

# **MERCY WORKS LIMITED AND ITS TRUST FUNDS**

**ABN: 37 147 042 466**

**Financial Report For The Year Ended  
30 June 2014**

# **Mercy Works Limited and its Trust Funds**

**ABN: 37 147 042 466**

## **Financial Report For The Year Ended 30 June 2014**

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## MERCY WORKS LIMITED AND ITS TRUST FUNDS

ABN: 37 147 042 466

### DIRECTORS' REPORT

Your directors present their report on the Mercy Works Limited (the company) and its trust funds - being The Sisters of Mercy Overseas Aid Fund and The Australian Mercy Works Charitable Trust (the group) for the financial year ended 30 June 2014.

#### Directors

The names of each person who has been a director during the year and to the date of this report are:

Sr. Berice Livermore, RSM (Chair)  
Sr. Mary Densley RSM  
Sr. Sharon Price, RSM  
Mr. Alan Schofield  
Ms. Margery Jackman  
Ms. Mary Ellen Bland  
Ms. Christine Carolan  
Mr. Christopher Townend  
Ms. Kathleen Donnellon

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

#### Principal Activities

The principal activities of the group during the financial year was to support local relief and development activities that are part of the vision and mission of the Sisters of Mercy across Australia and Papua New Guinea.

The programme engages partnerships with communities to promote justice, self reliance and to support displaced people and communities who are denied access to basic resources such as education, health care and social welfare.

These programmes strongly endorse the principles of freedom, mutual respect, participation and protection of the rights and responsibilities of all.

No significant change in the nature of these activities occurred during the year.

#### Financial Management

As a not for profit organisation, the group is dependent on donations to sustain its operations. To mitigate this risk and ensure that the group is able to carry out its objects and purposes, the Board's policy is to hold a sufficient cash reserve to fund one years programme to ensure the group continues as a going concern and that it is able to pay its debts as they fall due.

#### Objects and Purposes

The principal object and purpose of the Company is to provide direct assistance to people in need in Australia and overseas. For the purpose of this clause, providing direct assistance includes (but is not limited to):

- the relief of persons in necessitous circumstances;
- the provision of health and health education services for persons in necessitous circumstances;
- the provision of food and sustenance for persons in necessitous circumstances; and
- showing a special concern for the situation of women in necessitous circumstances.

The Company will operate at all times as part of the mission of the Catholic Church in conformity with canon law and in strict conformity with the ethical framework of the members as determined, in fidelity to the teachings and example of Christ and the teachings of the Catholic Church, from time to time by the members.

#### Governance Process

The group is governed by the Board of Directors. The Board has 2 standing Committees (Program Committee and Finance Committee). The group regularly prepares reports for board review which compares the income and expenditure within that period and year to date, against budgeted figures. Any variations between the budgeted and actual figures are reviewed and comments/reasoning are stated and if necessary appropriate actions are taken by management.

#### Information on Directors

Sr. Berice Livermore, RSM (Chair)  
Experience

- Chair
- Berice has extensive experience administering non-profit organisations and is currently the Leader of the Southern A Community of the Institute of the Sisters of Mercy across Australia and Papua New Guinea.

