Mercy Services Limited

ABN 34 095 335 309

Financial Statements

For the Year Ended 30 June 2015

Mercy Services Limited

ABN 34 095 335 309

Contents

For the Year Ended 30 June 2015

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Directors' Report

30 June 2015

The directors present their report, together with the financial statements of the Company, being the Company and its controlled entities, for the financial year ended 30 June 2015.

1. General information

Information on directors

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

Mary Grace	
Experience	HR professional consultant
Special responsibilities	Board chairperson from 8 April 2014
Judith Murphy	
Experience	Sister of Mercy and former School Principal
Special responsibilities	Education Fund Committee chairperson
Robert Hodgson	Resigned 7 September 2015
Experience	Clinical Psychologist
Interest in shares and options	Housing Committee chairperson
Kay Sheridan	
Experience	Registered Nurse and Sister of Mercy
Special responsibilities	Director
Michael Mather	
Experience	Chartered Accountant
Special responsibilities	Finance and Audit Committee
Carol Abela	Resigned 30 August 2014
Experience	Lawyer
Special responsibilities	Director
Mark O'Connor	
Experience	Chartered Accountant
Special responsibilities	Finance and Audit Committee
Susan Oakey	Appointed 4 May 2015
Experience	Registered Nurse and Senior Health Manager
Special responsibilities	Director
Val Woodman	Appointed 1 June 2015
Experience	Senior Manager local government council
Special responsibilities	Director

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

The company secretary and public officer is Roy Hambly.

Directors' Report
30 June 2015

Principal activities

The principal activities of the Company during the financial year were:

- To provide holistic and integrated care to frail aged, people with disabilities and their carers within the community setting.
- To offer a range of services designed to meet the needs of persons with alcohol or other drug related problems (particularly those with dependent children).

The following significant changes in the nature of the principal activities occurred during the financial year:

- The Company took control of Newcastle Community Transport, operated by Newcastle Community Transport Inc. on 15 May 2015 via a merger.

Short term objectives

The Company's short term objectives are to:

- To ensure Mercy Services has a comprehensive and competitive suite of programs based on a person-centred service delivery model.
- To ensure that Mercy Services is a well recognised and respected brand with a secure service footprint and sound funding base.
- To optimally and effectively manage Mercy Services' human resources.

Long term objectives

The Company's long term objectives are to:

- To develop, maintain and expand strategic alliances and partnerships.
- To maintain sound governance systems overseen by a strong Board and Executive team.
- To create and maintain systems that effectively support all aspects of Mercy Services' operations.

Strategy for achieving the objectives

To achieve these objectives, the Company has adopted the following strategies:

- Development of measurable objectives in the forthcoming strategic plan.
- Continual alignment of the organisation and services with Mercy philosophy and values.

Strategy for achieving the objectives continued

How principal activities assisted in achieving the objectives

The principal activities assisted the Company in achieving its objectives by:

- Provision of Community based services for frail older people and younger people with disabilities.
- Provision of residential aged care service in the Singleton area via a 44 bed facility.
- Provision of community based counselling and support services for those with an AOD problem especially those with young children in their care.
- Provision of parenting support and advice for vulnerable families with young children and those with disabilities.

Performance measures

The following measures are used within the Company to monitor performance:

- Meeting Output Targets.
- Successfully undertaking formal Accreditation Surveys / Audits.
- Demonstrating compliance with all relevant standards.
- Formal Program evaluations where appropriate.
- Outcome measures pertinent to each program.
- Client, volunteer and staff satisfaction surveys.
- Performance appraisals of staff.
- Complaints and appreciations.

Members guarantee

Mercy Services Limited is a company limited by guarantee. In the event of, and for the purpose of winding up of the company, the amount capable of being called up from each members and any person or association who ceased to be a member in the year prior to the winding up, is limited to $ 100 for members that are corporations and $ 100 for all other members, subject to the provisions of the company's constitution.

At 30 June 2015 the collective liability of members was $ 500 (2014: $ 500).

