0%-33.3% | 10.0%-33.3% |
| Motor vehicles | 15.0% | 15.0% |

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(g) Impairment of non-financial assets

At each reporting date, the Company assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an assets or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Value in Use is calculated as the higher of the present value of future cash flows or the asset's depreciated replacement cost. In assessing the present value of future cash flows, future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses are recognised in profit or loss. For non-current assets excluding goodwill, a previously recognised impairment loss is reversed only if there has been a change in assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

(h) Leased assets

Leases of plant and equipment under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Operating leases

Operating lease payments made under operating leases are recognised as an expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

Lease arrangement with LCM Health Care Holdings Limited in relation to right to use of land and buildings

The Company entered into a lease agreement with LCM Calvary Health Care Holdings Limited (Holdings) for the right to use of land and buildings.

Amounts under this agreement are recognised in the profit or loss as follows:

- Building utilisation charge (BUC) - when the charge is due to Holdings. This charge is equivalent to the relevant assets' depreciation charge in Holding's financial statements.
- \$1 nominal rent - as due to Holdings each year

(i) Employee benefits

A liability is recognised for benefits accruing to employees in respect of salaries and wages, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to the reporting date.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

(j) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make estimates and judgements about the carrying amount of assets and liabilities. The estimates and associated assumptions are based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the group. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods where applicable.

NOTES TO THE FINANCIAL STATEMENTS

Annual Financial Report 30 JUNE 2018 | Calvary Health Care Bethlehem Ltd

| | Note | 2018 \$ '000 | 2017 \$ '000 |
|---|------|-----------------|-----------------|
| 2 Revenue and other income | | | |
| Revenue from operating activities | | | |
| Revenue from rendering of services | | 789 | 1,013 |
| Public Health Service recurrent grants | | 21,611 | 19,677 |
| Public Health Service capital grants | | 27 | 25 |
| Public Health Service resources received free of charge | | 169 | 92 |
| Total revenue from operations | | 22,596 | 20,807 |
| Other income | | | |
| Rental income | | 74 | 72 |
| Donations | | 154 | 901 |
| Profit on disposal of property, plant and equipment | | - | 15 |
| Other income (related parties) | | 50 | 111 |
| Other income | | 494 | 484 |
| | | 772 | 1,583 |
| Total revenue and other income | | 23,368 | 22,390 |
| Grants received/receivable | | | |
| Total grants received/receivable in 2018 of \$21.8M (2017: \$19.8M) consist of \$20.6M from the Department of Health and Human Services (2017: \$18.7M), \$0.4M from the Commonwealth Government (2017: \$0.4M) and \$0.8M from other sources (2017: \$0.7M). | | | |
| 3 Expenses | | | |
| Superannuation - defined contribution | | 1,489 | 1,397 |
| Superannuation - defined benefit | | 10 | 16 |
| Building utilisation charge | | | |
| The Company leases land and buildings from LCM Calvary Health Care Holdings Ltd (Holdings). The lease entered into requires the Company to pay a building utilisation charge equivalent to the asset depreciation which would have been charged in the Company's financial statements had they owned the assets. The lease agreements expire on 30 June 2074. The lease agreements provide a nominal rent of \$1 per annum. | | | |
| 4 Cash and cash equivalents | | | |
| Cash at bank and on hand | | 2,305 | 2,195 |

