



Calvary Health Care ACT Limited

ABN 74 105 304 989

Financial Report

for the Year Ended

30 June 2010

Calvary Health Care ACT Limited

DIRECTORS' REPORT

The Board of Directors of Calvary Health Care ACT Limited present their report on the Company for the financial year ended 30 June 2010.

Directors

Calvary Health Care ACT Limited Board of Directors is comprised of the same membership as the National Board of the Little Company of Mary Health Care Ltd.

The names of Directors in office at any time during or since the end of the year are detailed below.

At the meeting of the National Board of Little Company of Mary Health Care Ltd held on 17 December 2009, the Directors resolved to establish the Strategy and Development Committee. Four Directors were appointed to this Committee on that date.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

NAME	QUALIFICATIONS	AREAS OF SPECIFIC RESPONSIBILITY
Tom Brennan	BA, LLB	Chair Member, PRC Member, SDC (<i>Appointed 17 December 2009</i>)
David Penny	BHS (Management), Master of General Business	Deputy Chair (<i>Resigned 10 June 2010</i>) Director Member, MEC
Hon Gregory Crafter AO	LLB	Director Chair, MEC
Rebecca Davies	BEC; LLB (Hons), FAICD	Director Member, ARC Member, PRC (<i>Appointed 17 December 2009</i>)
John Mackay AM	BA, FAIM	Director Chair, PRC
Professor Katherine McGrath (<i>Appointed 26 November 2009</i>)	MB BS, FRCPA, MRACMA, FAICD	Director Member, PRC (<i>Appointed 17 December 2009</i>) Member, SDC (<i>Appointed 17 December 2009</i>)
Professor Peter Ravenscroft AM (<i>Appointed 26 November 2009</i>)	MB, BS (Qld), MD (Qld), FRACP, FFPMANZCA, FaChPM	Director Member, MEC (<i>Appointed 17 December 2009</i>) Member, SDC (<i>Appointed 17 December 2009</i>)
Michael Roche	BA (Accounting), FCPA, MACS	Deputy Chair (<i>Appointed 10 June 2010</i>) Director Member, ARC Chair, SDC (<i>Appointed 17 December 2009</i>)
Brian Speers (<i>Appointment expired 26 November 2009</i>)	QPIB	Director Member, PRC
Jane Tongs	MBA, BBus, FCA, FCPA, MAICD	Director Chair, ARC
Brigid Mary Tracey AM (<i>Appointed 26 November 2009</i>)	BN (Bachelor of Nursing), Grad Dip Nursing Administration	Director Member, ARC (<i>Appointed 17 December 2009</i>) Member, MEC (<i>Appointed 17 December 2009</i>)
Anne Jackson (<i>Appointment expired 26 November 2009</i>)	BEC, CA	Director Member, ARC
Sr Marilyn Clare Wilson LCM (<i>Appointment expired 26 November 2009</i>)	B.Theol	Director Member, MEC
Margaret McGowen	BEC, FCA, FFin, ACIS	Company Secretary

Key:

ARC Audit & Risk Committee

MEC Mission & Ethics Committee

PRC Performance & Remuneration Committee

SDC Strategy & Development Committee

Calvary Health Care ACT Limited

DIRECTORS' REPORT

Principal activities

The principal activities of the Company remain the provision of acute health care services by private and public hospital facilities, sub-acute services, aged and palliative care services.

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 surplus of \$4.783M was achieved for the financial year ended 30 June 2010 (2009: surplus \$2.463M).

Management is actively reviewing operational performance to further 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 Ltd.

Review of operations

The Company conducted a Public and Private Hospital during the year. The Public Hospital is a District General Hospital providing acute medical, surgical and psychiatric, and subacute rehabilitation and psychogeriatric services to the ACT and surrounding region as well as a Hospice located on a separate site. The Private Hospital provides acute medical, surgical and psychiatric services as part of a co-located facility with the Public Hospital. The Private Hospital also provided professional medical suites through a purpose built facility, The Calvary Clinic, located adjacent to the Hospital.

(a) Revenues - The Company's revenue from operating activities totalled \$176.020M (2009: \$161.199M). Grants, subsidies and resources received free of charge from Government for Hospital operations totalled \$141.190M (2009: \$125.426M). Grants and subsidies represent 80% of revenue from operating activities.