Directors' Report
30 June 2015

Members guarantee continued

Meetings of directors

During the financial year, 10 meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Mary Grace	10	9
Judith Murphy	10	9
Robert Hodgson	10	7
Kay Sheridan	10	10
Michael Mather	10	8
Carol Abela	1	1
Mark O'Connor	10	9
Susan Oakey	2	2
Val Woodman	1	1

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2015 has been received and can be found on page 5 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Director: ....
Mark O'Connor

Director: ....
Michael Mather

Dated 12 October 2015

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Mercy Services Limited

ABN 34 095 335 309

Auditors Independence Declaration under Section 307C of the Corporations Act 2001 To the Directors of Mercy Services Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2015, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Neil Watson

Neil Watson
Partner
KLM Accountants

12 October 2015

Charlestown

ABN 73 097 844 945

Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2015

	Note	2015 $	2014 $
Revenue	3	**11,513,118**	9,724,615
Other revenue	3	**651,725**	1,962,164
Employee benefits expense	4	**(8,947,489)**	(7,466,340)
Depreciation and amortisation expense	4	**(432,321)**	(399,511)
Other expenses		**(2,052,181)**	(1,672,804)
Surplus before income tax		**732,852**	2,148,124
Income tax expense		**-**	-
Surplus for the year		**732,852**	2,148,124
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**732,852**	2,148,124

The accompanying notes form part of these financial statements.

Statement of Financial Position

As At 30 June 2015

	Note	2015 $	2014 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	**8,295,445**	5,428,073
Trade and other receivables	8	**273,840**	103,895
Other financial assets	9	**1,641**	-
Other assets	10	**162,362**	96,136
TOTAL CURRENT ASSETS		**8,733,288**	5,628,104
NON-CURRENT ASSETS			
Property, plant and equipment	11	**3,425,916**	2,880,456
TOTAL NON-CURRENT ASSETS		**3,425,916**	2,880,456
TOTAL ASSETS		**12,159,204**	8,508,560
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	**4,893,156**	2,412,501
Borrowings	13	**-**	51,876
Employee benefits	14	**1,122,031**	786,482
Other financial liabilities	15	**307,544**	93,964
TOTAL CURRENT LIABILITIES		**6,322,731**	3,344,823
NON-CURRENT LIABILITIES			
Employee benefits	14	**157,234**	217,350
TOTAL NON-CURRENT LIABILITIES		**157,234**	217,350
TOTAL LIABILITIES		**6,479,965**	3,562,173
NET ASSETS		**5,679,239**	4,946,387
EQUITY			
Retained surplus		**5,679,239**	4,946,387
TOTAL EQUITY		**5,679,239**	4,946,387

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Statement of Changes in Equity

For the Year Ended 30 June 2015

2015

	Note	Retained Earnings $	Total $
Balance at 1 July 2014		**4,946,387**	**4,946,387**
Surplus for the year		**732,852**	**732,852**
Balance at 30 June 2015		**5,679,239**	**5,679,239**

2014

	Note	Retained Earnings $	Total $
Balance at 1 July 2013		2,798,263	2,798,263
Surplus for the year		2,148,124	2,148,124
Balance at 30 June 2014		4,946,387	4,946,387

The accompanying notes form part of these financial statements.

Mercy Services Limited

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Statement of Cash Flows

For the Year Ended 30 June 2015

	Note	2015 $	2014 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**12,444,077**	10,884,918
Payments to suppliers and employees		**(9,280,673)**	(9,314,707)
Interest received		**159,058**	119,535
Interest paid		**-**	(52)
Net cash provided by (used in) operating activities	21(b)	**3,322,462**	1,689,694
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of plant and equipment		**78,134**	12,694
Purchase of property, plant and equipment		**(481,348)**	(356,174)
Transfer from related party		**-**	2,444,800
Net cash used by investing activities		**(403,214)**	2,101,320
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in cash and cash equivalents held		**2,919,248**	3,791,014
Cash and cash equivalents at beginning of year		**5,376,197**	1,585,183
Cash and cash equivalents at end of financial year	21	**8,295,445**	5,376,197

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
For the Year Ended 30 June 2015

1 Basis of Preparation

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

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

2 Summary of Significant Accounting Policies

(a) Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

(b) Income Tax

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

(c) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Company, are classified as finance leases.

