

Forty years looking forward

Your 2018 Mercy Ships Annual Review



Who is Mercy Ships?

Mercy Ships is an international development organisation that deploys hospital ships to some of the poorest countries in the world, delivering vital, free health care to people in desperate need.

As well as completing thousands of urgent operations on board its floating hospital, the *Africa Mercy*, Mercy Ships works closely with host nations to improve the way health care is delivered across the country, by training and mentoring local medical staff, and renovating hospitals and clinics.

Founded in 1978 by Don and Deyon Stephens, Mercy Ships has worked in more than 56 countries, providing services valued at more than \$1.5 billion. By improving health care delivery in every country it visits, Mercy Ships is working to eradicate diseases of poverty.

Mercy Ships and our volunteers have a mission "to bring hope and healing to the forgotten poor in developing countries".

Mercy Ships Australia is a key member of the

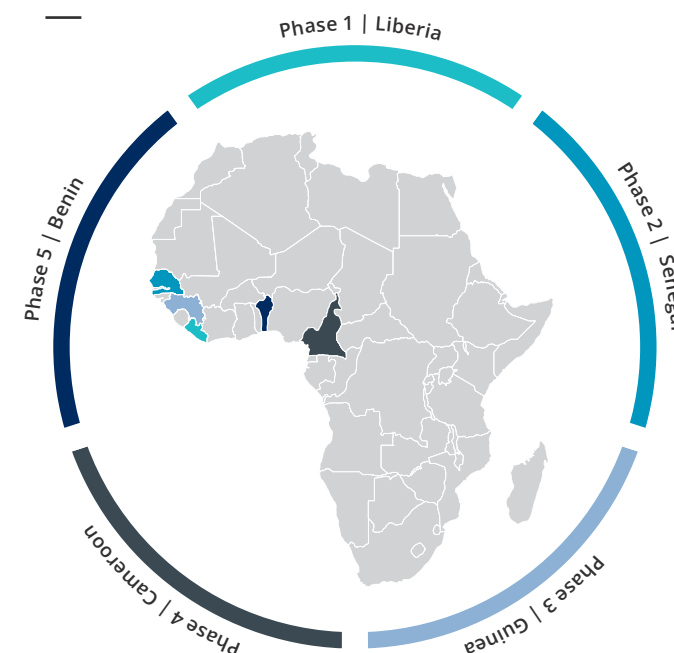
Mercy Ships global partnership. The transformation of lives and improvements to health care in the nations where Mercy Ships has worked over the past 40 years would not have come to life without the generosity of the Australian public, corporate partners, and volunteers.

Stories such as those of Miracle and Samory on pages 13 and 17 of this report show the profound impact of Mercy Ships work and how Australian support makes a significant difference.

As a charity, Mercy Ships Australia's activities are carried out for the relief of sickness and promotion of health. This report outlines specific activities – based on the 2018 strategy – which were undertaken for this purpose during the financial year that ended on 31 December 2018.

IMAGES: On this page: The *Africa Mercy*, currently docked in Conakry, Guinea. Right: Don Stephens, founder of Mercy Ships.

BELOW: The Mercy Ships Country Engagement Plan. Mercy Ships delivers a customised five-year partnership model with every country it is invited to support. The aim is to tackle the root causes of the problems rather than just the consequences.



From the Founder of Mercy Ships

I like to look to the future. One of the lessons I have learned is that if you keep moving forward and keep persevering you will find a way. However, this is the 40th anniversary year of Mercy Ships and it would be wrong not to reflect on the journey that has made us what we are today. It is a journey that we are still travelling and one that makes us stronger as we go forward.

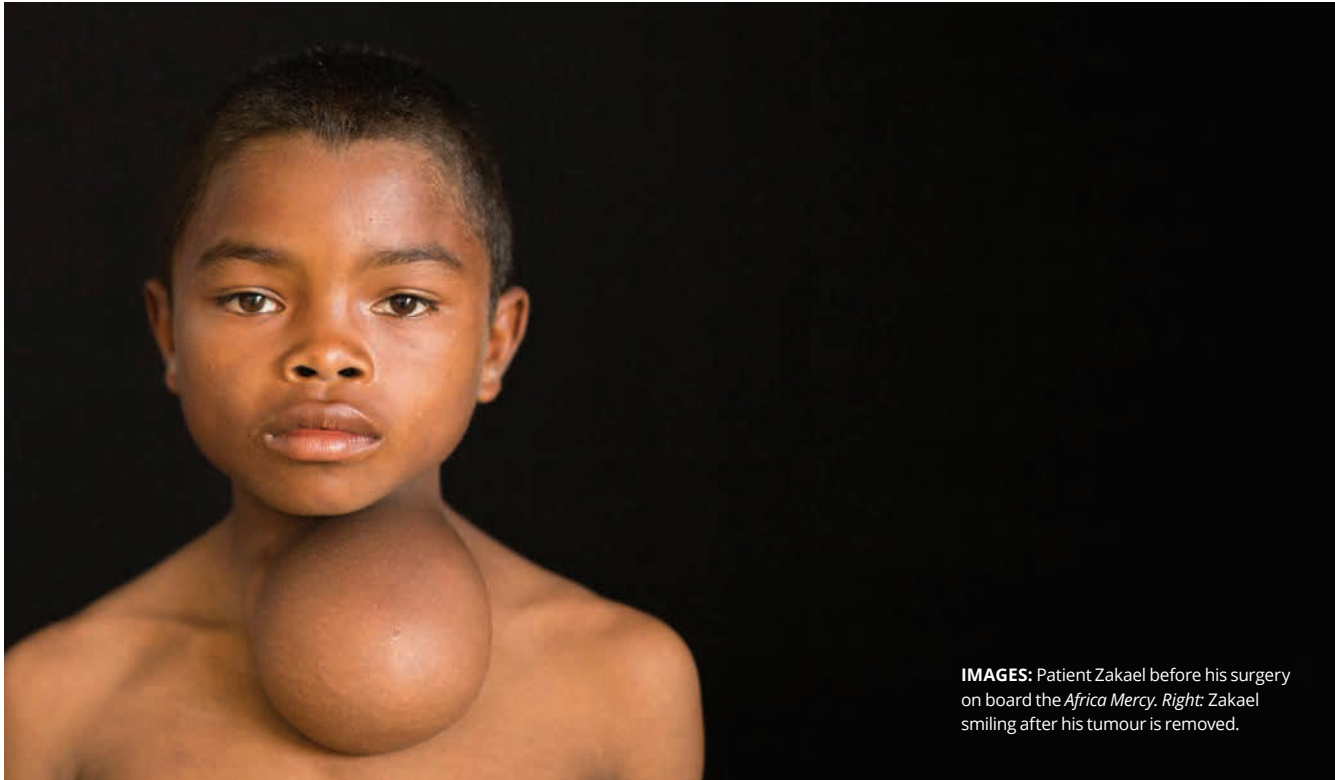
When I look back at the last 40 years, I can't help but shake my head in wonder. There were a few bumps along the road, but together we have overcome them all. I am so thankful and humbled by what we have achieved. We have seen 95,000 life-changing operations, over 42,250 local professionals trained, and over 445,000 dental procedures — and we are so grateful for the many other countless lives who have been impacted in the last 40 years.

However, there is so much more to do. So many people suffer from preventable diseases and lack of safe, surgical care around the globe. We can and will do more to help. We have become more and more effective at what we do. We are currently building the Global Mercy, our first purpose-built hospital ship. I see no reason to stop there.

To everyone who has been part of our journey, who has served so willingly, offering so much to those who have so little, and to those who will be a part of our future, thank you.

Don Stephens





IMAGES: Patient Zakaal before his surgery on board the *Africa Mercy*. Right: Zakaal smiling after his tumour is removed.

From the Chairman of the Board



For four decades now, Mercy Ships has provided free surgical and medical care to countries with very limited health care. In 2018, our dedicated volunteer crew served the people of Cameroon in Central Africa and Guinea in West Africa and performed nearly 2,800 life-changing surgeries and over 19,300 dental procedures.

While serving in these countries, our teams also provided local capacity building programs by providing courses for 1,800 health care professionals and mentoring for 115 local medical professionals.

During 2018 we also celebrated our 40th year of operation, and in doing so I think it is important to reflect upon our goals. At Mercy ships we remain committed to serving the 70% of the earth's population that live in some of the lowest income countries and lack access to timely surgical and anaesthesia care. That is over 5 billion people with no access to needed healthcare.

It is with this mission in mind that in 2013 our International Board of Directors approved the construction of a new "state-of-the-art" hospital ship, the Global Mercy, to more than double the impact that Mercy Ships can make in Africa. The new ship has been designed to serve a 50-year lifespan, and we anticipate that 150,000 lives will be changed through surgeries alone. Good progress is being made on the construction of this ship and we expect it to be christened in 2020!

In closing I would also like to take the time to thank our volunteers who serve, as well as our Board members, Australian office team, and supporters. All of these people have given their time and resources so generously and play such an important part in the ongoing success of Mercy Ships Australia, as well as our efforts towards transforming health care outcomes in Africa.

