

**Catholic Healthcare Limited**  
**ABN 69 064 946 318**

Annual report  
30 June 2022

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**Catholic Healthcare Limited**  
**Directors' report**  
**For the year ended 30 June 2022**

The directors present their report together with the financial statements of Catholic Healthcare Limited ("the Company" or "CHL"), for the financial year ended 30 June 2022 and the auditor's report thereon.

**Directors**

The directors of the Company at any time during or since the end of the financial year are:

<b>Name, qualifications and independence status</b>	<b>Experience, special responsibilities and other directorships</b>
<p><b>Mr Stephen Teulan</b>            B Com. CA</p> <p>Appointed Chairman from 25 July 2021</p> <p>Independent Non-Executive Director since 1 September 2018</p>	<p>Stephen is a Chartered Accountant whose experience includes senior management roles in small, medium and large aged care and health care organisations over 21 years. He also spent 12 years in Partner and Principal consulting roles at Deloitte and Nous Group, specialising in consulting to the health and aged care sectors.</p> <p>Stephen is Chair of the People and Remuneration Committee and is also Board Chair of Hospital No. 1 Limited (formerly Hawkesbury District Health Service Limited). Stephen also serves as a non-Executive Director on the Board of Catholic Health Australia.</p>
<p><b>Mr Wayne Leamon</b>            B Fin Admin, FCA, GAICD</p> <p>Appointed Deputy Chairman since 1 July 2022</p> <p>Independent Non-executive director since 1 October 2016</p>	<p>Wayne is a former Executive Director of Macquarie Group, where he served in a number of senior roles in Australia and the UK. His last role was CEO, Macquarie Bank UK. Prior to Macquarie he worked as a Chartered Accountant.</p> <p>Wayne has a strong corporate governance background, having served on the boards of regulated entities, infrastructure businesses and private equity investment companies. He has extensive experience in risk management, including several years in a senior leadership role in Macquarie's Risk Management Group.</p> <p>Wayne is the Chair of the Finance, Audit and Risk Committee and is a member of the Board Quality and Safety Committee and is a member of the Board People and Remuneration Committee.</p>
<p><b>Mr David Robinson</b>            BA, LLB, MAICD</p> <p>Chairman from 1 August 2014 to 24 July 2021</p> <p>Deputy Chairman from 27 March 2013 to 31 July 2014</p> <p>Independent Non-executive director from 25 July 2012            Retired 24 July 2021</p>	<p>David is a former legal counsel and company secretary of a leading listed financial services company and is now a non-executive director. He has been a non-executive director of several AMP and Commonwealth Bank subsidiaries. He was also the Deputy Chairman of Monte Sant' Angelo Mercy College Limited. He is a member of St Vincent de Paul Society – Terrigal Conference.</p> <p>David was a member of the Trustees and Boards Joint Nominations Committee and Chaired the Board Remuneration Committee. He is currently a non-executive director of Mary Aikenhead Education Limited.</p>

**Catholic Healthcare Limited  
Directors' report  
For the year ended 30 June 2022**

<b>Name, qualifications and independence status</b>	<b>Experience, special responsibilities and other directorships</b>
<p><b>Mr Alan Crouch</b> B Com, ASIA, GAICD</p> <p>Deputy Chairman from 24 September 2014 to 30 June 2022</p> <p>Independent Non-executive director from 1 July 2013</p> <p>Retired 30 June 2022</p>	<p>Alan is the Director, Automotive Alliances, Macquarie Leasing Pty Ltd and was formerly the General Manager – Sales for Kia Motors Australia. He has over 25 years commercial experience in franchising, distribution and financial services as well as the not-for-profit sector.</p> <p>Alan was a non-executive director of Hospital No. 1 Limited (formerly Hawkesbury District Health Service Limited). He has a long association with a number of charitable causes and maintains a strong interest in medical research.</p> <p>Alan was a member of the Trustees and Boards Joint Nomination Committee, the Board Finance, Audit and Risk Committee and the Board Property and Facility Committee.</p>
<p><b>Ms Rebecca Davies AO, DCSG</b> LLB (Hons), B.Ec FAICD</p> <p>Independent Non-executive director since 19 July 2017</p>	<p>Rebecca is a former partner of a large international law firm and now is a full time non-executive director. She has held director and chair appointments in the hospitals, aged care, community care, financial services and arts sectors as well as a number of medical research charities. Rebecca is Chair of the Board Mission and Identity Committee and is a member of the Board Finance, Audit and Risk Committee.</p>
<p><b>Mr Michael Morgan</b> BSc(Arch) BArch FRAIA, MAICD</p> <p>Independent Non-Executive Director since 1 September 2018</p>	<p>Michael is a registered architect and a Director of nettleontribe where he has worked since 1979. He served as Managing Director for 26 years until commencing a leadership transition process in 2016. He is also the Chairman of the Board for St Aloysius' College Ltd, Chairman of the Advisory Board for MacKillop Grange Retirement Village, and a director of Cancer Council NSW. Michael also currently serves on the Advisory Board for Jesuit Social Services NSW.</p> <p>Michael is Chair of the Board Property and Facility Committee and a member of the Board Mission and Identity Committee.</p>
<p><b>Ms Anne Carroll</b> RN, BHst(N), MPH, MAICD</p> <p>Independent Non-executive director since 1 January 2021</p>	<p>Anne is the Principal Consultant of QH Australia, specialising in consulting in Clinical Governance, Quality and Health Care Management. Prior to this role, Anne was a senior Hospital Manager for over 25 years with experience in all aspects of hospital management. Anne is a Non-Executive Director for Centacare New England North West, Arthritis NSW and Family Drug Support. She was also a Non-Executive Director for Uniting NSW.ACT and is the Chair of the Private Hospital and Day Surgery Benchmarking Groups.</p> <p>Anne is Chair of the Board Quality and Safety Committee and a member of the Board People and Remuneration Committee.</p>