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

(d) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

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

2 Summary of Significant Accounting Policies continued

Grant revenue

Grant revenue is recognised in the statement of profit or loss and other comprehensive income when the entity obtains control of the grant, 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.

When grant revenue is received whereby the entity 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.

Mercy Services Limited 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 profit or loss and other comprehensive income.

Capital grants are recognised at fair value in the statement of comprehensive income when the entity obtains control of the asset to which the grant relates to and the amount can be measured reliably.

Donations

Donations and bequests are recognised as revenue when received.

Interest revenue

Interest is recognised using the effective interest method.

Rendering of services

Revenue in relation to rendering of services is recognised depends on whether the outcome of the services can be measured reliably. If this is the case then the stage of completion of the services is used to determine the appropriate level of revenue to be recognised in the period.

If the outcome cannot be reliably measured then revenue is recognised to the extent of expenses recognised that are recoverable.

Rental income

Investment property revenue is recognised on a straight-line basis over a period of the lease term so as to reflect a constant periodic rate of return on the net investment.

(e) Goods and Services Tax (GST)

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

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

2 Summary of Significant Accounting Policies continued

(e) Goods and Services Tax (GST) continued

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(f) Property, Plant and Equipment

Classes of property, plant and equipment are measured using the cost model as specified below.

The asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Land and buildings

Land and buildings are measured using the cost model.

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

Plant and equipment

Plant and equipment are measured using the cost model.

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

Depreciation

The depreciable amount of all property, plant and equipment, except for freehold land is depreciated on a reducing balance method from the date that management determine that the asset is available for use.

Assets held under a finance lease and leasehold improvements are depreciated over the shorter of the term of the lease and the assets useful life.

The estimated useful lives used for each class of depreciable asset are shown below:

Fixed asset class	Useful life
Plant and Equipment	3-12 years
Furniture, Fixtures and Fittings	3-12 years
Motor Vehicles	6-10 years
Leasehold improvements	15 years
Machinery	6-60 years

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

2 Summary of Significant Accounting Policies continued

(g) Financial instruments

Initial recognition and measurement

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

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. 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:

(a) the amount at which the financial asset or financial liability is measured at initial recognition;

(b) less principal repayments;

(c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and

(d) less any reduction for impairment.

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 in profit or loss.

The classification of financial instruments depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and at the end of each reporting period for held-to-maturity assets.

The Company does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(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.

2 Summary of Significant Accounting Policies continued

(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.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting year.

(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.

Held-to-maturity investments are included in non-current assets, except for those which are expected to be realised within 12 months after the end of the reporting period, which will be classified as current assets.

If during the period the Company sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(iv) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Fees payable on the establishment of loan facilities are recognised as transaction costs of the loan.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(h) Impairment of non-financial assets

At the end of each reporting period the Company determines whether there is an evidence of an impairment indicator for non-financial assets.

Where this indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

2 Summary of Significant Accounting Policies continued

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(j) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than twelve months after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Employee benefits are presented as current liabilities in the statement of financial position if the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date regardless of the classification of the liability for measurement purposes under AASB 119.

(k) Trade and other payables

Trade 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.

(l) Accommodation deposits

Accommodation deposits are payable by residents in respect of accommodation services provided by the Company. This is negotiated with the resident before entry to the facility in line with government requirements. Income is paid to the Company from these bonds based on predetermined limits established by the Department of Health. These limits take into account both the value of accommodation deposit and the period of occupancy. Australian accounting standards require accommodation deposits repayable to residents to be classified as current liabilities.

(m) Independent living units

The occupiers (lenders) of some of the Units pay a loan price (based on the value of the property at the date of sale) which is repayable by the Company upon them leaving the organisation’s care. Management fees are paid by the occupiers to the Company on a fortnightly basis. The remaining balance of these payments is refunded to the lender. Realised gains on the valuation of these units are kept by the Company. Australian accounting standards require these lender payments to be classified as current liabilities.

(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.

2 Summary of Significant Accounting Policies continued

(n) Critical accounting estimates and judgments continued

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

Key judgments - provision for impairment of receivables

The value of the provision for impairment of receivables is estimated by considering the ageing of receivables, communication with the debtors and prior history.