**MERCY WORKS LIMITED AND ITS TRUST FUNDS**  
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**DIRECTORS' REPORT**

**Information on Directors, continued**

Sr. Mary Densley RSM Experience	<ul style="list-style-type: none"><li>— Deputy Chair and Chair of the Program Committee</li><li>— With a background in International and Community Development, Mary has previously worked with displaced people and was the coordinator of the Mercy Refugee Service from 1985 to 1991. She has also been involved in teaching, administration and governance in Catholic schools.</li></ul>
Sr. Sharon Price, RSM Experience	<ul style="list-style-type: none"><li>— Board Member</li><li>— With a background in secondary education, Sharon has taught and been principal of NSW schools from 1972 to 1990. She has also been a member of two congregational leadership teams from 1986 to 1998 as well as a board member of the Mercy Family Centre and Monte Sant' Angelo Mercy College, North Sydney. From 2001 to present, Sharon has held the role of Executive Director of the Conference of Leaders of Religious Institutes (CLRI).</li></ul>
Mr. Alan Schofield Experience	<ul style="list-style-type: none"><li>— Board Member and Chair of the Finance Committee</li><li>— Alan has a wealth of experience in the finance sector and has held numerous public hospital accounting and administrative positions. He was previously the Administrator of Mercy Aged Care Services Inc (Casino and Grafton) and is currently the Facilities and Property Consultant with the ISMAPNG Mercy Support Services.</li></ul>
Ms. Margery Jackman Experience	<ul style="list-style-type: none"><li>— Board Member</li><li>— Margery is an associate of the Sisters of Mercy, Brisbane and has extensive experience as an educator. In 2014 she retired as Principal of Catherine McAuley, Westmead. Prior to this she was Deputy Principal Mission at All Hallow's School, Brisbane.</li></ul>
Ms. Mary Ellen Bland Experience	<ul style="list-style-type: none"><li>— Board Member</li><li>— Mary Ellen is a retired NSW Department of Education teacher. She has a role on several boards including that of Board Director of the Campbelltown Catholic Club, Board Director of the Catholic Development Fund Wollongong Diocese and was previously Chair of the Board of St Patrick's College Campbelltown.</li></ul>
Ms. Christine Carolan Experience	<ul style="list-style-type: none"><li>— Board Member</li><li>— Previously the Executive Officer of the Good Shepherd Social Justice Network, Christine has also held teaching positions that address social disadvantage. She has been a member of the Australian Catholic Religious Against Trafficking in Humans. (ACRATH) National Committee from 2006-2014, Chairperson for the Collingwood College Parents Association and Co-Chair for the Yarra Melbourne Regional Library Community Advisory Committee. Her current role is as National Executive Officer for ACRATH.</li></ul>



**MERCY WORKS LIMITED AND ITS TRUST FUNDS**  
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**DIRECTORS' REPORT**

**Information on Directors, continued**

- |                                       |  |
|---------------------------------------|--|
| Mr. Christopher Townend<br>Experience | — Board Member<br>— Chris is an experienced non executive director with a finance and management background in large complex organisations. He is a seasoned CFO and board member for other non-profit organisations including Uniting Care Qld, Trinity Health Limited, Mercy Community Services, Presentation Sisters and Sisters of Perpetual adoration. Previously, he was a Director for the All Hallows School, QEH Ltd and Mercy Super Boards. He is currently the Director for Townend Consulting Pty Ltd. |
| Ms. Kathleen Donnellon<br>Experience  | — Board Member<br>— Kathleen is an experienced lawyer and mediator. She is Chair of the Star of the Sea College in Brighton, VIC and also previously lectured in dispute resolution in the Law School of the University of Melbourne. Her current role is as a Seasonal Academic, Melbourne Law School, University of Melbourne.   |

**Meetings of Directors**

During the financial year, 6 meetings of directors were held. Attendances by each director were as follows:

	Directors' Meetings	
	No. eligible to attend	No. attended
Sr. Berice Livermore, RSM (Chair)	6	5
Sr. Mary Densley RSM	6	6
Sr. Sharon Price, RSM	6	4
Mr. Alan Schofield	6	6
Ms. Margery Jackman	5*	3
Ms. Mary Ellen Bland	6	5
Ms. Christine Carolan	6	4
Mr. Christopher Townend	6	5
Ms. Kathleen Donnellon	6	5

\* In 2014, the Board approved a formal leave application of Ms. Margery Jackman for one Board of Directors' meeting.

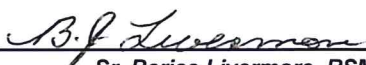
The company is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute towards meeting any outstanding obligations of the company.

**Auditor's Independence Declaration**

The lead auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 6 of the financial report.

This directors' report is signed in accordance with a resolution of the Board of Directors.

