

Mercy Services Limited

ABN 34 095 335 309

Financial Statements

For the Year Ended 30 June 2016

Mercy Services Limited

ABN 34 095 335 309

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For the Year Ended 30 June 2016

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Mercy Services Limited

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Responsible Entities' Report 30 June 2016

The directors present their report, together with the financial statements of the Company, being the Company for the financial year ended 30 June 2016.

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

Special responsibilities

Housing Committee chairperson

Kay Sheridan

Experience

Registered Nurse and Sister of Mercy

Special responsibilities

Director

Michael Mather

Resigned 4 July 2016

Experience

Chartered Accountant

Special responsibilities

Finance and Audit Committee

Mark O'Connor

Experience

Chartered Accountant

Special responsibilities

Finance and Audit Committee

Susan Oakey

Experience

Registered Nurse and Senior Health Manager

Special responsibilities

Director

Val Woodman

Experience

Senior Manager local government council

Special responsibilities

Director

Peter Chapman

Appointed 1 November 2015

Experience

Marketing Executive

Special responsibilities

Director

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

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Responsible Entities' Report

30 June 2016

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 and residential 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).

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

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.

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Responsible Entities' Report

30 June 2016

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 \$ 5 for members subject to the provisions of the company's constitution.

At 30 June 2016 the collective liability of members was \$ 25 (2015: \$ 25).

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Responsible Entities' Report
30 June 2016

Meetings of directors

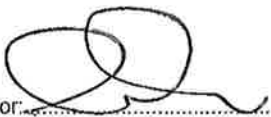
During the financial year, 8 meetings of directors were held. Attendances by each director during the year were as follows:


	Directors' Meetings	
	Number eligible to attend	Number attended
Mary Grace	8	7
Judith Murphy	8	7
Robert Hodgson	1	1
Kay Sheridan	8	7
Michael Mather	8	4
Mark O'Connor	8	7
Susan Oakey	8	7
Val Woodman	8	7
Peter Chapman	6	6

Auditor's Independence declaration

The lead auditor's independence declaration in accordance with Division 60.40 of the Australian Charities and Not-for-profits Commission Act 2012, for the year ended 30 June 2016 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: 
Mary Grace

Dated 10 October 2016

Mercy Services Limited

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**Auditors Independence Declaration under Division 60.40 of the
Australian Charities and Not-for-profits Commission Act 2012 To
the Directors of Mercy Services Limited**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Neil Watson
Partner
KLM Accountants

10 October 2016

Charlestown

Mercy Services Limited

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Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2016

		2016	2015
	Note	\$	\$
Revenue	3	13,065,952	11,513,118
Other revenue	3	804,274	651,725
Employee benefits expense		(9,800,045)	(8,947,489)
Depreciation and amortisation expense		(519,579)	(432,321)
Finance costs		(159)	-
Other expenses		(2,284,984)	(2,052,181)
Surplus before income tax		1,265,459	732,852
Income tax expense		-	-
Surplus for the year		1,265,459	732,852
Other comprehensive income for the year		-	-
Total comprehensive income for the year		1,265,459	732,852

The accompanying notes form part of these financial statements.

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Statement of Financial Position

As At 30 June 2016

	Note	2016 \$	2015 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	10,272,773	8,295,445
Trade and other receivables	6	491,925	164,618
Other financial assets	7	1,641	1,641
Other assets	8	206,202	162,362
TOTAL CURRENT ASSETS		10,972,541	8,624,066
NON-CURRENT ASSETS			
Property, plant and equipment	9	3,682,853	3,535,138
TOTAL NON-CURRENT ASSETS		3,682,853	3,535,138
TOTAL ASSETS		14,655,394	12,159,204
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	5,071,908	4,893,156
Employee benefits	11	1,277,266	1,122,031
Income in advance	12	1,203,205	307,544
TOTAL CURRENT LIABILITIES		7,552,379	6,322,731
NON-CURRENT LIABILITIES			
Employee benefits	11	158,317	157,234
TOTAL NON-CURRENT LIABILITIES		158,317	157,234
TOTAL LIABILITIES		7,710,696	6,479,965
NET ASSETS		6,944,698	5,679,239
EQUITY			
Reserves	13	1,187,086	-
Retained surplus		5,757,612	5,679,239
TOTAL EQUITY		6,944,698	5,679,239

The accompanying notes form part of these financial statements.