Key estimates - provisions

As described in the accounting policies, provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. These estimates are made taking into account a range of possible outcomes.

Key estimates - property, plant and equipment residual values and useful lives

These assets are written down to their estimated residual value over their anticipated useful lives using the straight-line basis. Management reviews residual values annually considering market conditions and disposal values.

(o) Economic dependence

Mercy Services Limited is dependent on government departments for the majority of its revenue used to operate the business. At the date of this report the directors have no reason to believe the government departments will not continue to support Mercy Services Limited.

(p) Adoption of new and revised accounting standards

During the current year, the Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

The following Accounting Standards and Interpretations are most relevant for the company:

- AASB 2012-3 *Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities*
- AASB 2013-3 *Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets*
- AASB 2014-1 *Amendments to Australian Accounting Standards (Parts A to C)*

3 Revenue and Other Income

	2015 $	2014 $
Operating revenue		
Operating grants	**8,533,432**	7,730,430
Provision of services	**2,508,320**	1,607,291
Rental income	**32,005**	22,126
Donations	**55,970**	135,275
Interest received	**159,058**	119,535
Other income	**200,725**	101,121
Dividend income	**23,608**	8,837
Total revenue	**11,513,118**	9,724,615

	2015 $	2014 $
Other income		
Donation - Mercy Aged Care Services Limited	**-**	1,951,958
Donation - Newcastle Community Transport Incorporated	**651,725**	-
Net gain on disposal of property, plant and equipment	**-**	10,206
Total other income	**651,725**	1,962,164

4 Result for the Year

(a) Expenses

	2015 $	2014 $
Depreciation and Amortisation		
Depreciation - buildings	**12,067**	6,035
Depreciation - motor vehicles	**205,020**	199,915
Depreciation - furniture and fixtures	**85,274**	69,089
Depreciation - improvements	**56,486**	56,486
Depreciation - machinery	**7,995**	9,376
Depreciation - computer equipment	**31,393**	31,980
Depreciation - plant and machinery	**34,086**	26,630
Total Depreciation and Amortisation	**432,321**	399,511
Employee costs	**8,947,489**	7,466,340

5 Business Combinations

On 15 May 2015, the Company merged with Newcastle Community Transport Group Incorporated which resulted in Mercy Services Limited obtaining control of Newcastle Community Transport Group Incorporated. This acquisition is expected to increase the Company's community transport service and reduce costs through economies of scale.

The following table shows the assets acquired, liabilities assumed and the purchase consideration at the acquisition date.

	Fair value $
Assets or liabilities acquired:	
Cash	121,951
Investments	1,641
Plant and equipment	592,369
Employee entitlements	(62,568)
Deposits	(1,668)
Identifiable assets acquired and liabilities assumed	651,725

6 Operating Segments

Identification of reportable segments

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Company is managed primarily on the basis of service offerings as the diversification of the Company's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

(a) Inter-segment transactions

An internally determined transfer price is set for all inter-entity sales. This price is reviewed annually by the board.

Segments were created on the merger of Mercy Services Limited and Mercy Aged Care Services Limited on 30 September 2013 to distinguish the operations of the Nursing Home at Singleton and the Services division in Newcastle and Lake Macquarie. The 2014 inter-segment transactions disclosed related to those between 1 October 2013 and 30 June 2014

Segment transactions relate to the following:

(i) The Nursing Home receives laundry income from the Services division for laundering of linen; and

(ii) The Nursing Home incurs a book-keeping charge from the Services division for the administration of its financial affairs.

Inter-segment loans payable and receivable are initially recognised at the consideration received / to be received net of transaction costs.