NOTES TO THE FINANCIAL STATEMENTS

Annual Financial Report 30 JUNE 2018 | Calvary Health Care Bethlehem Ltd

| | Note | 2018 \$ '000 | 2017 \$ '000 |
|---|------|-----------------|-----------------|
| 5 Trade and other receivables | | | |
| Current | | | |
| Trade receivables | | 148 | 140 |
| Other receivables | | 293 | 232 |
| | | <u>441</u> | <u>372</u> |
| Non Current | | | |
| Department of Health LSL Receivable | | <u>1,039</u> | <u>888</u> |
| 6 Other financial assets | | | |
| <i>Loans and receivables at amortised cost</i> | | | |
| Current | | | |
| Term deposits | | <u>800</u> | <u>800</u> |
| Non Current | | | |
| Loan - LCM Calvary Health Care Holdings Ltd | 13 | <u>8,784</u> | <u>9,699</u> |
| Loan receivable - LCM Calvary Health Care Holdings Ltd | | | |
| The loan receivable from LCM Calvary Health Care Holdings Ltd (Holdings) has arisen from the transfer of assets from the Company to Holdings. The loan receivable is interest free. \$7.3M of the loan receivable is repayable on demand at the discretion of the Company whilst the balance of the loan receivable has no set date for repayment. The loan will be repaid as Holdings and the Company agree from time to time. The building utilisation charge (referred to in Note 3) is not paid in cash but is, under the terms of the lease, offset against the loans receivables balance. | | | |
| 7 Property, plant and equipment | | | |
| Plant and equipment - at cost | | 4,602 | 4,545 |
| Less: Accumulated depreciation | | <u>(4,191)</u> | <u>(3,832)</u> |
| | | <u>411</u> | <u>713</u> |
| Motor vehicles - at cost | | 496 | 445 |
| Less: Accumulated depreciation | | <u>(196)</u> | <u>(124)</u> |
| | | <u>300</u> | <u>321</u> |
| Assets under construction - at cost | | 61 | - |
| | | <u>772</u> | <u>1,034</u> |

NOTES TO THE FINANCIAL STATEMENTS

Annual Financial Report 30 JUNE 2018 | Calvary Health Care Bethlehem Ltd

| | Note | 2018 \$ '000 | 2017 \$ '000 |
|---|------|-----------------|-----------------|
| Reconciliation of property, plant and equipment | | | |
| Cost | | | |
| <i>Plant and equipment</i> | | | |
| Balance at 1 July 2017 | | 4,545 | |
| Additions | | 57 | |
| Balance at 30 June 2018 | | <u>4,602</u> | |
| <i>Motor Vehicles</i> | | | |
| Balance at 1 July 2017 | | 445 | |
| Additions | | 51 | |
| Balance at 30 June 2018 | | <u>496</u> | |
| <i>Assets under construction</i> | | | |
| Costs incurred during the year | | 61 | |
| Balance at 30 June 2018 | | <u>61</u> | |
| Accumulated depreciation and impairment | | | |
| <i>Plant and equipment</i> | | | |
| Balance at 1 July 2017 | | (3,832) | |
| Depreciation expense | | (359) | |
| Balance at 30 June 2018 | | <u>(4,191)</u> | |
| <i>Motor vehicles</i> | | | |
| Balance at 1 July 2017 | | (124) | |
| Depreciation expense | | (72) | |
| Balance at 30 June 2018 | | <u>(196)</u> | |
| 8 Restricted assets | | | |
| The Company holds assets which are restricted by externally imposed conditions, for example, in line with the grant and donor requirements. | | | |
| The assets are only available for application in accordance with the terms of these restrictions. | | | |
| Category / Conditions | | | |
| Special Purpose / Conditions imposed by granting body | | 297 | 362 |
| Other donations / Conditions imposed by donor | | 856 | 830 |
| | | <u>1,153</u> | <u>1,192</u> |
| Disclosed in the Statement of Financial Position as: | | | |
| Cash and cash equivalents | | 353 | 392 |
| Other financial assets | | 800 | 800 |
| | | <u>1,153</u> | <u>1,192</u> |

NOTES TO THE FINANCIAL STATEMENTS

Annual Financial Report 30 JUNE 2018 | Calvary Health Care Bethlehem Ltd

| | Note | 2018 \$ '000 | 2017 \$ '000 |
|---------------------------|------|-----------------|-----------------|
| 9 Provisions | | | |
| Current | | | |
| Employee benefits: | | | |
| Annual leave | | 1,446 | 1,364 |
| Long service leave | | 2,636 | 2,267 |
| Other employee provisions | | 45 | 40 |
| | | <u>4,127</u> | <u>3,671</u> |
| Non Current | | | |
| Employee benefits: | | | |
| Long service leave | | 629 | 725 |

10 Retirement Benefit Plans

Defined benefit plans

The Company contributes to a defined benefits superannuation scheme (Health Super Fund) for its staff. The Company has no other obligations under this scheme other than for payment of contributions for participating employees.