(b) Expenses

The Company's expense from operating activities totalled \$173.193M (2009: \$161.268M). Expenses on personnel costs represent 68% of total operating expense.

Staffing levels for clinical services have increased during the reporting period with total hospital staff of 947 full time equivalents as at 30th June 2010.

(c) Hospital activities

Inpatient activity for the Public Hospital increased by 2.2% (cost weighted separations), with a decline in the Private Hospital inpatient activity of 5.25%. Total outpatients occasions of service were 122,282.

Future developments

The Company expects to maintain the present level of operations within an environment of enhanced service delivery, and hence there are no significant developments or changes in operations anticipated in the near future.

Calvary Health Care ACT Limited

DIRECTORS' REPORT

Report preparation

The Company's financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements.

Deed of access and indemnity - Directors

Little Company of Mary Health Care Ltd has executed a Deed of Access & Indemnity which enshrines directors' rights 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 Little Company of Mary Health Care group.

Indemnification of officers

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.

Rounding off

The Company is an entity to which ASIC Class Order 98/100 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.

Auditors independence declaration

The auditor's independence declaration is included on page 4 of the financial statements.

The Directors' Report is signed in accordance with a resolution of Directors made pursuant to s298(2) of the Corporations Act 2001.

On behalf of the Directors.


.....
Chair of the Board


.....
Director

Dated at Sydney

this 28th day of October 2010.

The Board of Directors
Calvary Health Care ACT Limited
Level 18
68 Pitt Street
Sydney, NSW 2000

28 October 2010

Dear Directors

Calvary Health Care ACT Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Calvary Health Care ACT Limited.

As lead audit partner for the audit of the financial statements of Calvary Health Care ACT Limited for the financial year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



P A Roberts
Partner
Chartered Accountants

Calvary Health Care ACT Limited

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, set out on pages 7 to 31, are in accordance with the Corporations Act 2001, including;
 - (a) comply with accounting standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date;
2. In the Directors' opinion 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 Board of Directors.



.....
Chair of the Board



.....
Director

Dated at Sydney this 28th day of October 2010.

Calvary Health Care ACT Limited

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Calvary Health Care ACT Limited

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$ '000	2009 \$ '000
Revenue from operations		176,020	161,199
Other revenues		1,956	2,532
Total revenues	2	177,976	163,731
Employee benefits expense	3	105,601	95,982
Depreciation, amortisation and impairment expense	3	4,548	4,465
Finance costs	3	44	57
Supplies		31,248	31,809
Computer expenses		497	573
Consulting & legal costs		1,647	651
Contracted services		12,973	13,353
Insurance		2,133	1,808
LCMHC National Office contributions		1,911	2,186
Operating lease rental expenses		212	214
Power, light & heat		1,280	1,149
Public relations		36	22
Repairs and maintenance		1,432	1,429
Subscriptions		162	186
Travel		177	133
Other expenses		9,292	7,251
Total expenses		173,193	161,268
Net profit for the year		4,783	2,463
Net profit for the year after income tax		4,783	2,463
Other comprehensive income		-	-
Total comprehensive income for the year		4,783	2,463

The Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 11 to 31.

Calvary Health Care ACT Limited

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	2010 \$ '000	2009 \$ '000
Current assets			
Cash and cash equivalents	4	9,722	8,102
Trade and other receivables	5	7,461	7,780
Inventories	6	2,120	1,866
Other current assets	8	357	311
Total current assets		19,660	18,059
Non-current assets			
Financial assets	7	4,398	4,398
Property, plant and equipment	9	101,414	94,977
Total non-current assets		105,812	99,375
Total assets		125,472	117,434
Current liabilities			
Trade and other payables	10	12,659	9,448
Provisions	11	13,687	13,314
Total current liabilities		26,346	22,762
Non-current liabilities			
Provisions	11	1,962	2,291
Total non-current liabilities		1,962	2,291
Total liabilities		28,308	25,053
NET ASSETS		97,164	92,381
Equity			
Reserves	12	4,398	2,527
Retained earnings		92,766	89,854
TOTAL EQUITY		97,164	92,381

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 11 to 31.