Richard Wankmuller
Chairman
Mercy Ships Australia

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From the Managing Director

The continent of Africa continues to see progress and success. In 2018, five of the top ten fastest growing economies in the world were African. Over 18 countries went to the polls, seeing long-standing leaders swapped for more progressive ones and booms in the tech and energy sector are offering more opportunities for development.

The beauty and determination of the continent and its people are coming to the fore. However, in amongst these incredible developments, it's still the case that over 70% of the world's population who are living with disabilities live in Sub-Saharan Africa and post Ebola recovery in West Africa is likely to be a battleground for the next decade.

We are also mindful of the recent Lancet Report on Global Surgery, which outlined the very reason Mercy Ships exists today - the fact that over 5 billion people on our planet (70% of the population) do not have access to safe, affordable and timely surgery. As a result of this, some 18 million people are dying annually.

Mercy Ships is working to expand our fleet and have a greater impact than ever before - we have an eye to the horizon to a day when Mercy Ships sees the diseases of poverty eradicated, and local services and clinicians empowered to care for their communities without our support.

Thank you to the incredible Australian public for your support, the volunteers from Australia who served on board the *Africa Mercy* hospital ship and across the countries we served in. You have all helped to see more lives transformed than ever before! I hope this report gives you the sense of joy and passion for all that we are achieving together.



Alan Burrell
Managing Director
Mercy Ships Australia





Interview:
Mercy Ships President Rosa Whitaker

Mercy Ships: A Lasting Impact

Rosa Whitaker became Mercy Ships President in June 2018, taking over from the founder, Don Stephens. Rosa is a champion of Africa who has been recognised for her work for the continent numerous times. She is passionate about empowering the peoples and nations of Africa to shape their continent's rise on the global stage.

What do you see for the future of Africa in transforming its health systems?

R My dream is that when historians come to tell the story of the 21st Century, Africa's emergence as a dynamic engine of global growth and prosperity will be one of their major themes. Many interlocking pieces have to fall into place for that dream to be realised. One of those pieces, a critically important one, is health.

Mercy Ships is doing more than providing much-needed health treatment and life-saving surgeries, we are providing medical training, establishing health partnerships, catalysing health infrastructure development – leaving a legacy and a culture of care when we disembark. We understand that the value of a human life is incalculable. We bring that awareness with us everywhere we go.

Our practices are increasingly being adopted and incorporated into newly devised and more comprehensive healthcare systems in African countries.

Increasingly, African governments not only have to adopt

plans that ensure holistic and equitable medical systems, they have to have institutions that educate and train doctors, nurses and medical personnel at all levels.

I believe that African governments can meet this challenge if there are models that are developed and financed that factor in the specific needs, resources, cultures and capacity of each country. Additionally, there have to be visionary and compassionate leaders in place who are cognisant of the God-given and inalienable rights of each of their citizens to health.

How do you see the future of Mercy Ships and our role alongside African organisations?

R Increasingly Mercy Ships is recognised as committed, long-term partners of the health authorities, practitioners, institutions and NGOs in the countries where we operate. I see our partnerships in Africa deepening, especially in the training and mentoring arena, as we move forward and as our own capacity grows with the addition of our new ship.

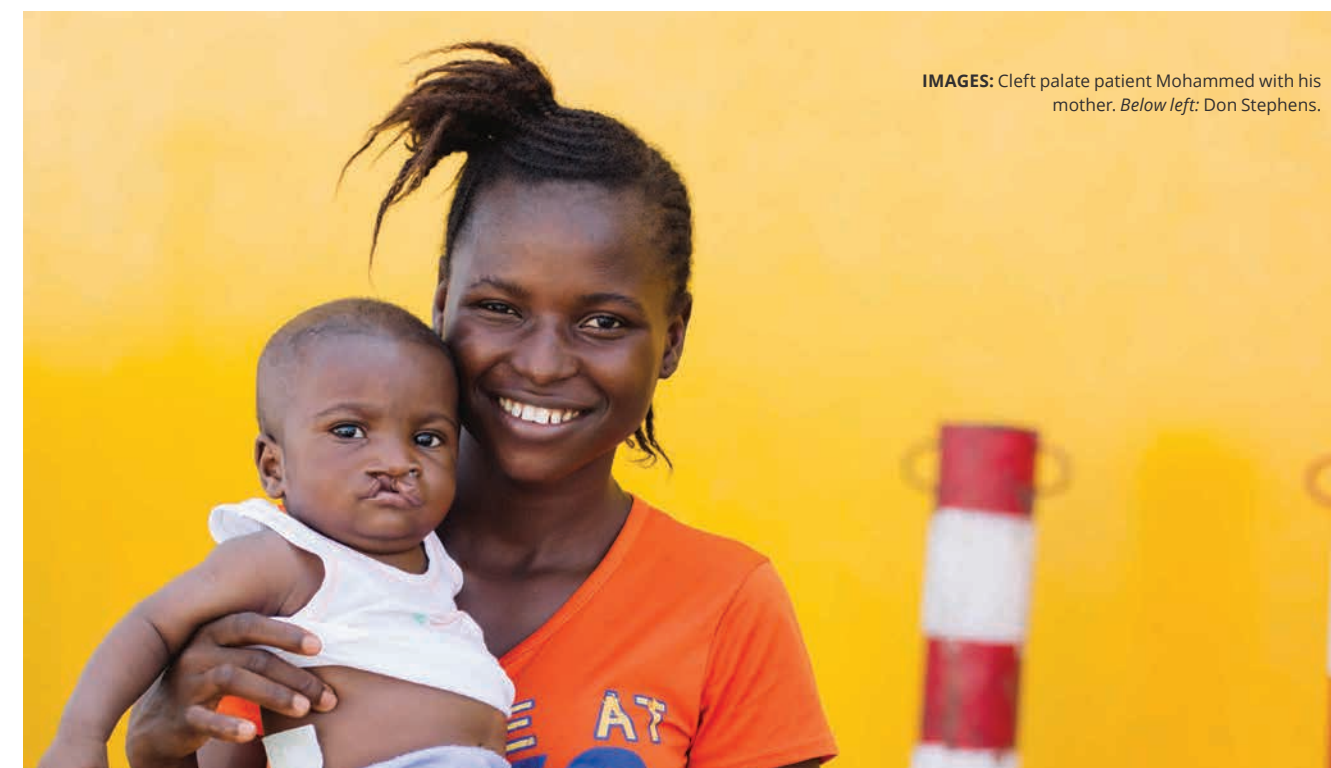
What inspires you in your work?

R I am inspired by my faith, by the faith, generosity, love and energy of our amazing volunteers and supporters, and by the extraordinary grace, courage and resilience of the people of the continent that calls me.

What also inspires me is what Mercy Ships does to save the lives of vulnerable Africans, in particular children. I have seen the difference Mercy Ships has made in correcting serious, debilitating birth defects and crippling injuries and



“Having been President for 40 years I couldn't be more excited about handing the reins to Rosa Whitaker. Her faith and dedication to the continent and peoples of Africa is truly humbling and Rosa's leadership in Africa is recognised by all.”



IMAGES: Cleft palate patient Mohammed with his mother. *Below left:* Don Stephens.

in dealing with the ramifications of people living in unhealthy and dangerous environments.

The fact that Mercy Ships keeps moving forward with its mission and continues to take positive action in alleviating suffering and in addressing the plight of the those most in need, unfettered by dire circumstances and statistics, inspires not only me, but countless other people.

At a time when some have grown complacent or uncaring about the fate of the most vulnerable among us, Mercy Ships remains true to its Christian calling to serve the poor and downtrodden.

What are the biggest challenges Mercy Ships should tackle that we are not yet tackling?

R Mercy Ships never leaves a port without all of us wishing we could have done more, reached more patients, and changed more lives. The challenge is to leave behind the knowledge, skills, inspiration and tools that enable our partners to keep doing the more we wished we had done. Sustainability and reach are big challenges. We are tackling them but they are multifaceted, requiring constant attention and imagination. There's still a lot of tackling still to do and always will be.

You have talked about “smart aid” in the past. How do you rate Mercy Ships impact on the ground?

R Smart aid is aid that respects recipients, listens to and understands them and consciously seeks to make itself unnecessary. It is the opposite of aid that is designed, as is too often the case, for the benefit of the donor. I am deeply

proud of the selflessness of the Mercy Ships model and of the compassion, humility, dedication and empathy our volunteers bring to their mission.

I would go so far as to say that Mercy Ships is the best possible example of “smart aid.” One needs only to review our history and achievements on page 19. Often times, those of us who are an integral part of Mercy Ships forget the enormous contributions that have been made thus far.

And, we have done all this using a model unusual in the philanthropic world. With a few minor exceptions, everyone aboard our ship - and soon to be ships - from surgeons to cooks and other support staff has not only volunteered their time but are paying the full cost of being aboard with their own funds or funds they have raised themselves. This maximizes the bang our donors and partners get for their euros, dollars and other investments.

If you want to put a number on the value of the services and materials Mercy Ships has donated over the years, our accountants say it is in the order of \$1.5 billion, impacting more than 2.5 million direct beneficiaries. But can we put a price on what that \$1.5 billion has purchased? No. You cannot put a price on hope and healing. You cannot put a price on the joy that a mother experiences when her baby girl's cleft palate is repaired, enabling the child to be breastfed and sparing her from a lifetime of humiliation. You cannot put a price on what a young boy feels when bandages are removed from his eyes and he finds sight restored.