6 Operating Segments continued

(b) Segment performance

	Services		Nursing Home		Elimination		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	$	$	$	$	$	$	$	$
REVENUE								
Operating grants	**6,611,949**	6,198,024	**1,921,483**	1,532,406	**-**	-	**8,533,432**	7,730,430
Provision of services	**1,572,284**	893,175	**1,028,436**	783,416	**(92,400)**	(69,300)	**2,508,320**	1,607,291
Rental income	**32,005**	22,126	**-**	-	**-**	-	**32,005**	22,126
Donations	**688,085**	2,050,074	**19,610**	37,159	**-**	-	**707,695**	2,087,233
Interest	**57,483**	48,183	**101,575**	71,352	**-**	-	**159,058**	119,535
Other income	**174,060**	114,193	**63,423**	5,565	**(13,150)**	(9,800)	**224,333**	109,958
Net gain on disposal of property, plant and equipment	**-**	9,006	**-**	1,200	**-**	-	**-**	10,206
Total segment revenue	**9,135,866**	9,334,781	**3,134,527**	2,431,098	**(105,550)**	(79,100)	**12,164,843**	11,686,779
Depreciation and amortisation expense	**(305,230)**	(311,330)	**(127,091)**	(88,181)	**-**	-	**(432,321)**	(399,511)
Employee benefits expense	**(6,230,756)**	(5,532,117)	**(2,716,733)**	(1,934,223)	**-**	-	**(8,947,489)**	(7,466,340)
Training and education expenses	**(57,164)**	(72,312)	**-**	-	**-**	-	**(57,164)**	(72,312)
Motor vehicle expenses	**(313,822)**	(383,428)	**(7,996)**	(4,533)			**(321,818)**	(387,961)
Utilities expenses	**(163,685)**	(89,802)	**(103,738)**	(81,041)			**(267,423)**	(170,843)
Equipment expenses	**(205,427)**	(139,818)	**(71,432)**	(54,569)			**(276,859)**	(194,387)
Program expenses	**(396,888)**	(331,990)	**-**	-	**92,400**	69,300	**(304,488)**	(262,690)
Administration expenses	**(390,758)**	(332,404)	**(121,456)**	(78,465)	**13,150**	9,800	**(499,064)**	(401,069)
Laundry expenses	**-**	-	**(16,897)**	(12,342)			**(16,897)**	(12,342)
Domestic operating expenses	**-**	-	**(247,419)**	(124,924)			**(247,419)**	(124,924)
Personal care resident expenses	**-**	-	**(61,049)**	(46,276)			**(61,049)**	(46,276)
Total segment expenses	**(8,063,730)**	(7,193,201)	**(3,473,811)**	(2,424,554)	**105,550**	79,100	**(11,431,991)**	(9,538,655)
Surplus / (loss) for the year	**1,072,136**	2,141,580	**(339,284)**	6,544	**-**		**732,852**	2,148,124

6 Operating Segments continued

(c) Segment assets

	Services		Nursing Home		Elimination		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	$	$	$	$	$	$	$	$
Cash and cash equivalents	**3,402,319**	2,278,613	**4,893,126**	3,149,460	**-**	-	**8,295,445**	5,428,073
Trade and other receivables	**151,750**	62,298	**122,090**	41,597	**-**	-	**273,840**	103,895
Other financial assets	**1,641**	-	**-**	-	**-**	-	**1,641**	-
Other assets	**87,774**	88,444	**74,588**	7,692	**-**	-	**162,362**	96,136
Property, plant and equipment	**2,729,856**	1,796,716	**696,060**	1,083,740	**-**	-	**3,425,916**	2,880,456
Total segment assets	**6,373,340**	4,226,071	**5,785,864**	4,282,489	**-**	-	**12,159,204**	8,508,560

(d) Segment liabilities

	Services		Nursing Home		Elimination		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	$	$	$	$	$	$	$	$
Trade and other payables	**557,245**	339,808	**4,335,911**	2,072,693	**-**	-	**4,893,156**	2,412,501
Borrowings	**-**	51,876	**-**	-	**-**	-	**-**	51,876
Employee benefits - current	**815,998**	563,314	**306,033**	223,168	**-**	-	**1,122,031**	786,482
Other financial liabilities	**307,544**	93,964	**-**	-	**-**	-	**307,544**	93,964
Employee benefits - non current	**127,184**	189,927	**30,050**	27,423	**-**	-	**157,234**	217,350
Total segment liabilities	**1,807,971**	1,238,889	**4,671,994**	2,323,284	**-**	-	**6,479,965**	3,562,173

Notes to the Financial Statements
For the Year Ended 30 June 2015

7 Cash and cash equivalents

	2015 $	2014 $
Cash at bank and in hand	**2,095,655**	1,136,355
Short-term bank deposits	**6,199,790**	4,291,718
	8,295,445	5,428,073