Calvary Health Care ACT Limited

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$ '000	2009 \$ '000
Cash flows from operating activities			
Receipts from customers		30,157	47,554
Payments to suppliers and employees		(146,029)	(166,087)
Government grants received		123,506	119,150
GST recovered from the ATO		7,570	7,093
GST payments to ATO		(13,501)	(12,402)
Capital grants received		10,267	6,276
Interest received		521	733
Finance costs		(44)	(57)
Other income received		158	1,799
		<u>12,605</u>	<u>4,059</u>
Net cash provided by operating activities	14 (ii)	<u>12,605</u>	<u>4,059</u>
Cash flows from investing activities			
Proceeds from sale of property, plant & equipment		-	12
Purchase of property, plant and equipment		(10,985)	(5,537)
		<u>(10,985)</u>	<u>(5,525)</u>
Net cash provided by investing activities		<u>(10,985)</u>	<u>(5,525)</u>
Net increase in cash held		1,620	(1,466)
Cash at the beginning of the financial year		<u>8,102</u>	<u>9,568</u>
Cash at end of the financial year	14 (i)	<u>9,722</u>	<u>8,102</u>

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 11 to 31.

Calvary Health Care ACT Limited

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	Retained earnings \$ '000	Specific purpose reserve \$ '000	Capital grants (unspent) \$ '000	Total \$ '000
Balance 1 July 2008	88,132	1,786	-	89,918
Surplus	2,463	-	-	2,463
Transfers to / (from) reserves	(741)	(423)	1,164	-
Balance 30 June 2009	89,854	1,363	1,164	92,381
Balance 1 July 2009	89,854	1,363	1,164	92,381
Surplus	4,783	-	-	4,783
Transfers to / (from) reserves	(1,871)	(416)	2,287	-
Balance 30 June 2010	92,766	947	3,451	97,164

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on pages 11 to 31.

Calvary Health Care ACT Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Note 1 Statement of significant accounting policies

Calvary Health Care ACT Limited is a Public Company limited by guarantee, incorporated and domiciled in Australia.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements have been prepared on an accruals basis and are based on historical costs, except for the revaluation of certain non-current assets and financial instruments.

The financial statements were authorised by the Board on 28 October 2010.

Standards affecting presentation and disclosure

The following new and revised Standards have been adopted in the current year and have affected the amounts reported in these financial statements:

AASB 101 Presentation of Financial Statements (as revised in September 2007);
AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101;
AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101;
AASB 1053 Application of Tiers of Australian Accounting Standards (*early adopted*); and
AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (*early adopted*).

Accounting policies

(a) Principles of consolidation

A controlled entity is any entity controlled by Calvary Health Care ACT Limited. Under the provisions of AASB 127 consolidated accounts are required where the Company controls the operations, and receives the majority of benefits derived from the controlled entity. The financial statements represent the consolidated position. Separate disclosure has not been prepared as the operations and financial results of the controlled entity, Calvary Foundation Pty Limited, are not considered to be material.

All inter-company balances and transactions between entities in the Economic Entity, including any unrealised profits or losses, have been eliminated on consolidation.

(b) Revisions of accounting estimates

Revisions to accounting estimates are recognised prospectively in current and future periods only.

(c) Rounding off

The Company is an entity to which ASIC Class Order 98/100 applies. Accordingly, amounts in the financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Calvary Health Care ACT Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

(d) 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.

(e) Goods and services tax

Revenues, 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 Australian Taxation Office (ATO). 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 in the Statement of Financial Position are shown inclusive of GST.

The GST components of cash flows arising from operating, investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

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.

(f) Revenue recognition

Where applicable, revenues are recognised at the fair value of the consideration received net of the amount of goods and service tax (GST) payable to the Australian Taxation Office.

Rendering of services

Patient fee income 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.

Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Calvary Health Care ACT Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Rental revenue

Rental revenue is recognised in accordance with rental agreements. Details of leased assets and future minimum lease payments are disclosed at Note 9.

Donation revenue

Donation revenue is recognised when received, at the fair value of the asset donated.

(g) Finance costs

Finance costs include interest and finance lease/hire purchase finance charges and are expensed as incurred. In the case of assets which are under construction (and prior to being ready to use), finance costs are capitalised and form part of the total construction cost of the asset in the Statement of Financial Position.

(h) Financial instruments

If the Company has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit and loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of consideration paid, including the transfer of non cash assets or liabilities assumed, is recognised in profit or loss.

Calvary Health Care ACT Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Classification and subsequent measurement

Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short-term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

Patient fees receivable are generally settled from Health Funds purchasers within 30 days and are carried at amounts due.