**Catholic Healthcare Limited**  
**Directors' report**  
**For the year ended 30 June 2022**

<b>Name, qualifications and independence status</b>	<b>Experience, special responsibilities and other directorships</b>
<p><b>Emeritus Professor Dr Margaret O'Connor AM, CF</b>            DN (La Trobe), MN(RMIT),            B Theol (MCD),            RN, FCNA, MAICD, MPCNA</p> <p>Independent Non-Executive Director since 1 February 2022</p>	<p>Margaret is currently Emeritus Professor of Nursing at Monash University and a Clinical Researcher with Melbourne City Mission Palliative Care.</p> <p>Margaret has extensive healthcare experience as a nurse, researcher and board director with a specialisation in end-of-life care. During her career Margaret has led the development of a number of home-based palliative care services in Melbourne and has held academic roles at La Trobe University and Swinburne University of Technology.</p> <p>Margaret's academic qualifications include a Doctor of Nursing, Master of Nursing, Bachelor of Theology and General Nurses Certificate. She has contributed to more than 160 peer-reviewed journal articles and is regularly invited as a keynote speaker on the topic of palliative care, ageing and dying.</p> <p>Margaret is a member of the Board Mission and Identity Committee and a member of the Board Quality and Safety Committee.</p>
<p><b>Ms Lynne Robinson</b>            BA, MAgBiz, GAICD</p> <p>Independent Non-executive director since 1 August 2022</p>	<p>Lynne is an experienced non-executive director and chair with an executive background in banking technology, organisational transformation and commercial delivery of technology and data services.</p> <p>Lynne is the Chair of Data Action Pty Ltd and the Chair of Geoscape Australia Limited as well as a member of the Audit and Risk Committee and the Nominations and Remuneration Committee. As founding partner of Strategy &amp; Data Pty Ltd she helps leaders bring complex data and digital decisions to board and executive agendas.</p> <p>Lynne is a member of the Board Finance, Audit and Risk Committee and the Board Quality and Safety Committee.</p>

**Company secretary**

Belinda Flatters was appointed to the position of company secretary on August 15th 2022. Belinda has more than 20 years' Company Secretarial, Governance and legal experience across a range of industries including oil and gas, health insurance, wealth management, international aid and most recently, aged care. Belinda, prior to joining Catholic HealthCare Limited, was the Company Secretary for RSL LifeCare. Belinda has a Diploma of Law through the University of Sydney and holds a current legal practising certificate. Belinda also has a Graduate Diploma of Corporate Governance, is a Fellow of the Governance Institute and a Graduate of the Australian Institute of Company Directors.

**Catholic Healthcare Limited**  
**Directors' report**  
**For the year ended 30 June 2022**

**Directors' meetings**

The number of directors' meetings (including meetings of Board committees) and number of meetings attended by each of the directors of the Company during the financial year are:

Director Board Meetings	Catholic Healthcare Limited Board		Finance, Audit & Risk Committee		Mission & Identity Committee		People & Remuneration Committee	
	H	A	H	A	H	A	H	A
Mr Stephen Teulan (Chairman) ▲	10	10	-	-	-	-	6	6
Mr Alan Crouch (Deputy Chair) ▲▲	10	10	2	2	-	-	-	-
Ms Anne Carroll	10	10	-	-	-	-	-	-
Ms Rebecca Davies	10	10	2	2	2	2	-	-
Mr Wayne Leamon	10	10	2	2	-	-	6	6
Mr Michael Morgan	10	10	-	-	2	2	6	6
Dr Margaret O'Connor ▲▲▲	4	4	-	-	-	-	-	-
Mr David Robinson ▲▲▲▲	-	-	-	-	-	-	-	-

Director Board Meetings	Property & Facilities Committee		Quality & Safety Committee		Trustees' & Board Joint Nomination Committee		Quality, Safety & Risk Committee	
	H	A	H	A	H	A	H	A
Mr Stephen Teulan (Chairman) ▲	5	5	-	-	2	2	-	-
Mr Alan Crouch (Deputy Chair) ▲▲	5	4	-	-	2	2	-	-
Ms Anne Carroll	-	-	4	4	-	-	2	2
Ms Rebecca Davies	-	-	-	-	-	-	2	2
Mr Wayne Leamon	-	-	4	3	-	-	2	2
Mr Michael Morgan	5	5	-	-	-	-	-	-
Dr Margaret O'Connor ▲▲▲	-	-	3	3	-	-	-	-
Mr David Robinson ▲▲▲▲	-	-	-	-	-	-	-	-

H – Number of meetings held whilst Director      A – Number of meetings attended      ▲ – Appointed Chair 25/07/2021  
▲▲ – Resigned 30/06/2022      ▲▲▲ – Appointed 01/02/2022      ▲▲▲▲ – Resigned 24/07/2021



**Catholic Healthcare Limited**  
**Directors' report**  
**For the year ended 30 June 2022**

**Operating and financial review**

**Principal activities**

The principal activities of the Company during the course of the financial year consisted of:

- Management, ownership and operation of aged care facilities and retirement villages in New South Wales and Queensland;
- Management and operation of a Third Schedule health services in Western NSW – Lourdes, Dubbo and St Vincent's Outreach Service, Bathurst; and
- Delivery of Home Care Packages and other Community Services in New South Wales and Queensland.

**Results**

The deficit for the year for the Company was \$55.9m (2021: deficit \$42.9m).

The performance of the Company has been significantly impacted by the COVID-19 pandemic with reductions in occupancy levels experienced in Residential Aged Care and reduced service delivery levels across Home and Community services. These impacts are as a direct result of COVID lockdowns as well as the indirect impact of a lack of availability of resources due to legislated isolation requirements.

Whilst the company has recorded costs incurred in respect of managing COVID outbreaks in the year, reimbursement of costs under Federal government grant applications of \$10.2m have not yet been recognised, as the Company's applications had not been approved by 30 June 2022.