These contributions go far beyond “smart aid” as they catapult Mercy Ships to the highest level of philanthropy and service.

A life
transformed

Ulrich Stands Tall

Your support has been transforming lives in Cameroon
– And Ulrich is the living proof

“What do you want to be when you grow up?” someone asked 12-year-old Ulrich.

“I want to be tall like my friends,” he said with a smile.

Even experienced nurses on board the *Africa Mercy* had

never seen a case quite like Ulrich’s. He was born with dislocated knees and a condition known as Quadriceps Contracture – the leg muscles don’t develop at the same rate as the bones, causing the legs to bend drastically backward.

His mother, Georgette, tried desperately to find Ulrich

the surgery he needed. But the cost of surgery and the severity of his condition defeated her hopes. “Surgeons wouldn’t touch him,” Georgette recalls. “It was hard to see him hurting. When he hurts, I hurt.”

Despite constant stares and ridicule, Ulrich adapted to his condition. He learned to walk with sticks made from sturdy branches. He even learned to climb trees higher than any other boy in his village! “When they couldn’t reach the tallest papaya, they’d call me! I’d be able to get it,” said Ulrich.

IMAGES: On this page: Ulrich before his surgery on board the *Africa Mercy*.



But his determination to be like other boys took its toll. He developed pain in his hands and joints from supporting his body weight and from walking long distances. “I was worried that if I was feeling such pain now, it was only going to get worse as I got older,” he said.

It broke his heart that it was increasingly difficult for him to help his mother by working around the house, collecting firewood, and fetching water. “I was scared to grow up like that. I didn’t want this to be all my life was ever going to be.”

The day Ulrich arrived on the *Africa Mercy* for his free surgery, orthopaedic surgeon Dr Frank Haydon, who has volunteered with Mercy Ships for ten years, was shocked. “I’d never seen anything quite like it. Just when I think I’ve seen the worst case in my career, I meet the next Ulrich, and it keeps me going.”

After several complex surgeries, Ulrich woke up with two straight legs in casts. He had a hard time believing they were actually his legs. The first time he stood up,

“I didn’t want this to be all my
life was ever going to be.”

he reached high to see if he could touch the ceiling. “The first time he walked, he went straight into his mother’s embrace. It was the first time he had been able to hug her since standing tall,” said volunteer nurse Kirsten Murphy.

And now, Ulrich is walking straight and tall into acceptance and into his dream of an education.

“Before, when I would walk in the street, people would stare at me. They thought I was just a handicapped person, and they treated me differently. Now, they will look again,” smiled Ulrich.

Before Ulrich left the *Africa Mercy*, he slowly walked up to Dr Haydon and handed him a very special gift ... his old walking sticks. He won’t need them anymore, thanks to mercy.

IMAGES: Right: Ulrich standing tall, after his surgery on board the *Africa Mercy*.



How Mercy Ships Works



Phase 1. Protocol Signing

Mercy Ships listens, builds relationships and collaborates with the Presidential Office, Ministry of Health, other departments of the government, and NGOs. A collaborative effort has an increased impact. A protocol of commitment is signed, taking into account World Health Organization targets.



Phase 2. Assessing the Need

An analysis of capacity needs within the local health care system is undertaken, establishing where assistance will be most effective. Assessment teams examine surgical and ancillary service capacity, port, security, and builds connections with key stakeholders. An Advance Team will enhance the effectiveness of the ship deployment by preparing for ship arrival.



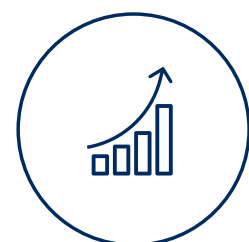
Phase 3. Ship Deployment

For 10 months, a Mercy Ship is docked in the host nation's port, providing free surgical and dental care for thousands of people, training for local health care workers, renovations for local facilities and more.



Phase 4. Training & Support

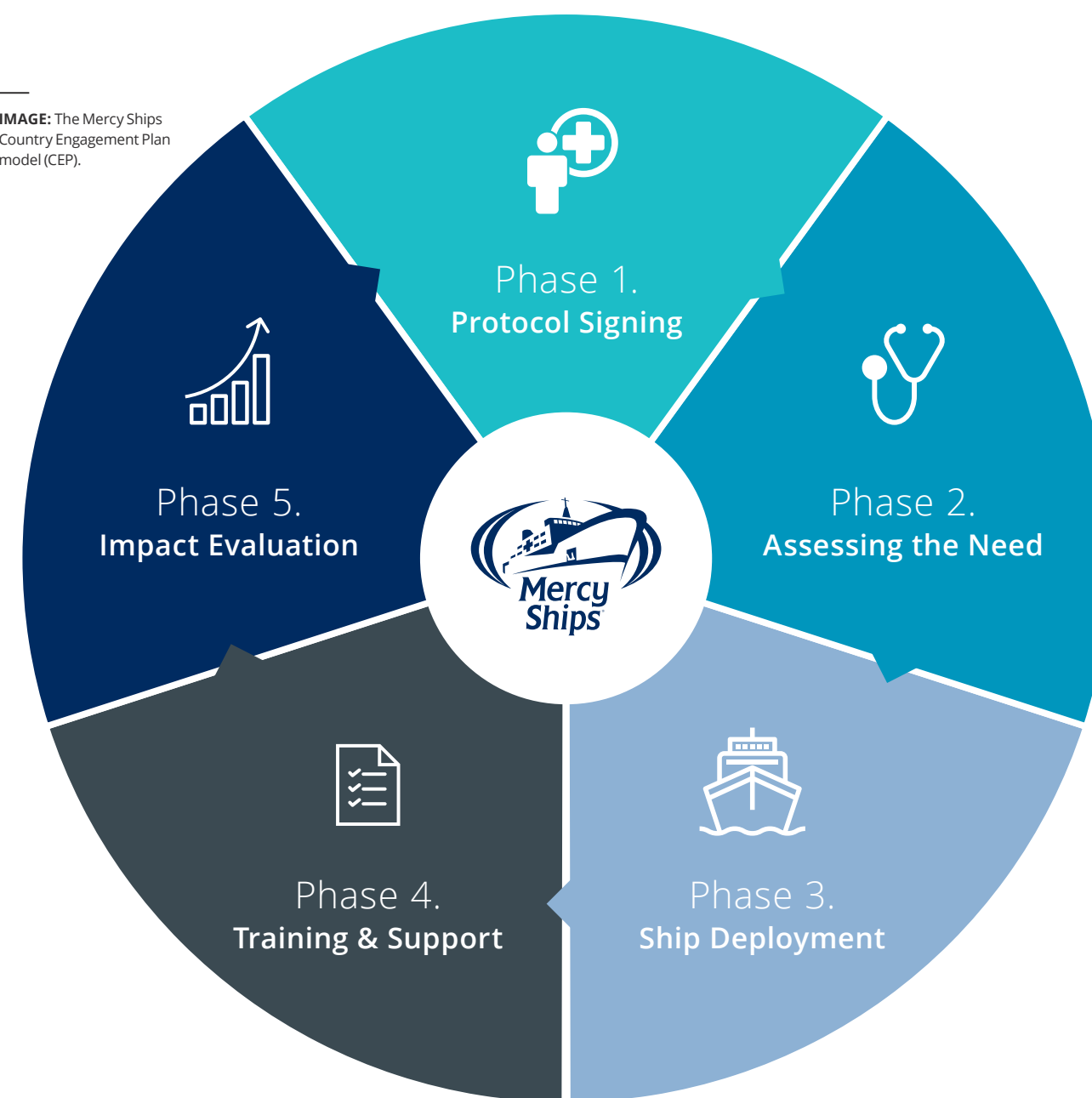
Project implementers return to provide additional instruction, learn about challenges faced by local health care professionals implementing learned materials and skills, and provide encouragement and additional input.



Phase 5. Impact Evaluation

Teams return to learn how Mercy Ships work changed the lives of patients and trained health care professionals, and what was sustained from hospital and clinic improvement. Lessons are learned and used to inform future field services.

IMAGE: The Mercy Ships Country Engagement Plan model (CEP).



According to the Lancet Commission on Global Surgery, more than 18 million people die each year from conditions requiring surgical care. That is over three times the annual number of people who die from HIV, malaria and TB combined. There is an urgent need for significant growth in surgical capacity and training in developing countries in order to address this problem. Mercy Ships is committed to increasing its own surgical and training capacity, and to raising awareness of the need for, and impact of, surgery in these countries.

Among the countries Mercy Ships serves, which lie on the lower third of the United Nations' Human Development Index, access to safe, affordable and timely surgery is extremely limited. As a result, people suffer and die from "diseases of poverty" that can easily be cured through surgical intervention.

Mercy Ships tackles these diseases of poverty through three steps:

1. Offering direct medical care and surgery to local people.
2. Training and mentoring local health professionals.
3. Improving health care infrastructure.