Other debtors to be settled within 30 days are carried at amounts due.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. These assets are held at fair values with movements recorded directly to reserves.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are measured at amortised cost using the effective interest rate method.

Trade accounts payable are normally settled within 30 days.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

Calvary Health Care ACT Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

(j) Property, plant and equipment

Property, plant and equipment are measured on a cost basis less depreciation and 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.

(k) Depreciation and amortisation

Assets are depreciated or amortised using the straight-line method of depreciation to their estimated residual values, from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Depreciation and amortisation rates and methods and residual values are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

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

	2010	2009
Building leasehold improvements	2.5%	2.5%
Plant, equipment, fixtures and fittings	10.0%	10.0%
Medical, surgical and office equipment	15.0%	15.0%
Computer equipment	33.3%	33.3%
Motor vehicles	15.0%	15.0%

(l) Impairment of assets

At each reporting date, the Company, a not-for-profit entity, reviews the carrying values of all assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over the recoverable amount is expensed.

In the case of Property, Plant and Equipment, 'Value in Use' is taken to be the depreciated replacement cost of the asset.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Calvary Health Care ACT Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(m) Leased assets

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

Finance leases

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Capitalised lease assets are amortised on a straight line basis over the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed.

Operating leases

Payments made under operating leases are expensed in equal instalments over the accounting periods covered by the lease term.

(n) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits, where the Company does not have an unconditional right to defer settlement for at least 12 months, have been classified as a current liability. Employee benefits payable later than one year have been classified as a non-current liability. Both the long-term current liabilities and non-current liabilities have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(o) Superannuation plan

The Company contributes to various defined benefit, defined contribution and accumulation superannuation plans. Contributions are charged as an expense as incurred.

For defined contribution plans, contributions are expensed when employees have rendered services entitling them to the contributions.

(p) Key estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements 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 Company and LCM Health Care group.

Calvary Health Care ACT Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Key estimates - impairment

The Company, a not-for-profit entity, assesses for asset impairment at each reporting date by evaluating conditions specific to the Company that may lead to the impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. The recoverable amount is defined as the higher of its fair value (less costs to sell), and its 'value in use'. As a not-for-profit entity, and where appropriate, value in use is calculated as the higher of the present value of future cash flows (inclusive of an appropriate assessment period and terminal value of the asset) or the asset's depreciated replacement cost.

Key judgements - provision for impairment of receivables

Current trade and term receivables are non interest bearing loans and generally on 30-day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of contract. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired.

Trade receivables

Included in accounts receivable at 30 June 2010 is an amount of \$5.86M which represents the net trade receivables believed to be recoverable by the Company after providing for an amount of \$0.651M which is considered to prudently represent those receivables considered impaired. The Company reviews outstanding debts as the basis for impairment. All impairment calculations are based on a commercial assessment criteria, including segmentation, ageing, billing and collections procedures and prevailing trends.

The provision represents 10% of trade receivables as at 30 June 2010. The 30 June 2009 provision amounted to 3.5% of total trade receivables.

Other debtors

Other debtors consist of related parties, government departments and the like. The Directors do not believe any of the amounts warrant impairment.

Calvary Health Care ACT Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$ '000	2009 \$ '000
2 Revenue			
Operating activities			
Revenue from rendering of services		34,830	35,773
Recurrent grants received/receivable		123,506	115,949
Public Health Service capital grants		10,267	6,276
Resources received free of charge		7,417	3,201
		<u>176,020</u>	<u>161,199</u>
Non-operating activities			
Interest revenue		521	733
Rental revenue		907	813
Donation revenue		163	301
Profit on disposal of property, plant & equipment		-	4
Other revenue		365	681
		<u>1,956</u>	<u>2,532</u>
Total revenue		<u>177,976</u>	<u>163,731</u>
3 Expenses			
Depreciation of:			
plant and equipment		2,052	1,985
motor vehicles		51	55
		<u>2,103</u>	<u>2,040</u>
Amortisation of:			
leasehold improvements		2,445	2,425
		<u>2,445</u>	<u>2,425</u>
Total depreciation, amortisation and impairment costs		<u>4,548</u>	<u>4,465</u>
Finance costs:			
interest and bank fees		44	57
		<u>44</u>	<u>57</u>
Bad and doubtful debts		<u>436</u>	<u>136</u>
Employee benefits:			
Salaries & wages		92,665	85,745
Superannuation		10,616	7,927
Workcover		1,518	1,363
Long-term & post-employment benefits		802	947
		<u>105,601</u>	<u>95,982</u>
Operating lease rental expense:			
Other parties		212	214
		<u>212</u>	<u>214</u>
Loss on disposal of property, plant & equipment		<u>6</u>	<u>-</u>