Director

  
\_\_\_\_\_  
Sr. Berice Livermore, RSM (Chair)

Director

  
\_\_\_\_\_  
Mr. Alan Schofield (Chair of Finance Committee)

Dated this      22nd                      day of                      October                      2014

Principal: David Robinson MCom BEc FCA CTA

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**AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE CORPORATIONS ACT 2001**

**TO THE DIRECTORS OF MERCY WORKS LIMITED AND ITS TRUST FUNDS**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been no contraventions of:

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

David P. Robinson  
Principal

Level 3  
2 Bulletin Place  
SYDNEY NSW 2000

Dated this 22nd day of October 2014

**MERCY WORKS LIMITED AND ITS TRUST FUNDS**  
**ABN: 37 147 042 466**  
**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014**

	<b>Note</b>	<b>2014</b>	<b>2013</b>
		<b>\$</b>	<b>\$</b>
Revenue	2	52,864	48,994
Other income	2	1,293,720	1,354,389
Employee provisions expense		(345,027)	(247,517)
Depreciation and amortisation expense	3	(1,570)	(1,816)
Marketing expenses		(62,658)	(76,981)
Direct project costs and grants disbursed		(581,927)	(706,532)
General and administrative expenses		(347,085)	(288,568)
<b>Current year surplus before income tax</b>		<b>8,317</b>	<b>81,969</b>
Tax expense		-	-
<b>Net current year surplus</b>		<b>8,317</b>	<b>81,969</b>
Retained Surplus attributable to members of the entity		<b>8,317</b>	<b>81,969</b>

The accompanying notes form part of these financial statements.

**MERCY WORKS LIMITED AND ITS TRUST FUNDS**  
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**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014**

	Note	2014 \$	2013 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash on hand	4	1,542,002	1,537,860
Accounts receivable and other debtors	5	18,041	3,549
Other current assets	6	8,011	11,672
<b>TOTAL CURRENT ASSETS</b>		<u>1,568,054</u>	<u>1,553,081</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	6,022	5,455
<b>TOTAL NON-CURRENT ASSETS</b>		<u>6,022</u>	<u>5,455</u>
<b>TOTAL ASSETS</b>		<u>1,574,076</u>	<u>1,558,536</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and other payables	8	152,167	171,142
Employee provisions	9	37,995	11,797
<b>TOTAL CURRENT LIABILITIES</b>		<u>190,162</u>	<u>182,939</u>
<b>NON-CURRENT LIABILITIES</b>			
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>		<u>190,162</u>	<u>182,939</u>
<b>NET ASSETS</b>		<u>1,383,914</u>	<u>1,375,597</u>
<b>FUNDS</b>			
Retained funds	14	1,383,914	1,375,597
<b>TOTAL FUNDS</b>		<u>1,383,914</u>	<u>1,375,597</u>

The accompanying notes form part of these financial statements.

**MERCY WORKS LIMITED AND ITS TRUST FUNDS**  
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**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014**

	Note	Retained Surplus \$	Reserves \$	Total \$
<b>Balance at 1 July 2012</b>		622,530	671,098	1,293,628
<b>Comprehensive Income</b>				
Surplus for the year attributable to members of the entity		81,969	-	81,969
Other comprehensive income for the year		-	-	-
<b>Total comprehensive income attributable to members of the entity</b>		81,969	-	81,969
Reclassification to retained surplus	14	671,098	(671,098)	-
<b>Balance at 30 June 2013</b>		1,375,597	-	1,375,597
<b>Balance at 1 July 2013</b>		1,375,597	-	1,375,597
<b>Comprehensive Income</b>				
Surplus for the year attributable to members of the entity		8,317	-	8,317
<b>Total comprehensive income attributable to members of the entity</b>		8,317	-	8,317
<b>Balance at 30 June 2014</b>		1,383,914	-	1,383,914

The accompanying notes form part of these financial statements.