8 Trade and other receivables

	2015 $	2014 $
CURRENT		
Trade receivables	**179,453**	132,719
Provision for impairment	**(28,241)**	(35,526)
	151,212	97,193
Government subsidies receivable	**109,222**	-
Other receivables	**13,406**	6,702
	273,840	103,895

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

9 Other financial assets

		2015 $	2014 $
Available for sale financial assets	(a)	**1,641**	-

(a) Available-for-sale financial assets comprise:

	2015 $	2014 $
Listed investments, at fair value		
- shares in listed corporations	**1,641**	-

10 Other non-financial assets

	2015 $	2014 $
CURRENT		
Prepayments	**49,348**	28,104
Accrued income	**113,014**	68,032
	162,362	96,136

11 Property, plant and equipment

	2015	2014
	$	$
Buildings		
At cost	**554,743**	386,634
Accumulated depreciation	**(47,957)**	(35,890)
	506,786	350,744
Plant and equipment		
At cost	**1,002,816**	832,767
Accumulated depreciation	**(731,546)**	(626,533)
	271,270	206,234
Furniture, fixtures and fittings		
At cost	**1,511,556**	1,462,894
Accumulated depreciation	**(974,712)**	(865,193)
	536,844	597,701
Motor vehicles		
At cost	**2,991,033**	2,022,304
Accumulated depreciation	**(1,530,545)**	(1,014,188)
	1,460,488	1,008,116
Computer equipment		
At cost	**398,892**	377,615
Accumulated depreciation	**(315,090)**	(283,697)
	83,802	93,918
Improvements		
At cost	**848,713**	848,713
Accumulated depreciation	**(317,302)**	(260,816)
	531,411	587,897
Machinery		
At cost	**80,097**	72,633
Accumulated depreciation	**(44,782)**	(36,787)
	35,315	35,846
	3,425,916	2,880,456

11 Property, plant and equipment continued

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

Company	Buildings $	Plant and Equipment $	Furniture, Fixtures and Fittings $	Motor Vehicles $	Computer Equipment $	Improvements $	Machinery $	Total $
Year ended 30 June 2015								
Balance at the beginning of year	350,744	206,234	597,701	1,008,116	93,918	587,897	35,846	2,880,456
Additions	168,109	39,036	11,342	234,120	21,277	-	7,464	481,348
Additions through donated assets	-	60,086	13,075	519,208	-	-	-	592,369
Disposals - written down value	-	-	-	(95,936)	-	-	-	(95,936)
Depreciation expense	(12,067)	(34,086)	(85,274)	(205,020)	(31,393)	(56,486)	(7,995)	(432,321)
Balance at the end of the year	506,786	271,270	536,844	1,460,488	83,802	531,411	35,315	3,425,916

Notes to the Financial Statements

For the Year Ended 30 June 2015

12 Trade and other payables

		2015	2014
		$	$
CURRENT			
Trade payables		**524,737**	312,128
Deposits	(a)	**437,187**	437,187
GST payable		**268**	(3,271)
Employee benefits		**8,677**	155,712
Sundry payables and accrued expenses		**35,670**	-
Accrued expenses		**252,315**	61,758
Accommodation deposits	(b)	**3,632,049**	1,448,455
Rental bond		**1,668**	-
Other payables		**585**	532
		4,893,156	2,412,501

Australian accounting standards require accommodation deposits repayable to residents and independent living unit payments to be classified as current liabilities. The Company continues to maintain sufficient funds required by the Company's Liquidity Management Strategy to meet its obligations in relation to accommodation deposit refunds.

(a) Independent living units

On 30 September 2013, the Company took control of the independent living units formerly under control by Mercy Aged Care Services (Singleton) Limited. This balance represents the amounts payable to the occupiers of these units.

(b) Accommodation deposits

On 30 September 2013, the Company took control of the accommodation deposits held by Mercy Aged Care Services (Singleton) Limited. This balance represents the amounts payable to residents of the nursing home.