Calvary Health Care ACT Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$ '000	2009 \$ '000
4 Cash			
Current			
Cash at bank and on hand		9,722	8,102
		<u>9,722</u>	<u>8,102</u>
5 Trade and other receivables			
Current			
Trade receivables			
Receivables for patient fees		3,315	3,380
Accrued income - patient fees		3,196	4,441
Less: Provision for impairment of receivables		(651)	(273)
		<u>5,860</u>	<u>7,548</u>
Other receivables			
Other receivables		1,601	232
		<u>1,601</u>	<u>232</u>
		<u>7,461</u>	<u>7,780</u>
Movement in the impairment of receivables			
Balance at the beginning of the year		(273)	(292)
Impairment losses recognised on receivables		(414)	(231)
Amounts written off as uncollectable		42	252
Amounts recovered during the year		(6)	(2)
Balance at the end of the year		<u>(651)</u>	<u>(273)</u>
6 Inventories			
Current - at cost			
Medical & surgical		1,482	1,249
Pharmacy		638	617
		<u>2,120</u>	<u>1,866</u>
7 Financial assets			
Non Current			
Investment - LCM Health Care National Treasury	15	4,398	4,398
		<u>4,398</u>	<u>4,398</u>

Investment - LCM Health Care Ltd National Treasury

The investment is unsecured and interest is currently paid at the RBA 90 day bank bill rate plus 0.75%, reviewed quarterly. The interest rate prior to 1 September 2009 was the RBA 90 day bank bill rate plus 0.5%. The average interest rate for the year was 6.12% (2009: 6.13%). The non current component of the investment matures in September 2011, with a review to be conducted in August 2011.

Calvary Health Care ACT Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$ '000	2009 \$ '000
8 Other assets			
Current			
Prepayments		357	311
		<u>357</u>	<u>311</u>
9 Property, plant and equipment			
Leasehold land - at cost	(a), (b)	7,600	7,600
Building improvements on leasehold land - at cost	(a), (b)	105,411	95,498
Less: Accumulated amortisation		(18,626)	(16,181)
		<u>86,785</u>	<u>79,317</u>
Plant and equipment - at cost		33,696	33,208
Less: Accumulated depreciation		(26,795)	(25,903)
		<u>6,901</u>	<u>7,305</u>
Motor vehicles - at cost		474	452
Less: Accumulated depreciation		(349)	(298)
		<u>125</u>	<u>154</u>
Assets under construction - at cost		<u>3</u>	<u>601</u>
		<u>101,414</u>	<u>94,977</u>

Reconciliation of property, plant and equipment

Reconciliations of the carrying amounts for each class of property, plant & equipment are set out below:

Leasehold land

Carrying amount at beginning of year		7,600	7,600
Carrying amount at end of year		<u>7,600</u>	<u>7,600</u>

Building improvements on leasehold land

Carrying amount at beginning of year	(a), (b)	79,317	79,360
Transfers in / (out)		8,588	2,008
Acquisitions / additions		1,325	374
Amortisation		(2,445)	(2,425)
Carrying amount at end of year		<u>86,785</u>	<u>79,317</u>

Plant and equipment

Carrying amount at beginning of year		7,305	6,704
Acquisitions / additions		1,382	2,956
Disposals		(6)	-
Transfers in / (out)		272	(370)
Depreciation		(2,052)	(1,985)
Carrying amount at end of year		<u>6,901</u>	<u>7,305</u>

Calvary Health Care ACT Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$ '000	2009 \$ '000
Motor Vehicles			
Carrying amount at beginning of year		154	178
Acquisitions / additions		22	39
Disposals		-	(8)
Depreciation		(51)	(55)
Carrying amount at end of year		125	154
Assets under construction			
Carrying amount at beginning of year		601	71
Costs incurred during the year		8,262	2,168
Reallocation		(8,860)	(1,638)
Carrying amount at end of year		3	601

(a) Covenants - leasehold land & buildings

The land located at Bruce ACT with a carrying value of \$7.6M (2009: \$7.6M) is a Crown leasehold property of the type common in the ACT. The lease is a 99 year lease which commenced in 1999 and has special conditions attached, primarily that the land be used for the conduct of hospital and ancillary purposes. The buildings which house the public hospital have a carrying value of \$70.49M (2009: \$72.06M). Also located on the leasehold land are purpose built buildings with a carrying value of \$7.60M (2009: \$7.26M) built by the private hospital for provision of private health services. Pursuant to the agreement between the ACT Government and the Company there are conditions which limit the ability of the Company to dispose of these assets or use them otherwise than as a hospital.