In addition to COVID-19 impacts, increases in the cost of provision of care services at a higher rate than Commonwealth funding rate increases continues to negatively impact the Company's EBITDA performance.

**Review of operations**

CHL closed the financial year with circa 3,000 Residential Aged Care places and the Home and Community Services business continued to work towards improving its market share of HCP and CHSP outputs. During the period, CHL has successfully navigated the operations through a myriad of COVID-related issues including dealing with significant staffing challenges throughout the period. The organisation has also undertaken a major review of its strategy and worked tirelessly to ensure a consistent focus on delivery of care through this difficult time.

In addition to the implementation of existing changes in aged care legislation, CHL continues to actively plan for further Aged Care reforms resulting the Royal Commission into Aged Care Quality and Safety recommendations including the move from Aged Care Funding Instrument (ACFI) to Australian National Aged Care Classification (AN-ACC) and the associated impacts on funding and care minute requirements, changes to Home and Community through the roll-out of the Support-at-Home program, as well as ongoing clinical and corporate governance changes and the impact of new legislation relating to Voluntary Assisted Dying.

CHL continues to review its procurement practices and recognises modern slavery practices as major violations of human rights and serious crimes and is committed to eradicating these practices from its business and supply chains and collaborating with key stakeholders and groups including other Catholic entities to respond to and eliminate modern slavery. CHL has a statement on modern slavery which is available on the company's website.

**Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the business during the reporting period.

**Events subsequent to reporting date**

Effective from Monday, 3 October 2022, the operation of two Healthcare services, Lourdes Hospital in Dubbo and St Vincent's Outreach Services in Bathurst, will transfer from Catholic Healthcare to the Western NSW Local Health District (WNSWLHD).

The agreement to transfer these services results from a mutual decision between Catholic Healthcare and WNSWLHD following a review of the current service agreement, which concluded the future needs of the local community would be best met by integrating the operation of these services with the WNSWLHD.

**Likely developments**

The Company will continue to develop and manage aged, community services and health ministries of the Trustees of Catholic Healthcare. This includes the development of new aged care services, retirement living, home and community services, refurbishments and re-development of existing facilities and partnerships with the existing providers of care.

The Company is focussed on the delivery of its refreshed strategy including the consideration of new opportunities for service delivery. The Company's priority, however, remains the provision of quality care to its residents, clients, and patients at financially sustainable costs and to continue its mission to provide support and care to all residents, clients, and patients including those who are vulnerable and/or disadvantaged.

The Company will continue to face challenges delivering outcomes associated with current and future aged, community, and health services brought about by ongoing impacts of the global Coronavirus pandemic and legislative changes arising from the Royal Commission into Aged Care Quality and Safety.

**Catholic Healthcare Limited**  
**Directors' report**  
**For the year ended 30 June 2022**

**Auditor's independence declaration**

The auditor's independence declaration is set out on page 36 and forms part of the directors' report for financial year ended 30 June 2022.

**Rounding off**

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

**Members' guarantee**

The Company is limited by guarantee. If the Company is wound up, the Constitution states that the Member, Trustees of Catholic Healthcare, is required to contribute a maximum of \$100 towards meeting any outstanding obligations of the Company.

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



Stephen Teulan  
Chairman

Dated at Sydney this 28<sup>th</sup> day of September 2022



**Catholic Healthcare Limited**  
**Statement of financial position**  
**As at 30 June 2022**

<i>In thousands AUD</i>	<i>Note</i>	<b>2022</b>	<b>2021</b>
<b>Assets</b>			
Cash and cash equivalents	17	90,603	121,360
Trade and other receivables and contract assets	6	15,375	11,101
Other assets		2,763	2,147
Assets held for sale		2,200	2,200
Property, plant and equipment	7	864,476	867,027
Investment property	8	193,799	190,640
Intangible assets	9	1,016	1,069
<b>Total assets</b>		<b>1,170,232</b>	<b>1,195,544</b>
<b>Liabilities</b>			
Trade and other payables	10	108,285	82,190
Contract liability	11	24,813	35,173
Related party payables	18	4,151	4,147
Annual leave provision		22,581	19,845
Accommodation bonds and refundable accommodation deposits	12	365,846	364,181
Loan licence fees	13	166,802	155,187
Provisions		293	278
Lease liabilities	14	7,744	8,472
Borrowings	15	121,777	120,977
Long service leave provision		16,957	18,170
<b>Total liabilities</b>		<b>839,249</b>	<b>808,620</b>
<b>Net assets</b>		<b>330,983</b>	<b>386,924</b>
<b>Members' funds</b>			
Reserves	16	231,936	231,936
Accumulated surplus	16	99,047	154,988
<b>Total members' funds</b>		<b>330,983</b>	<b>386,924</b>

The notes on pages 15 to 31 are an integral part of these financial statements.

**Catholic Healthcare Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2022**

<i>In thousands AUD</i>	<i>Note</i>	<b>2022</b>	<b>2021</b>
Revenue and Other income	4	371,642	350,665
Employee benefits expense		(274,298)	(237,738)
Depreciation and amortisation expense	7,9	(33,250)	(31,266)
Increase in fair value of investment property	8	2,547	21,174
Impairment loss	7	(12,404)	(61,116)
External brokerage		(6,553)	(3,802)
Consumables		(25,671)	(20,208)
Other expenses		(42,457)	(32,876)
Contracts		(20,826)	(14,316)
Repairs and maintenance		(6,091)	(6,320)
Utilities		(6,876)	(6,499)
<b>Results from operating activities</b>		<b>(54,237)</b>	<b>(42,302)</b>
Finance income	5	831	2,227
Finance cost	5	(2,535)	(2,841)
<b>Net finance cost</b>	5	<b>(1,704)</b>	<b>(614)</b>
<b>Deficit for the year</b>		<b>(55,941)</b>	<b>(42,916)</b>
<b>Other comprehensive income</b>			
(Reversal)/Revaluation of property, plant and equipment		-	(1,193)
<b>Other comprehensive income for the year</b>		<b>-</b>	<b>(1,193)</b>
<b>Total comprehensive income for the year</b>		<b>(55,941)</b>	<b>(44,109)</b>

The notes on pages 15 to 31 are an integral part of these financial statements.