**MERCY WORKS LIMITED AND ITS TRUST FUNDS**  
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**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014**

	Note	2014 \$	2013 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Commonwealth, State and Local Government grants		-	-
Receipts from donations, bequests and raffles		1,222,129	1,486,124
Payments to programmes, suppliers and employees		(1,274,068)	(1,296,723)
Interest received		58,782	38,652
Net cash generated from operating activities	11	<u>6,843</u>	<u>228,053</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for property, plant and equipment		(2,701)	-
Net cash used in investing activities		<u>(2,701)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net increase in cash held		4,142	228,053
Cash on hand at beginning of the financial year		1,537,860	1,309,807
Cash on hand at end of the financial year	4	<u>1,542,002</u>	<u>1,537,860</u>

The accompanying notes form part of these financial statements.

**MERCY WORKS LIMITED AND ITS TRUST FUNDS**  
**ABN: 37 147 042 466**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

The financial statements cover Mercy Works Limited and its Trust Funds as an individual entity, incorporated and domiciled in Australia. Mercy Works Limited and its Trust Funds is a company limited by guarantee.

Mercy Works Limited is the Trustee of the two funds. The extent of the company's beneficial ownership in trust funds is as follows:

Name of Trust Fund	Beneficial Interest		Country of Registration
	2014	2013	
The Sisters of Mercy Overseas Aid Fund	100%	100%	Australia
The Australian Mercy Works Charitable Trust	100%	100%	Australia

Together, these three entities constitute the Mercy Works Group (the group). The consolidated financial statements cover the group.

The company and The Sisters of Mercy Overseas Aid Fund are registered deductible gift recipients in accordance with Division 426 of Schedule 1 to the Taxation Administration Act 1953.

## **Note 1          Summary of Significant Accounting Policies**

### **Basis of Preparation**

The directors have prepared the consolidated financial statements on the basis that the group is a non-reporting entity because there are no users dependent on general purpose financial reports. This consolidated financial report is therefore a special purpose financial report that has been prepared in order to meet the requirements of the Corporations Act 2001. The group is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

The consolidated financial statements have been prepared in accordance with the mandatory Australian Accounting Standards applicable to entities reporting under the Corporations Act 2001 and the significant accounting policies disclosed below, which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with those of previous periods unless stated otherwise.

The consolidated financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

The consolidated financial statements were authorised for issue on the 22nd day of October 2014 by the directors of the company.

### **Basis of Consolidation**

The consolidated financial statements comprise the financial statements of Mercy Works Limited and its trust funds as at and for the year ended 30 June 2014.

The company has the power to govern the financial and operating policies of the trust funds. The financial statements of the trust funds are prepared for the same reporting period as the company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends have been eliminated in full.

The trust funds are fully consolidated from the date on which control is obtained by the group and cease to be consolidated from the date on which control is transferred out of the group.

### **Accounting Policies**

#### **(a) Revenue**

Non-reciprocal grant revenue is recognised in profit or loss when the group obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

If conditions are attached to the grant which must be satisfied before it is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

When grant revenue is received whereby the group incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the statement of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

Where the group receives non-reciprocal contributions of assets from the government and other parties for zero or a nominal value. These assets are recognised at fair value on the date of acquisition in the statement of financial position, with a corresponding amount of income recognised in the statement of comprehensive income.

Donations and bequests are recognised as revenue when received, unless committed for future programmes.

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer.

All revenue is stated net of the amount of goods and services tax (GST).



**MERCY WORKS LIMITED AND ITS TRUST FUNDS**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**(b) Fair Value of Assets and Liabilities**

The company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the group at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

**(c) Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, accumulated depreciation and impairment losses.

**Plant and Equipment**

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(f) for details of impairment).

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

Plant and equipment that have been contributed at no cost, or for nominal cost are recognised at the fair value of the asset at the date it is acquired.

**Depreciation**

The depreciable amount of all fixed assets, including buildings and capitalised lease assets but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the group commencing from the time the asset is available for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Office equipment	25%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised as income in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained surplus.

**(d) Leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**MERCY WORKS LIMITED AND ITS TRUST FUNDS**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**(e) Financial Instruments**

*Initial Recognition and Measurement*

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are recognised as expenses in profit or loss immediately.