Review of Interpretation 12

A review has been undertaken of the applicability of Interpretation 12 Service Concession Arrangements to the activities of the Company in respect of the operation of the public hospital in the ACT. Interpretation 12 mandates the accounting for certain public-to-private service concession arrangements. The review undertaken incorporated both legal and accounting advice.

The conclusion of the accounting and legal advice is that the arrangements for the operation of the public hospital are not within the scope of Interpretation 12 because the overall scope for decision making and control over the daily operations and the management of the public hospital remains within the Company's decision making framework. In addition, the Company retains significant residual value in the assets operating on the land occupied by the Company under the Crown lease.

The Directors agree with this view and, therefore, believe it is appropriate the activities and assets of the public hospital be recorded on the Statement of Financial Position of the Company in order to present a true and fair set of accounts that comply with Australian Accounting Standards.

The carrying value of the land and buildings at balance date is \$94.385M.

Calvary Health Care ACT Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$ '000	2009 \$ '000
(b) Leased assets			
The Company leases building space to external parties under operating lease terms and conditions. Expiry of Operating Leases ranges from 1 to 4 years.			
The following represents the value of leased assets (by class) at balance date:			
Buildings			
At cost		6,763	5,747
Less: Accumulated depreciation		(1,807)	(1,644)
		4,956	4,103
Total depreciation/amortisation recognised in respect of leased assets for the financial year was:			
		161	144
Future minimum lease payments not provided for in the financial statements and receivable:			
Not later than one year		286	312
Later than one year but not later than five years		643	705
		929	1,017
10 Trade and other payables			
Current			
Trade payables		4,141	2,332
Grants / income received in advance		72	52
Deferred income		41	51
Insurance excess liability		459	-
Other payables and accruals		7,946	7,013
		12,659	9,448

Trade payable terms vary from 7 to 30 days generally. No interest is charged on trade payables.

Grants and other income received in advance relate to patient deposits paid.

Deferred income relates to VMO back pay funding - \$0.04M

A liability for insurance deductible excess is recognised for medical malpractice claims at the reporting date based on an assessment of open claims made to that date and past experience of claim outcomes.

Other payables and accruals comprise accrued expenses, \$4.777M, payroll accruals \$2.582M, prepaid catering rights \$0.198M and GST payable \$0.389M.

Calvary Health Care ACT Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$ '000	2009 \$ '000
Bank overdraft and financing arrangements			
The Company has access to the following lines of credit:			
Group pooling facility - bank	(a)	2,000	2,000
Credit card facility		80	110
		2,080	2,110
Facilities utilised at balance date:			
Credit card facility		4	7
		4	7
Facilities not utilised at balance date:			
Group pooling facility - bank		2,000	2,000
Credit card facility		76	103
		2,076	2,103

(a) Group pooling facility - bank

The LCM Health Care Group utilises a pooling facility with interest calculated daily and paid monthly on the Group balance. The security for this facility is provided jointly and severally by all the entities in the Group. This facility avoids the need for individual companies to have overdraft facilities in place.

11 Provisions

Current

Employee benefits:

Annual leave		6,722	6,652
Long service leave		6,965	6,662
		13,687	13,314

Non Current

Employee benefits:

Long service leave		1,962	2,291
		1,962	2,291

Employee benefit provisions are reported as current liabilities where the Company does not have an unconditional right to defer settlement for at least 12 months. Consequently, the current portion of the employee benefit provision includes both short-term benefits measured at nominal values and long-term benefits, measured at present value. Employee benefit provisions that are reported as non-current liabilities refer to long-term benefits of non vested long service leave that do not qualify for recognition as a current liability, and are measured at present value.

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 ACT Health.