**Catholic Healthcare Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2022**  
*In thousands AUD*

	Revaluation reserve	Accumulated surplus	Total Equity
Balance at 1 July 2020	233,129	197,904	431,033
<b>Total comprehensive income for the year</b>			
Deficit for the year	-	(42,916)	(42,916)
Revaluation of property, plant and equipment	(1,193)	-	(1,193)
<b>Total comprehensive income for the year</b>	(1,193)	(42,916)	(44,109)
<b>Balance at 30 June 2021</b>	<b>231,936</b>	<b>154,988</b>	<b>386,924</b>
Balance at 1 July 2021	231,936	154,988	386,924
<b>Total comprehensive income for the year</b>			
Deficit for the year	-	(55,941)	(55,941)
Revaluation of property, plant and equipment	-	-	-
<b>Total comprehensive income for the year</b>	-	(55,941)	(55,941)
<b>Balance at 30 June 2022</b>	<b>231,936</b>	<b>99,047</b>	<b>330,983</b>

The notes on pages 15 to 31 are an integral part of these financial statements.

**Catholic Healthcare Limited**  
**Statement of cash flows**  
**For the year ended 30 June 2022**

<i>In thousands AUD</i>	<i>Note</i>	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities</b>			
Cash receipts from customers		370,458	339,362
Cash paid to suppliers and employees		(396,418)	(322,171)
Cash generated from operating activities		(25,960)	17,191
Donations received		42	1,316
Interest received	5	831	2,227
Interest paid		(1,331)	(2,867)
<b>Net cash from operating activities</b>		<b>(26,418)</b>	<b>17,867</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment and assets held for sale		128	131
Acquisition of property, plant and equipment	7	(42,730)	(68,908)
<b>Net cash used in investing activities</b>		<b>(42,602)</b>	<b>(68,777)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings (related party)	18	-	(21)
Repayment of borrowings (related party)	18	4	-
Proceeds from borrowings (resident loans)		150,686	196,720
Repayment of borrowings (resident loans)		(113,058)	(107,428)
Proceeds from borrowings		15,800	33,600
Repayment of borrowings		(15,000)	(68,805)
Payment of lease liabilities		(756)	(642)
<b>Net cash from financing activities</b>		<b>37,676</b>	<b>53,424</b>
Net increase in cash and cash equivalents		(31,344)	2,514
Cash and cash equivalents at 1 July		119,445	116,931
<b>Cash and cash equivalents at 30 June</b>	<b>17</b>	<b>88,101</b>	<b>119,445</b>

The notes on pages 15 to 31 are an integral part of these financial statements.

**Catholic Healthcare Limited**  
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**Catholic Healthcare Limited**  
**Index to significant accounting policies**

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**Catholic Healthcare Limited**  
**Notes to the financial statements**

**1. Reporting entity**

Catholic Healthcare Limited (the "Company") is domiciled in Australia and is a not-for-profit entity. The Company's registered office is Suite 1, Level 5, 15 Talavera Road, Macquarie Park NSW 2113.

**2. Basis of preparation**

**a) Statement of compliance**

These financial statements are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Simplified Disclosures made by the Australian Accounting Standards Board (AASB) and the Australian Charities and Not-for-profits Commission Act 2012.

These financial statements are the first general purpose financial statements prepared in accordance with Australian Accounting Standards – Simplified Disclosures. In the prior year financial statements were general purpose financial statements prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements. There was no impact on recognition and measurement of amounts recognised in the statements of the financial position, profit and loss and other comprehensive income and cash flows of the Company as a result of the change in basis of preparation.

The financial statements were approved by the Board of Directors on 28 September 2022.

**b) Basis of measurement**

The financial statements have been prepared on the historical cost basis, except for the following material items, which are measured on an alternative basis on each reporting date.

- Land and buildings	Fair value
- Investment property	Fair value

**c) Functional and presentation currency**

These financial statements are presented in Australian dollars, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise stated.

**d) Presentation of statements of financial position on a liquidity basis**

Management of the Company have taken the view that in complying with the requirements of the AASBs, the treatment of accommodation bonds, refundable accommodation deposits and loan licence fees as current liabilities does not reflect the true liquidity position of the Company as these liabilities are not likely to be repaid in the next 12 months.

Accordingly, the Company has chosen to present its statements of financial position under the liquidity presentation method (AASB 101) on the basis that it presents a more reliable and relevant view. A reconciliation of the allocation of accommodation bonds, refundable accommodation deposits, loan licence fees, lease liabilities and borrowings according to liquidity is provided at notes 12, 13, 14 and 15.

**e) Use of estimates and judgements**

For the preparation of the financial statements management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

**Catholic Healthcare Limited**  
**Notes to the financial statements**

**3. Significant accounting policies**

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

**a) Revenue**

*Aged care, home care and other service revenue*

The Company recognises revenue from aged care, home care and other services over time as performance obligations are satisfied, which is as the services are rendered, primarily on a daily or monthly basis. Revenue arises from discretionary and non-discretionary services as agreed in contractual agreements with residents and clients. Fees received in advance of services performed are recognised as contract liabilities are included within Trade and other payables.

*Recurrent grants*

Where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is recognised over time as the performance obligations to the grant agreement are fulfilled.

*Nature of revenue and cash flows*

Further detail on the nature of revenue and cash flows is included in the table below.