To achieve this, Mercy Ships delivers a customised five-year partnership model with every country it is invited to support. Relationships are built with the national government and ministry of health, so that the unique needs of each country are met. In this way, Mercy Ships doesn't just address the immediate need on the ground, but also works to strengthen the country's health care systems and drive policy change. The aim is to tackle the root causes of health inequality rather than just the consequences.

In 2018, therefore, Mercy Ships was working in five countries. The ship was located in Cameroon and then Guinea, and the wider organisation was also involved in Benin, Senegal and Liberia.



Phase 5. Benin Impact Evaluation

Mercy Ships teams return to learn how our work changed the lives of patients and trained health care professionals, and what was sustained from hospital and clinic improvement. Lessons are learned and used to inform future field services.

Mercy Ships is in its fifth year of involvement with Benin in the current cycle. For ten months in 2016/17 the *Africa Mercy* docked in Cotonou, where the volunteer crew performed 1,957 surgeries; changing the lives of 1,793 patients. Mercy Ships also performed 15,109 dental procedures and trained and mentored 1,962 health professionals, helping local government with a sound foundation on which to build upon.

As part of the five year engagement plan with our host nation, an internal but independent Mercy Ships team returns to Benin 12 to 24 months after project completion. The team's purpose is to evaluate the success of our capacity building programmes and to conduct a thorough evaluation on the status of the project's sustainability, identifying any external variables that may positively or negatively affect the project's overall success. This is all part of ensuring that Mercy Ships increases its impact and leaves a lasting legacy by implementing proven interventions successfully, at scale in developing countries.

The findings are still being collated, but one result that has emerged is the successful and sustained use of the WHO Safe Surgical Checklist, introduced by Mercy Ships to Benin.

Collaborative Growth

On the 1st July, 2017, in Cotonou, Benin, Mercy Ships opened our Africa Bureau under the directorship of Dr Pierre M'Pele. The Africa Bureau is the first Mercy Ships office in West Africa and underlines the commitment of Mercy Ships to the continent and its peoples. Dr M'Pele joined Mercy Ships from the World Health Organisation in 2016, where he served as WHO resident representative in four countries (including Benin) between 2007 and 2016. He has also worked as an international consultant for UNDP, International Federation of Red Cross and Red Crescent Societies, US Government and USAID, WHO and UNICEF.

Since opening, the Africa Bureau has concentrated on building relationships. Dr M'Pele and his team have worked towards signing and following up on protocol agreements with countries and key regional partners as well as providing support to post-ship activities in Benin.

Looking forward, the team will continue to work towards strengthening partnerships in Africa and the negotiation and signing of future protocol agreements. The Africa Bureau and its team will also ensure that Mercy Ships experiences in Africa are shared with the public, private and NGO sectors, which is essential to fostering a collaborative approach to the elimination of diseases of poverty.

In Benin the following areas were assessed:

- Use/maintenance of project materials and donated equipment
- Whether capacity building participants were sharing knowledge and training others
- How the training affected daily work practices/the lives of staff
- How training impacted the hospital as a whole
- Participants' recommendations for improvements/additional feedback on training (after two years)
- Recommendations to improve survey tools for future evaluations

When finished, the team's report will inform all future field services and be used for continued project design improvements in future field services.



Miracle's story



A Miracle for Miracle

Two-year-old Miracle was born in Benin, and she suffered from a painfully windswept leg. Local doctors had not been able to do anything for this little girl. Miracle spent the first two years of her life trying to walk like the other children. She was so determined, even at that young age, but her attempts were always cut short by her twisted leg.

Then her mother, selling bread at the market, heard the words "orthopaedic surgery" and "Mercy Ships" on a nearby radio. She desperately listened, trying to hear the announcement over the noise of the crowds. Her prayers for her daughter had been answered: the *Africa Mercy* was coming to Benin.

Miracle and her mother walked up the gangway toward free surgery and a brighter future. When Miracle awoke, her leg was in a cast. It was straight for the first time in her life. During the days that followed there were times when Miracle struggled, but she persevered, encouraged by her mother, and the nurses and physios from Mercy Ships. Finally, the cast came off, and to Miracle's joy, her leg was straight.

Benin's First – and only – Plastic Reconstructive Surgeon

When she was 12 years old, Dr Fifonsi Odry Agbessi saw a woman who had been burned with acid. The woman's skin had fused together, pinning her chin to her chest. "There was not one plastic surgeon to help her in Benin," says Dr Agbessi. "I was so touched at her plight that it was at that moment that I chose my profession."

In West Africa, it's rare that medical professionals have the opportunity to gain advanced training, practice on newer technology, or collaborate with experts in their field. For that reason, many medical professionals leave to study abroad, and may never return, adding to the "brain drain" of the continent.

During Mercy Ships 2016/17 field service in Benin, Dr Agbessi, Benin's only plastic-reconstructive surgeon, seized the opportunity to work alongside Mercy Ships surgeons for more than 90 mentoring hours. By providing training for local surgeons and other health care professionals, Mercy Ships works to improve medical and surgical systems in the countries where it serves, exponentially increasing impact.

The goal is to improve the local quality of surgical care so that hope and healing continue long after the ship leaves the port.

IMAGE: Below: Dr Fifonsi Odry Agbessi



Benin – The latest figures

78

Orthopaedic
surgeries

494

Maxillofacial
surgeries

182

Reconstructive
plastic
surgeries

451

General
surgeries

676

Ophthalmic
surgeries

52

Women's
health
surgeries

1,962

Professionals
trained and
mentored



Phase 4. Cameroon Training & Support

Project implementers return to provide additional instruction, learn about challenges faced by local health care professionals implementing learned materials and skills, and provide encouragement and additional input.

The *Africa Mercy* departed Douala, in Cameroon, on 3rd June 2018, after ten months of hard work. While docked in Cameroon, the volunteer crew completed 2,746 operations, transforming the lives of 2,508 patients and their families.

Over 36,000 people were screened by the local government and Mercy Ships experts across Cameroon. The statistics below show a breakdown of the surgical services delivered during the field service.

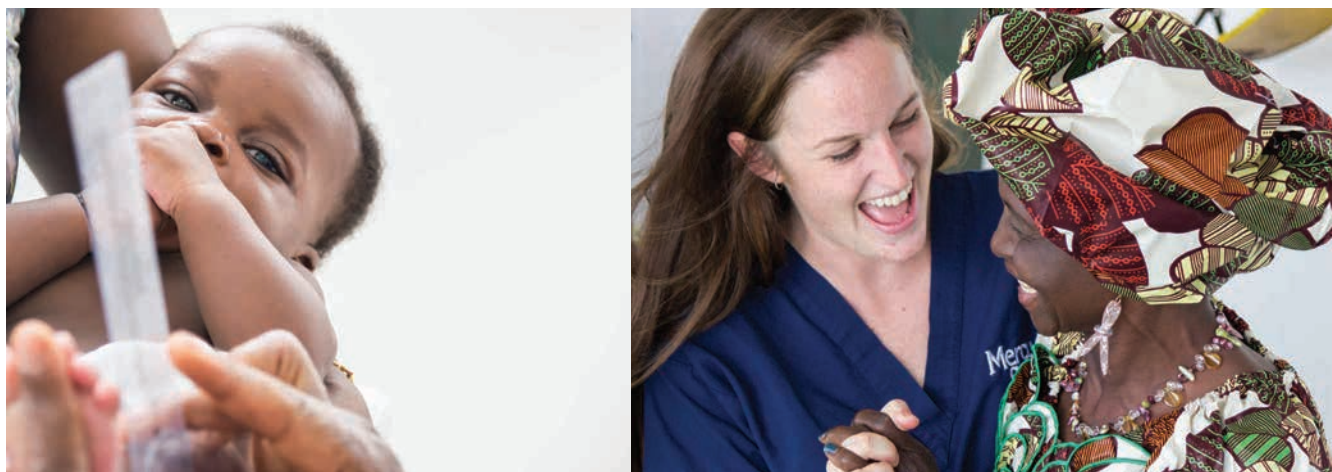
In addition, 9,220 patients were treated by Mercy Ships dental experts, who delivered a total of 20,886 procedures, and the Ponseti clubfoot corrections team completed 447 procedures, transforming the lives of 24 patients. Each clubfoot patient undergoes multiple procedures to correct their condition without invasive surgery.

Mercy Ships provided direct medical aid on the ground in Cameroon, but to increase our impact Mercy Ships also worked hard to train and mentor local medical staff with the knowledge and facilities needed to continue Mercy Ships work after the ship left.

The Mercy Ships capacity building team trained and mentored 1,564 local health professionals in a variety of specialisms. A total of 764 of these people received training in the WHO Surgical Safety Checklist.

Mercy Ships renovated three facilities across two hospitals – Central Laquintinie Hospital and at Nylon District Hospital – to function as the Mercy Ships dental clinic, biomedical workshop, and HOPE centre. After the field service, these renovated facilities were returned to the local health authorities and are part of Mercy Ships increased impact.

IMAGES: Below left: Ponseti patient during assessment pre surgery. Below right: Nurse and patient celebrating at the Obstetric Fistula Dress Ceremony.