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Statement of Changes in Equity
For the Year Ended 30 June 2016

2016

	Retained Earnings	Motor Vehicle Replacement Reserve	Total
Note	\$	\$	\$
Balance at 1 July 2015	5,679,239	-	5,679,239
Surplus for the year	1,265,459	-	1,265,459
Initial recognition	13 (1,187,086)	1,187,086	-
Balance at 30 June 2016	5,757,612	1,187,086	6,944,698

2015

	Retained Earnings	Motor Vehicle Replacement Reserve	Total
Note	\$	\$	\$
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

The accompanying notes form part of these financial statements.

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**Statement of Cash Flows
For the Year Ended 30 June 2016**

	2016	2015
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	14,744,754	12,553,299
Payments to suppliers and employees	(12,279,603)	(9,280,673)
Interest received	168,352	159,058
Finance costs	(159)	-
Net cash provided by (used in) operating activities	18(b) 2,633,344	3,431,684
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of plant and equipment	315,681	78,134
Purchase of property, plant and equipment	(971,697)	(590,570)
Net cash used by investing activities	(656,016)	(512,436)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in cash and cash equivalents held	1,977,328	2,919,248
Cash and cash equivalents at beginning of year	8,295,445	5,376,197
Cash and cash equivalents at end of financial year	18 10,272,773	8,295,445

The accompanying notes form part of these financial statements.

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Notes to the Financial Statements

For the Year Ended 30 June 2016

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 *Australian Charities and Not-for-profits Commission Act 2012*.

The financial statements have been prepared on an accruals basis and are based on historical costs.

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) 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.

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

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Notes to the Financial Statements

For the Year Ended 30 June 2016

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 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.

(d) 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.

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**Notes to the Financial Statements
For the Year Ended 30 June 2016**

2 Summary of Significant Accounting Policies continued

(d) 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.

(e) 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 straight-line method from the date that management determine that the asset is available for use.

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.

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Notes to the Financial Statements

For the Year Ended 30 June 2016

2 Summary of Significant Accounting Policies continued

(f) 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.

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.

(i) 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.

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Notes to the Financial Statements

For the Year Ended 30 June 2016

2 Summary of Significant Accounting Policies continued

(ii) *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.

(g) **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.

(h) **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.

(i) **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.

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Notes to the Financial Statements

For the Year Ended 30 June 2016

2 Summary of Significant Accounting Policies continued

(j) 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.

(k) 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.

(l) Income in advance

Unexpended grant funds received during the current year are recognised as a liability at balance date.

Grant funds received during the year that relate to a subsequent period where the service will be delivered are recognised as a liability at balance date.

(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.

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.

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Notes to the Financial Statements

For the Year Ended 30 June 2016

2 Summary of Significant Accounting Policies continued

(n) Critical accounting estimates and judgments continued

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) Change in accounting policy

The Company changed its accounting policy relating to reserves. The Company has recognised a motor vehicle replacement reserve as required by Transport for NSW in line with their funding agreement. Charges to the reserve are made on an annual basis and are disclosed in the Statement of Changes in Equity.

(p) 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.

(q) 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.

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Notes to the Financial Statements

For the Year Ended 30 June 2016

3 Revenue and Other Income

	2016	2015
	\$	\$
Operating revenue		
Operating grants	9,957,379	8,533,432
Provision of services	2,734,833	2,508,320
Rental income	47,827	32,005
Donations	34,904	55,970
Interest received	168,352	159,058
Other income	122,657	200,725
Dividend income	-	23,608
Total revenue	13,065,952	11,513,118
Other income		
Insurance recoveries	5,498	-
Donation - Newcastle Community Transport Incorporated	787,498	651,725
Net gain on disposal of property, plant and equipment	11,278	-
Total other income	804,274	651,725

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Notes to the Financial Statements
For the Year Ended 30 June 2016

4 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.