*Classification and Subsequent Measurement*

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

*(i) Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

*(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

*(iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the company's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

*(iv) Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

*(v) Financial liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

*Impairment*

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a 'loss event') has occurred, which has an impact on the estimated future cash flows of the financial asset(s).



**MERCY WORKS LIMITED AND ITS TRUST FUNDS**  
**ABN: 37 147 042 466**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**(e) Financial Instruments, continued**

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, indications that they will enter bankruptcy or other financial reorganisation and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if the management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance accounts.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

*Derecognition*

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

**(f) Impairment of Assets**

At the end of each reporting period, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognised in profit or loss.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the group would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an asset's class, the group estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

Where an impairment loss on a revalued asset is identified, this is recognised against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of asset.

**(g) Employee Provisions**

**Short-term employee provisions**

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages and salaries. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

**Other long-term employee provisions**

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as a part of employee benefits expense.

The company's obligations for long-term employee benefits are presented as non-current employee provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.



**MERCY WORKS LIMITED AND ITS TRUST FUNDS**  
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**(g) Cash on Hand**

Cash on hand includes cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. If relevant, bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

**(h) Accounts receivable and other debtors**

Accounts receivable and other debtors include amounts due from members as well as amounts receivable from customers for goods sold in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. Refer to Note 1(f) for further discussion on the determination of impairment losses.

**(i) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

**(j) Income Tax**

No provision for income tax has been raised as the group is exempt from income tax under Div 50 of the Income Tax Assessment Act 1997.

**(k) Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of reporting period.

**(l) Comparative Figures**

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

When the company retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding comparative period in addition to the minimum comparative financial statements must be disclosed.

**(m) Accounts Payable and Other Payables**

Accounts payable and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

**(n) Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

**Key Judgements**

*Employee benefits*

For the purpose of measurement, AASB 119: Employee Benefits (September 2011) defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. The company expects most employees will take their annual leave entitlements within 24 months of the reporting period in which they were earned, but this will not have a material impact on the amounts recognised in respect of obligations for employees' leave entitlements.

**MERCY WORKS LIMITED AND ITS TRUST FUNDS**  
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**(o) New Accounting Standards for Application in Future Periods**

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company. The Company has decided not to early adopt any of the new and amended pronouncements. The Company's assessment of the new and amended pronouncements that are relevant to the Company but applicable in future reporting periods is set out below:

- AASB 9: Financial Instruments (December 2010) and associated amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017)

These Standards will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Company on initial application of AASB 9 and associated amending Standards include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to the hedging of non-financial items. Should the group elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011) and AASB 128: Investments in Associates and Joint Ventures (August 2011) (as amended by AASB 2012–10: Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments), and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. This Standard is not expected to significantly impact the company's financial statements.

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured group", replacing the "special purpose group" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only but is not expected to significantly impact the company's financial statements.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the company's financial statements.

- AASB 2012–3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to significantly impact the company's financial statements.

- Interpretation 21: Levies (applicable for annual reporting periods commencing on or after 1 January 2014).

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the company's financial statements.



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**Note 2 Revenue and Other Income**

	2014 \$	2013 \$
<b>Revenue</b>		
Interest received on investments	52,864	48,994
<b>Total revenue</b>	<u>52,864</u>	<u>48,994</u>
<b>Other income</b>		
— Donations	958,113	1,104,389
— Donation for administrative expenses	335,607	250,000
<b>Total other income</b>	<u>1,293,720</u>	<u>1,354,389</u>
<b>Total revenue and other income</b>	<u><u>1,346,584</u></u>	<u><u>1,403,383</u></u>

**Note 3 Surplus for the Year**

	2014 \$	2013 \$
<b>(a) Expenses</b>		
Employee benefits expense:		
— Employee benefit expenses	345,027	247,517
Total employee benefits expense	<u>345,027</u>	<u>247,517</u>
Depreciation and amortisation:		
— furniture and equipment	1,570	1,816
Total depreciation and amortisation	<u>1,570</u>	<u>1,816</u>
Auditor fees		
— audit services	13,250	12,500
— other services	2,298	2,047
Total Audit Remuneration	<u>15,548</u>	<u>14,547</u>