Cameroon – The latest figures



82

Orthopaedic
surgeries

442

Maxillofacial
surgeries

165

Reconstructive
plastic
surgeries

237

General
surgeries

1,542

Ophthalmic
surgeries

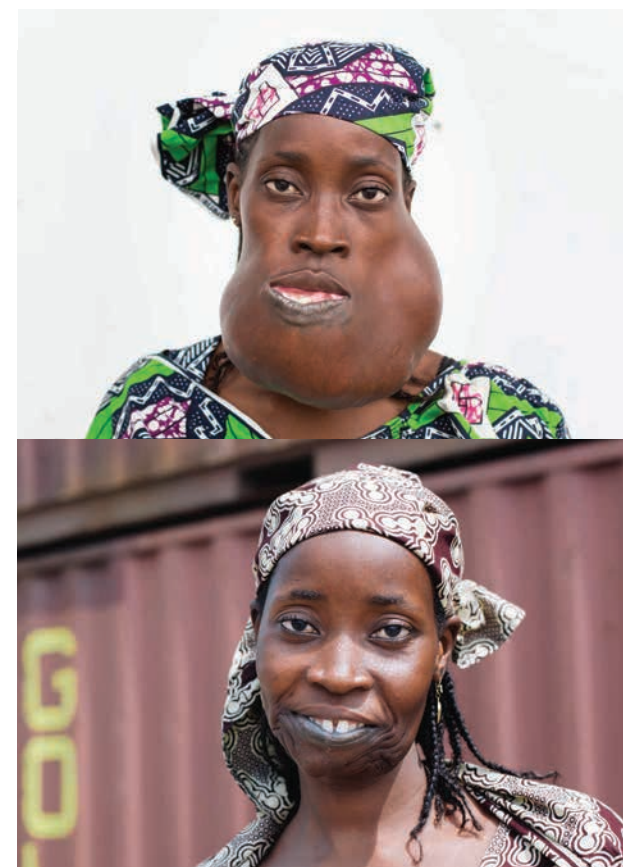
278

Women's
health
surgeries

1,564

Professionals
trained and
mentored

Yaya's story



Yaya's Transformation

Eight years ago, Yaya first noticed the lump that would eventually grow into a life-threatening tumour. In that time, the tumour grew aggressively, stretching across her face. With each passing year, Yaya found it harder to eat and speak and eventually the tumour would have threatened her ability to breathe, killing her.

Moonira, Yaya's nine-year-old daughter, could not even remember her mother without the massive tumour. Yaya battled against the odds, but in a region where health care is scarce, her attempts to receive surgery were unsuccessful. Yaya refused to give in. She fought — for herself, for her husband, and most of all, for Moonira. Finally, her miracle arrived in the form of a floating hospital!

After her tumour was removed and she began recovering, Yaya's energy was contagious! She was so excited to return home to her family and show them her transformation that she could hardly sit still! "I feel beautiful and happy!" she exclaimed. When her husband saw her for the first time after surgery, his joy was evident as he said, "You've become so beautiful!"

During her months recovering on board the *Africa Mercy*, Yaya had one ever-present thought: reuniting with her daughter. She held on through the years for her daughter's sake, and now, they can rejoice and make new memories together.

A Lasting Legacy: Biomedical Equipment Training

In regions like West and Central Africa, biomedical equipment, which covers a whole range of machines from an anaesthesia machine to an X-Ray, is scarce and often in poor condition. It is essential to any hospital, but only when working correctly. To leave a lasting legacy, Mercy Ships has partnered with Medical Aid International to find a creative and sustainable way to address this issue.

In Cameroon, Mercy Ships and Medical Aid International ran two eight-week courses, training 23 participants from nine different Cameroonian hospitals to properly maintain and repair medical equipment. The participants have been trained to teach others, allowing locals to take ownership of their own health care landscape and have a tangible impact in their own nation's wellbeing.

State-of-the-art equipment was also donated to the local hospitals, including a renovated biomedical workshop that will be used by the Ministry of Health, and participants receive two years support after the course. "I've really appreciated this training course... it's very practical; they make sure you really know what you're doing and how the tools work. They take time to teach you the basics..." said Salomon Kodna Kwete, a biomedical technician working at a local Cameroonian hospital.

IMAGE: Below: Local health care professionals in training - Creating a sustainable future for each country we visit.





Phase 3. Guinea Ship Deployment



Guinea – The latest figures

102	216	66	197	580	728
Orthopaedic surgeries	Maxillofacial surgeries	Reconstructive plastic surgeries	General surgeries	Ophthalmic surgeries	Professionals trained and mentored

Following two years of collaboration, relationship building and assessing the need after the protocol signing, the *Africa Mercy* docked in Conakry, Guinea, on 11th August 2018, ready to deliver direct medical care to people in need and capacity building for the local health care systems.

This is Mercy Ships fifth visit to Guinea. The organisation plans to deliver more than 2,500 free operations while the ship is docked in Conakry, and treat more than 8000 dental patients. The Mercy Ships capacity building projects will train and mentor hundreds of local health professionals, providing skills and knowledge that can deliver improved health care long after the *Africa Mercy* has sailed on to the next port.

So far in Guinea, the Mercy Ships volunteer teams have

provided more than 1,000 free surgeries - see the figures above for a breakdown.

This translates into more than 1,080 lives transformed by free surgery so far this field service.

Mercy Ships has also treated more than 3,700 dental patients in Guinea; and more than 728 health care professionals have taken part in training and mentoring programmes. Two buildings have been renovated – one at Gamal University for use as a dental clinic and the other at Boulbinet Health Centre for use as the HOPE Centre.

The *Africa Mercy* will remain in Conakry until June 2019.

IMAGE: Above: Isatu, maxillofacial patient after surgery.

Samory's story



Samory's Transformation

For Samory, it all started with a toothache. He had dreamed of becoming a mathematics teacher, but four years after the toothache began, Samory's dreams were in ruins; the neglected toothache had grown into a tumour.

Samory knew that there was not much hope. He was from a rural village and was unable to get medical aid. His mother tried to treat his tumour with traditional remedies, but to no avail. "The worst part was knowing that it was only going to get worse because there was nothing we could do," Samory said.

With every passing day, the pain grew; it got so bad that Samory decided to make the journey to the capital to seek help, even though he knew he could not afford it. But when he reached Conakry, he heard the good news he so desperately needed — a ship that would perform free surgeries had arrived in his home country!

Thanks to his courage, ambition, and the gift of safe, free surgery on board the *Africa Mercy*, Samory's dreams were rekindled! "I am looking forward to picking up my studies again so I can become a mathematics teacher, just like I wanted to be before the pain began," said Samory. "Life is good once again!"

Changing the Landscape: Mental Health Awareness

In April 2018, the Mercy Ships Mental Health Programme returned to Guinea. In many parts of Africa, mental health is a misunderstood disease, and is often viewed as a supernatural occurrence. Sufferers are not only unable to get the help that they need, but are often outcast and even locked up in prison or chained to a hospital bed.

To put things into context, in 2007 in Liberia, where the Mental Health programme was launched at the request of the Liberian government, following its 14-year civil war, Liberia only had one psychiatrist and one psychologist to care for the entire population. In addition to the general need for psychiatric care, many of the country's inhabitants had been affected by the recent fighting and turmoil.

Since its launch in 2007, the Mercy Ships mental health team have visited over ten nations. Designed around the World Health Organization Mental Health GAP Action Programme, the Mercy Ships Mental Health Programme offers in-country training to promote early detection and treatment at lower levels of the health care system. Providing care at lower levels not only increases the number of available service providers but is highly cost effective.

The team often visits countries before the *Africa Mercy*, returning a few times to follow up and offer further training.

IMAGES: On this page: Patient, Samory before and after his surgery.





Phase 2. Senegal Assessing the Need

Mercy Ships is in its second year of involvement with Senegal. The protocol was signed in September 2017 and assessments began in the same month. These assessments cover Senegal's priority health care needs and infrastructure, Mercy Ships logistics and operational preparation on the ground and the port itself in Dakar.

In building the Mercy Ships programme in Senegal, meetings have been held with key stakeholders across the national government, medical leaders and WHO representatives.

By August 2018, the full surgical schedule was approved for the Senegal field service, and the core elements of the Mercy Ships medical capacity building programme were confirmed. The focus now shifts to ensuring that the key volunteer positions are filled throughout the field service.

—
IMAGE: Below: Local trainees learning how to treat clubfeet.



Phase 1. Liberia Protocol Signing

On the 9th October 2018, Mercy Ships signed a protocol agreement with the government of the Republic of Liberia, pledging life-changing medical care to the people of this nation. The *Africa Mercy* plans to spend ten months docked in Monrovia in 2020/21.

Signing the agreement is the beginning of a process of evaluation and assessment of Liberia's health care needs by Mercy Ships and the government of Liberia.

Mercy Ships draft operational parameters are currently being set with the key stakeholders, after which there will be a period of assessments before the surgical schedule is planned for the 2020/21 field service.

"Mercy Ships has a strong foundation of work with our people and has provided tremendous resources to our health care system... What we have seen, what we have experienced, is incredible beyond what I can speak to. As we work to strengthen the care we deliver, we are grateful to Mercy Ships for the investment of resources, training and genuine concern for the well-being of our people."

Dr Wilhelmina Jallah,
Liberia's Minister of Health

THE NUMBERS

Since 1978...