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.

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Notes to the Financial Statements
For the Year Ended 30 June 2016

4 Operating Segments continued

(b) Segment performance

	Services		NAPS ID 3082 Residential Aged Care		Elimination		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
REVENUE								
Operating grants	7,587,657	6,611,949	2,369,722	1,921,483	-	-	9,957,379	8,533,432
Provision of services	1,815,631	1,572,284	1,011,602	1,028,436	(92,400)	(92,400)	2,734,833	2,508,320
Rental income	47,827	32,005	-	-	-	-	47,827	32,005
Donations	808,915	688,085	13,487	19,610	-	-	822,402	707,695
Interest	54,265	57,483	114,087	101,575	-	-	168,352	159,058
Other income	125,138	174,060	16,167	63,423	(13,150)	(13,150)	128,155	224,333
Net gain on disposal of property, plant and equipment	18,971	-	(7,693)	-	-	-	11,278	-
Total segment revenue	10,458,404	9,135,866	3,517,372	3,134,527	(105,550)	(105,550)	13,870,226	12,164,843
Depreciation and amortisation expense	(392,463)	(305,230)	(127,116)	(127,091)	-	-	(519,579)	(432,321)
Employee benefits expense	(7,132,832)	(6,230,756)	(2,667,213)	(2,716,733)	-	-	(9,800,045)	(8,947,489)
Training and education expenses	(54,576)	(57,164)	-	-	-	-	(54,576)	(57,164)
Motor vehicle expenses	(359,775)	(313,822)	(7,033)	(7,996)	-	-	(366,808)	(321,818)
Utilities expenses	(254,566)	(163,685)	(98,933)	(103,738)	-	-	(353,499)	(267,423)
Equipment expenses	(216,009)	(205,427)	(76,593)	(71,432)	-	-	(292,602)	(276,859)
Program expenses	(538,562)	(396,888)	-	-	92,400	92,400	(446,162)	(304,488)
Administration expenses	(391,880)	(390,758)	(131,768)	(121,456)	13,150	13,150	(510,498)	(499,064)
Laundry expenses	-	-	(18,695)	(16,897)	-	-	(18,695)	(16,897)
Domestic operating expenses	-	-	(180,563)	(247,419)	-	-	(180,563)	(247,419)
Personal care resident expenses	-	-	(61,740)	(61,049)	-	-	(61,740)	(61,049)
Total segment expenses	(9,340,663)	(8,063,730)	(3,369,654)	(3,473,811)	105,550	105,550	(12,604,767)	(11,431,991)
Surplus / (loss) for the year	1,117,741	1,072,136	147,718	(339,284)	-	-	1,265,459	732,852

Notes to the Financial Statements
 For the Year Ended 30 June 2016

4 Operating Segments continued

(c) Segment assets

	Services		NAPS ID 3082 Residential Aged Care		Elimination		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	5,051,573	3,402,319	5,221,200	4,893,126	-	-	10,272,773	8,295,445
Trade and other receivables	413,201	151,750	78,724	12,868	-	-	491,925	164,618
Other financial assets	1,641	1,641	-	-	-	-	1,641	1,641
Other assets	153,271	87,774	52,931	74,588	-	-	206,202	162,362
Property, plant and equipment	2,379,603	2,223,802	1,303,250	1,311,336	-	-	3,682,853	3,535,138
Total segment assets	7,999,289	5,867,286	6,656,105	6,291,918	-	-	14,655,394	12,159,204

(d) Segment liabilities

	Services		NAPS ID 3082 Residential Aged Care		Elimination		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
Trade and other payables	584,652	557,245	4,487,256	4,335,911	-	-	5,071,908	4,893,156
Employee benefits - current	912,023	815,998	365,243	306,033	-	-	1,277,266	1,122,031
Other financial liabilities	1,200,855	307,544	2,350	-	-	-	1,203,205	307,544
Employee benefits - non current	124,700	127,184	33,617	30,050	-	-	158,317	157,234
Total segment liabilities	2,822,230	1,807,971	4,888,466	4,671,994	-	-	7,710,696	6,479,965

Mercy Services Limited

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Notes to the Financial Statements
For the Year Ended 30 June 2016

5 Cash and cash equivalents

	2016	2015
	\$	\$
Cash at bank and in hand	1,580,916	2,095,655
Short-term bank deposits	8,691,857	6,199,790
	10,272,773	8,295,445

6 Trade and other receivables

CURRENT

Trade receivables	364,614	179,453
Provision for impairment	(28,241)	(28,241)
	336,373	151,212
Accommodation deposit receivable	148,000	-
Other receivables	7,552	13,406
	491,925	164,618

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.