The unfunded superannuation liability in respect of members of the Health Super Fund is not recognised in the Statement of Financial Position. The Company's total unfunded superannuation liability for this fund has been assumed by and is reflected in the financial statements of the Department of Treasury and Finance (Vic).

11 Operating lease arrangements

11.1 The Company as lessee

Non-cancellable operating lease rentals are payable as follows:

| | | |
|---|--------------|--------------|
| Not later than one year | 601 | 663 |
| Later than one year but not later than five years | 518 | 843 |
| | <u>1,119</u> | <u>1,506</u> |

Leasing arrangements

The Company leases assets under operating leases. Leases generally provide the Company with a right of renewal at which time all terms are renegotiated.

NOTES TO THE FINANCIAL STATEMENTS

Annual Financial Report 30 JUNE 2018 | Calvary Health Care Bethlehem Ltd

| Note | 2018 \$ '000 | 2017 \$ '000 |
|------|-----------------|-----------------|
|------|-----------------|-----------------|

Lease with LCM Calvary Health Care Holdings Ltd

A lease agreement has been entered into between the Company and LCM Calvary Health Care Holdings Ltd (Holdings). The arrangement between the Company and Holdings provides for a building utilisation charge equivalent to the asset depreciation which would have been charged in the Company's financial statements had the Company owned the assets. The lease agreement was effective from 1 July 2004, with nominal rent of \$1 per annum payable, and is for a seventy year term.

11.2 The Company as lessor

Operating lease receivables

Not later than one year

| | |
|-----------|-----------|
| 25 | 40 |
| <u>25</u> | <u>40</u> |

12 Commitments for expenditure

Capital expenditure commitments

Leasehold improvements

Plant & equipment

| | |
|------------|-----------|
| 314 | - |
| 45 | 30 |
| <u>359</u> | <u>30</u> |

NOTES TO THE FINANCIAL STATEMENTS

Annual Financial Report 30 JUNE 2018 | Calvary Health Care Bethlehem Ltd

| | 2018 \$ | 2017 \$ |
|--|------------|------------|
| 13 Related parties | | |
| Transactions with key management personnel | | |
| From time to time Directors and other key management personnel of the Company may be treated as patients. This service is provided on the same terms and conditions as those entered into by other employees or customers and are trivial or domestic in nature. | | |
| A payment, the details of which are confidential and not disclosed, was made by the Parent Entity, Little Company of Mary Health Care Ltd, in respect of a contract of insurance indemnifying all Officers against liability for any claims brought against a Director or Officer. | | |
| Compensation of key management personnel | | |
| Non-Executive Directors' fees and National executive salaries are paid and are reported separately by the Parent Entity, Little Company of Mary Health Care Ltd. Remuneration for the Company's Executives is detailed below. | | |
| Compensation to key management personnel of the Company | 516,252 | 485,611 |
| Transactions with other related parties | | |
| Amounts included in income received during the year from Calvary group companies: | | |
| Supplier rebate income | 387 | 875 |
| Recovery of salaries and wages (incl on-costs) | 50,000 | 109,620 |
| Recovery for goods and services | - | 5,454 |
| Amounts paid during the year to Calvary group companies: | | |
| Repayment of borrowings | - | 1,000,000 |
| Amounts included in expenditure during the year to Calvary group companies: | | |
| National IT shared service contribution - recurrent | 769,668 | 642,828 |
| National IT shared service contribution - non-recurrent | 231,864 | 117,468 |
| Interest costs | - | 2,645 |
| Building utilisation charge | 915,459 | 915,452 |
| Payments for goods and services | 28,641 | 42,054 |
| Insurance premiums | 16,100 | 16,100 |
| Payment of salaries and wages (incl on-costs) | 457,119 | 450,605 |
| Receivables due from related parties | | |
| Amounts receivable from Calvary group companies: | | |
| LCM Calvary Health Care Holdings Ltd | 8,783,725 | 9,699,184 |

NOTES TO THE FINANCIAL STATEMENTS

Annual Financial Report 30 JUNE 2018 | Calvary Health Care Bethlehem Ltd

14 Contingent liabilities

There are no events identified and not brought to account which could be expected to have a material effect on the financial statements in the future.

