

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

**ABN: 37 147 042 466**

**Financial Report For The Financial Year Ended  
30 June 2015**

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

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## **Financial Report For The Financial Year Ended 30 June 2015**

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**MERCY WORKS LIMITED AND ITS TRUST FUNDS**  
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**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 2015.

**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 (Deputy Chair until November 2014)  
Sr. Sharon Price, RSM  
Mr. Alan Schofield  
Ms. Margery Jackman  
Ms. Mary Ellen Bland  
Ms. Christine Carolan  
Mr. Christopher Townend  
Ms. Kathleen Donnellon (Deputy Chair from November 2014)

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 and Executive Management. 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.

## MERCY WORKS LIMITED AND ITS TRUST FUNDS

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### DIRECTORS' REPORT

#### Information on Directors

Sr. Berice Livermore, RSM (Chair)	—	Chair
Experience	—	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.
Sr. Mary Densley RSM	—	Chair of the Program Committee and Deputy Chair (until November 2014)
Experience	—	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.
Sr. Sharon Price, RSM	—	Board Member
Experience	—	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).
Mr. Alan Schofield	—	Board Member and Chair of the Finance Committee
Experience	—	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.
Ms. Margery Jackman	—	Board Member
Experience	—	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.
Ms. Mary Ellen Bland	—	Board Member
Experience	—	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.



## MERCY WORKS LIMITED AND ITS TRUST FUNDS

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### DIRECTORS' REPORT

#### Information on Directors, continued

Ms. Christine Carolan	—	Board Member
Experience	—	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.
Mr. Christopher Townend	—	Board Member
Experience	—	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 the 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	—	Deputy Chair (from November 2014)
Experience	—	Kathleen is an experienced lawyer and mediator. She has worked in private practice, as well as in community law. For a number of years, she ran the conciliation section of the Legal Profession Tribunal in Melbourne. She has worked for some years now as a Sessional Academic at the Melbourne Law School, University of Melbourne, where she lectures in Dispute Resolution. She is also Chair of Star of the Sea College in Brighton, Vic.

#### 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	5
Ms. Margery Jackman	6	6
Ms. Mary Ellen Bland	6	5
Ms. Christine Carolan	6	5
Mr. Christopher Townend	6	6
Ms. Kathleen Donnellon (Deputy Chair)	6	6

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.

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

**Auditor's Independence Declaration**

The lead auditor's independence declaration for the year ended 30 June 2015 has been received and can be found on page 4 of the financial report.

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

Director



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

Director



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

Date:

21 October 2015



**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 2015 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.

**ESV Accounting and Business Advisors**

A handwritten signature in black ink, appearing to read 'David P. Robinson', written over a horizontal line.

David P. Robinson  
Partner

Level 18, City Centre  
55 Market Street  
SYDNEY NSW 2000

21 October 2015

**MERCY WORKS LIMITED AND ITS TRUST FUNDS**  
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**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 \$	2014 \$
Revenue	2	1,680,999	1,293,720
Other income	2	49,252	52,864
Direct project costs and grants disbursed		(991,956)	(581,927)
Employee benefit expense	3	(436,676)	(345,027)
Depreciation expense	3	(1,494)	(1,570)
Marketing expenses		(52,781)	(62,658)
General and administrative expenses		<u>(274,638)</u>	<u>(347,085)</u>
<b>Net (deficit)/surplus before income tax</b>		(27,294)	8,317
Income tax expenses		<u>-</u>	<u>-</u>
<b>Net (deficit)/surplus for the year</b>		(27,294)	8,317
Other comprehensive surplus for the year		<u>-</u>	<u>-</u>
<b>Total comprehensive (deficit)/surplus for the year</b>		<u><u>(27,294)</u></u>	<u><u>8,317</u></u>

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 2015**

	Note	2015 \$	2014 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	1,756,560	1,542,002
Trade and other receivables	5	4,088	18,041
Other current assets	6	657,832	8,011
<b>TOTAL CURRENT ASSETS</b>		<u>2,418,480</u>	<u>1,568,054</u>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	7	4,473	6,022
<b>TOTAL NON-CURRENT ASSETS</b>		<u>4,473</u>	<u>6,022</u>
<b>TOTAL ASSETS</b>		<u>2,422,953</u>	<u>1,574,076</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	1,022,751	152,167
Employee provisions	9	32,548	33,226
<b>TOTAL CURRENT LIABILITIES</b>		<u>1,055,299</u>	<u>185,393</u>
<b>NON-CURRENT LIABILITIES</b>			
Employee provisions	9	11,034	4,769
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>11,034</u>	<u>4,769</u>
<b>TOTAL LIABILITIES</b>		<u>1,066,333</u>	<u>190,162</u>
<b>NET ASSETS</b>		<u>1,356,620</u>	<u>1,383,914</u>
<b>FUNDS</b>			
Retained funds		1,356,620	1,383,914
<b>TOTAL FUNDS</b>		<u>1,356,620</u>	<u>1,383,914</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 FUNDS FOR THE YEAR ENDED 30 JUNE 2015**

