



ST LUKE'S CARE



ANNUAL REPORT
year ended 30 june 2017





2017 Chairman's Report

The period of consolidation of operations that I mentioned last year has continued this past financial year to benefit St Luke's Care as a cohesive group of businesses. That said, I will repeat what I said then, that we are never content with a business-as-usual approach to our activities, and that we constantly devote our efforts to the improvement of our every endeavour. The Board of Directors is conscious of the rapidly changing and increasingly competitive healthcare environment in which St Luke's operates, the need constantly to review our strategic imperatives, to be extremely agile in developing initiatives and embracing any change which meets the needs of the different communities we serve.

In every area in which we are active and in which we are well known for our first class performance, we have identified both threat from competitive forces and opportunity for developing superior services. There is of course the saying that imitation is the sincerest form of flattery that mediocrity can pay to greatness. I imagine it improbable that Oscar Wilde was thinking about St Luke's Care when he coined the immortal phrase, but its application to our case is no less apt. We have found that many facilities have sought to perfect the St Luke's model by scaling it up.

For example, rehabilitation services are increasingly on offer elsewhere but fail to match the all-inclusive St Luke's offering; our theatre management remains at the top of its tree, respected and sought by an increasing number of specialist surgeons requiring best practice surgical facilities and care; and the St Luke's nursing team is exceptional in every way, its reputation better than in any comparable facilities. Furthermore, while some people are naturally attracted to the embellishment that characterises some of the newer aged care facilities, many of those revert to the certainty of Lulworth House, comfortable in the knowledge that nowhere else will their loved ones receive more comprehensive and loving care. Quality Care with a Personal Touch resonates through every fibre of the St Luke's organisation. We prefer not to be 'flattered' by the competitive thrusts into our areas of excellence - we simply see these as a spur to do even better in everything we set our hearts to. We have developed this ethic of determination over many years and have tested its validity rigorously.

Turning our attention back to principal strategic objectives, the Board has supported management's view that we must now expand and improve our aged care offering, both on site and in the homes of those who need our care in their own environment. I must emphasise that this does not in the smallest way reduce our commitment to being one of the best private hospitals in the country. We acknowledge that the revolution in surgical procedures and offerings continues unabated and that we must continue to answer the very significant challenges that are placed before us all the time, including continuing pressures from larger corporate entities and private health insurance companies.

Therefore the other great pillar of our strategy is to realign the surgical offering in St Luke's Private Hospital to the changing needs of surgeons and their patients, including reconfiguring the mix of surgical specialities



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to answer current demand, with the flexibility also to adapt to future demand, providing personalised care for the communities we serve. We have been in this position before now – ten years ago when we undertook the Capital Campaign, we completely refurbished the Hospital's clinical presence, including among other things four state of the art theatres and central sterilising unit, and a greatly improved rehabilitation facility. Our objective then was to provide a surgical and post-operative facility to attract the best surgeons to St Luke's.

Having utilised that refurbishment to the greatest advantage over many years, we are now in the similar position of needing to reset the overall offering of St Luke's Private Hospital, St Luke's Aged Care and St Luke's Clinic. Each component provides significant opportunity, and as we approach the Centenary of St Luke's in 2019, we propose to launch (in 2018) the St Luke's Centenary Appeal, specifically to support the important strategies that I have referred to, which together help position St Luke's as a world class provider of personalised care of the highest quality for the wellbeing of our community.

This leads me to mention the important organisational changes that are being undertaken now. I wrote to you earlier in the year, advising that as I will next year take responsibility as Chairman of the Centenary Appeal, I will, from the close of the 2017 Annual General Meeting, step down as Chairman of St Luke's Care. The Board of St Luke's Care unanimously appointed Professor Mark Compton AM as my successor and I will commend Mark as a non-executive Board Member to your approval later in that meeting. I am delighted that he has agreed to take on this position, as it means not only that we have secured his involvement at St Luke's for many more years than would have been the case had it not been so, but that the Board will have the benefit of his former perspective as the organisation's Chief Executive. I mention Mark again later in this report.

The other significant consequence of course is that from September 2017 we have a new Chief Executive in Dr Joe Collins, bringing to the role significant and valuable experience in the healthcare sector, a communicative and collegial style that is vital to the way this organisation functions and makes it work so well as a team, and a vision that is aligned to extracting the greatest benefit from his strategy, fully endorsed by the Board. Joe's focus is already on developing the ways and means of bringing the St Luke's strategy to fruition, and he will naturally be closely involved in the Centenary Appeal whose sole purpose will be to support our strategic objectives. The Board is delighted to have made this appointment and Joe enjoys its unconditional support. Joe has been made most welcome at St Luke's by the Board, management and staff alike and already he has established strong working relationships in the organisation.

Reflecting on the past financial year and the early part of this one, Aged Care operations continued very strongly with full occupancy in residential aged care, high levels of resident satisfaction and an increase in Home Care activity consistent with our plans to develop this aspect of care further for our community. These results reflect the very high regard in which Lulworth House is held, and an increasing demand for care delivered in the home. Aged care has gone through significant change in recent times and we see this continuing in the foreseeable future as all aged care operators adjust to an environment in which both government regulations and community expectations are becoming more demanding.

Fortunately St Luke's is well positioned to respond positively to these opportunities. Driving the need for the strategic realignment that I have already referred to, the trend for the Hospital began recently to decline as surgical case mix revealed a need for adjustment, and increasing pressure from health funds made itself felt. Against this background, as always, we have maintained the highest clinical and care standards, never negotiable for St Luke's, but for which, of course, there is a high cost. While there are many elements which point to our high performance standards, these all become evident in the Hospital's Clinical Operational, Quality and Safety Plan 2016-2018 which has been reviewed this year by the Medical Advisory Committee and the Board, ensuring that the continuous monitoring of clinical trends is rigorous and that the Hospital continues to meet the National Safety and Quality Health Service Standards (NSQHS), as well as make improvements to service delivery.



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I am pleased to report that following a recent Australian Council on Health Care Standards accreditation survey against the NSQHS we have been advised that the Hospital has met all of the criteria for the 10 core national standards. The surveyors were very complimentary about the Hospital, its staff, executive and Board. They commented on the strong positive culture and governance, the understanding and execution of risk management and quality processes throughout the organisation, and the high quality of care. Particularly pleasing were the surveyors' comments about the impressive standards of cleanliness throughout every department as well as the professionalism, enthusiasm and pride shown by St Luke's staff.

Turning to donations, I record the sincere thanks of St Luke's Care for the continuing efforts and generosity of the St Luke's Hospital Foundation and its supporters. In recent years the Foundation Board has unfailingly answered the relevant and legitimate needs of St Luke's Care for major project funding, and its many supporters have by their actions endorsed these initiatives. It is worth always remembering that as a not-for-profit organisation, St Luke's Care is never in a position to raise capital when a significant project demands attention. The generosity of the great St Luke's family is therefore much valued and makes us extremely grateful for being able to complete some major capital works.

This year we say farewell to Peter Stening, who also retires from the Board at the end of the 2017 AGM. Peter has given invaluable service to St Luke's for over 25 years, not just as an active Board Member, but in particular as the Board's Treasurer and Head of the Finance and Audit Committee. The 'corporate memory' vested in Peter has served us extremely well over many years, and his adherence always to the correct path, alongside his unfailing devotion to the welfare of the organisation, makes him an exemplar for the responsibility attached to voluntary service in the not-for-profit sector.

My own retirement from the Board comes after less service than Peter's, having been appointed to the Board in 1995 and as its Chairman in 2004. I have enjoyed the very significant challenges that we have faced as a Board, and in that respect I pay tribute to all of my colleagues, past and present, with whom I have shared the good, and perhaps occasionally, the less good. The collegiality with which I have been treated by these Board Members has been unfailingly supportive and my gratitude to them is unconditional. I am reminded again on this occasion of the importance of having good people in the governance of organisations like St Luke's, and I will always be extremely proud of having been their Chairman and colleague.

As I have already mentioned, Mark Compton joins the Board and brings with him his invaluable knowledge and experience of the workings of St Luke's Care. Mark's contribution to this organisation to date is hard to express adequately - certainly it is almost incalculable in operating terms, having brought wisdom and experience to an organisation, in 2009 then much in need of energetic and inspirational leadership. Mark deserves the heartfelt gratitude of every person interested in the success of St Luke's. Indeed from a purely personal perspective, my relationship with Mark as between a Chairman and a Chief Executive has been one of the most rewarding experiences of my professional career, and I thank him for it. I have no doubt that as our new Chairman, he will enjoy the same mutual regard with the new Chief Executive, Dr Joe Collins. Certainly he has the following of the Board.