**Note 4 Cash on Hand**

	2014 \$	2013 \$
<b>CURRENT</b>		
Cash at bank - unrestricted	222,002	225,011
Short-term bank deposits	1,320,000	1,312,849
Total cash and cash equivalents	<u>1,542,002</u>	<u>1,537,860</u>

**Note 5 Accounts Receivable and Other Debtors**

	Note	2014 \$	2013 \$
<b>CURRENT</b>			
Other debtors		15,099	60
Input tax credit		2,942	3,489
Total current accounts receivable and other debtors	12	<u>18,041</u>	<u>3,549</u>

**Credit Risk - Accounts Receivable and Other Debtors**

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 5. The main source of credit risk to the company is considered to relate to the class of assets described as "accounts receivable and other debtors".

**Note 6 Other Current Assets**

	2014 \$	2013 \$
Accrued Income	4,424	10,342
Prepayments	3,587	1,330
	<u>8,011</u>	<u>11,672</u>

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**Note 7 Property, Plant and Equipment**

	2014 \$	2013 \$
<b>PLANT AND EQUIPMENT</b>		
Office furniture and equipment		
At Cost	14,613	13,658
(Accumulated depreciation)	(8,591)	(8,203)
Total property, plant and equipment	<u>6,022</u>	<u>5,455</u>

**Note 8 Accounts Payable and Other Payables**

	2014 \$	2013 \$
<b>CURRENT</b>		
Accounts payable	39,121	-
Funds held for future committed programmes	75,243	131,795
Other payables (net amount of GST payable)	23,645	27,574
Superannuation payable	14,158	11,773
	<u>152,167</u>	<u>171,142</u>

**Note 9 Employee Provisions**

	2014 \$	2013 \$
<b>CURRENT</b>		
Short-term Employee Benefits		
Opening balance at 1 July 2013	11,797	-
Additional provisions raised during year	31,041	11,797
Amounts used	(4,843)	-
Balance at 30 June 2014	<u>37,995</u>	<u>11,797</u>

**Provision for Employee Benefits**

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

**Note 10 Events After the Reporting Period**

The directors are not aware of any significant events since the end of the reporting period.

**Note 11 Cash Flow Information**

<b>Reconciliation of Cashflow from Operating Activities with Current Year Surplus</b>	2014 \$	2013 \$
Profit after income tax	8,317	81,969
Non cash flows		
Depreciation and amortisation expense	1,570	1,816
Loss on disposal of property, plant and equipment	563	-
Changes in assets and liabilities		
(Increase)/decrease in accounts receivable and other debtors	(10,831)	(12,402)
Increase/(decrease) in accounts payable and other payables	(18,974)	144,873
Increase/(decrease) in provisions for employee benefits	26,198	11,797
	<u>6,843</u>	<u>228,053</u>

**MERCY WORKS LIMITED AND ITS TRUST FUNDS**  
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**Note 12 Financial Risk Management**

The company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term and long-term investments, receivables and payables, and lease liabilities.

The carrying amounts for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2014 \$	2013 \$
<b>Financial assets</b>			
Cash on hand and at banks	4	1,542,002	1,537,860
Accounts receivable and other debtors	5	18,041	3,549
<b>Total financial assets</b>		<b>1,560,043</b>	<b>1,541,409</b>
<b>Financial liabilities</b>			
Financial liabilities at amortised cost			
— accounts payable and other payables	8(a)	128,522	143,568
<b>Total financial liabilities</b>		<b>128,522</b>	<b>143,568</b>

**Financial Risk Management Policies**

The finance committee is responsible for monitoring and managing the company's compliance with its risk management strategy and consists of Board members. The finance committee's overall risk management strategy is to assist the company in meeting its financial targets whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the finance committee on a regular basis. These include credit risk policies and future cash flow requirements.