	Retained Surplus \$	Total \$
<b>Balance at 1 July 2013</b>	<b>1,375,597</b>	<b>1,375,597</b>
<b>Comprehensive Surplus</b>		
Net Surplus for the year	8,317	8,317
Other comprehensive surplus for the year	-	-
<b>Total other comprehensive surplus</b>	<b>8,317</b>	<b>8,317</b>
<b>Balance at 30 June 2014</b>	<b>1,383,914</b>	<b>1,383,914</b>
<b>Balance at 1 July 2014</b>	<b>1,383,914</b>	<b>1,383,914</b>
<b>Comprehensive Surplus</b>		
Net (Deficit) for the year	(27,294)	(27,294)
Other comprehensive surplus for the year	-	-
<b>Total other comprehensive surplus</b>	<b>(27,294)</b>	<b>(27,294)</b>
<b>Balance at 30 June 2015</b>	<b>1,356,620</b>	<b>1,356,620</b>

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 2015**

	<b>Note</b>	2015 \$	2014 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from donations, bequests and raffles		1,944,483	1,222,129
Payments to programmes, suppliers and employees		(1,778,664)	(1,274,068)
Interest received		48,740	58,782
Net cash from operating activities	11	214,558	6,843
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for property, plant and equipment		-	(2,701)
Net cash (used in) investing activities		-	(2,701)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net cash from financing activities		-	-
Net increase in cash held		214,558	4,142
Cash on hand at beginning of the financial year		1,542,002	1,537,860
Cash on hand at end of the financial year	4	1,756,560	1,542,002

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 2015**

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
	2015	2014	
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 and the Australian Charities And Not-for-Profits Commission (ACNC) Act 2012. 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 ACNC Act 2012 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 21 October 2015 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 2015.

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.



**MERCY WORKS LIMITED AND ITS TRUST FUNDS**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**Note 1            Summary of Significant Accounting Policies, continued**

**(b) Revenue**

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.

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).

**(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) 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.

**MERCY WORKS LIMITED AND ITS TRUST FUNDS**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**Note 1            Summary of Significant Accounting Policies, continued**

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

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.

**(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.



**MERCY WORKS LIMITED AND ITS TRUST FUNDS**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**Note 1            Summary of Significant Accounting Policies, continued**

**(e) Financial Instruments**

*(i) 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.

*(ii) 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).

**(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.

## MERCY WORKS LIMITED AND ITS TRUST FUNDS

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### Note 1 Summary of Significant Accounting Policies, continued

##### (g) Employee Provisions, continued

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.

##### (h) 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.

##### (i) Accounts receivable and other debtors

Accounts receivable and other debtors include amounts due from members as well as amounts receivable from donors 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.

##### (j) 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.

##### (k) 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.

##### (l) 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.

##### (m) 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.

##### (n) 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.



**MERCY WORKS LIMITED AND ITS TRUST FUNDS**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**Note 1            Summary of Significant Accounting Policies, continued**

**(o) 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.

**(p) New Accounting Standards for Application in Future Periods**

The AASB has issued a number of new and amended Accounting Standards 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 2014) and associated amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).

These Standards will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and include 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, upfront accounting for expected credit loss 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 company elect to change its hedge accounting 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.

**Note 2            Revenue and Other Income**

	2015 \$	2014 \$
<b>Revenue</b>		
— Donations	1,354,671	958,113
— Donations for administrative expenses	326,328	335,607
<b>Total revenue</b>	<u>1,680,999</u>	<u>1,293,720</u>
<b>Other income</b>		
— Interest received on investments	47,946	52,864
— Foreign exchange gain	1,306	-
<b>Total other income</b>	<u>49,252</u>	<u>52,864</u>
<b>Total revenue and other income</b>	<u><u>1,730,251</u></u>	<u><u>1,346,584</u></u>

**MERCY WORKS LIMITED AND ITS TRUST FUNDS**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**Note 3 (Deficit)/Surplus for the Year**

	2015	2014
	\$	\$
<b>(a) Expenses</b>		
Employee benefits expense:		
— Salaries and wages	394,139	291,912
— Superannuation expense	36,950	26,917
— Leave expenses	5,587	26,198
Total employee benefits expense	<u>436,676</u>	<u>345,027</u>
Depreciation and amortisation:		
— Furniture and equipment	1,494	1,570
Total depreciation and amortisation	<u>1,494</u>	<u>1,570</u>
Auditor fees		
— Audit services	15,200	13,250
— Other services	1,023	2,298
Total Audit Remuneration	<u>16,223</u>	<u>15,548</u>

**Note 4 Cash and cash equivalents**

	2015	2014
	\$	\$
Cash on hand and at bank	262,633	222,002
Short-term bank deposits	1,493,927	1,320,000
Total cash and cash equivalents	<u><u>1,756,560</u></u>	<u><u>1,542,002</u></u>

**Note 5 Trade and other receivables**

	2015	2014
	\$	\$
Other debtors	610	15,099
Input tax credit	3,478	2,942
Total current accounts receivable and other debtors	<u><u>4,088</u></u>	<u><u>18,041</u></u>

**Credit Risk - Trade and other receivables**

The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The main source of credit risk to the company is considered to relate to the class of assets described as "trade and other receivables".

