



2019

Annual Report

All hands on deck



Who is Mercy Ships

Mercy Ships is a faith-based 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.

Mercy Ships works closely with each host nation to improve the way health care is delivered across the country through medical capacity building programs — training and mentoring local medical staff and renovating hospitals and clinics for use after Mercy Ships complete our field service.

Delivering vital, free health care to people in desperate need.

Since 1978...

Mercy Ships has worked in more than 56 countries, providing services valued at over **\$1.6 billion** that have directly helped more than 2.7 million people. We have also trained 43,370 local professionals in their areas of expertise to leave a legacy that lasts.

Mission

Mercy Ships follows the 2,000-year-old model of Jesus, bringing hope and healing to the world's forgotten poor.

Vision

Mercy Ships uses hospital ships to transform individuals and serve nations one at a time.

Values

Following the model of Jesus, we seek to:

- Love God.
- Love and serve others.
- Be people of integrity.
- Be people of excellence in all we say and do.

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

Impact

In 1990, Mercy Ships turned attention to sub-Saharan Africa where nearly 100% of the population lacks access to safe, affordable and timely surgery. Since then, Mercy Ships has conducted 47 field services in 13 African countries, most of which are ranked by the United Nations Development Index as the least developed in the world.



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Chairman's Report

In 2019, Mercy Ships served the people of Guinea and Senegal in West Africa. Of the countries measured by the United Nations Human Development Index (HDI), Guinea and Senegal rank near the very bottom in providing health care for their populations. In order to address the medical needs of the people in those countries, our teams helped build local capacity-building programs while the ship was in the country.

These capacity building programs provided specific courses for nearly 1,300 health care workers and mentoring for 150 local medical health professionals.

Our dedicated volunteer crew also performed nearly 2,000 life-changing surgeries and over 30,000 dental procedures.

These accomplishments build upon the great work our volunteers have done for over 40 years and set the direction for continued success as we continue to provide free surgical and medical care to countries with very limited health care.

They also pave the way for a successful future which includes 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.

The new ship has been designed to serve a 50-year lifespan, and we anticipate that hundreds of thousands of lives will be changed through surgeries alone. We expect to have the new ship in service during the first quarter of 2021 and we look forward to the positive impact this ship will have throughout those countries that are in great need of medical assistance.

On behalf of our board and our inspiring staff and volunteer crew, I thank you for your trust and on-going support. With your help, we will work toward transforming the health care outcomes in those countries that need it the most.



Richard Wankmuller
Chairman

IMAGE: Below: Burn contracture patient, Drissa, before his surgery



Managing Director's Report

2019 was a year of many developments in the continent of Africa. In particular, two developments are worth noting: the African Continental Free Trade Area (AfCFTA) agreement and the rise of popular protests across the continent.

The ratification of the AfCFTA in 2019 was a major milestone, resonating in Africa and across the globe. The commitment with which African countries embrace and implement the AfCFTA could shape the continent's future for years.

On the governance front, 2019 was the year of "people power" as citizens in various African countries came out in their masses to protest bad governance and "presidents for life." Clearly, Africans are no longer willing to accept political and economic systems which fail to address their needs and aspirations.

As the year ended, 93% of the population of sub-Saharan Africa remained without access to essential surgery. Our solution is a two-pronged approach of providing direct medical services to reduce the backlog of surgeries and undertake medical capacity building to strengthen each nation's health care systems.

Additionally, Mercy Ships has continued to work on expanding our fleet to have a greater impact than ever before. Our aim is to see the diseases of poverty eradicated and local services and local health workers empowered to care for their communities without our support.

My deep gratitude to the Australian public for your support and our volunteers from Australia who served on board the Africa Mercy hospital ship. You have all helped to save lives and transform lives, and I hope this report gives you a sense of joy and pride for all that we are achieving together.



Alan Burrell
Managing Director

Adama's Story

From Darkness To Light

Adama was five months pregnant when the world around her started to flicker and fade. Soon, all she could see were shadows and shapes as clouded, disc-like cataracts developed in her eyes. "Maybe it will clear up after I give birth," she told herself, hoping that the loss of sight was somehow linked to her pregnancy.

But once she'd delivered her twin babies, a boy and a girl, 30-year-old Adama had to face the truth. She was blind. She would never see the faces of her beautiful babies and without access to safe, affordable surgery, she had little hope of restoring her vision.