As usual I reserve my greatest thanks for the staff of St Luke's Care. Enabled by the Board and by outstanding executive management and operational Directors, the staff are not content unless they are delivering the very best standards in the sector. Government Accreditation surveys in the Hospital and in Aged Care underline that excellence and I have the greatest admiration for their determination and resilience. I mentioned earlier the desire of others to imitate what we do in so many ways. It is what the staff do and the way they do it in every aspect of this operation, that set the benchmarks and make others wish to do likewise. They underpin the brand of St Luke's Care.

Julian Beaumont
Chairman



Directors' Report 2017



TOP row, from left to right: Mr Julian Beaumont, Mr Charles Benson, Dr Jo Boney, Associate Prof Michael Cooper, Dr Matthew Gardiner.

BOTTOM row, from left to right: Mr Peter Stening, Dr Malcolm Stuart, Mrs Julia Tregoning, Ms. Jacoline Bekker, Mrs Fiona Playfair

DIRECTORS' DETAILS

Mr Julian Beaumont, OAM, FCA (UK), ACA, FFin (Chairman)

Company Director. Julian spent 25 years in investment banking, and was an Executive Director of Macquarie Bank Limited until 1996. More recently he had 12 years' experience in the toll road industry, serving as a Director and/or Chairman of several Australian toll road operators. Previously also a development consultant to Accenture, USA and serving on the Boards of Artbank and the National Art School. He is currently on the Board of the National Gallery of Australia Foundation. Appointed to the Board in 1995. Elected Chairman in 2004.

Mr Charles Benson, FCA

Charles was CEO of the Thomas Cook Group in New York before spending 15 years with Deutsche Bank Global Asset Management as CFO/COO in London prior to returning to Australia in 2002 where he had senior executive roles with the Commonwealth Bank. Appointed to the Board in December 2009. Charles is also Chairman of St Luke's Hospital Foundation.

Mr Peter Stening, BCom, FCA (Treasurer)

Chartered Accountant for over 40 years. Peter is also a Director of the Sight for Life Foundation Limited. Appointed to the Board in 1992.

Ms Jacoline Bekker, MBA (UK), M.Com (RSA), CA (RSA), GAICD (AUS)

Experienced investment banker. Jacoline commenced her career as a chartered accountant with PwC in South Africa and, after completing her MBA at the University of Cambridge (UK), joined the JP Morgan Mergers & Acquisitions team in London (1999) followed by Grant Samuel Corporate Finance in Sydney (2002 to 2012). Appointed to the Board in 2012.



Dr Jo Boney, RN, PhD, MAppSc(Nursing), BAppSc(Nursing), DNE Cumb - Resigned 21 November 2016

Jo was a nurse academic for 13 years at the University of Sydney where she was Associate Dean for International Students and Postgraduate Programmes. She chaired the Operations Committee and was a member of the Board for Lou's Place (a day time drop-in centre for women in Kings Cross). Appointed to the Board in 2002.

Associate Professor Michael Cooper, MB BS, FRANZCOG, FRCOG (UK), MHKCOG (HK), GDipAppFin

Gynaecologist. Michael is a Visiting Medical Officer and Head of General Gynaecology at Royal Prince Alfred Hospital, has an appointment at St Vincent's Private Hospital and is accredited at Geneva for assisted conception. He is also a Clinical Associate Professor in the Department of Obstetrics and Gynaecology at Sydney University. Appointed to the Board in 2007.

Dr Matthew Gardiner, MB; BS Hons. 1 (U.N.S.W.); F.R.A.C.G.P; F.A.F.R.M. (R.A.C.P.)

Consultant Physician - Rehabilitation Medicine; Conjoint Lecturer, Faculty of Medicine, U.N.S.W. Senior Staff Specialist - Calvary Hospital. Matthew is a highly regarded Physician with a distinguished career in both the public and private sectors. He has been an Accredited Medical Practitioner at St Luke's since 2004. He has also been the independent Chairman of the St Luke's Care Medical Advisory Committee, since December 2010. Appointed to the Board - November, 2016.

Fiona Playfair, Dip. History of Art

Company Director. Fiona has been a Director of the Lizard Island Reef Research Foundation since 2003. She was a Director of the Historic Houses Trust from 2011 to 2014. Fiona has for many years devoted time to schools and community organisations and continues to do so. Appointed to the Board in 2015.

Dr Malcolm Stuart, BSc (Med), MB, BS, LLB, FRACS, FACS, MAICD

Registered medical practitioner (non-practising) and retired solicitor. Malcolm has had a 50 plus year association with St Luke's - as a surgical trainee, a Visiting Medical Officer, an Accredited Medical Officer and a Director. Before his retirement in early 2017, Malcolm was Manager Medical Services Avant Mutual Group with almost 20 years' experience in the medical indemnity industry. Appointed to the Board in 1994.

Mrs Julia Tregoning, BA, DipEd, Dip Child & Adol. Studies - Resigned 21 November 2016

Company Director. Julia was President of the Fundraising Committee for the Leo and Jenny Leukaemia and Cancer Foundation for 15 years. Appointed to the St Luke's Hospital Foundation in 1992 and the St Luke's Care Board in October 2000. Chairman of St Luke's Hospital Foundation from 2000 until her retirement from the Foundation in 2011.



COMPANY SECRETARY DETAILS

Professor Mark Compton AM - resigned 4 September 2017

Formerly St Luke's Care's CEO. Mark has broad corporate governance experience as a director of ASX listed and other companies, especially in the health and life sciences sectors, including not-for-profit entities. Mark is on the board of Macquarie University Hospital and is non-executive chairman of ASX listed Sonic Healthcare Limited; is national Chairman and Chancellor of St John Ambulance Australia; and is also Adjunct Professor in Management at Macquarie University (Macquarie Graduate School of Management).

Mr Neil Hooper - St Luke's Care's Finance Director. Neil has extensive company secretarial experience, having acted in that capacity for a large number of listed and unlisted companies.

BOARD MEETING ATTENDANCES DURING THE FINANCIAL YEAR

Board Member (*indicates Chair)	No. Eligible to Attend	No. of Meetings Attended	Leave of Absence	Member of Other Committees
Mr. Julian Beaumont OAM	5	5	0	F/S*/R
Ms Jacoline Bekker	5	4	1	S/Q/F
Mr. Charles Benson	5	4	1	F/S/R
Dr Jo Boney***	3	2	1	M/S/Q
Assoc. Prof Michael Cooper	5	4	1	M/S
Dr Matthew Gardiner**	2	2	0	S/M
Mrs. Fiona Playfair	5	4	1	L/S
Mr. Peter Stening	5	5	0	F*/S/R*
Dr Malcolm Stuart	5	5	0	F/S/Q*
Mrs. Julia Tregoning***	3	3	0	L/S/H*

** Appointed 21 November 2016

*** Resigned 21 November 2016

Committees - In addition to scheduled Board meetings, one or more directors serve on Committees covering all aspects of business. Committees meet regularly. They are: Finance & Audit Committee (F); Quality Review and Risk Management Committee (Q); Medical Advisory Committee (M); Strategic Planning Committee (S); Remuneration Committee (R); Lulworth House Resident & Relative Committee (L); and House Committee (H).



FINANCE & AUDIT COMMITTEE MEETING ATTENDANCES DURING THE FINANCIAL YEAR

Board Member	No. Eligible to Attend	No. of Meetings Attended	Leave of Absence	Member of Other Committees
Mr. P Stening (Chair)	3	3	0	S/R
Mr. J Beaumont OAM	3	2	1	S/R
Mr. C Benson	3	3	0	S/R
Dr M Stuart	3	2	1	Q/S
Ms J Bekker	3	2	1	Q/S

The Finance and Audit Committee assists the Board in monitoring the decisions and actions of the Chief Executive Officer and senior management through its oversight of the integrity of the financial statements and evaluation of effectiveness of the system of internal controls and risk management.