Calvary Health Care ACT Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 \$ '000	2009 \$ '000
--	-----------------	-----------------

Superannuation plans

The Company contributes to employee superannuation funds for all eligible employees based on various percentages of their gross salary, with a minimum contribution of 9% of gross salary, except where the maximum superannuation cap applies to LCM Executive staff. The majority of Company employees who commenced prior to 1 July 2005 were able to elect to contribute to the ACT public sector defined benefit superannuation funds known as PSSdb or CSS. Employees commencing after this time have been able to elect to contribute to the ACT public sector accumulation superannuation fund (PSSap).

For public hospital employees electing to contribute to these funds, by arrangement with the ACT Government, their contributions are met by the ACT Government. These contributions are recognised in the Company's accounts as an employee benefit expense and as revenue, being resources received free of charge.

Participation of new Private Hospital employees in the ACT public sector superannuation schemes ceased on 16 April 2008.

The Company does not have any obligations under the ACT public sector defined benefit superannuation schemes apart from the payment of contributions for participating Private Hospital employees.

12 Reserves

Specific purpose reserve	947	1,363
Capital grants (unspent)	3,451	1,164
	4,398	2,527

Specific purpose reserve

Amounts received for specific purposes are transferred from retained earnings to a reserve to ensure the funds are used for the purpose for which they are received. A transfer back to retained earnings is recognised when the funds are spent.

Capital grants (unspent)

Amounts received for specific capital works projects are transferred from retained earnings to a reserve to ensure that the funds are used for the purpose for which they are received. The Company is committed to expend the funds on specified capital works projects as agreed with the ACT Government.

13 Commitments

Capital expenditure commitments

Buildings

Contracted but not provided for and payable:

Within one year	2,576	774
Later than one year but not later than five years	875	2,102
	3,451	2,876

Calvary Health Care ACT Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$ '000	2009 \$ '000
Operating lease commitments			
Future operating lease rentals not provided for in the financial statements and payable:			
Not later than one year		204	206
Later than one year but not later than five years		331	536
		535	742

The Company leases assets under operating leases. Leases generally provide the Company with a right of renewal at which time all terms are renegotiated. Lease rental expenses are disclosed at Note 3.

14 Notes to statement of cash flows

(i) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short-term term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown on the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash at bank and on hand	9,722	8,102
	9,722	8,102

(ii) Reconciliation of cash flow from operations with surplus from ordinary activities

Surplus from ordinary activities	4,783	2,463
Add non-cash flows in surplus from ordinary activities:		
Depreciation and amortisation on property, plant and equipment	4,548	4,465
Deficit /(surplus) on disposal of plant and equipment	6	(4)
Impairment of receivables	(378)	(19)
Net cash provided by operating activities before change in assets and liabilities	8,959	6,905
Change in assets and liabilities during the financial year:		
(Increase)/Decrease in trade debtors	2,066	(906)
(Increase)/Decrease in other debtors	(1,361)	788
Increase in inventories	(254)	(162)
(Increase)/Decrease in other current assets	(54)	17
(Decrease)/Increase in payables	3,205	(2,605)
Increase in employee benefits	44	22
Net cash provided by operating activities	12,605	4,059

Calvary Health Care ACT Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	\$	\$

15 Related parties

(a) Key management personnel

From time to time Directors, executives 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.

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.

Compensation of executives:

Short-term benefits	1,738,028	1,360,031
	1,738,028	1,360,031

Other related parties

(b) Transactions

Amounts included in income received during the year from LCM Health Care group companies:

Interest revenue	200,128	270,002
Rental income	1,424	28,583
Supplier rebate income	140,420	77,262
Recovery of salaries and wages (incl on-costs)	88,503	388,538
Palliative care education	-	5,743
Recovery for goods and services	306,701	225,139
Grant Income	-	45,455

Amounts included in expenditure during the year to LCM Health Care group companies:

National Office contribution	1,845,072	1,791,000
National social accountability contributions	-	120,000
National IT project contributions - non-recurrent	66,396	60,948
National IT project contributions - recurrent	219,996	213,564
Payments for goods & services	148,337	136,668
Insurance premiums	297,448	273,233
Salaries and wages (incl on-costs) recovered	3,367	-
Palliative care education	-	400
Training	88,000	10,000

Calvary Health Care ACT Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	\$	\$
(c) <i>Receivables</i>		
Amounts receivable from LCM Health Care group companies:		
Investment	4,397,770	4,397,770

With respect to (a), (b) and (c) above, Sr Marilyn Wilson LCM was a Director of Little Company of Mary Health Care Ltd and is a member of the Order of the Little Company of Mary.