Mercy Ships has provided services and materials in developing nations valued at more than \$1.5 billion.



56

Developing nations visited



592

Port visits by our ships



95,000+

Life-changing surgical
procedures provided



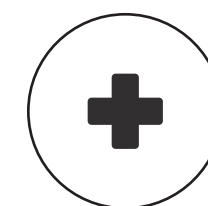
6,315+

Health care professionals
trained to train others



445,000+

Dental procedures provided



42,250+

Professionals trained in
their field of expertise



2.7 million

Lives impacted

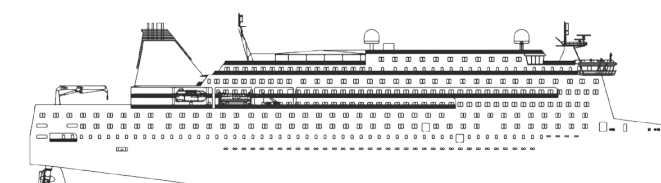


1,100+

Community development
projects completed

The new ship

A new ship - the *Global Mercy* - is currently being built by Mercy Ships in China that will more than double the ability of the organisation to deliver direct medical care, while also increasing the potential for capacity building projects. The 12-deck, 37,000 GRT hospital ship will contain six operating theatres, more than 190 beds, and accommodation for more than 640 crew. Our aim is for the *Global Mercy* to be serving alongside the *Africa Mercy* by 2021.



Globally, **five billion** people have no access to safe and affordable surgery when they need it.

World Health Organisation and Mercy Ships Collaborative Agreement

On 28th August 2018 in Dakar, Senegal, Mercy Ships and the World Health Organisation in the African Region signed a collaborative agreement to improve surgery and anaesthesia services in Africa. The agreement aims to increase access to surgical care, and build capacity of health workers to strengthen surgical care delivery systems.

The agreement was signed by WHO Regional Director for Africa Dr Matshidiso Moeti and Dr Peter Linz, International Chief Medical Officer of Mercy Ships. Dr Pierre M'Pele accompanied Dr Linz in his role as Director of the Mercy Ships Africa Bureau.

During their bilateral discussion, Mercy Ships and WHO highlighted the gaps in safe, affordable and timely access to essential surgical care, and underscored the need to ultimately work to ensure that no one is left behind.

Mercy Ships are hopeful that the formal collaboration with WHO will be one of those pillars in strengthening access to surgical care across Africa.

The agreement covers a range of activities including strengthening health systems and building the capacity of health workers, providing technical assistance to the integration of surgical, obstetric and anaesthesia services in National Health Sector Strategies and Plans. It also includes contributing to health infrastructure development and supplies in partner hospitals and clinics aligned with Mercy Ships programmes and in collaboration with country priorities as well as documenting and disseminating surgical best practices for improving the quality of care.

Surgical Impact Evaluation Project

Mercy Ships is committed to collaborative research partnerships that further our own learning, improve project design and provide better evidence of the impact of our work. The findings are to inform other actors in the health sector in an effort to bring a collaborative approach to development efforts.

Revealed by the Lancet Commission, 5 billion people lack access to safe surgery. The next step in advancing surgical development is establishing quality tools to measure surgical outcomes and impact. Mercy Ships aims to be at the forefront of this effort, partnering with universities to ensure tools are developed to improve evaluation of surgical services.

In 2018 we launched a new partnership with Harvard Medical School and Massachusetts Eye and Ear Infirmary to develop objective, scalable, valid, and replicable tools and processes for impact evaluation of Mercy Ships direct medical services and medical capacity-building projects in the host nations.

The broader aim of this research project is to produce research tools that will not only advance NGO measurement of surgical outcome and impact, but also help developing nations measure and improve their surgical quality and capacity.

Through greater interrogation of peer-reviewed protocols and the increase of the Mercy Ships fleet our vision is to see a flourishing health care system in African nations, built on the foundations of affordable quality surgical and anaesthesia care and a collaborative approach to global health care challenges between the public, private and NGO sectors.

—
IMAGE: Local surgeons using the WHO Safe Surgical Checklist.



The Mercy Ships Volunteer Model

An average of 1,400 volunteer crew, from up to 40 nations, serve on board the *Africa Mercy* each year – and more than 400 volunteers are working on the ship at any one time.

As well as the expert volunteers who deliver Mercy Ships medical programmes, the crew also includes marine specialists, IT experts, catering staff and a variety of other positions that are vital to ensure the ship is fit for purpose.

Volunteers serving with Mercy Ships contribute monthly crew fees and raise their own finances to serve on board.

This means that every \$1 that Mercy Ships receives in funding is complemented by more than \$5 in contributed gifts-in-kind and services, enabling Mercy Ships to deliver medical and development services for a fraction of the usual cost.

During the Cameroon field service in 2017/18, Mercy Ships volunteers provided – through their financial contributions and expertise – more than 50% of Mercy Ships total expenditure.

—
IMAGE: Above: Ward nurse Lauren plays with young patient Marie on board the *Africa Mercy*.

How you can help

Mercy Ships work is only made possible by the generosity of supporters and volunteers.

To help Mercy Ships continue to provide life-changing medical treatments and surgeries on board the *Africa Mercy*, and change the face of health care in the nations that the ship visits, here's how you can get involved:



Donate

Make a regular monthly donation to Mercy Ships. Visit www.mercyships.org.au or call us on 07 5437 2992



Come along

Attend or hold your own event or form a fundraising group in your local community, church, club or workplace. Email msaust@mercyships.org.au



Get involved

Run, jog, walk, cycle or swim for Mercy Ships by taking part in one of our many Challenge Events. Visit www.mercyships.org.au or call us on 07 5437 2992



Nominate us

Nominate Mercy Ships as Charity of the Year partner in your workplace, school, church or organisation



Remember us

Remember Mercy Ships in your will. Contact our Office on Email: msaust@mercyships.org.au or call us on 07 5437 2992



Volunteer

Volunteer on board the *Africa Mercy*. Visit us at www.mercyships.org.au or call us on 07 5437 2992

Follow us



Stay in touch and find out what you can do to help: mercyshipsaustralia



"You enable many of our people to live again, to become part of society in a normal way – no longer an object of pity, no longer silenced by their handicap, no longer ashamed of their condition. We thank you."

Her Excellency Ellen Johnson Sirleaf,
President, Liberia

Thank you

Thanks to you, the donors, partners, staff members, trustees, and supporters of Mercy Ships our team of volunteer professionals are able to provide free, life-changing surgery and give hope to so many. Thank you, each and every one of you for all you have done, and all that you will continue to do.



Mercy Ships Australia

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ABN: 30 097 037 922

Registered with



Australian
Charities and
Not-for-profits
Commission

Mercy Ships Australia Ltd

ABN: 30 097 037 922

Financial Report For The Year Ended 31 December 2018

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MERCY SHIPS AUSTRALIA LTD

ABN: 30 097 037 922

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR
ENDED 31 DECEMBER 2018**

	Note	2018	2017
		\$	\$
Revenue	2	106,251	109,251
Other income	2	7,432,292	6,381,492
Employee benefits expense		(412,438)	(366,951)
Depreciation and amortisation expense	3	(12,569)	(4,420)
Audit, legal and consultancy fees		(4,880)	(4,770)
Marketing expenses		(657,821)	(472,276)
Donations made - Mercy Ships projects		(3,762,097)	(2,924,743)
Donations made - contributed services		(2,499,346)	(2,614,204)
Sundry expenses		(163,224)	(118,450)
Current year surplus / (deficit) before income tax		26,168	(15,071)
Income tax expense		-	-
Net current year surplus / (deficit)		26,168	(15,071)
Other comprehensive income			
Other comprehensive income		-	-
Total other comprehensive (losses)/income for the year		-	-
Total comprehensive income for the year		26,168	(15,071)
Surplus / (deficit) attributable to members of the entity		26,168	(15,071)
Total comprehensive income attributable to members of the entity		26,168	(15,071)

The accompanying notes form part of these financial statements.

MERCY SHIPS AUSTRALIA LTD
ABN: 30 097 037 922
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	2018 \$	2017 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	2,855,148	1,743,235
Accounts receivable and other debtors	5	29,815	9,386
Inventories	6	14,046	9,998
Other current assets	7	27,423	5,527
TOTAL CURRENT ASSETS		<u>2,926,432</u>	<u>1,768,146</u>
NON-CURRENT ASSETS			
Property, plant and equipment	8	39,027	15,879
Intangible assets	9	100	100
TOTAL NON-CURRENT ASSETS		<u>39,127</u>	<u>15,979</u>
TOTAL ASSETS		<u>2,965,559</u>	<u>1,784,125</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and Africa Mercy projects	10	2,465,292	1,317,557
Employee provisions	11	56,797	52,798
TOTAL CURRENT LIABILITIES		<u>2,522,089</u>	<u>1,370,355</u>
NON-CURRENT LIABILITIES			
Employee provisions	11	25,394	21,862
TOTAL NON-CURRENT LIABILITIES		<u>25,394</u>	<u>21,862</u>
TOTAL LIABILITIES		<u>2,547,483</u>	<u>1,392,217</u>
NET ASSETS		<u>418,076</u>	<u>391,908</u>
EQUITY			
Retained surplus		418,076	391,908
TOTAL EQUITY		<u>418,076</u>	<u>391,908</u>

The accompanying notes form part of these financial statements.