QUALITY REVIEW AND RISK MANAGEMENT COMMITTEE MEETING ATTENDANCES DURING THE FINANCIAL YEAR

Board Member	No. Eligible to Attend	No. of Meetings Attended	Leave of Absence	Member of Other Committees
Dr M Stuart (Chair)	3	3	0	F/S
Dr J Boney***	1	0	1	M/S
Ms J Bekker	3	2	1	F/S

*** Resigned 21 November 2016

The Quality Review and Risk Management Committee oversees an ongoing system of evaluation and assessment of the non-clinical aspects of care and services provided by St Luke's Care, including its risk management activities and compliance. It ensures actions are taken to improve standards of care and delivery of services; and informs the Board on activities, standards and improvement programs. Matters of clinical risk are monitored by the Medical Advisory Committee.

MEDICAL ADVISORY COMMITTEE MEETING ATTENDANCES DURING THE FINANCIAL YEAR

Board Member	No. Eligible to Attend	No. of Meetings Attended	Leave of Absence	Member of Other Committees
Dr M Gardiner**	3	2	1	S
Dr J Boney***	1	0	1	S/Q
Assoc. Prof M Cooper	4	21	2	S

** Appointed 21 November 2016

*** Resigned 21 November 2016



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The Medical Advisory Committee (MAC) implements policies to ensure compliance with regulations in relation to patient and resident care and safety; advises the Board on accreditation of practitioners and medical privileges; advises the Board on matters of clinical care, patient care and safety; reviews the quality and effectiveness of services provided; recommends to the Board education programs following analysis and evaluation of clinical care; and maintains a constant channel of communications between medical and other health practitioners and the Board. The MAC also monitors and acts as necessary on matters of clinical risk management.

1. OBJECTIVES AND STRATEGIES

a) Long-term objectives

As stated in the Company's Memorandum of Association, St Luke's objectives are to: establish and operate private hospitals and associated facilities; establish and provide facilities and services for aged care; and provide relief and support for the sick and elderly in cases of financial hardship. These objectives are underpinned by St Luke's Mission Statement which stresses services will be provided to meet the needs of individuals, within the framework of our charitable charter and through continuous improvement, innovation and engagement. St Luke's conducts business with integrity and honesty while maintaining the highest ethical values and dignity of all users of our services.

b) Short-term objectives

St Luke's short-term objectives are to maintain the quality of care, with the personal touch for which it is known, and to maintain a prudent financial position.

2. PRINCIPAL ACTIVITIES AND ACHIEVEMENT OF OBJECTIVES

The principal activities of St Luke's Care ("St Luke's") during the year were the continuing ownership, management and operation of St Luke's Private Hospital, St Luke's Aged Care, St Luke's Home Care and St Luke's Clinic. The activities included provision of specialty training and experience for post-graduate medical practitioners and participation in research and development studies.

3. OPERATING RESULTS SUMMARY/PERFORMANCE MEASUREMENT

The Company posted a total comprehensive loss of \$0.36M after donations and other items for the year ended 30 June 2017 (2016: total comprehensive income of \$3.10M). The main contributors to the comprehensive loss were an operating loss of \$1.32m, partly offset by donations of \$0.34M, gain on revaluation of buildings and improvements/financial assets of \$0.13M and the reversal of previous years' impairment losses of \$0.49M.

The year in review was a challenging year, with hospital activity down significantly, across most specialties, but with orthopaedic activity, in particular, substantially down. Activity and performance in other areas was more pleasing: Lulworth House continues to maintain a very high level of occupancy; despite significant changes in Home Care funding arrangements and management of Government packages, our Home Care activity remains stable and Private Home Care continues to increase; and activity and occupancy within the Clinic continue to grow.

St Luke's Clinic comprises five specialist consulting suites plus a treatment room, waiting area, a private physiotherapy practice and half-day rehabilitation program. In FY17, sessional activity within the consulting rooms increased and we have now added five administrative offices – all of which are currently leased – to provide a base for medical practice staff. We are now actively seeking additional Allied Services practitioners to contribute to overall Clinic workload and increase referrals to other parts of the business.

In October 2016, we agreed a mutual termination of the Agreement with the ADF whereby St Luke's provided a dedicated hospital ward for ADF personnel. In the 3 years the Agreement had been in place, occupancy never reached the levels expected and it was inefficient and not cost effective to maintain a separate ward for very low patient numbers. We continue to admit ADF patients into our general wards.



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Following the closure of the dedicated ADF ward, the Board undertook a review of ward utilisation and determined to convert one floor of the hospital - including the space previously dedicated to the ADF ward - to residential aged care beds. This floor of the hospital, level 3, runs contiguous to existing residential areas at Lulworth House, so once the conversion is complete, there will be a seamless transition between the hospital aged care areas and Lulworth House. The conversion of this space is expected to be completed in late 2017/18.

As is customary, hospital activity in FY17 fluctuated throughout the year. In part reflecting the closure of the ADF ward, over the full year, occupancy was 10.9% below the budgeted level and theatre activity 5.6% below budget. We continue to try to recruit new surgeons with a view to caseload through the hospital increasing as the careers of these new surgeons develop.

We continued to offer benevolent activities in 2016/17 through our Home Care service, the Hospital and respite beds in Lulworth.

Our continuing focus is on generating and maintaining enduring quality revenue streams from the core activities of: acute hospital care; rehabilitation; aged care; home care and clinic activities.

- Lulworth's results for the financial year reflect a very good year of activity and continued strong confidence in the care, service and amenities offered to its residents and their families. Lulworth has a pre-dominance of residents with complex and high care needs.
- St Luke's Home Care maintained positive trading results and continues to attract many clients. Our private care business has grown as a consequence of focused attention from the Director of Aged Care Services and her team. We anticipate further growth in private home care activity in FY17. Significant changes were made to the way the Government funds Home Care packages and changes introduced in February 2017 represent a major change to the way government funding is delivered to providers and potentially a much more competitive environment. Despite these changes, early feedback is positive.
- In FY17 the focus within the Hospital continued to be on tight control of expenditure and undertaking activities in order to grow activity, particularly via enhanced theatre utilisation. However the market in which St Luke's operates a medium sized private surgical, rehabilitation and medical hospital remains very competitive and combined with economic uncertainty in the community, activity levels throughout the year were well short of expectations. Our focus continues on orthopaedics, ENT, plastic surgery, general surgery spinal neurosurgery and rehabilitation.

4. OVERVIEW OF OPERATIONS

St Luke's Hospital

The Hospital has 58 operational beds and continues its focus on a high level of surgery as a proportion of caseload, particularly in orthopaedic, ENT, plastic, spinal neurosurgery, hand and general surgery, which, together with rehabilitation and sleep studies services, reflect the Board's strategy of focusing on certain key specialties. The facilities are superb and have combined effectively with St Luke's history of outstanding patient care.

St Luke's Aged Care

Lulworth House Aged Care Facility is an extra service residential aged care facility of 154 places.

Lulworth performed well in the year in financial terms due to strong occupancy. The strong reputation for care and service, combined with the continuation of innovative programs such as the Elder Clowns, introduction of new services such as "Music and Memory" all assist in Lulworth being an aged care facility of choice in the Eastern Suburbs.

Lulworth House has remained fully accredited by the Australian Aged Care Quality Agency and has also received a number of unannounced spot checks where it has demonstrated full compliance. Compliments about the care, service and surroundings afforded by Lulworth House continue to flow freely from residents, relatives, staff and other key stakeholders.



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St Luke's Home Care

St Luke's Home Care Service experiences a continued high level of demand with approximately 280 clients currently receiving services from about 60 carers across most care package levels and through its private home care service. We continue to focus on better integration between our residential aged care and home care services as this stands us in very good stead for increasing benefits as we move forward.

Home Care takes St Luke's and its vision of "quality care with a personal touch" into the wider community; it provides a necessary service to the community by maintaining quality of life for people in their own homes; and it provides a conduit for entry into residential aged care. Many Government aged care initiatives are now focused on the elderly remaining in their own homes for as long as possible and the Home Care structure is ideal for delivering such initiatives in a cost effective and competitive manner. The ongoing transition to Consumer Directed Care and changes to funding delivery has continued during the year and has brought with it a substantial burden of administrative work in order to meet government stipulations.

St Luke's Clinic

St Luke's Clinic comprises a suite of premium consulting rooms for specialist medical and allied health practitioners, a treatment room, a physiotherapy practice and outpatient rehabilitation program. The physiotherapy practice is available to the general community as well as patients who have been discharged from St Luke's hospital (or any other hospital) and have need for ongoing physiotherapy care.

The Clinic's rooms are available to practitioners on a sessional or long term rental arrangement, with the option of full administrative support by St Luke's staff on a fee for service basis.

As at the end of FY17 approximately 20 practitioners had entered into arrangements to take sessions in the Clinic.

5. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Detailed comments on the changes to statement of financial position items as a result of asset revaluations can be found in the Notes to the Accounts in this Annual Report.

6. DIVIDENDS

In accordance with St Luke's Articles of Association, no dividend has been paid or declared since the date of incorporation and none may be paid.

7. EDUCATION AND RESEARCH

St Luke's continues to provide comprehensive staff education programs. Attendance by staff at external and internal courses and training seminars is strongly encouraged as part of the St Luke's employment experience.

St Luke's has also conducted or hosted a variety of seminars and training workshops for health and aged care professionals during the year including:

Research activities are carried out by the Hand Unit supported by St Luke's which funds Fellowships in Hand Surgery. Clinical Fellows have participated in research projects and the Hand Unit regularly presents its research activities at various local and international conferences.



8. STRATEGIC PLANNING AND NEW DEVELOPMENTS

The Board as a whole meets at least annually as the Strategic Planning Committee. The Board's continued focus is on delivering quality care with a personal touch whilst continuing to grow activity at the Hospital; expanding aged care services (residential and home); and ensuring Lulworth House maintains its reputation as a high quality residential aged care facility and growing the activities of St Luke's Clinic in order to meet changing community needs.

The appropriate financial strategies and structures also form part of the Board's strategic activities and reviews. St Luke's continues to maintain a good relationship with its bank (NAB).

9. GOVERNANCE

The St Luke's Board comprises independent, non-executive Directors having a variety of skills and experience relevant to the governance of the Company, including medical, legal, financial, marketing and community. No fees are paid to the Directors for their service on the Board, or any Committees of St Luke's.

Board meetings are held regularly to review matters pertaining to the good governance of St Luke's and to consider management recommendations. The Board's discussions are assisted by the work and advice of several Committees formed to review specific areas of the businesses of St Luke's. The Chair of each Committee is usually a Board member - with the exception of the Medical Advisory Committee which is required by the NSW Ministry of Health to have a chairman who is independent of the board.

These Committees are the Finance & Audit Committee, Medical Advisory Committee, Quality Review and Risk Management Committee, Strategic Planning Committee, Marketing Committee, Remuneration Committee and House Committee.

The St Luke's Board exercises its governance responsibilities by a number of protocols including:

- a regular review of its own performance;
- Board member nomination, appointment and re-appointment mechanisms;
- a biennial detailed self-assessment and peer review process;
- participation in hospital, aged care and home care accreditation reviews;
- major capital project acquittals against projected outcomes;
- statutory compliance reviews including audit and audit report acquittals, accommodation bond prudential arrangements, home care funding acquittals, reporting and reviews, accreditation, building inspections and certification, licence renewals and funding provision parameters;
- regular risk management assessment and reviews;
- external advice and rigorous due diligence processes to validate internal analyses of major capital projects; and
- annual strategic planning review meetings.

10. MARKETING AND PROMOTION

To facilitate the achievement of revenue and strategic outcomes, the Board, through its management team, has implemented a number of initiatives to ensure that St Luke's plans are properly communicated and promoted.

The current marketing and promotion activities are focused on:

- leveraging relationships with key stakeholders and peer organisations;
- promoting and increasing the Hospital's caseload through recruitment of specialist medical practitioners;



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- increasing marketing activities for the Hospital in particular, resulting in better engagement with the specialist, general practice and general communities;
- maintaining strong marketing activities in aged care and home care; and
- growing utilisation of St Luke's Clinic.

11. MEMBERS

The Company has one class of members. The number of members is unlimited. At 30 June 2017 there were 95 members (30 June 2016: 40 members). In the event the Company is wound-up, the maximum amount each member is liable to contribute is \$1.

12. BENEVOLENT OBJECTIVES

St Luke's provides a number of services which serve community needs whilst aiming to maintain a position of overall viability for the long term future of the Company. From its earliest years, one of St Luke's key priorities has been to meet the needs of the elderly and infirm in the South Eastern Sydney area.

Services which were subsidised by St Luke's during the period include:

- commitment to socially and financially disadvantaged people by the provision of health and aged care services to those unable to pay full charges;
- provision of free and reduced cost Home Care services to needy persons well in excess of the minimum required by the Commonwealth under its funding arrangements;
- discount of fees in cases of genuine financial hardship;
- hospital services available on a benevolent basis in cases of demonstrated need;
- continued access to St Luke's Hydrotherapy Pool by the Arthritis Foundation; and
- support of St John Ambulance Australia, a large not for profit organisation, by allowing time for the former CEO to undertake duties in his voluntary capacity as national chairman of St John.

Donations received by St Luke's are used to supplement equipment purchases and fund care-related activities in accordance with St Luke's charter to provide services to its community at the highest standards. Continuing significant support from St Luke's Hospital Foundation is gratefully acknowledged.

The continuing support of the Rose Bay Centre Committee and the Darling Point Committee is also gratefully acknowledged. These groups raise or donate funds for special projects and equipment.

The Board is also grateful for support during the year from, BDO East Coast Partnership for audit services and Gow-Gates Insurance brokers for insurance services, all provided at discounted rates in recognition of the not for profit status of St Luke's.

13. LIKELY DEVELOPMENTS IN OPERATIONS AND EXPECTED RESULTS

Further information on likely developments in the operations of St Luke's and the expected results of the operations have not been included in this report as, in the opinion of the Directors, the provision of such information would result in unreasonable prejudice to the interests of St Luke's.

In May 2017 the Board requested Professor Mark Compton to succeed as Chairman of the Company from the 2017 AGM, necessitating his stepping down as Chief Executive Officer earlier than expected. Under the Company's Articles of Association, no member of the Board shall receive remuneration from the Company for service as a director and accordingly, a severance payment will be made in the 2017/18 financial year, to reflect those contractual arrangements up to the date when, at the earliest, he would have been expected to depart the Chief Executive role.



14. ENVIRONMENTAL REGULATION

St Luke's is subject to environmental legislation in respect of its waste management procedures. It holds a licence from the NSW Environmental Protection Authority in respect of these activities and has not been in breach of any of its licence provisions.

15. AUDITOR'S INDEPENDENCE

A copy of the Independence Declaration given to the Directors by the lead auditor for the audit undertaken by BDO East Coast Partnership is included on page 17.

16. INSURANCE OF DIRECTORS AND OFFICERS

The Company insures the directors, secretaries and officers of the Company and St Luke's Hospital Foundation Limited in respect of professional risk and liability arising from these positions. The insurance policy does not contain details of the premiums paid in respect of individual officers of the Company. The policy also covers previous directors and secretaries.

17. SUMMARY

St Luke's Care continues to contribute to the community in the context of the vision that saw its establishment in October 1919 - offering highest quality health care services that meet changing community need.

As a completely independent, not for profit organisation, it depends on not only conducting its operations in a financially prudent manner, but also with the support of community through the St Luke's Hospital Foundation and of course those who come to St Luke's for care.

St Luke's will continue to pursue opportunities to grow and better serve the community as it moves towards its centenary in 2019.

Signed in accordance with a resolution of the Directors.

Julian Beaumont
Director

Peter Stening
Director

Dated: 18 September, 2017



Auditor's Independence Declaration



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Level 11, 1 Margaret St
Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY PAUL BULL TO THE DIRECTORS OF ST LUKE'S CARE

As lead auditor of St Luke's Care for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

- 1) no contraventions of the auditor independence requirements of the Australian professional ethical pronouncements in relation to the audit; and
- 2) no contraventions of any applicable code of professional conduct in relation to the audit.

Paul Bull
Partner

BDO East Coast Partnership

Sydney, 18 September 2017

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Independent Auditor's Report



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Level 11, 1 Margaret St
Sydney NSW 2000
Australia

To the members of St Luke's Care

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of St Luke's Care (the registered entity), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in reserves and accumulated funds and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the financial report of St Luke's Care has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (a) giving a true and fair view of the registered entity's financial position as at 30 June 2016 and of its financial performance and cash flows for the year ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the registered entity in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act) 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 also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other information

Those charged with governance are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the St Luke Care's annual report, but does not include the financial report and our auditor's report thereon.

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

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



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

Responsibilities of responsible entities for the Financial Report

Those The responsible entities of the registered entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the ACNC Act, and for such internal control as the responsible entities determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, responsible entities are responsible for assessing the registered entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the responsible entities either intends to liquidate the registered entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the registered entity's financial reporting process.