"I thought this would last forever; that I would never know what they look like. I was very desperate," Adama said. "I didn't have any hope." The twins were six months old, their faces still a mystery to their mother, when Mercy Ships arrived.

Adama's surgery took about 20 minutes, 20 minutes is all it took to restore her future. When it was time for Adama's patch to come off, she kept her eyes closed for a few moments. Would her sight be fully restored? Had the surgery worked?

Gradually, she opened her eyes. A smile spread across her face as she realised she was seeing the world again for the first time in almost a year! Her family members, gathered nearby, were some of the first people to



welcome Adama back into the world of the seeing.

"When I die and will go to paradise and meet my own people there... that's what the moment was like."

Immediately, she reached for her twins, drinking in the details of their faces for the first time. Tiny noses, long eyelashes, round cheeks; Adama cradled them both in her arms at the same time, eyes dancing between the two.

"I never expected that my babies would be so beautiful," she murmured.

"I never expected that my babies would be so beautiful"

The cataract surgery Adama received with Mercy Ships took less than half an hour, but the impact of her restored sight will reverberate throughout the rest of her life. There will likely be countless moments where Adama rejoices because of the ability to see again — but it's hard to imagine a moment more meaningful than a mother's patient love being rewarded with the sight of her children for the first time.

IMAGES: Left: Adama with her children after her surgery. Right: Don Stephens on board the *Africa Mercy*.

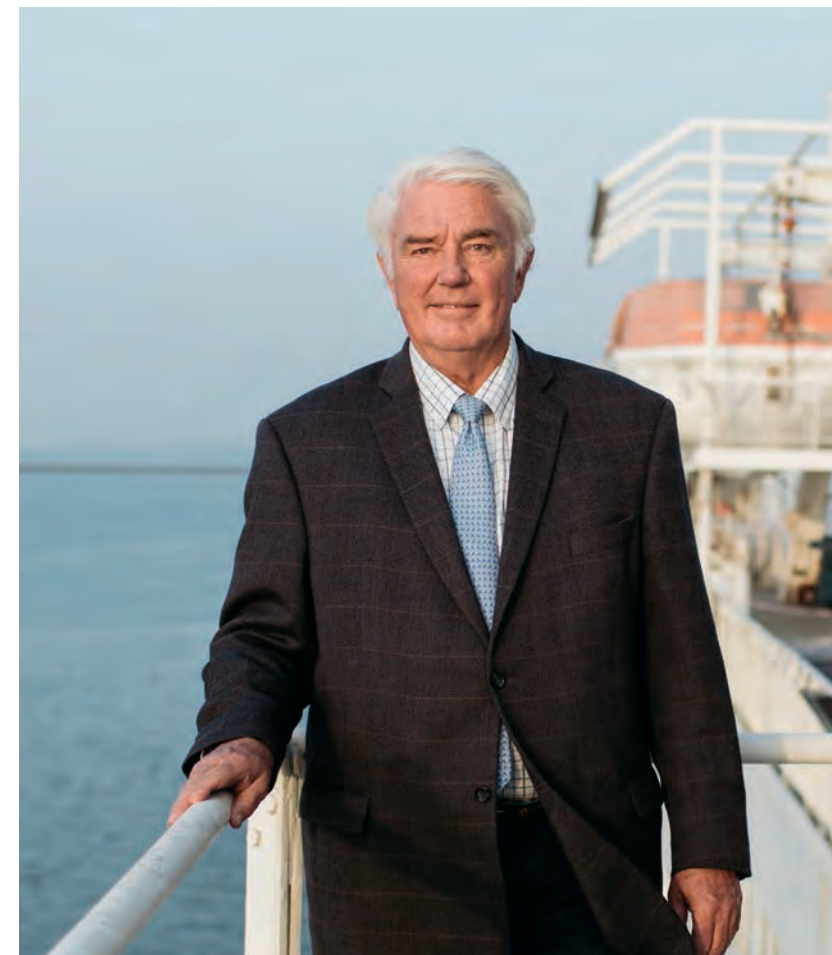


IMAGE: Top left: Cataract patient, Adama before surgery. Top right: Adama after surgery to restore her sight, seeing her child.