MERCY SHIPS AUSTRALIA LTD
ABN: 30 097 037 922
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER
2018

	Retained Surplus \$	Total \$
Balance at 1 January 2017	406,979	406,979
Comprehensive Income		
Surplus for the year attributable to members of the entity	(15,071)	(15,071)
Other comprehensive income for the year	-	-
Total comprehensive income attributable to members of the entity	(15,071)	(15,071)
Balance at 31 December 2017	391,908	391,908
Balance at 1 January 2018	391,908	391,908
Comprehensive Income		
Surplus for the year attributable to members of the entity	26,168	26,168
Other comprehensive income for the year	-	-
Total comprehensive income for the year	26,168	26,168
Transactions with owners, in their capacity as owners, and other transfers	-	-
transfers	-	-
Balance at 31 December 2018	418,076	418,076

The accompanying notes form part of these financial statements.

MERCY SHIPS AUSTRALIA LTD
ABN: 30 097 037 922
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Commonwealth, state and local government grants		29,424	60,000
Receipts from donations, bequests and raffles		4,927,706	3,764,821
Payments to suppliers and employees		(3,871,138)	(3,353,049)
Interest received		61,638	49,251
Net cash generated from operating activities	16	1,147,630	521,023
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		3,000	-
Payment for property, plant and equipment		(38,717)	(4,280)
Net cash used in investing activities		(35,717)	(4,280)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		-	-
Increase in borrowings		-	-
Net cash used in financing activities		-	-
Net increase in cash held		1,111,913	516,743
Cash on hand at beginning of the financial year		1,743,235	1,226,492
Cash on hand at end of the financial year	4	2,855,148	1,743,235

The accompanying notes form part of these financial statements.

MERCY SHIPS AUSTRALIA LTD
ABN: 30 097 037 922
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

The financial statements cover Mercy Ships Australia Ltd as an individual entity, incorporated and domiciled in Australia. Mercy Ships Australia Ltd is a company limited by guarantee.

The financial statements were authorised for issue on 15th March, 2019 by the directors of the company.

Note 1 Summary of Significant Accounting Policies

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the Australian Charities and Not-for-profits Commission Act 2012 and Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board. The company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

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

(a) Revenue

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

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

When grant revenue is received whereby the 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.

Donations and bequests are recognised as revenue when received.

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

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

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

(b) Inventories

The entity shall measure inventories held for distribution at cost, adjusted when applicable for any loss of service potential.

Inventories acquired at no cost or for nominal consideration are measured at the current replacement cost as at the date of acquisition.

(c) Fair Value of Assets and Liabilities

The entity measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard. The directors consider fair value to be equivalent to cost for all assets and liabilities.

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

(d) Property, Plant and Equipment

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

Plant and Equipment

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

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

MERCY SHIPS AUSTRALIA LTD
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

Depreciation

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

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

Class of Fixed Asset	Depreciation Rate
Motor vehicles	20%
Plant and equipment	10% - 40%

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

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

(e) Leases

Leases of property, plant and equipment, where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to the entity, are classified as finance leases.

Finance leases are capitalised, recognising an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the entity will obtain ownership of the asset. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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

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

(f) Financial Instruments

Initial Recognition and Measurement

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

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and Subsequent Measurement

Financial liabilities

A financial liability is measured at fair value through profit and loss if the financial liability is

- amortised cost; or
- fair value through profit and loss.

Financial liabilities are subsequently measured at:

- a contingent consideration of an acquirer in a business combination to which AASB 3 applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

MERCY SHIPS AUSTRALIA LTD
ABN: 30 097 037 922
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability cannot be reclassified.

Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset is subsequently measured at amortised cost when it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset is subsequently measured at fair value through other comprehensive income when it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates;
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The entity initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as “accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy, and information about the groupings was documented appropriately, so that the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis;
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

(g) Impairment of Assets

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

Where the assets are not held primarily for their ability to generate net cash inflows – that is, they are specialised assets held for continuing use of their service capacity – the recoverable amounts are expected to be materially the same as fair value.

Where it is not possible to estimate the recoverable amount of an individual asset, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

(h) Employee Provisions

Short-term employee provisions

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

MERCY SHIPS AUSTRALIA LTD
ABN: 30 097 037 922
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Other long-term employee provisions

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

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

(i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(j) Accounts receivable and other debtors

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

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

(k) Goods and Services Tax (GST)

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

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

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

(l) Income Tax

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

(m) Provisions

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

(n) Comparative Figures

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

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

(o) Accounts Payable and Other Payables

Accounts payable and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the entity 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.

(p) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements 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 entity.

MERCY SHIPS AUSTRALIA LTD
ABN: 30 097 037 922
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Note 2 Revenue and Other Income

	2018 \$	2017 \$
Revenue		
Revenue from (non-reciprocal) government grants and other grants		
— State/federal government grants – operating	29,424	60,000
	<u>29,424</u>	<u>60,000</u>
Other revenue		
Interest received on investments	76,827	49,251
	<u>76,827</u>	<u>49,251</u>
Total revenue	<u>106,251</u>	<u>109,251</u>
Other income		
— Donations received	4,648,199	3,506,848
— Sale of goods	8,968	2,680
— Donations received - contributed services	2,499,346	2,614,204
— Bequests received	275,779	257,760
Total other income	<u>7,432,292</u>	<u>6,381,492</u>
Total revenue and other income	<u><u>7,538,543</u></u>	<u><u>6,490,743</u></u>

Note 3 Surplus for the year

	2018 \$	2017 \$
(a) Expenses		
Employee benefits expense:		
— contributions to defined contribution superannuation funds	34,492	30,365
— Salaries and wages	377,946	336,586
Total employee benefits expense	<u>412,438</u>	<u>366,951</u>
Depreciation and amortisation:		
— motor vehicles	9,278	1,800
— furniture and equipment	3,291	2,620
Total depreciation and amortisation	<u>12,569</u>	<u>4,420</u>
Rental expense on operating leases:		
— minimum lease payments	12,757	12,636
Total Rental Expense	<u>12,757</u>	<u>12,636</u>
Audit fees		
— audit services	4,500	4,400
— Relief fund audits	380	370
Total Audit Remuneration	<u>4,880</u>	<u>4,770</u>

Note 4 Cash and Cash Equivalents

	2018 \$	2017 \$
CURRENT		
General account	32,357	34,076
Relief account	2,822,791	1,709,159
Total cash on hand as stated in the statement of financial position and statement of cash flows	<u>2,855,148</u>	<u>1,743,235</u>

Note 5 Accounts Receivable and Other Debtors

	2018 \$	2017 \$
CURRENT		
Accounts receivable	5,240	-
Other debtors	24,575	9,386
(Provision for impairment)	-	-
Total current accounts receivable and other debtors	<u>29,815</u>	<u>9,386</u>

MERCY SHIPS AUSTRALIA LTD
ABN: 30 097 037 922
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Note 6 Inventories

	2018 \$	2017 \$
CURRENT		
At cost:		
Inventory	14,046	9,998
	<u>14,046</u>	<u>9,998</u>
At current replacement cost:		
Donated inventory	-	-
	<u>-</u>	<u>-</u>
	<u>14,046</u>	<u>9,998</u>

Note 7 Other Current Assets

	2018 \$	2017 \$
Accrued Income	21,685	-
Prepayments	5,738	5,527
	<u>27,423</u>	<u>5,527</u>

Note 8 Property, Plant and Equipment

	2018 \$	2017 \$
PLANT AND EQUIPMENT		
Motor Vehicles		
At cost	21,314	31,819
Accumulated depreciation	(3,178)	(22,719)
	<u>18,136</u>	<u>9,100</u>
Furniture and Fixtures		
At cost	6,288	9,265
Accumulated depreciation	(242)	(9,165)
	<u>6,046</u>	<u>100</u>
Office Equipment		
At cost	23,061	13,318
Accumulated depreciation	(8,216)	(6,639)
	<u>14,845</u>	<u>6,679</u>
Total plant and equipment	<u>39,027</u>	<u>15,879</u>
Total property, plant and equipment	<u>39,027</u>	<u>15,879</u>

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:

	Motor Vehicles \$	Plant and Equipment \$	Total \$
2017			
Balance at the beginning of the year	10,900	4,159	15,059
Additions at cost	-	4,280	4,280
Depreciation expense	(1,800)	(1,660)	(3,460)
Carrying amount at the end of the year	<u>9,100</u>	<u>6,779</u>	<u>15,879</u>
2018			
Balance at the beginning of the year	9,100	6,779	15,879
Additions at cost	21,314	17,403	38,717
Disposals	(3,000)	-	(3,000)
Depreciation expense	(9,278)	(3,291)	(12,569)
Carrying amount at the end of the year	<u>18,136</u>	<u>20,891</u>	<u>39,027</u>

MERCY SHIPS AUSTRALIA LTD
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Note 9 Intangible Assets