<i>Type of revenue</i>	<i>Description</i>
Government revenue - aged care and home care	Government revenue reflects the Company's entitlement to revenue from the Australian Government under the Aged Care Act 1997 based upon the specific care needs of residents and clients. Revenue is recognised over time as services are provided. Funding claims are submitted to the Government and is usually payable within one month of services being performed.
Government revenue - recurrent grants	Recurrent grants are received from the State and Federal Government to deliver outcome based services on a range of programs to provide support to those most vulnerable in the community. Revenue is recognised over time as performance obligations are met. Funding is usually received in advance with a contract liability recorded for unspent funds.
Resident and client income	Residents and clients are charged a basic daily fee as a contribution to the provision of care. The quantum of resident and client fees is regulated by the Government. Basic daily fees are invoiced on a monthly basis and revenue is usually payable within 30 days. Revenue is recognised over time as services are provided.

*Donations, bequests and other grants*

Other grants such as donations, bequests and legacies and funding agreements which are not enforceable and do not contain sufficiently specific performance obligations are recognised at their fair value when the asset is received. These assets are generally cash, but may be property which has been donated or sold to the Company at significantly below its fair value.

Once the asset has been recognised, the Company recognises any related liability amounts. Income is then recognised for any difference between the recorded asset and liability.

*Volunteer services*

No amounts are included in the financial report for services donated by volunteers.

**Catholic Healthcare Limited**  
**Notes to the financial statements**

**3. Significant accounting policies (continued)**

**b) Income tax**

The Company is a body exempt from income tax pursuant to Division 50 of the Income Tax Assessment Act 1997.

**c) Impairment (non-financial assets)**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). All assets are held to support the "not-for-profit" objective of the Company.

**d) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**e) Financial instruments**

Trade and other receivables are classified as financial assets at amortised cost.

Trade receivables are initially recognised when they are originated. All other financial assets are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

Trade and other receivables are initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The Company recognises loss allowances for 'expected credit loss' ("ECL") on financial assets measured at amortised cost, debt investments measured at FVOCI, and contract assets. The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life if the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair values of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

**For all other assets and liabilities the carrying amount in the financial statements approximate fair value.**



**Catholic Healthcare Limited**  
**Notes to the financial statements**

**3. Significant accounting policies (continued)**

**f) Property, plant and equipment**

**(i) Recognition and measurement**

Freehold land and freehold buildings are measured at fair value. All other classes of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to the acquisition, construction or production of qualifying assets are capitalised and recognised as part of the asset.

Fair value is determined by an external valuer every three years and in intervening periods when there is an indicator of impairment (refer accounting policy 3(c)).

Increases in the carrying amount on revaluation of freehold land and freehold buildings are credited to reserves in members funds. To the extent that the increase reverses a decrease previously recognised in the statement of profit or loss and other comprehensive income, the increase is first recognised in the statement of profit or loss and other comprehensive income. Decreases that reverse previous increases of the same class of asset are first charged against revaluation reserves directly in members funds to the extent of the remaining reserve attributable to the class of asset. All other decreases are charged to the statement of profit or loss and other comprehensive income.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in the statement of profit or loss and other comprehensive income. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

**(ii) Subsequent costs**

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of profit or loss and other comprehensive income as incurred.

**(iii) Depreciation**

Depreciation is recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

• Freehold buildings	40 years
• Leasehold property	lease term
• Plant and equipment	5-15 years
• Motor Vehicles	3-7 years
• Computer equipment	3-5 years
• Medical equipment	3-5 years
• Leasehold improvements	remaining lease term

Depreciation methods, useful lives and residual values are reviewed at each reporting date.



**Catholic Healthcare Limited**  
**Notes to the financial statements**

**3. Significant accounting policies (continued)**

**g) Intangible assets**

**(i) Computer software**

Computer software acquired by the Company is stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the statement of profit or loss and other comprehensive income on a straight line basis over the estimated useful lives of the software, from the date it is available for use. The estimated useful lives in the current and comparative years is 3 to 5 years.

**Software-as-a-Service (SaaS) arrangements**

SaaS arrangements are service contracts providing the Company with the right to access the cloud provider's application software over the contract period. As such the Company does not receive a software intangible asset at the contract commencement date.

The following outlines the accounting treatment of costs incurred in relation to SaaS arrangements:

Recognise as an operating expense over the term of the service contract	<ul style="list-style-type: none"> <li>• Fee for use of application software</li> <li>• Customisation costs by the software vendor</li> </ul>
Recognise as an operating expenses as the service is received	<ul style="list-style-type: none"> <li>• Configuration costs</li> <li>• Data conversion and migration costs</li> <li>• Testing costs</li> <li>• Training costs</li> </ul>

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets.

**(ii) Residential aged care places**

Residential aged care places are stated at cost or at valuation and are indefinite life intangibles. Residential aged care places are tested for impairment as an intangible asset on an annual basis.

Residential aged care places granted by the Department of Health, as part of aged care place approval rounds, are recognised at their fair value at the time of being made operational.

**h) Investment property**

Investment properties comprise certain retirement village facilities (both operating villages and villages under development) which are held to earn revenue and capital appreciation over the long-term, rather than for their social benefit to the community. Investment property comprises retirement villages, community facilities and integral plant and equipment.

The fair value of investment properties (including retirement village facilities under development) is the value of the retirement village unit facilities and the future cash flows associated with the contracts. To the extent that the fair value of retirement village facilities under development cannot be measured reliably they are measured at cost until the earlier of the completion of the investment property or fair value can be measured reliably. Changes in fair value of investment properties are recognised in the statement of profit or loss and other comprehensive income.

Fair value is determined annually by external valuers.

**i) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

This balance includes accommodation bond and refundable accommodation deposit liabilities for residents that have departed a facility which are repayable when the resident separates from the facility.

**Catholic Healthcare Limited**  
**Notes to the financial statements**

**3. Significant accounting policies (continued)**

**j) Finance income and cost**

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in the statement of profit or loss and other comprehensive income, using the effective interest method.