With hope for the future

From the Founder of Mercy Ships

In his 2007 book, economist Paul Collier uses the term "the bottom billion" in reference to the one billion people who live in low- and middle- income economies. The most current data tells us that 93% of people living in "the bottom billion" in terms of health care outcomes live in sub-Saharan Africa; meaning those suffering from painful, disfiguring, and often preventable diseases are unable to find the healing they so desperately need. This statistic keeps me awake at night and gets me up in the morning. There is undeniably a global surgery crisis and it kills more people every year than HIV/AIDS, TB, and Malaria combined.

The numbers are huge, so set them aside for a minute. Worldwide, our brothers and sisters are experiencing great pain, despair and isolation. This cannot continue. Together we can change this; together we can bring hope and healing.

For over 40 years, we have striven to do more and do better. The launch of the *Global Mercy* is a big step on this journey. The new ship will more than double our capacity, enabling us to reach more people in desperate need, train more local health care professionals and serve two nations at once. Now we need all hands on deck. Will you partner with Mercy Ships and be the difference?

We believe that, together with the nations we serve, we have the potential to make a difference in the lives of thousands, not only in the immediate future, but for decades to come! And with the launch of our new custom-built hospital ship, the *Global Mercy*, this year, that goal becomes much closer.

We are humbled and thankful for all that has been accomplished and are excited for what the future will hold for us — for our patients, our partners, and our crew. Thank you for partnering with us!

Don Stephens

Don Stephens
Founder of Mercy Ships

Why Africa?

The Need

The Lancet Commission on Global Surgery identifies that more than 18 million people die each year from a lack of safe surgery. That is more than three times the annual number of people who die from HIV, Malaria, and TB combined.

In addition, billions of people experience chronic pain, financial catastrophe, and social stigma because of injuries, ailments and disfigurements that surgery could fix.

Over 70% of the world's disabled live in sub-Saharan Africa and over 93% of the population live without access to safe, affordable surgery. In Africa, we can help greatest number of people living near ports in some of the world's poorest countries.

There is an urgent need for significant growth in surgical capacity and training. Mercy Ships is committed to increasing our own surgical and training capacity and to raising awareness of the need for, and impact of, surgery in developing countries.



IMAGE: Above: African surgeons taking part in mentoring.

Over 93% of the population of sub-Saharan Africa does not have access to safe, affordable surgery.



The Solution

Mercy Ships takes a two-pronged approach to improve health care systems in the countries we partner with:

1. Direct Medical Services: We reduce the immediate backlog of surgical patients through direct surgical provision on board a hospital ship.
2. Medical Capacity Building: Strengthening our host nation's health care system through training, infrastructure and mentoring.

Mercy Ships is committed to raising awareness of the extraordinary level of unmet need in global surgery, and to encourage an active and informed response to it. We have achieved much in our 40 year history, but are dedicated to doing more. Our focus is firmly on the future and combating diseases of poverty.

Why Hospital Ships?

More than 40% of the world's population lives within 100 miles of a coast — which is why Mercy Ships uses modern hospital ships to bring world-class volunteer medical professionals directly to the places they're needed most.

Our ships are the most efficient way to bring a state-of-the-art hospital to regions where clean water, electricity, and medical facilities and personnel are limited or non-existent. Instead of trying to build the facilities we need to bring life-changing surgeries to ports around the world, we can provide a safe, stable, fully outfitted hospital ship which provides the best platform for our two-pronged approach.

We stock our ships with a supply of vehicles so we can more easily reach patients in remote areas.