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**Note 6 Other Current Assets**

	2015	2014
	\$	\$
Accrued Income	3,631	4,424
Prepayments	3,650	3,587
Amounts receivable from a related company	650,551	-
	<u>657,832</u>	<u>8,011</u>

The amounts receivable from a related company refers to a donation from the Old Dart Foundation for the Education Programme (the Project") in Papua New Guinea. This money is held in trust by the Institute of Sisters of Mercy Australia and Papua New Guinea.

**Note 7 Plant and Equipment**

	2015	2014
	\$	\$
<b>Office Furniture and equipment</b>		
At Cost	14,613	14,613
Less: Accumulated Depreciation	(10,140)	(8,591)
Total plant and equipment	<u>4,473</u>	<u>6,022</u>

**Note 8 Trade and other payables**

	2015	2014
	\$	\$
Accounts payable	6,832	39,121
Funds held for future committed programmes	973,483	75,243
Other payables (net amount of GST payable)	27,292	23,645
Superannuation payable	15,144	14,158
	<u>1,022,751</u>	<u>152,167</u>

**Note 9 Employee Provisions**

	2015	2014
	\$	\$
<b>CURRENT</b>		
Annual Leave	32,548	33,226
	<u>32,548</u>	<u>33,226</u>
<b>NON-CURRENT</b>		
Annual Leave	5,260	-
Long Service Leave	5,774	4,769
	<u>11,034</u>	<u>4,769</u>
	<u>43,582</u>	<u>37,995</u>
Opening balance at 1 July	37,995	11,797
Additional provisions raised during year	31,907	31,041
Amounts used	(26,320)	(4,843)
Balance at 30 June	<u>43,582</u>	<u>37,995</u>

**MERCY WORKS LIMITED AND ITS TRUST FUNDS**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**Note 9 Employee Provisions, continued**

**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**

	2015 \$	2014 \$
<b>Reconciliation of Cashflow from Operating Activities with Current Year Surplus</b>		
(Deficit)/Surplus after income tax	(27,294)	8,317
Non cash flows		
Depreciation expense	1,494	1,570
Loss on disposal of plant and equipment	-	563
Unrealised foreign exchange gain	(1,306)	-
Changes in assets and liabilities		
(Increase) in accounts receivable and other debtors	(634,563)	(10,831)
Increase/(decrease) in accounts payable and other payables	870,639	(18,974)
Increase in provisions for employee benefits	5,588	26,198
	<u>214,558</u>	<u>6,843</u>

**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	2015 \$	2014 \$
<b>Financial assets</b>			
Cash on hand and at banks	4	1,756,560	1,542,002
Trade and other receivables	5	4,088	18,041
Amounts receivable from a related company	6	650,551	-
<b>Total financial assets</b>		<u>2,411,199</u>	<u>1,560,043</u>
<b>Financial liabilities</b>			
Trade and other payables	8	1,022,751	152,167
<b>Total financial liabilities</b>		<u>1,022,751</u>	<u>152,167</u>



**MERCY WORKS LIMITED AND ITS TRUST FUNDS**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**Note 13      Financial Risk Management, continued**

**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 as the major debtor is a related party. 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.

**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.

**Fair Values**

The fair values of financial assets and financial liabilities approximate their carrying values as presented in the statement of financial position.

**MERCY WORKS LIMITED AND ITS TRUST FUNDS**  
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**Note 14            Members' Guarantee**

The company is incorporated under the Corporations Act 2001 and is a company 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 2015 is 8 (2014: 7).

**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 10 to 21, are in accordance with the Corporations Act 2001 and Australian Charities And Not-for-Profits Commission Act 2012, 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 2015 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



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

Director



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

21 October 2015



## 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 2015, 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 the Australian Charities And Not-for-Profits Commission Act 2012 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 and the Australian Charities And Not-for-Profits Commission Act 2012, including:

- (i) giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001, and the Australian Charities And Not-for-Profits Commission Regulation 2013.



**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 and the Australian Charities And Non-for-profits Commission Act 2012. As a result, the financial report may not be suitable for another purpose.

**ESV Accounting and Business Services**

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David P. Robinson  
Partner

Level 18  
55 Market Street  
SYDNEY NSW 2000

21 October 2015