7 Other financial assets

Available for sale financial assets	(a)	1,641	1,641
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(a) Available-for-sale financial assets comprise:

- shares in listed corporations	1,641	1,641
	1,641	1,641

8 Other non-financial assets

CURRENT

Prepayments	50,583	49,348
Accrued income	155,619	113,014
	206,202	162,362

Mercy Services Limited

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**Notes to the Financial Statements
For the Year Ended 30 June 2016****9 Property, plant and equipment**

	2016	2015
	\$	\$
Buildings		
At cost	706,821	554,743
Accumulated depreciation	(63,921)	(47,957)
	<u>642,900</u>	<u>506,786</u>
Capital works in progress		
At cost	-	109,222
Plant and equipment		
At cost	758,686	1,002,816
Accumulated depreciation	(555,051)	(731,546)
	<u>203,635</u>	<u>271,270</u>
Furniture, fixtures and fittings		
At cost	1,514,251	1,511,556
Accumulated depreciation	(1,028,098)	(974,712)
	<u>486,153</u>	<u>536,844</u>
Motor vehicles		
At cost	3,181,585	2,991,033
Accumulated depreciation	(1,525,315)	(1,530,545)
	<u>1,656,270</u>	<u>1,460,488</u>
Office equipment		
At cost	131,013	-
Accumulated depreciation	(84,150)	-
Total office equipment	<u>46,863</u>	<u>-</u>
Computer equipment		
At cost	455,597	398,892
Accumulated depreciation	(345,455)	(315,090)
	<u>110,142</u>	<u>83,802</u>
Improvements		
At cost	848,713	848,713
Accumulated depreciation	(373,788)	(317,302)
	<u>474,925</u>	<u>531,411</u>
Machinery		
At cost	117,314	80,097
Accumulated depreciation	(55,349)	(44,782)
	<u>61,965</u>	<u>35,315</u>
	<u><u>3,682,853</u></u>	<u><u>3,535,138</u></u>

Mercy Services Limited

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Notes to the Financial Statements
For the Year Ended 30 June 2016

9 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:

	Capital Works in Progress \$	Buildings \$	Plant and Equipment \$	Furniture, Fixtures and Fittings \$	Motor Vehicles \$
Year ended 30 June 2016					
Balance at the beginning of year	109,222	506,786	271,270	536,844	1,460,488
Additions	-	42,856	29,057	35,844	770,018
Disposals - written down value	-	-	(4,697)	(3,920)	(295,786)
Transfers	(109,222)	109,222	(60,089)	-	-
Depreciation expense	-	(15,964)	(31,906)	(82,615)	(278,450)
Balance at the end of the year	-	642,900	203,635	486,153	1,656,270
	Office Equipment \$	Computer Equipment \$	Improvements \$	Machinery \$	Total \$
Year ended 30 June 2016					
Balance at the beginning of year	-	83,802	531,411	35,315	3,535,138
Additions	-	56,705	-	37,217	971,697
Disposals - written down value	-	-	-	-	(304,403)
Transfers	60,089	-	-	-	-
Depreciation expense	(13,226)	(30,365)	(56,486)	(10,567)	(519,579)
Balance at the end of the year	46,863	110,142	474,925	61,965	3,682,853

Mercy Services Limited

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Notes to the Financial Statements
For the Year Ended 30 June 2016

10 Trade and other payables

	2016	2015
	\$	\$
CURRENT		
Trade payables	342,851	524,737
Deposits (a)	630,241	437,187
GST payable	6,313	268
Employee benefits	90,011	8,677
Accrued expenses	305,720	287,985
Accommodation deposits (b)	3,694,984	3,632,049
Rental bond	-	1,668
Other payables	1,788	585
	5,071,908	4,893,156

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

This balance represents the amounts payable to the occupiers of these units.