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (www.auasb.gov.au/Home.aspx) at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO East Coast Partnership

Paul Bull
Partner

Sydney, 18 September 2017



Directors' Declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 22 to 41 are in accordance with the Corporations Act 2001 and the ACNC Act 2012, including:
 - i) complying with Accounting Standards - Reduced Disclosure Requirements (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and the ACNC Regulations 2013; and
 - ii) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; 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.

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

Julian Beaumont
Director

Peter Stening
Director

Sydney
18 SEPTEMBER 2017

The financial report was authorised for issue by the Directors on 18 September 2017. The Company has the power to amend and reissue the financial report.



ST LUKE'S CARE ANNUAL REPORT 2017



LULWORTH HOUSE RESIDENT LISETTE JAMIESON, ENJOYING A QUIET MOMENT.



Annual Report for the year ended 30 June 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	2017 \$	2016 \$
Revenue from continuing operations	2	42,169,798	43,592,523
Other revenue	2	3,099,269	3,365,773
Other income	2	490,444	14,465
		<u>45,759,511</u>	<u>46,972,761</u>
Expenses			
Employee benefits		(30,289,761)	(29,940,334)
Depreciation	3	(2,803,709)	(2,639,435)
Finance costs	3	(238,225)	(357,651)
Prosthesis		(3,298,429)	(3,854,755)
Medical and surgical supplies		(2,579,452)	(2,752,533)
Hotel services		(3,072,946)	(2,981,265)
Repairs and maintenance		(477,630)	(327,221)
Communications and utilities		(850,403)	(844,650)
Impairment loss	3	-	(22,520)
Other expenses from ordinary activities		(2,646,626)	(2,651,691)
Net (deficit)/surplus	19b	<u>(497,670)</u>	<u>600,706</u>
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Fair value gain/(loss) on available for sale financial assets	9	112,731	(24,072)
Items that will not be reclassified subsequently to profit or loss			
Gain on revaluation of buildings and improvements	10	23,149	2,520,355
Total other comprehensive income		<u>135,880</u>	<u>2,496,283</u>
Total comprehensive (loss)/income for the year		<u>(361,790)</u>	<u>3,096,989</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.



ST LUKE'S CARE ANNUAL REPORT 2017

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	NOTE	2017 \$	2016 \$
CURRENT ASSETS			
Cash and cash equivalents	4	24,877,450	36,508,792
Other financial assets	5	24,521	122,925
Trade and other receivables	6	5,386,971	4,784,425
Inventories	7	767,844	831,988
Other	8	162,200	128,363
Total current assets		<u>31,218,986</u>	<u>42,376,493</u>
NON-CURRENT ASSETS			
Available for sale financial assets	9	17,037,414	6,675,928
Other financial assets	5	879,430	460,373
Property, plant and equipment	10	96,002,858	96,000,648
Intangibles	11	4,235,000	4,235,000
Total non-current assets		<u>118,154,702</u>	<u>107,371,949</u>
TOTAL ASSETS		<u>149,373,688</u>	<u>149,748,442</u>
CURRENT LIABILITIES			
Trade and other payables	12	6,643,402	5,963,364
Borrowings	13	800,000	200,000
Provisions	15	1,371,950	1,262,244
Aged care facility accommodation bonds	17	50,387,958	50,980,917
Total current liabilities		<u>59,203,310</u>	<u>58,406,525</u>
NON-CURRENT LIABILITIES			
Borrowings	13	5,618,895	6,418,895
Provisions	15	735,075	744,824
Total non-current liabilities		<u>6,353,970</u>	<u>7,163,719</u>
TOTAL LIABILITIES		<u>65,557,280</u>	<u>65,570,244</u>
NET ASSETS		<u>83,816,408</u>	<u>84,178,198</u>
RESERVES AND ACCUMULATED FUNDS			
Reserves	19a	60,641,582	60,505,702
Accumulated funds	19b	23,174,826	23,672,496
TOTAL RESERVES AND ACCUMULATED FUNDS		<u>83,816,408</u>	<u>84,178,198</u>

The above statement of financial position should be read in conjunction with the accompanying notes.



ST LUKE'S CARE ANNUAL REPORT 2017

STATEMENT OF CHANGES IN RESERVES AND ACCUMULATED FUNDS
FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	Reserves \$	Accumulated Funds \$	Total \$
Balance at 30 June 2015		58,009,419	23,071,790	81,081,209
Total comprehensive income for the year as reported in the 2016 financial statements	19	<u>2,496,283</u>	<u>600,706</u>	<u>3,096,989</u>
Balance at 30 June 2016		60,505,702	23,672,496	84,178,198
Total comprehensive income/(loss) for the year as reported in the 2017 financial statements	19	135,880	(497,670)	(361,790)
Balance at 30 June 2017		<u>60,641,582</u>	<u>23,174,826</u>	<u>83,816,408</u>

The above statement of changes in reserves and accumulated funds should be read in conjunction with the accompanying notes.



ST LUKE'S CARE ANNUAL REPORT 2017

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from Hospital, Aged Care, Homecare and Clinic operating activities		42,426,697	43,658,950
Interest paid		(240,745)	(225,220)
Payments to suppliers and employees		(42,606,054)	(44,728,226)
Interest received		1,695,459	1,926,409
Investment income received		389,777	-
Donations received		207,317	721,886
Net cash inflow from operating activities		<u>1,872,451</u>	<u>1,353,799</u>
Cash flows from investing activities			
Payments for available for sale financial assets		(10,248,756)	(6,700,000)
Proceeds from sale of property, plant & equipment		114,600	32,900
Proceeds from aged care accommodation bonds		14,118,749	17,085,659
Payments for property, plant & equipment		(2,415,975)	(1,680,125)
Repayments of aged care accommodation bonds		(14,551,758)	(15,224,035)
Payments for other financial assets		(320,653)	(334,878)
Net cash outflow from investing activities		<u>(13,303,793)</u>	<u>(6,820,479)</u>
Cash flows from financing activities			
Repayments of borrowings		(200,000)	(1,400,000)
Net cash outflow from financing activities		<u>(200,000)</u>	<u>(1,400,000)</u>
Net decrease in cash and cash equivalents		(11,631,342)	(6,866,680)
Cash and cash equivalents at the beginning of the financial year		36,508,792	43,375,472
Cash and cash equivalents at the end of the financial year	4	<u>24,877,450</u>	<u>36,508,792</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.



ST LUKE'S CARE ANNUAL REPORT 2017



IMAGES CLOCKWISE FROM TOP: ANAESTHETIC NURSE PREPARING FOR SURGERY; THREE FAMILY MEMBERS RECOGNISED FOR A COMBINED 75 YEARS OF SERVICE; OUR FOOD SERVICES SUPERVISOR WORKING IN THE KITCHEN.



Notes to the Financial Statements for the year ended 30 June 2017

BASIS OF PREPARATION

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), the Corporations Act 2001 and the ACNC Act 2012. The financial statements cover St Luke's Care ('the Company') which is a single entity with no subsidiaries or controlled entities. St Luke's Care is a not-for-profit organisation.

(i) Compliance with Australian Accounting Standards – Reduced Disclosure Requirements

The financial report complies with Australian Accounting Standards – Reduced Disclosure Requirements as issued by the AASB.

(ii) New and amended standards adopted by the Company

The Company has adopted the following Accounting Standards and Interpretations for the year ended 30 June 2017:

- *AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*

The standard, which is mandatory for the annual reporting period beginning on or after 1 January 2016, sets out amendments that affects the presentation of, and disclosures contained within, the financial statements. It has allowed the Company to adapt the format and presentation of the financial statements to maximise the relevance to users.

The following new Accounting Standards and Interpretations have been issued but are not yet effective:

- *AASB 9 Financial Instruments*

This standard, which is mandatory for the annual reporting period beginning on or after 1 January 2019, addresses the classification and measurement of financial assets. Financial assets will either be measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. Whilst the full effect of this standard, on the Company, has not been assessed, it potentially has an impact on the classification and measurement of the Company's available for sale financial assets, but it is not expected to have a significant impact on the financial performance or position of the Company.

- *AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities*

The standard, which is mandatory for the annual reporting period beginning on or after 1 January 2019, addresses the determination of revenue recognition. Revenue is to be recognised when control of goods or services is transferred rather than on the transfer of risk and rewards as is currently the case. Whilst the Company has not yet made a detailed assessment of the impact of this Standard, initial analysis suggests that it is unlikely to have a significant impact on the financial performance or position of the Company.

(iii) Historical cost convention

The financial statements have been prepared under the historical cost convention, unless otherwise stated.

