**Little Company of Mary Health Care Limited**
ABN 11 079 815 697

**Level 18, 68 Pitt Street**
**Sydney NSW 2000**
**Phone: 02 9258 1700**

**GPO Box 4121**
**Sydney NSW 2001**

Calvary

www.calvarycare.org.au

27th May, 2011

Attention: Ms Grace Concannon, Secretary

Mr Brendan Smyth MLA
Committee on Estimates 2010-2011
ACT Assembly

Dear Ms Concannon,

We note a number of matters that were raised in the Estimates Committee regarding the affairs of the Calvary Health Care Limited. It would be appreciated in the following response could be placed on the record so as to provide information for the Committee members and other interested parties.

***MS HUNTER****: I want to go to the issue of Calvary Health Care ACT. We have had a bit of a look at their audited financial statements for the financial year ending 30 June 2010. There are some issues relating to this—some to do with the ACT government—that I would like to clarify. The financial statements identified that Calvary's current liabilities exceeded its current assets by $6.686 million. Therefore, that makes it technically insolvent.*
*A large part of the current liability balance relates to employee entitlements. Calvary states that they will be paid out by the ACT government if the hospital ceases to operate. Has the ACT government agreed to cover Calvary's employee entitlement costs? If not, will Calvary hospital have the ability to operate as a going concern moving forward?*

Response: Your attention is drawn to the following extracts from the Financial Report for the year end 30 June 2010 for Calvary Health Care ACT Limited ABN 74 105 304 989

**Note 18 Economic dependency and going concern (page 30 of financial statements)**

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.** (emphasis added)

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.

1. Employee entitlements:

Response : There never has been any question about employee entitlements being paid nor will there. I draw your attention to the following extract:

**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.** ( emphasis added)

Signed in accordance with a resolution of the Board of directors by the Chair and another Director on 28th October 2010.

***MS LE COUTEUR**: Continuing along with Calvary, the financial statements until the end of the year, 30 June 2010, show a surplus of $4.83 million. Given that the accounts are consolidated, it is not clear whether it is the result of the private or the public operations. But my question to you really is: does this result in any way from the operations of the public part of the hospital? If so, why and what do they do with it?*

Response : In respect of the 'surplus' and advise that this represents funds are held for future capital expenditure or as special purpose and trust balances. It should also be noted that the accounts cover both the activities of the public and private hospitals. The so called 'surplus' arises largely from the accounting treatment of grants for capital works. I would refer you to the following financial report Notes:

## Note 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.

## Note 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** |

***MS HUNTER****: Yes, it was just an interesting one to me. I did see in the paper a couple of months ago, I think, that there were ads. They were promoting Calvary hospital and so forth. Is that money that is provided by the ACT government for them to do this sort of promotion or is that money that they take from another part of their operation?*

2. Community awareness:
   I can confirm that the advertisements were funded from LCM Health Care Ltd, not Calvary Health Care Ltd.

Yours sincerely,

Mark Doran
**National Chief Executive Officer**