(b) Accommodation deposits

This balance represents the amounts payable to residents of the nursing home.

11 Employee Benefits

	2016	2015
	\$	\$
Current liabilities		
Annual leave	760,950	701,795
Long service leave	516,316	420,236
	1,277,266	1,122,031
Non-current liabilities		
Long service leave	158,317	157,234

12 Income in Advance

Government grants	1,203,205	307,544
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Mercy Services Limited

ABN 34 095 335 309

**Notes to the Financial Statements
For the Year Ended 30 June 2016**

13 Reserves

	2016	2015
	\$	\$
Motor vehicle replacement reserve		
Initial recognition	1,187,086	-
Total reserves	1,187,086	-

(a) Motor vehicle replacement reserve

The motor vehicle replacement reserve has been recognised in the financial statements as required by Transport for NSW in relation to the future replacement of vehicles as outlined in the terms of the funding contract.

14 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 \$ 5 each towards meeting any outstandings and obligations of the Company. At 30 June 2016 the number of members was 5 (2015: 5).

15 Key Management Personnel Disclosures

The total remuneration paid to key management personnel of the Company is \$ 671,558 (2015: \$ 618,418).

16 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2016 (30 June 2015: None).

17 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

Mercy Services Limited

ABN 34 095 335 309

**Notes to the Financial Statements
For the Year Ended 30 June 2016**

(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	308,891	-
Community Aged Care Package and Domestic Assistance services	18,628	-
Management fees	30,889	-
Home maintenance service	660	-
Stipends	-	48,774
Cutcher & Neale		
Accounting assistance	-	2,800

18 Cash Flow Information

(a) Reconciliation of cash

	2016	2015
	\$	\$
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	5 10,272,773	8,295,445

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

Surplus / (loss) for the year	1,265,459	732,852
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation	519,579	432,321
- net gain / (loss) on disposal of property, plant and equipment	(11,278)	17,802
- donated assets from mergers	-	(592,342)
Changes in assets and liabilities:		
- (increase) / decrease in trade and other receivables	(327,307)	(60,723)
- (increase) / decrease in other assets	(43,840)	(66,226)
- increase / (decrease) in trade and other payables	178,752	2,478,987
- increase / (decrease) in other liabilities	895,661	213,580
- increase / (decrease) in employee benefits	156,318	275,433
Cashflow from operations	2,633,344	3,431,684

Mercy Services Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2016

19 Events Occurring After the Reporting Date

The financial report was authorised for issue on 10 October 2016 by the Board of Directors.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

20 Company Details

The registered and principal address of the company is:

Mercy Services Limited
32 Union Street
Tighes Hill NSW 2297

Mercy Services Limited

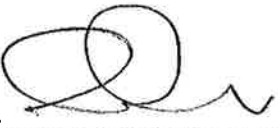
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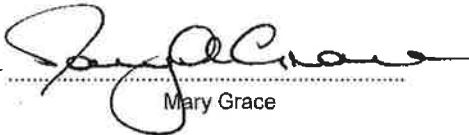
Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 10 to 27, are in accordance with the Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* 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 2016 and of the performance for the year ended on that date of the Company.
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 
.....
Mary Grace

Dated 10 October 2016

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 2016, 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.

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 *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 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.

Mercy Services Limited

ABN 34 096 336 309

Independent Audit Report to the members of Mercy Services Limited

Independence

In conducting our audit, we have complied with the independence requirements of Section 60.40 of the *Australian Charities and Not-for-profits Commission Act 2012*. We confirm that the independence declaration required by the *Australian Charities and Not-for-profits Commission Act 2012*, 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.

Opinion

In our opinion the financial report of Mercy Services Limited is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2016 and of their performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*.



Neil Watson
Partner
KLM Accountants

Charlestown

10 October 2016