(iv) Critical accounting estimates

The preparation of the financial statements necessitates the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Company's accounting policies.

The disclosed accounting policies identify the Company's assessment in applying accounting policies that have significant impacts on the reported amounts and provides further information about estimates and assumptions potentially having a significant risk of causing material adjustments within the next financial year.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies have been included in the relevant notes to which the policies relate; other significant policies are discussed below.

1 (a) Recoverable amount of assets and impairment

At each balance date, an assessment of assets reveals whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, a formal estimate is made of the recoverable amount. Where the carrying value of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value, less costs to sell, and value in use. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount and is recognised in the net surplus or deficit unless the asset has been previously revalued through reserve, in which case the adjustment is reflected in the relevant reserve account.

Assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1 (b) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

1 (c) Income tax

The Company is exempt from Income Tax under subdivision 50-B of the Income Tax Assessment Act 1997.

2. REVENUE AND OTHER INCOME

Revenue is recognised for the major business activities as follows:

Hospital

Revenue is recognised at the time hospital services are provided.

Residential Aged Care Facility

Revenue is recognised when due and receivable from the relevant Government Department. This funding is linked to the number of residents subject to care at the Aged Care Facility, their levels of required care and needs, and their respective levels of personal income and assets.

The implementation of Living Longer Living Better ('LLL'B') reforms from 1 July 2014 introduced changes to the funding and financing arrangement for Residential Aged Care Facilities.

A. Residents admitted pre-LLL'B

Government funding is subject to income testing, resulting in a funding reduction for residents with personal income above a specified level set by the Government, with the income shortfall required to be met from income tested amounts contributed by the residents.



ST LUKE'S CARE ANNUAL REPORT 2017

Residents could elect to pay one of the following:

- (i) a refundable accommodation deposit/accommodation bond (RAD) repayable to the residents when they leave the Residential Aged Care Facility, or to their estates on their death. The Residential Aged Care Facility operator is entitled to deduct a prescribed retention levy from this bond, as well as retaining any interest earned on the investment of the RAD monies; or
- (ii) an amount equal to the prescribed retention levy and a notional interest charge, based on a rate specified by the Government, on the RAD which would have been payable if the resident elected to adopt 2A(i) above; or
- (iii) a combination of both.

B. Residents admitted post-LLL B

Government funding is subject to means testing, resulting in a funding reduction for residents with personal income and assets above a specified level set by the Government with the income shortfall required to be met from means tested amounts contributed by the residents.

Residents can elect to pay one of the following:

- (i) a RAD repayable to the residents when they leave the Residential Aged Care Facility, or to their estates on their death, without any retention levy deducted from the RAD, but with all interest earned being retained by the Residential Aged Care Facility operator; or
- (ii) an amount equal to a notional interest charge, based on a rate specified by the Government, on the RAD which would have been payable if the resident elected to adopt 2B(i) above; or
- (iii) a combination of both.

Community Home Care Service

The implementation of Consumer Directed Care (CDC) in July 2015 resulted in changes to the funding arrangement for Home Care packages. Government CDC funding is based on an income tested set daily rate (at each package level) for each Home Care client, multiplied by the number of clients at each level, who have been approved by the Department to receive Home Care services.

Revenue for CDC packages is recognised when Home Care services are provided to clients. Effective from 27 February 2017, following a client's departure, any unspent CDC package funds, in respect of that client, must be refunded to the Government and the client based on their respective subsidy and fees contributions.

Private Home Care Service

Revenue is recognised at the time services are provided.

Clinic

Revenue is recognised at the time services are provided.

Other

Government grants revenue is recognised in accordance with the terms of each grant.

Donations are recognised when received and are shown as other non-operating income.

Interest income is recognised in the period in which it is earned, net of fees.

Investment income refers to the dividends and distributions received from the managed funds and managed portfolios during the year. Gains or losses on the available for sale financial assets are reflected in other comprehensive income.



ST LUKE'S CARE ANNUAL REPORT 2017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

2. REVENUE AND OTHER INCOME (CONTINUED)

	2017	2016
	\$	\$
Revenue from continuing operations		
Health and Aged Care (including Home Care and Clinic) services	42,169,798	43,592,523
	<u>42,169,798</u>	<u>43,592,523</u>
Other revenue		
Interest	1,646,010	1,890,490
Investment income	389,777	-
Donations from St Luke's Hospital Foundation	309,082	665,286
Donations from other sources	36,500	56,600
Other	717,900	753,397
	<u>3,099,269</u>	<u>3,365,773</u>
Other income		
Net gain on disposals of property, plant and equipment	-	14,465
Reversal of previous years' impairment loss on buildings	490,444	-
	<u>490,444</u>	<u>14,465</u>
	<u>45,759,511</u>	<u>46,972,761</u>

3. EXPENSES

Net surplus includes the following specific expenses:

Depreciation		
Depreciation of buildings and improvements	1,720,595	1,724,742
Depreciation of plant and equipment	1,083,114	914,693
Total depreciation	<u>2,803,709</u>	<u>2,639,435</u>
Finance Costs		
Interest and finance charges	238,225	357,651
Impairment Loss		
Impairment on revaluation of Hospital building and improvement	-	22,520



4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. For the purpose of presentation in the statement of cash flows, cash and cash equivalents include, if applicable, the bank overdraft (shown within borrowings in current liabilities in the statement of financial position).

	2017	2016
	\$	\$
Cash	10,888,450	23,008,792
Short-term investments (term deposits)	13,989,000	13,500,000
	<u>24,877,450</u>	<u>36,508,792</u>

The Company holds several bank accounts which earn interest at floating rates as well as term deposits which earn interest at market rates fixed at the time the term deposits are established (weighted average of 2.56% per annum at 30 June 2017; 3.00% per annum at 30 June 2016).

Cash includes term deposits with a maturity of less than three months after balance date.

The cash and cash equivalents include \$21,058,819 (2016:\$31,333,534) being the balance of the Accommodation Bond bank and investment accounts.

5. OTHER FINANCIAL ASSETS

CURRENT ASSETS - OTHER FINANCIAL ASSETS

ICare (WorkCover) security deposits	<u>24,521</u>	<u>122,925</u>
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NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

ICare (WorkCover) security deposits	<u>879,430</u>	<u>460,373</u>
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Security deposits are held with ICare NSW in relation to St Luke's participation in ICare's NSW Retro Paid Loss Scheme and earn interest at market rates. Deposits expected to be realised within 12 months after the balance date are shown in current assets.

6. TRADE AND OTHER RECEIVABLES

Trade receivables are recognised at the amount receivable.

Collectability of patient fees and other receivables is reviewed on an ongoing basis. Debts known to be uncollectible are written-off by reducing the carrying amount directly. A specific allowance is made for particular debts where there is doubt on the recoverability of the full amounts due.

Trade debtors	4,946,449	4,402,368
Less: Allowance for doubtful debts	(54,435)	(60,736)
	<u>4,892,014</u>	<u>4,341,632</u>
Other receivables	494,957	442,793
	<u>5,386,971</u>	<u>4,784,425</u>

7. INVENTORIES

Inventories are valued at current cost.

Pharmaceutical, medical and surgical supplies	<u>767,844</u>	<u>831,988</u>
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ST LUKE'S CARE ANNUAL REPORT 2017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

	2017	2016
	\$	\$
8. CURRENT ASSETS - OTHER		
Prepayments	<u>162,200</u>	<u>128,363</u>

9. AVAILABLE FOR SALE FINANCIAL ASSETS

Investments are classified as available for sale financial assets. Initially recognised at consideration paid, they are subsequently carried at fair value, being the quoted market price. Changes in the fair value of available for sale financial assets are recognised in the available for sale asset reserve, unless the investments have been impaired, in which case they are recognised in net surplus or deficit. At each balance date, the Company assesses whether there is objective evidence, reflected in significant prolonged decline in value below cost, that investments have been impaired. On the sale of any of these financial assets, the cumulative gain, or loss, pertaining to that asset previously recognised in other comprehensive income, is reclassified into net surplus or deficit.