**Specific Financial Risk Exposures and Management**

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk and other price risk. There have been no substantive changes in the types of risks the company is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

**(a) Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

The company does not have any material credit risk exposures as its major source of revenue is the receipt of grants and donations.

*Credit Risk Exposures*

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

Accounts receivable and other debtors that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed at Note 5.

The company has no significant concentrations of credit risk with any single counterparty or group of counterparties. Details with respect to credit risk of Accounts Receivable and Other Debtors are provided in Note 5.

**(b) Liquidity risk**

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

**(c) Market Risk**

**Interest rate risk**

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The company is also exposed to earnings volatility on floating rate instruments.

The financial instruments which expose the company to interest rate risk are limited to cash on hand and at banks.

The company also manages interest rate risk by ensuring that, whenever possible, payables are paid within any pre-agreed credit terms.



**MERCY WORKS LIMITED AND ITS TRUST FUNDS**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**Fair Values**

**Fair value estimation**

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position.

		2014		2013	
	Note	Carrying Amount \$	Fair Value \$	Carrying Amount \$	Fair Value \$
<b>Financial assets</b>					
Cash on hand	4, 12(i)	1,542,002	1,542,002	1,537,860	1,537,860
Accounts receivable and other debtors	5, 12(i)	18,041	18,041	3,549	3,549
Total financial assets		1,560,043	1,560,043	1,541,409	1,541,409
<b>Financial liabilities</b>					
Accounts payable and other payables	8,	128,522	128,522	143,568	143,568
Total financial liabilities		128,522	128,522	143,568	143,568

- (i) Cash on hand, accounts receivable and other debtors and accounts payable and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables excludes amounts provided for annual leave which is outside the scope of AASB 139.

**Note 13 Members' Guarantee**

The entity is incorporated under the Corporations Act 2001 and is an entity limited by guarantee. If the group is wound up, the constitution states that each member is required to contribute an amount towards meeting any outstanding obligations of the entity.

The number of members at 30 June 2014 is 7 (2013: 5).

**Note 14 Reclassification to Retained Funds**

On 30 June 2014, a special meeting of the Board of Directors was called upon to approve the reallocation of the reserve account amounting to \$671,098 to retained surplus. The \$671,098 was the amount of net assets that arose from the consolidation of the Mercy Works Group at 1 July 2011. The Board approved that there was no need for a separate reserve account.

**MERCY WORKS LIMITED AND ITS TRUST FUNDS**

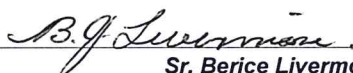
**ABN: 37 147 042 466**

**DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Mercy Works Limited and its Trust Funds, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 20, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Australian Accounting Standards; and
  - (b) give a true and fair view of the financial position of the company as at 30 June 2014 and its performance for the year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable.

Director



**Sr. Berice Livermore, RSM (Chair)**

Director



**Mr. Alan Schofield (Chair of Finance Committee)**

Dated this 22nd day of October 2014

Principal: David Robinson MCom BEc FCA CTA

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERCY WORKS LIMITED AND ITS TRUST FUNDS

We have audited the accompanying financial report of Mercy Works Limited and its Trust Funds, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

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

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

### Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Mercy Works Limited and its Trust Funds, would be in the same terms if given to the directors as at the time of this auditor's report.

### Opinion

In our opinion, the financial report of Mercy Works Limited and its Trust Funds is in accordance with Corporations Act 2001, including:

- (i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERCY WORKS LIMITED AND ITS TRUST FUNDS -  
CONT'D**

**Basis of Accounting**

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Corporations Act 2001. As a result, the financial report may not be suitable for another purpose.

**Harveys Accountants**

A handwritten signature in black ink, appearing to read 'DR', is written over a horizontal line.

David P. Robinson  
Principal

Level 3  
2 Bulletin Place  
SYDNEY NSW 2000

Dated this 22nd day of October 2014