	2018	2017
	\$	\$
Data Files - at cost	5,900	5,900
Accumulated amortisation	(5,800)	(5,800)
Net carrying amount	<u>100</u>	<u>100</u>
Movements in Carrying Amount	Data Files	
	\$	
2017		
Balance at the beginning of the year	1,060	
Additions	-	
Disposals	-	
Amortisation charge	(960)	
	<u>100</u>	
2018		
Balance at the beginning of the year	100	
Additions	-	
Disposals	-	
	<u>100</u>	

Note 10 Accounts Payable and Africa Mercy Projects

	2018	2017
	\$	\$
CURRENT		
Accounts payable	136,905	34,634
Other current payables	28,387	12,923
Payable to Mercy Ships Projects	<u>2,300,000</u>	<u>1,270,000</u>
	<u>2,465,292</u>	<u>1,317,557</u>
NON-CURRENT		
Accounts payable	-	-
	<u>-</u>	<u>-</u>

	2018	2017
	\$	\$
a Financial liabilities at amortised cost classified as accounts payable and other payables		
Accounts payable and other payables:		
— Total current	2,465,292	1,317,557
— Total non-current	-	-
	<u>2,465,292</u>	<u>1,317,557</u>
Less other payables (net amount of GST payable)	-	-
Financial liabilities as accounts payable and other payables	<u>2,465,292</u>	<u>1,317,557</u>

Note 11 Employee Provisions

	2018	2017
	\$	\$
CURRENT		
Provision for employee benefits: annual leave	56,797	52,798
Provision for employee benefits: long service leave	-	-
	<u>56,797</u>	<u>52,798</u>
NON-CURRENT		
Provision for employee benefits: long service leave	25,394	21,862
	<u>25,394</u>	<u>21,862</u>
	<u>82,191</u>	<u>74,660</u>
Analysis of total provisions:	Employee Benefits	Total
Opening balance at 1 January 2018	74,660	74,660
Additional provisions raised during the year	7,531	7,531
Amounts used	-	-
Balance at 31 December 2018	<u>82,191</u>	<u>82,191</u>

MERCY SHIPS AUSTRALIA LTD
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Employee Provisions

Employee provisions represents amounts accrued for annual leave and long service leave.

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

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been discussed in Note 1(g).

Note 12 Capital and Leasing Commitments

(a) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

	2018	2017
Payable – minimum lease payments	\$	\$
— not later than 12 months	11,436	11,230
— between 12 months and five years	20,013	-
	31,449	11,230

The property lease commitment is a non-cancellable operating leases contracted for but not recognised in the financial statements with a three-year term. Increases in lease commitments may occur in line with the consumer price index (CPI).

Note 13 Contingent Liabilities and Contingent Assets

	2018	2017
	\$	\$
There were no contingent assets or liabilities identified by the directors as having to be reported at the date of preparation of this report.	-	-

Note 14 Events After the Reporting Period

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

Note 15 Related Party Transactions

Key Management Personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly, including any director (whether executive or otherwise) is considered key management personnel (KMP).

Other related parties include close family members of Key Management Personnel, and entities that are controlled or jointly controlled by those Key Management Personnel individually or collectively with their close family members.

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

Note 16 Cash Flow Information

	2018	2017
	\$	\$
Reconciliation of Cash Flows from Operating Activities with Net Current Year Surplus		
Net current year surplus	26,168	(15,071)
Adjustment for:		
Depreciation and amortisation expense	12,569	4,420

MERCY SHIPS AUSTRALIA LTD
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Movement in working capital changes:

(Increase)/decrease in accounts receivable and other debtors	(20,429)	(2,467)
Increase/(decrease) in accounts payable and other payables	1,147,735	526,196
(Increase)/decrease in prepayments	(21,896)	(867)
Increase/(decrease) in employee provisions	7,531	13,082
(Increase)/decrease in inventories on hand	(4,048)	(4,270)
	<u>1,147,630</u>	<u>521,023</u>

Note 17 Financial Risk Management

The entity's financial instruments consist mainly of deposits with banks, short-term and long-term investments, accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 9: Financial Instruments as detailed in the accounting policies to these financial statements, are as follows:

	Note	2018 \$	2017 \$
Financial assets			
Financial assets at fair value through profit or loss:			
— cash and cash equivalents	4	2,855,148	1,743,235
— accounts receivable and other debtors	5	29,815	9,386
Total financial assets		<u>2,884,963</u>	<u>1,752,621</u>
Financial liabilities			
Financial liabilities at amortised cost:			
— accounts payable and other payables	10a	2,465,292	1,317,557
Total financial liabilities		<u>2,465,292</u>	<u>1,317,557</u>

Financial Risk Management Policies

The directors are responsible for monitoring and managing the entity's compliance with its risk management strategy. The director's overall risk management strategy is to assist the entity in meeting its financial targets while minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the directors on a regular basis. These include credit risk policies and future cash flow requirements.

Specific Financial Risk Exposures and Management

The main risks the entity is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk and other price risk.

There have been no substantive changes in the types of risks the entity is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(a) Credit risk

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

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

Credit risk exposures

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

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

The entity has no significant concentrations of credit risk exposure to any single counterparty or group of counterparties. Details with respect to credit risk of accounts receivable and other debtors are provided in Note 5.

(b) Liquidity risk

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

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

The table below reflects an undiscounted contractual maturity analysis for non-derivative financial liabilities. The company does not hold any derivative financial liabilities directly.

MERCY SHIPS AUSTRALIA LTD
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

Financial liability and financial asset maturity analysis

	Within 1 Year		1 to 5 years		Over 5 years		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Financial liabilities due for payment	\$	\$	\$	\$	\$	\$	\$	\$
Accounts payable and other payables (excluding estimated annual leave and deferred income)	2,465,292	1,317,557					2,465,292	1,317,557
Total expected outflows	2,465,292	1,317,557	-	-	-	-	2,465,292	1,317,557
Financial Assets - cash flows realisable								
Cash and cash equivalents	2,855,148	1,743,235					2,855,148	1,743,235
Accounts receivable and other debtors	29,815	9,386					29,815	9,386
Total anticipated inflows	2,884,963	1,752,621	-	-	-	-	2,884,963	1,752,621
Net (outflow) / inflow on financial instruments	419,671	435,064	-	-	-	-	419,671	435,064

(c) Market Risk

i. Interest rate risk

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

The financial instruments that expose the company to interest rate risk are limited to fixed interest securities and cash at bank.

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact of how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Surplus	Equity
Year ended 31 December 2018	\$	\$
+/- 1% in interest rates	28,551	28,551
Year ended 31 December 2017	\$	\$
+/- 1% in interest rates	17,432	17,432

Note 18 Entity Details

The registered office of the entity is:

Mercy Ships Australia Ltd
Unit 4
24 Bulcock Street
Caloundra Qld 4551

MERCY SHIPS AUSTRALIA LTD
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

The principal place of business is:

Mercy Ships Australia Ltd
Unit 4
24 Bulcock Street
Caloundra Qld 4551

Note 19 Members' Guarantee

The entity is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the entity is wound up, the constitution states that each member is required to contribute a maximum of \$10 towards meeting any outstanding obligations of the entity.

MERCY SHIPS AUSTRALIA LTD
ABN: 30 097 037 922
DIRECTORS' DECLARATION

The directors of the registered entity declare that, in the directors' opinion:

1. The financial statements and notes, as set out on pages 1 to 15, are in accordance with the Australian Charities and Not-for-profits Commission Act 2012 and:
 - (a) comply with Australian Accounting Standards; and
 - (b) give a true and fair view of the financial position of the registered entity as at 31 December 2018 and of its performance for the year ended on that date.
2. There are reasonable grounds to believe that the registered entity will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with subs 60.15(2) of the Australian Charities and Not-for-profits Commission Regulation 2013.

Director



Chairman Richard Wankmuller

Dated this 15th day of March 2019

MERCY SHIPS AUSTRALIA LTD
ABN: 30 097 037 922
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
MERCY SHIPS AUSTRALIA LTD

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Mercy Ships Australia Ltd (the registered entity), which comprises the statement of financial position as at 31 December 2018, 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.

In our opinion, the accompanying financial report of Mercy Ships Australia Ltd has been prepared in accordance with Div 60 of the Australian Charities and Not-for-profits Commission Act 2012, including:

- i. giving a true and fair view of the registered entity's financial position as at 31 December 2018 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and Div 60 of the Australian Charities and Not-for-profits Commission Regulation 2013.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the registered entity in accordance with the auditor independence requirements of the ACNC Act and ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the registered entity's annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the registered entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards 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.

In preparing the financial report, the directors are responsible for assessing the registered entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the registered entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 registered entity's internal control.

MERCY SHIPS AUSTRALIA LTD

ABN: 30 097 037 922

**Financial Report For The Year Ended
31 December 2018**

MERCY SHIPS AUSTRALIA LTD
ABN: 30 097 037 922
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
MERCY SHIPS AUSTRALIA LTD

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the registered entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the registered entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the entity audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditor's name and signature:

Stephen J Shirley

Registered Company Auditor No: 290262



Address:

Suite 8b, Matlow Place
19 Birtwill Street
COOLUM BEACH QLD 4573

Dated this

15th

day of

March

2019