Investments in Managed Funds and Managed Portfolios

Balance at the beginning of the year	6,675,928	-
New funds invested	9,805,693	6,700,000
Investment income proceeds reinvested	443,062	-
Fair value remeasurement gains/(losses)	<u>112,731</u>	<u>(24,072)</u>
Balance at the end of the year	<u>17,037,414</u>	<u>6,675,928</u>

10. PROPERTY, PLANT AND EQUIPMENT

Land and buildings are independently valued on a going concern basis every three years, with Directors' going concern valuations in the intervening years. The latest independent valuation, undertaken by David Nelson and Partners Pty Ltd, was presented in a report dated 10th July 2015. The valuation determined the market values based on the capitalisation of anticipated net operating profit utilising a yield of 14% - 16% for the Aged Care facility and 14% - 15% for the Hospital, with the values of the administration buildings on the Hospital site being determined on an added value basis. Directors have adopted a similar approach for their going concern valuation as at 30 June 2017, with the value of the Kenilworth building refurbishment and the ongoing level 3 Hospital redevelopment added to the previous independent valuation. These values are reflected in Hospital and Lulworth property; plant and equipment; and bed licences, incorporating the accommodation bonds liability due to residents. Any accumulated depreciation at the date of revaluation has been eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Plant and equipment at Potts Point is valued at cost less accumulated depreciation, subject to the overall values being consistent with the going concern valuation.

Revaluation increments are credited directly to the asset revaluation reserve, except to the extent an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in net surplus or deficit, in which case the increment is recognised immediately as revenue in net surplus or deficit.

Revaluation decrements are recognised immediately as expenses in net surplus or deficit, except to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of asset, in which case they are then debited directly to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.



ST LUKE'S CARE ANNUAL REPORT 2017

Land is not depreciated. Depreciation on other assets is calculated on a straight-line basis so as to write-off the net cost of each depreciable non-current asset over its expected useful life.

The annual depreciation rates are as follows:

Buildings and improvements	1% - 5%
Plant and equipment	7% - 25%

The assets' residual values and useful lives are reviewed, and (if appropriate), adjusted at each balance date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are reflected in the net surplus, or deficit, for the year. If revalued assets are sold, the Company's policy is to transfer the amounts included in asset revaluation reserve in respect of those assets to accumulated funds.

	2017	2016
	\$	\$
HOSPITAL		
Freehold land at valuation	3,800,000	3,800,000
Buildings & improvements at valuation	18,039,773	17,725,243
Plant & equipment at cost	14,962,112	13,964,527
Accumulated depreciation	<u>(11,611,580)</u>	<u>(10,786,478)</u>
	3,350,532	3,178,049
Total - Hospital	<u>25,190,305</u>	<u>24,703,292</u>
LULWORTH HOUSE		
Freehold land at valuation	1,100,000	1,100,000
Buildings & improvements at valuation	69,112,307	69,764,483
Plant & equipment at cost	6,096,189	5,783,881
Accumulated depreciation	<u>(5,530,040)</u>	<u>(5,402,446)</u>
	566,149	381,435
Total - Lulworth House	<u>70,778,456</u>	<u>71,245,918</u>
COMMUNITY HOME CARE SERVICE		
Plant and equipment at cost	174,869	177,052
Accumulated depreciation	<u>(140,772)</u>	<u>(125,614)</u>
Total - Community Home Care Service	<u>34,097</u>	<u>51,438</u>
TOTAL PROPERTY, PLANT & EQUIPMENT	<u>96,002,858</u>	<u>96,000,648</u>

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out on the following page.



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2017 \$	2016 \$
Hospital		
Freehold land		
Carrying amount at the start of the year	3,800,000	3,800,000
Carrying amount at the end of the year	<u>3,800,000</u>	<u>3,800,000</u>
Buildings and improvements		
Carrying amount at the start of the year	17,725,243	18,418,600
Additions	533,096	65,907
Impairment recovery/(expense)	490,444	(22,520)
Depreciation expense	(709,010)	(736,744)
Carrying amount at the end of the year	<u>18,039,773</u>	<u>17,725,243</u>
Plant and equipment		
Carrying amount at the start of the year	3,178,049	2,521,137
Additions	1,224,271	1,450,063
Disposals	(115,420)	(18,429)
Depreciation expense	(936,368)	(774,722)
Carrying amount at the end of the year	<u>3,350,532</u>	<u>3,178,049</u>
Lulworth House		
Freehold land		
Carrying amount at the start of the year	1,100,000	1,100,000
Carrying amount at the end of the year	<u>1,100,000</u>	<u>1,100,000</u>
Buildings and improvements		
Carrying amount at the start of the year	69,764,483	68,137,830
Additions	336,260	94,296
Revaluation adjustment to Reserve	23,149	2,520,355
Depreciation expense	(1,011,585)	(987,998)
Carrying amount at the end of the year	<u>69,112,307</u>	<u>69,764,483</u>
Plant and equipment		
Carrying amount at the start of the year	381,435	396,289
Additions	314,119	107,788
Depreciation expense	(129,405)	(122,642)
Carrying amount at the end of the year	<u>566,149</u>	<u>381,435</u>
Community Home Care Service		
Plant and equipment		
Carrying amount at the start of the year	51,438	68,184
Additions	-	583
Depreciation expense	(17,341)	(17,329)
Carrying amount at the end of the year	<u>34,097</u>	<u>51,438</u>
Total property, plant and equipment	<u>96,002,858</u>	<u>96,000,648</u>



11. INTANGIBLES – BED LICENCES

The bed licences are assessed as having indefinite useful life as they are issued for an unlimited period and are not therefore subject to amortisation.

Revenue from bed licences is recognised when those licences are granted to the Company by the relevant Government Department. The value attributed to such licences is in accordance with an independent valuation being the fair value of those licences when granted. Revenue recognised from these contributions also results in the recognition of the 'Non-Current Assets – Bed Licences'.

Aged Care bed licences are carried at fair value. Previously, bed licences were independently valued each year, but consistent with the valuation policy for property, plant and equipment, an independent valuation is now undertaken every three years, with Directors' valuation in the intervening years. The valuation determines the extent to which impairment or enhancement, if any, should be recognised at balance date.

The last independent valuation was undertaken by Ms Noral Rich, Registered Valuer No. 026357 of Jones Lang LaSalle, at 30 June 2015. Directors have adopted a similar approach to their fair value valuation as at 30 June 2017, having determined that there are no significant changes to the market conditions and hence no impairment, or impairment recovery, has been recognised.

	2017	2016
	\$	\$
Carrying amount at the beginning of the year	4,235,000	4,235,000
Impairment recovery/(impairment)	-	-
Carrying amount at the end of the year	<u>4,235,000</u>	<u>4,235,000</u>

12. TRADE AND OTHER PAYABLES

Trade payables represent liabilities for goods and services provided to the Company prior to the end of the financial year. The amounts are unsecured and are usually paid within 30 days of recognition. The provisions for employee entitlements to salaries and wages, plus annual leave, represent present obligations resulting from employees' services provided up to the balance date and as such are included within trade and other payables. They are measured, including related on-costs, at the amounts expected to be paid when the liabilities are settled. Trade and other payables includes deferred revenue in respect of Home Care services and Medicare adjusted means tested fees for Residential Care.

The Company expects that the annual leave liability will be settled within 12 months from balance date and thus is measured at an undiscounted amount based on remuneration rates the Company expects to pay at balance date.

Trade payables	2,875,529	2,523,733
Employee benefits - annual leave	2,020,100	1,947,325
Employee benefits - accrued salaries and wages	953,685	921,261
Deferred revenue	664,545	458,352
Other payables	129,543	112,693
	<u>6,643,402</u>	<u>5,963,364</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)****13. BORROWINGS**

Borrowings are recorded at their principal amounts and are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance date, in which case they are classified as non-current liabilities.

	2017	2016
	\$	\$
CURRENT LIABILITIES - BORROWINGS		
Secured Bank loan - (registered first charge over the Company's assets)	800,000	200,000
NON-CURRENT LIABILITIES - BORROWINGS		
Secured Bank loan - (registered first charge over the Company's assets)	5,618,895	6,418,895

14. FINANCING ARRANGEMENTS

Unrestricted access was available at balance date to the following lines of credit:

Credit standby arrangements**Bank overdraft**

Total facilities	500,000	500,000
Used at balance date	-	-
Unused at balance date	500,000	500,000

Bank loan facilities

Total facilities	6,418,895	6,618,895
Used at balance date	6,418,895	6,618,895
Unused at balance date	-	-

Total financing arrangements

	6,918,895	7,118,895
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As at balance date, the NAB amortising bank bill facility has a limit of \$6,418,895 (excluding a \$500,000 overdraft facility) with a maturity date of 31 January 2019. The Company remains within all its banking covenants and expects all existing debt facilities to be repaid, or renewed, in the normal course of events.