Finance costs comprise interest expense on borrowings and lease liabilities and unwinding of the discount on provisions. All borrowing costs are recognised in the statement of profit or loss and other comprehensive income using the effective interest method, except where they are included in the costs of refinancing a loan, in which case they are capitalised and amortised over the life of the loan or, in the case of qualifying assets, the related borrowing costs are capitalised.

**k) Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

**l) Employee benefits**

**(i) Short-term benefits**

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date, including related on-costs such as workers' compensation insurance.

**(ii) Other long-term employee benefits**

The liability for long service leave is recognised in the provision for employee benefits. The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value using the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations.

**(iii) Termination benefits**

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

**(iv) Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in the statement of profit or loss and other comprehensive income in the periods during which services are rendered by employees.

**m) Assets held for sale**

Assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Company's accounting policies. Thereafter, generally the assets are measured at the lower of their carrying amount and fair value less costs to sell.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated.

**Catholic Healthcare Limited**  
**Notes to the financial statements**

**3. Significant accounting policies (continued)**

**n) Goods and services tax**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**o) Business combinations**

The Company accounts for business combinations using the acquisition method when control is transferred to the Company. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expenses as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

**p) Leases**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*As a lessee*

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

**Catholic Healthcare Limited**  
**Notes to the financial statements**

**3. Significant accounting policies (continued)**

**p) Leases (continued)**

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments,
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

*Short term leases and leases of low value assets*

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.



**Catholic Healthcare Limited**  
**Notes to the financial statements**

	2022	2021
<b>4. Revenue and Other income</b>		
<i>In thousands AUD</i>		
<b>Revenue from contracts with customers</b>		
<b>Government income</b>		
Department of Health funding	247,735	229,600
Other government funding	19,321	20,003
<b>Total government income</b>	<u>267,056</u>	<u>249,603</u>
<b>Resident and client income</b>		
Other resident and client fee	4,412	4,190
<b>Total resident and client income</b>	<u>4,412</u>	<u>4,190</u>
<b>Total revenue from contracts with customers</b>	<u>271,468</u>	<u>253,793</u>
<b>Lease income</b>		
Accommodation income - Government	24,577	24,028
Accommodation income - Resident	73,126	68,761
Rental Income	1,177	1,115
<b>Total income from leases</b>	<u>98,879</u>	<u>93,904</u>
<b>Other Income</b>		
Donations and bequests	47	1,316
Other income	1,248	1,652
<b>Total other income</b>	<u>1,295</u>	<u>2,968</u>
<b>Total revenue and other income</b>	<u>371,642</u>	<u>350,665</u>



**Catholic Healthcare Limited**  
**Notes to the financial statements**

	2022	2021
<b>5. Finance income and cost</b>		
<i>In thousands AUD</i>		
Interest income – financial institutions	810	2,203
Interest income – residents	21	24
Finance income	<u>831</u>	<u>2,227</u>
Interest expense – financial institutions	(733)	(1,386)
Interest expense – leasing	(202)	(262)
Interest expense – residents	(1,219)	(812)
Interest expense – unwind of discount	(14)	(14)
Interest expense – related parties	(131)	(130)
Finance charges	(235)	(237)
Finance cost	<u>(2,535)</u>	<u>(2,841)</u>
<b>Net finance cost</b>	<u>(1,704)</u>	<u>(614)</u>
<b>6. Trade and other receivables and contract assets</b>		
<i>In thousands AUD</i>		
<b>Net trade receivables</b>		
Trade receivables	9,707	6,199
Impairment loss	(2,067)	(1,517)
	<u>7,640</u>	<u>4,682</u>
Accommodation bonds receivable	385	190
Amounts owing by government	5,661	4,152
Amounts owing by sundry debtors	1,689	2,077
	<u>15,375</u>	<u>11,101</u>

All trade and other receivables are expected to be settled within 12 months of balance date.

**Catholic Healthcare Limited**  
**Notes to the financial statements**

**7. Property, plant and equipment**

*In thousands AUD*

**Cost or fair value**

	Work in progress	Freehold land	Freehold buildings	Leasehold property	Plant and equipment	Leasehold improvements	Total
Balance as at 1 July 2021	62,871	314,709	463,504	85,469	91,698	2,750	1,021,001
Additions	43,072	-	-	-	-	-	43,072
Transfers	(45,398)	-	31,215	7	13,154	-	(1,022)
Impairment	(12,404)	-	-	-	-	-	(12,404)
Disposals	-	-	-	-	(106)	-	(106)
Balance as at 30 June 2022	48,142	314,709	494,719	85,476	104,746	2,750	1,050,542

**Depreciation**

	Work in progress	Freehold land	Freehold buildings	Leasehold property	Plant and equipment	Leasehold improvements	Total
Balance as at 1 July 2021	(219)	2	(61,285)	(18,797)	(71,532)	(2,142)	(153,973)
Depreciation for the year	-	-	(18,954)	(2,656)	(10,163)	(424)	(32,198)
Disposals	-	-	-	-	106	-	106
Balance as at 30 June 2022	(219)	2	(80,240)	(21,453)	(81,590)	(2,566)	(186,066)

**Carrying amounts**

At 1 July 2021	62,652	314,711	402,219	66,672	20,166	608	867,027
At 30 June 2022	47,923	314,711	414,479	64,022	23,156	184	864,476

The value of post acquisition planning and land holding costs related to certain sites purchased has been impaired in the year to June 2022. The Board is reviewing the viability of these developments and, should developments not go ahead, anticipates the carrying value of land held will be recovered through sale.