13 Borrowings

	2015	2014
	$	$
CURRENT		
Secured liabilities:		
Bank overdraft	**-**	51,876
	-	51,876

14 Employee Benefits

	2015	2014
	$	$
Current liabilities		
Annual leave	**701,795**	511,831
Long service leave	**420,236**	274,651
	1,122,031	786,482
Non-current liabilities		
Long service leave	**157,234**	217,350

15 Income in Advance

Government grants	**307,544**	93,964

16 Capital Commitments

The Company has entered into a contractual agreements in relation to the purchase of four motor vehicles totalling $93,078. These will be paid within the next 12 months.

17 Members' Guarantee

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 a maximum of $ 100 each towards meeting any outstandings and obligations of the Company. At 30 June 2015 the number of members was 5 (2014: 5).

18 Key Management Personnel Disclosures

The total remuneration paid to key management personnel of the Company is $ 618,418 (2014: $ 511,081).

19 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2015 (30 June 2014: None).

20 Related Parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Related Parties

The Company's main related parties are as follows:

- Institute Sisters of Mercy of Australia and Papua New Guinea

(a) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	Income	Expenses
Institute Sisters of Mercy of Australia and Papua New Guinea		
Nursing services	107,930	-
Wages recoupment	177,955	-
Community Aged Care Package and Domestic Assistance services	13,409	-
Management fees	18,348	-
Home maintenance service	868	-
Stipends	-	41,586
Rent	-	17,504
Insurance	-	66,406
Water usage	-	318
Training	-	2,332

21 Cash Flow Information

(a) Reconciliation of cash

		2015 $	2014 $
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:			
Cash and cash equivalents	7	**8,295,445**	5,428,073
Bank overdrafts	13	**-**	(51,876)
		8,295,445	5,376,197

21 Cash Flow Information continued

(b) Reconciliation of result for the year to cashflows from operating activities

	2015	2014
	$	$
Surplus / (loss) for the year	**732,852**	2,148,124
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation	**432,321**	399,511
- net gain / (loss) on disposal of property, plant and equipment	**17,802**	(10,206)
- donated assets from mergers	**(592,342)**	(1,951,958)
Changes in assets and liabilities:		
- (increase) / decrease in trade and other receivables	**(169,945)**	94,008
- (increase) / decrease in other assets	**(66,226)**	(61,684)
- increase / (decrease) in trade and other payables	**2,478,987**	938,099
- increase / (decrease) in other liabilities	**213,580**	72,311
- increase / (decrease) in employee benefits	**275,433**	61,489
Cashflow from operations	**3,322,462**	1,689,694

22 Events Occurring After the Reporting Date

The financial report was authorised for issue on 12 October 2015 by the Board of Directors.

The Company merged with Newcastle Community Transport Group Incorporated on 15 May 2015. Mercy Services has applied to the NSW Ministry of Transport to formally approve the transfer of the remaining assets of Newcastle Community Transport Group Incorporated which is expected to be approved in the 2016 financial year.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

23 Company Details

The registered and principal address of the company is:

Mercy Services Limited
32 Union Street
Tighes Hill NSW 2297

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 7 to 28, are in accordance with the *Corporations Act 2001* and:

   a. comply with Accounting Standards - Reduced Disclosure Requirements; and

   b. give a true and fair view of the financial position as at 30 June 2015 and of the performance for the year ended on that date of the Company and consolidated group.

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Director ....
Mark O'Connor

Director ....
Michael Mather

Dated 12 October 2015

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Address 313 Charlestown Rd
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Charlestown NSW 2290

Mercy Services Limited
ABN 34 095 335 309

Independent Audit Report to the members of Mercy Services Limited

Report on the Financial Report

We have audited the accompanying financial report of Mercy Services Limited, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other 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 of the Company and the consolidated entity.

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 - Reduced Disclosure Requirements 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 gives a true and fair view and 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 judgement, 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 Company'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 Services Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

ABN 73 097 844 945

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Mercy Services Limited

ABN 34 095 335 309

Independent Audit Report to the members of Mercy Services Limited

Opinion

In our opinion the financial report of Mercy Services Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2015 and of their performance for the year ended on that date; and

(b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Neil Watson
Partner
KLM Accountants

Charlestown

12 October 2015

ABN 73 097 844 945