The finance facilities are wholly secured by a registered mortgage debenture over the hospital and residential Aged Care assets and a registered first mortgage over the Company's assets.



15. PROVISIONS - EMPLOYEE BENEFITS

The liability for long service leave for all employees with nine or more years of service is recorded as a current liability, as the Company has no unconditional right to defer settlement of that liability beyond 12 months after the balance date.

The liability for long service leave for all employees with five or more years of service, and which is expected to be settled more than 12 months from balance date, is measured based on remuneration rates current as at balance date and is shown as a non-current liability.

The Directors believe that this method provides an estimate of the liability that is not materially different from the estimate that would be obtained by using the present value basis of measurement.

	2017	2016
	\$	\$
CURRENT LIABILITIES - PROVISIONS		
Employee benefits - long service leave	1,371,950	1,262,244
NON-CURRENT LIABILITIES - PROVISIONS		
Employee benefits - long service leave	735,075	744,824

16. EMPLOYEE BENEFITS

Accrued salaries & wages (please refer to note 12)	953,685	921,261
Employee leave entitlements (please refer to note 12)	2,020,100	1,947,325
Provisions for employee benefits:		
Current (included in note 15)	1,371,950	1,262,244
Non-current (included in note 15)	735,075	744,824
	<u>5,080,810</u>	<u>4,875,655</u>

17. AGED CARE FACILITY ACCOMMODATION BONDS

The total combined Aged Care facility RAD is shown in the statement of financial position as a current liability. All Aged Care facility RADs are contractually required to be repaid within 14 days of the resident departing the Aged Care facility. The Directors anticipate that bond monies repaid for the Aged Care facility will be replaced by bonds from new incoming residents.

Aged Care Facility RAD	<u>50,387,958</u>	<u>50,980,917</u>
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)

18. RESIDENTIAL AGED CARE SEGMENT REPORTING AS REQUIRED BY THE RELEVANT GOVERNMENT DEPARTMENT

	2017	2016
	\$	\$
Revenue:		
Government subsidies	4,878,625	5,096,750
Resident charges	10,486,574	10,524,977
Bond retentions	145,980	217,350
Investment income	1,912,193	1,720,321
Other	6,502	6,466
Total Revenue	<u>17,429,874</u>	<u>17,565,864</u>
Expenses:		
Care employee expenses	7,161,153	7,124,902
Other employee expenses	4,381,692	3,988,934
Management fees	1,604,133	1,785,957
Interest expense	6,205	6,451
Depreciation and amortisation	1,140,991	1,110,602
Other	3,048,478	2,598,590
Total Expenses	<u>17,342,652</u>	<u>16,615,436</u>
Segment Result	87,222	950,428
Segment Assets:		
Segment current assets	20,822,045	31,235,772
Segment non-current assets	92,050,870	82,156,845
Segment Liabilities:		
Segment current liabilities	51,767,817	52,236,039
Segment non-current liabilities	225,266	245,852
Segment Net Assets:	<u>60,879,832</u>	<u>60,910,726</u>
Component of Segment Liabilities included above:		
Accommodation bond liabilities	50,387,958	50,980,917

Segment reporting does not apply to general purpose financial reports of not-for-profit entities. However, the Aged Care Act 1997 requires the treatment of residential aged care as a reportable segment within the meaning of AASB 8 Operating Segments. The Company has adopted segment reporting on the Residential Aged Care segment to conform with the Aged Care Act 1997.



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19. RESERVES AND ACCUMULATED FUNDS

	2017 \$	2016 \$
19a Reserves		
Asset revaluation reserve		
Balance at the beginning of the year	60,529,774	58,009,419
Revaluation increment (refer to note 10)	23,149	2,520,355
Balance at the end of the year	<u>60,552,923</u>	<u>60,529,774</u>
Available for sale asset reserve		
Balance at the beginning of the year	(24,072)	-
Revaluation increment/(decrement) (refer to note 9)	112,731	(24,072)
Balance at the end of the year	<u>88,659</u>	<u>(24,072)</u>
Reserves	<u>60,641,582</u>	<u>60,505,702</u>
19b Accumulated funds		
Retained deficit for the year	(806,752)	(64,580)
Support from St. Luke's Hospital Foundation for the year	309,082	665,286
Net surplus/(deficit) for the year	(497,670)	600,706
Retained surplus at the beginning of the year	23,672,496	23,071,790
Balance at the end of the year	<u>23,174,826</u>	<u>23,672,496</u>

19c Nature and purpose of reserves

Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of the land and buildings.

Available for sale asset reserve

The available for sale revaluation reserve is used to record increments and decrements on the revaluation of investments, as described in note 9.

20. MEMBERS' GUARANTEE

The Company is limited by guarantee, incorporated and domiciled in Australia. Its registered office and principal place of business is:

St Luke's Care
18 Roslyn Street
Potts Point NSW 2011

If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$1 each towards meeting any outstanding obligations of the Company. At 30 June 2017 there were 95 members (2016 - 40), the amount which would be contributed by the members is \$95 (2016 - \$40).

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (CONTINUED)****21. ST LUKE'S HOSPITAL FOUNDATION LIMITED**

St Luke's Hospital Foundation Limited (the "Foundation") is a company limited by guarantee whose primary purpose is the raising of funds for the benefit and assistance of the Company. The Foundation has its own Board, membership, management and rules.

To further the aims of the Foundation, the Company meets the operating costs of the Foundation. All donations received from the Foundation are applied to nominated projects.

Notwithstanding their close and special relationship, the Directors believe that the Foundation is not a related or associated entity for the purposes of these financial statements.

The audited financial report of the Foundation is published separately in the Annual Report of the St Luke's Hospital Foundation Limited.

22. REMUNERATION OF AUDITORS

	2017	2016
	\$	\$
Remuneration for audit of the financial reports of the Company:		
Auditor of the Company - BDO East Coast Partnership	69,100	67,150
Remuneration for other assurance services:		
Auditor of the Company - BDO East Coast Partnership	5,900	5,850
	<u>75,000</u>	<u>73,000</u>

23. RELATED PARTIES**a) Directors**

The following persons were Directors of St Luke's Care during the financial year:

i) Chairman - non-executive

Mr J J B Beaumont

ii) Non-executive Directors

Ms J Bekker

Mr C Benson

Dr J Boney (retired 21 November 2016)

A/Prof M Cooper

Dr M Gardiner (appointed 21 November 2016)

Mrs F Playfair

Mr P E Stening

Dr M Stuart

Mrs J Tregoning (retired 21 November 2016)



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b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, during the financial year:

Name	Position
M Compton	Chief Executive Officer
N Hooper	Finance Director
C Woods	Director of Aged Care
E Hayward	Director of Nursing (Hospital)
J Kenny	Clinic, Marketing and Communication Manager

c) Key management personnel compensation

	2017	2016
	\$	\$
Employee benefits	1,812,921	1,634,355
Post-employment benefits	98,246	93,871
Total compensation	<u>1,911,167</u>	<u>1,728,226</u>

24. CONTINGENT LIABILITIES

The Company has bank guarantees which are required to support the Company's participation in ICare's (formerly WorkCover) NSW Retro Paid Loss Scheme. These are provided by NAB and do not require cash backing. The Company considers the risk that the bank guarantees will be drawn down by the beneficiary is insignificant

25. COMMITMENTS

Capital Expenditure Commitments

Level 3 Hospital redevelopment	125,000	126,885
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26. SUBSEQUENT EVENTS

There were no material events subsequent to the end of the financial year.



IMAGES CLOCKWISE FROM TOP LEFT: SLEEP TECHNICIAN ASSESSING A PAEDIATRIC PATIENT; PERIOPERATIVE NURSE; HAND SURGEON PERFORMING SURGERY.



Our commitment to care

With an unwavering commitment to the health and wellbeing of the community, St Luke's Care is a non-denominational, not-for-profit organisation that has delivered excellence in health and aged care since 1919.

Driven by quality and a genuine concern for the wellbeing of our patients, residents and clients, we provide quality care with a personal touch.

St Luke's practices the model of person-centred care, which, when possible, prioritises the individual and their wishes before anything else. We acknowledge the whole person and their individual identity, not just their physical care alone.

The St Luke's difference comes from our staff who are renowned for their professional care, warmth, enthusiasm and patience. Whether you are receiving care from our Private Hospital, St Luke's Clinic, Home Care team or Lulworth House - our residential Aged Care facility - our staff are the core of our model of care.