**Catholic Healthcare Limited**  
**Notes to the financial statements**

	2022	2021
<b>8. Investment property</b>		
<i>In thousands AUD</i>		
Investment properties – at fair value	193,799	190,640
<b>Reconciliation of carrying amount</b>		
Balance as at 1 July 2020	190,640	105,991
Reclassification from property, plant and equipment	612	63,475
Change in fair value	2,547	21,174
Carrying amount at the end of the year	193,799	190,640

Investment property comprises specific independent living facilities which are occupied on an ongoing contribution arrangement.

Changes in fair values are recognised as gains or losses in the statement of profit or loss and other comprehensive income. All gains or losses are unrealised.

The fair value of investment property is determined by external, independent property valuers, having appropriate recognised professional qualifications and relevant experience in the location and category of the property being valued. An independent valuation is performed annually.

**9. Intangible assets**

*In thousands AUD*

	Computer software	Residential aged care places	Other intangible assets	Total
<b>Cost</b>				
Balance as at 1 July 2021	8,940	78,765	498	88,203
Transfer from construction in progress	999	-	-	999
Balance as at 30 June 2022	9,939	78,765	498	89,202
<b>Amortisation and impairment losses</b>				
Balance as at 1 July 2021	(7,871)	(78,765)	(498)	(87,134)
Amortisation for the year	(1,052)	-	-	(1,052)
Balance as at 30 June 2022	(8,923)	(78,765)	(498)	(88,186)
<b>Carrying amounts</b>				
As at 1 July 2021	1,069	-	-	1,069
As at 30 June 2022	1,016	-	-	1,016

The value ascribed to residential aged care places was reviewed during the financial year to June 2021 and was fully impaired in light of the ongoing financial challenges experienced by the aged care sector and uncertainty arising from the adoption by the federal government of recommendations made by the Royal Commission.

**Catholic Healthcare Limited**  
**Notes to the financial statements**

	2022	2021
<b>10. Trade and other payables</b>		
<i>In thousands AUD</i>		
Trade payables	7,898	5,477
Resident liabilities awaiting probate	63,997	46,163
Capital gain payable	6,494	6,090
Other accrued expenses and payables	27,394	22,545
Resident trust funds	2,501	1,915
	108,285	82,190

<b>11. Contract liability</b>		
<i>In thousands AUD</i>		
Home care packages	2,897	11,668
Other government funding	1,099	1,429
Deferred management fees	566	1,826
Property development grant	20,000	20,000
Others	250	250
	24,813	35,173

<b>12. Accommodation bonds and refundable accommodation deposits</b>		
<i>In thousands AUD</i>		
Accommodation bonds and refundable accommodation deposits		
- likely to be repaid in the next 12 months	103,000	102,000
- unlikely to be repaid in the next 12 months	262,846	262,181
	365,846	364,181

Based on previous experience, management expects that only a portion of the balance as shown will become due in the next 12 months. Prior experience indicates that as the bonds and deposits are repaid, they are replaced with deposits of similar or larger amounts as new residents move into the facilities.

<b>13. Loan licence fees</b>		
<i>In thousands AUD</i>		
Loan licence fees		
- likely to be repaid in the next 12 months	9,950	9,600
- unlikely to be repaid in the next 12 months	156,852	145,587
	166,802	155,187

Based on previous experience, management expects that only a portion of the balance as shown will become due in the next 12 months. Prior experience indicates that as the loan licences are repaid, they are replaced with loan licences of similar or larger amounts as new residents move into the facilities.

**Catholic Healthcare Limited**  
**Notes to the financial statements**

	2022	2021
<b>14. Lease liabilities</b>		
<i>In thousands AUD</i>		
Lease liabilities – likely to be paid in less than one year	1,176	1,176
Lease liabilities – likely to be paid in one to five years	6,568	7,296
	<u>7,744</u>	<u>8,472</u>
<b>15. Borrowings</b>		
<i>In thousands AUD</i>		
<b>Secured</b>		
Non-bank loans – likely to be settled in less than one year	15,600	30,600
Non-bank loans – likely to be settled in one to five years	105,052	89,252
Other loans – likely to be settled in one to five years	1,125	1,125
	<u>121,777</u>	<u>120,977</u>
<b>16. Reserves and accumulated surplus</b>		
<i>In thousands AUD</i>		
<b>Asset revaluation reserve</b>		
The asset revaluation reserve relates to the revaluation of freehold land and freehold buildings.		
The movement in the asset revaluation reserve during the financial year, is set out below:		
Opening asset revaluation reserve	231,936	233,129
Revaluation (reversal)/increment	-	(1,193)
Closing asset revaluation reserve	<u>231,936</u>	<u>231,936</u>
<b>Accumulated surplus</b>		
The movement in the accumulated surplus during the financial year, is set out below:		
Opening accumulated surplus	154,988	197,904
Deficit for the year	(55,941)	(42,916)
Closing accumulated surplus	<u>99,047</u>	<u>154,988</u>
<b>17. Cash and cash equivalents</b>		
<i>In thousands AUD</i>		
Cash at bank and on hand	90,603	121,360
Less: resident trust funds (restricted cash)	(2,501)	(1,915)
Cash and cash equivalents in the statement of cash flows	<u>88,101</u>	<u>119,445</u>

**Restricted cash**

Resident trust fund monies are held in trust for residents of residential aged care facilities and use of the funds is restricted to specific purposes.



**Catholic Healthcare Limited**  
**Notes to the financial statements**

**18. Related parties**

**Key management personnel compensation**

The key management personnel compensation was \$4,179,967 for the year ended 30 June 2022 (2021: \$3,669,137). The number of key management personnel at 30 June 2022 was 14 (2021: 14).

**Director transactions**

The directors of the Company, or their director-related entities, conduct transactions with entities within the Company that occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the entity would have adopted if dealing with the director or director-related entity at arm's length in similar circumstances.