15 Economic dependency and going concern

The Company depends on the annual appropriation of monies by the Victorian Government to fund its operations and meet commitments in accordance with agreements between the Company and the Victorian Department of Health & Human Services.

Of total revenue 93.3% is derived from Government funding, 3.3% derived from non-government funding and 3.4% is derived from private patients and health funds. Benefits are paid in accordance with agreements between the Company and the respective health funds.

Whilst at 30 June 2018 current liabilities exceeded current assets, when employee provisions are excluded from current liabilities on the reasonable expectation that in the normal course of business these will not result in a cash outflow in the next 12 months, the Company's current assets exceeds its current liabilities.

The Directors believe that, in the event of the cessation of the provision of public hospital services, the responsibility for accrued leave entitlements at that time for those employees who are undertaking public hospital services resides with the Department of Health and Human Services (Vic).

Furthermore, the Parent Entity has issued a formal letter of support confirming its intention to provide financial support for the 12 months subsequent to the date of signing this report.

The constitution of the Company has the provision required under s187 of the Corporations Act which expressly authorises the Company to act in the best interests of the Parent Entity, so that it is capable of providing economic assistance to the Parent Entity, provided the Company will not become insolvent as a result of giving such economic assistance.

The Parent Entity may, in turn, provide economic assistance to any of its subsidiaries including the Company, by withdrawing funds from any other of its subsidiaries, except for those moneys located in certain Special Purpose or Trust Fund Accounts, to provide such support as is necessary to enable the Parent Entity or subsidiary to pay its debts as and when they fall due, provided neither the Parent Entity or the Company will become insolvent as a result of the withdrawal.

The Directors currently believe that, collectively, the Parent Entity and its subsidiaries have sufficient cash resources to ensure the Company, the Parent Entity, and other subsidiaries of the Parent Entity will continue to trade as going concerns and they are unaware of any material uncertainties, events or conditions, which may cast significant doubt on this belief.

16 Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Independent Auditor's Report



Victorian Auditor-General's Office

To the Directors of Calvary Health Care Bethlehem Ltd

| | |
|---|--|
| Opinion | <p>I have audited the financial report of Calvary Health Care Bethlehem Ltd (the company) which comprises the:</p> <ul style="list-style-type: none">• statement of financial position as at 30 June 2018• statement of profit or loss and other comprehensive income for the year then ended• statement of changes in equity for the year then ended• statement of cash flows for the year then ended• notes to the financial statements, including significant accounting policies• directors' declaration. <p>In my opinion the financial report is in accordance with Division 60 of the <i>Australian Charities and Not-for-profits Commission Act 2012</i>, including:</p> <ul style="list-style-type: none">• giving a true and fair view of the financial position of the company as at 30 June 2018 and of its financial performance and its cash flows for the year then ended• complying with Australian Accounting Standards—Reduced Disclosure Requirements and Division 60 of the <i>Australian Charities and Not-for-profits Commission Regulations 2013</i>. |
| Basis for Opinion | <p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the company in accordance with the auditor independence requirements of the <i>Australian Charities and Not-for-profits Commission Act 2012</i> and the ethical requirements of the Accounting Professional and Ethical Standards Board's <i>APES 110 Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p> |
| Directors' responsibilities for the financial report | <p>The Directors of the company are responsible for the preparation of a financial report that gives a true and fair view in accordance with Australian Accounting Standards—Reduced Disclosure Requirements and the <i>Australian Charities and Not-for-profits Commission Act 2012</i>, and for such internal control as the Directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p> |
| Other Information | <p>The Directors of the company are responsible for the Other Information, which comprises the information in the company's annual report for the year ended 30 June 2018, but does not include the financial report and my auditor's report thereon.</p> <p>My opinion on the financial report does not cover the Other Information and accordingly, I do not express any form of assurance conclusion on the Other Information. However, in connection with my audit of the financial report, my responsibility is to read the Other Information and in doing so, consider whether it is materially inconsistent with the financial report or the knowledge I obtained during the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.</p> |

**Auditor's
responsibilities
for the audit of
the financial
report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

I communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the Directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

MELBOURNE
6 September 2018



Ron Mak

as delegate for the Auditor-General of Victoria