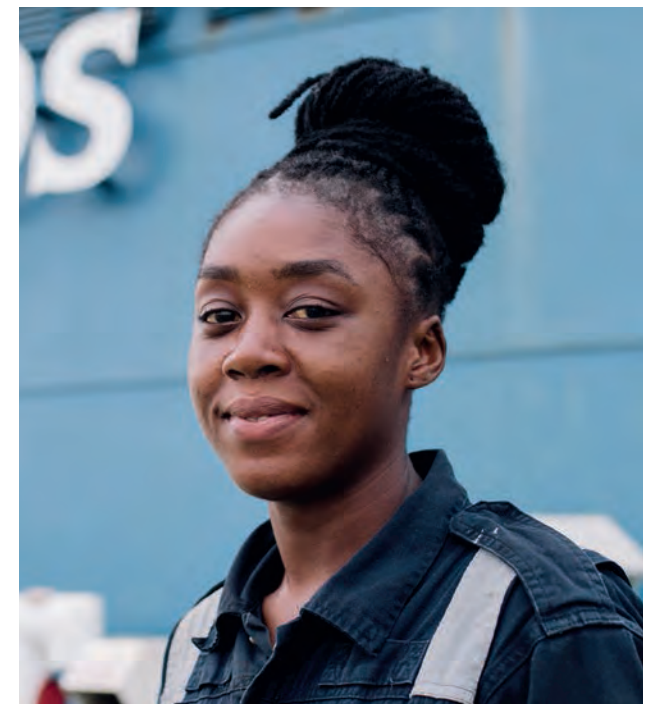
Our Volunteers

The Hands on Deck

It takes a dedicated crew with different skills and talents to run a hospital ship. Over 1,000 volunteers, from over 40 nations serve on board the *Africa Mercy* every year. With a new ship on the horizon we need all hands on deck. Together we will do more.

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.

Mercy Ships is committed to Africa and in 2019, 17% of our volunteers came from African nations.



CREW SPOTLIGHT

Denise Ngum was 14 years old when she developed an interest in electrical engineering. For Denise, fixing problems was a welcome challenge where she was able to use her eye for detail and creativity.

Denise studied electrical engineering at a government university in Cameroon and graduated in 2014. After graduation, Denise started to apply for jobs, but she quickly realised that there were many obstacles stacked against her.

Rather than being in high demand for her skillset, this highly intelligent and university-educated woman was forced to turn to sewing, which was a hobby, and it became her primary income.

When she was 27 years old, Denise heard that Mercy Ships would soon be coming to visit her country and applied to serve as an electrician. Mercy Ships accepted her.

"They are open to everyone," she said.

Denise has been serving on board the *Africa Mercy* for two years now and has no plans to stop anytime soon. In fact, Denise is currently training with us to become a biomedical engineer. This is a role essential to improving the the health care infrastructure in Africa, as biomedical engineers maintain and repair hospital equipment and many African hospitals do not have trained people in the role. Denise is diligently studying to further her skills to serve her nation even after the *Africa Mercy* sails away.

IMAGE: Above: Denise on board the *Africa Mercy*.



IMAGES: Top: Burn contracture patient, Gama, plays on Deck 7. Lower: Australian volunteer photographer Lara Arikinstall with patients on the ward.

Mercy Ships in Guinea

August 2018 - June 2019



Mercy Ships returned to the beautiful country of Guinea in August of 2018, where the ship was docked for the 10-month field service in the port of Conakry.

During our time there, Mercy Ships offered direct medical services and medical capacity building programs with the support of the Ministry of Health and Public Hygiene and other local partners. These services not only benefited thousands of individuals directly but also helped to boost national health care development within the entire nation.

Our surgical and medical interventions strive to reduce disability, prevent early death, and restore hope in areas where health care is unattainable.

While serving in Guinea, Mercy Ships was also excited to celebrate the completion of the 100,000th surgical procedure on board our hospital ship the *Africa Mercy*. The surgery, a cleft lip repair, was performed on a 7-month-old child who traveled with her mother nearly 200 miles for healing.

During our time there, Mercy Ships also identified and renovated the Boulbinet Health Center in Conakry as the site for the HOPE (Hospital OutPatient Extension) center. After our departure, this facility was returned to the government for further use. Renovations were also made at the Odonto-Stomato de la Faculté de Médecine de

L'Université Gamal, Guinea's only dental school. The school was utilized as a dental clinic during our field service and was returned fully restored and equipped following our departure.

Over 10,000 individual patients were direct beneficiaries of our projects during the Guinea field service. We are grateful to the many partners who have joined with us to provide hope and healing to those in need in Guinea.

Food for Life

Several hours northeast of Conakry, Guinea is the Fabik farm — a rare oasis of green amidst a desert of dry and dusty fields. Among the freshly planted rows of corn and lettuce, there's a group hard at work planting, watering, and weeding.

This group of 32 Guinean men and women are the participants of the Mercy Ships Food for Life program, gathered to learn the ins and outs of nutrition, crop production, and packaging and organic agriculture. They're also taught how to train others, with the goal of returning to their communities and continuing the education program long after they graduate.

"Mercy Ships as a surgery ship is investing in farming because we recognize that in order to have good health you need to have good nutrition — and for good nutrition to be effective, you need to have safe food," Agricultural Program Manager Eliphaz Essah said. "To do that, we need to get the best knowledge of how to produce safe food; and that's why [the Food for Life program] is here."