**Parent entity**

The parent entity is Trustees of Catholic Healthcare ("TCH")

**Transactions with related parties**

The following transactions occurred with related parties:

*In AUD*

	2022	2021
Interest expense – paid to Hospital No. 1 Limited	131,311	130,489
Management fees – received from Hospital No. 1 Limited	74,952	72,000
Expense reimbursements – paid to TCH	278,373	331,342

**Intercompany balances with related parties**

**Owing to Hospital No. 1 Limited**

Beginning of the year	4,140,700	4,140,700
Interest charged	131,311	130,489
Interest paid	(131,311)	(130,489)
End of the year	<u>4,140,700</u>	<u>4,140,700</u>

On 22 June 2016, a loan agreement between the Company and Hospital No. 1 Limited was executed. This agreement provided for a loan of \$8,000,000 from the Hospital No. 1 Limited to Catholic Healthcare Limited at a fixed rate of 3% above the Reserve Bank of Australia cash rate as varied from time to time.

**Owing to Trustees of Catholic Healthcare**

Beginning of the year	6,276	27,219
Fund (repaid)/advanced	3,947	(20,943)
End of the year	<u>10,223</u>	<u>6,276</u>

**Catholic Healthcare Limited**  
**Notes to the financial statements**

**19. Contingent liabilities**

The Company had contingent liabilities in respect of securities by way of mortgages have been granted over various aged care facilities to catholic financing and other catholic entities as part of acquisition and borrowing arrangements for those facilities.

During previous financial years, the Company received, or was entitled to receive, a government grant in relation to the construction of a public (third schedule) hospital and a residential aged care facility. The cumulative grant amounts were recognised in other income within the statement of profit or loss and other comprehensive income during previous financial years.

**20. Leases**

The Company leases a number of facilities under operating leases. The leases typically run for a period of 3-8 years, with an option to renew the lease after that date. Lease payments are renegotiated every year to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Company is restricted from entering into a sublease arrangements.

The facility leases were entered into many years ago as combined leases of land and buildings.

The Company leases IT Equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

**(i) Right-of-use assets**

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (See Note 7).

<i>In thousands AUD</i>	<b>Leasehold Property</b>
Balance as at 1 July 2020	6,791
Depreciation charge for the year	(718)
Reclassification from finance lease	307
Balance as at 30 June 2021	<u>6,380</u>
Balance as at 1 July 2021	6,380
Depreciation charge for the year	(859)
Balance as at 30 June 2022	<u>5,521</u>

**(ii) Amounts recognised in profit or loss**

<i>In thousands AUD</i>	<b>2022</b>	<b>2021</b>
Interest on lease liabilities	462	473

**(iii) Amounts recognised in statement of cash flows**

<i>In thousands AUD</i>	<b>2022</b>	<b>2021</b>
Total cash outflow for leases	1,218	1,033

**(iv) Extension options**

Some property leases contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period.

The Company has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of approximately \$5m.

**Catholic Healthcare Limited**  
**Notes to the financial statements**

	2022	2021
<b>21. Auditors' remuneration</b>		
Auditors of the entity - KPMG		
<b>Audit and review services</b>		
Audit and review of the financial statements	189,200	180,400
<b>Assurance services</b>		
Regulatory assurance services	29,800	28,400
<b>Other services</b>		
Advisory services	119,660	112,100
	338,660	320,900

**22. Subsequent events**

Effective from Monday, 3 October 2022, the operation of two Healthcare services, Lourdes Hospital in Dubbo and St Vincent's Outreach Services in Bathurst, will transfer from Catholic Healthcare to the Western NSW Local Health District (WNSWLHD).

The agreement to transfer these services results from a mutual decision between Catholic Healthcare and WNSWLHD following a review of the current service agreement, which concluded the future needs of the local community would be best met by integrating the operation of these services with the WNSWLHD.

**23. Defined contribution superannuation plans**

The Company makes contributions to defined contribution superannuation plans. The amount recognised as an expense was \$21,795,306 for the year ended 30 June 2022 (2021: \$18,166,252).


**Catholic Healthcare Limited**  
**Directors' declaration**

In the opinion of the directors of Catholic Healthcare Limited ('the Company'):

- a) the financial statements and notes, that are set out on pages 9 to 31, are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2022 and of its performance, for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards - Simplified Disclosure Requirements and the Australian Charities and Not-for-profits Commission Regulation 2013; and
- b) 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:

Dated at Sydney this 28<sup>th</sup> day of September 2022



Stephen Teulan  
Chairman



# Independent Auditor's Report

To the members of Catholic Healthcare Limited

## Opinion

We have audited the **Financial Report**, of Catholic Healthcare Limited (the Company).

In our opinion the accompanying Financial Report of the Company is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

- i. giving a true and fair view of the Company's financial position as at 30 June 2022, and of its financial performance and its cash flows for the year ended on that date; and
- ii. complying with *Australian Accounting Standards – Simplified Disclosure Requirements* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The **Financial Report** comprises:

- i. Statement of financial position as at 30 June 2022.
- ii. Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended.
- iii. Notes including a summary of significant accounting policies.
- iv. Directors' declaration of the Company.

## Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with the auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.



## Other information

Other Information is financial and non-financial information in Catholic Healthcare Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- i. Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards - Simplified Disclosures Requirements and the ACNC.
- ii. Implementing necessary internal control 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.
- iii. Assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- i. to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- ii. to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 *Australian Auditing Standards*, we exercise professional judgement and maintain professional skepticism throughout the audit.

Our responsibilities include:

- i. Identifying and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ii. Designing and performing audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- iii. Obtaining 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 its effectiveness.
- iv. Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- v. Concluding 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 we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- vi. Evaluating 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.

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

KPMG

Stephen Isaac  
*Partner*

Sydney

28 September 2022



# Auditor's Independence Declaration under subdivision 60-C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To the Directors of Catholic Healthcare Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Catholic Healthcare Limited for the financial year ended 30 June 2022 there have been:

- i. no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Stephen Isaac  
*Partner*

Sydney

28 September 2022