Calvary Health Care ACT Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

16 Financial risk management

The Company's financial instruments consist mainly of deposits with banks, long term investments, accounts and loans receivable and accounts and loans payable.

The Company does not have any derivative instruments at 30 June 2009 or 2010.

The Company's overall risk management strategy seeks to meet its financial targets whilst minimising potential adverse effects on financial performance.

Interest rate risk is managed with floating rate debt. As at 30 June 2010, the Company had no debt.

	Note	Weighted average interest rate	Variable interest rate \$'000	Fixed interest maturing in: 1 year or less \$'000	1 to 5 years \$'000	Non-interest bearing \$'000	Total \$'000
2010							
Financial assets							
Cash assets	4	3.27%	9,718	-	-	4	9,722
Receivables	5/8	-	-	-	-	7,818	7,818
Other financial assets	7	6.12%	4,398	-	-	-	4,398
			<u>14,116</u>	<u>-</u>	<u>-</u>	<u>7,822</u>	<u>21,938</u>
Financial liabilities							
Payables	10	-	-	-	-	12,659	12,659
			<u>-</u>	<u>-</u>	<u>-</u>	<u>12,659</u>	<u>12,659</u>
2009							
Financial assets							
Cash assets	4	4.68%	8,098	-	-	4	8,102
Receivables	5/8	-	-	-	-	8,091	8,091
Other financial assets	7	6.13%	4,398	-	-	-	4,398
			<u>12,496</u>	<u>-</u>	<u>-</u>	<u>8,095</u>	<u>20,591</u>
Financial liabilities							
Payables	10	-	-	-	-	9,448	9,448
			<u>-</u>	<u>-</u>	<u>-</u>	<u>9,448</u>	<u>9,448</u>

Calvary Health Care ACT Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 Carrying amount \$'000	2009 Carrying amount \$'000
Financial assets		
Held to maturity	4,398	4,398
Loans and receivables	7,818	8,091
Available for sale	9,722	8,102
	<u>21,938</u>	<u>20,591</u>
Financial liabilities		
At amortised cost	<u>12,659</u>	<u>9,448</u>

Calvary Health Care ACT Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

17 Contingent liabilities and assets

Uninsured events

During the reporting period no new claims have come to light with regard to the period of cover with HIH Insurance Ltd (Liquidator appointed). On the advice of our current insurers, should any claims materialise, they are to be treated as if they were uninsured. The Federal Government HIH Rescue package was closed to claims after February 2004.

Medical malpractice claims

Claims against the Company have arisen in the course of providing health care services. The estimated maximum financial effect of claims that may become payable is \$2.483M. No admission of liability in relation to any of these claims has been made, and all claims are pending investigation. The likelihood of any future liability arising is uncertain.

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

18 Economic dependency and going concern

The public hospital facilities operated by the Company depend mainly on the annual appropriation of monies by the ACT Government to fund operations and meet commitments in accordance with agreements between the Company and the ACT Government.

Of total revenue, 79% is derived from Government funding (including resources received free of charge), and 20% is derived from health funds. Revenue is received in accordance with agreements between the Company, the ACT Government and health funds.

The Company is one of a number of subsidiaries of the Parent Entity, Little Company of Mary Health Care Ltd. Whilst it is not envisaged the Company will need to rely on the Parent Entity for its economic dependency, 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 by withdrawing funds from the Company or any other of its controlled entities, except for those moneys held 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.

Whilst at 30th June 2010 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 Company is budgeted to achieve a cash surplus for the ensuing 12 month period, and currently the Directors are not aware of any reason that conditions will change to the extent that the Company will become economically dependent upon on the Group Parent.

Calvary Health Care ACT Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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.

19 Event 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.

20 Registered office and members guarantee

Calvary Health Care ACT Limited is a company limited by guarantee, incorporated in Australia and operating in Canberra, ACT.

The Company's registered office is Level 18, 68 Pitt St Sydney NSW 2000 and the principal place of business of the Company is Haydon Drive Bruce ACT 2614

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.

Independent Auditor's Report to the Members of Calvary Health Care ACT Limited

We have audited the accompanying financial report of Calvary Health Care ACT Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 5 to 31.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion, the financial report of Calvary Health Care ACT Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



P A Roberts
Partner
Chartered Accountants
Canberra, 28 October 2010