Many conditions on the ship — such as orthopedic cases — are often linked to malnutrition. By educating a group of innovative and socially-minded locals, the goal is to see a ripple effect in each nation as they return to their homes and teach others what they've learned.

Among the 32 graduates from this year's program was Marie-Louise Kantabadouno, a Guinean NGO worker, who came highly recommended by her organization and became a stand-out student.

After graduating, Marie Louise immediately jumped into action. Along with two other course participants, she's now traveling to villages across the region, teaching



IMAGE: Above: Women in a rural village sift grain during a course taught by previous participants of the Mercy Ships Food for Life program.

women nutritional basics, food production techniques, and packaging methods so that they can store or sell their food more efficiently. They also stopped in a local classroom to run an interactive workshop — and gave the children nutritious food that the volunteers had grown themselves during the course.

"I learned from this training that children are malnourished because there is a lack of means and a lack of education of their parents in the area of agriculture," Kantabadouno said. "Their parents are all farmers, but they do not have any experience. I'll now have the chance to talk to families and help them evolve in the field of agro-ecology, the association of cultures, the rotation of cultures and mulching and the use of compost to abandon chemical products."

Without the partnership of local NGOs and workers, the Food for Life course wouldn't be possible. It's a medley of different organizations, goals, and methods — and a beautiful symbol of the successful way in which these can all work together to reach a common goal.

LOCAL CREW SPOTLIGHT

Penda is a 23-year-old qualified lab technician from Senegal working on board the *Africa Mercy* while it's docked in Dakar. Penda has worked hard to receive her degree and complete a series of internships. Since her graduation, she has taken time to get work experience and plans to continue her learning at a university, all while on board.

Penda is currently working on board in the radiology department. During her time with Mercy Ships, she has had the opportunity to learn more about imaging, radiology and the equipment, knowledge that will help her further her career plans. One of the benefits Penda has shared about her time on board is the value of working in such a diverse environment with medical professionals from all over the globe.

"It feels like traveling while being in the same spot."

Penda says she finds value in having the opportunity to visit the *Africa Mercy*'s lab and compare it to the labs she's seen in Senegal. She also enjoys learning about cases she never knew existed and witnessing the impact that Mercy Ships has on patients and their caregivers. "It feels so good to see how happy and thankful they are," she said. "You're going to stay in their mind forever because you are in the process of something that changed their life."

Penda wants to be a doctor and says that Mercy Ships may see her back on board one day.



IMAGE: Penda at the Radiology lab on board the *Africa Mercy*.

Over 10,000 individual patients have been direct beneficiaries of our projects in Guinea.

GUINEA | THE FINAL FIGURES

102

Orthopaedic
surgeries

486

Maxillofacial
surgeries

509

General
surgeries

61

Women's
health surgeries

1,254

Professionals
trained and
mentored

Sky-High Dreams for Sema

Sema's Story

A life transformed

For as long as he can remember, 9-year-old Sema watched the planes fly in and out of the airport near his home in Guinea. He'd hear the familiar rumble overhead and see the aircraft flying through the sky — and he'd dream about his future.

"I want to be a plane driver when I grow up because I love discovering new places. I want to go everywhere," Sema said. "I will go to school first to learn how to be a plane driver, and then I'll be able to travel everywhere."

For most of Sema's childhood, however, his dreams have felt compromised by the sharp curves of his legs.

This orthopedic condition, commonly called "bowed legs", often begins at a young age as the result of malnutrition. In Sema's case, it began when he was just a toddler, and his legs continued to grow more severely bent the older he got.

Sema is being raised by his grandmother, Aminata, who took him and his three older siblings in when his mother died just days after he was born. When they first noticed Sema's legs bending, Aminata tried to tell herself he'd



Now it's easier for Sema to walk straight and tall — especially with the added eight centimeters of height his surgery has given him.

grow out of it on his own.

"Some kids start walking with their legs far apart... we thought it would get better over time," she said. But once Sema turned four, the family had to accept that this was their reality.

Aminata, who sells spices and peppers at the local market, has had difficulty providing for the 10 people living in her home, so the thought of paying for medical care for Sema was out of the question.

"I didn't even want to take him to the doctor to get

IMAGES: Right: Sema, before and after his orthopaedic surgery on board the *Africa Mercy* to straighten his bowed legs.



looked at — I knew they would only tell me a price that was too big," she said. "There was no way we could pay for anything. It made me so sad. When you have children and grandchildren, you would do anything for them... but I couldn't do a thing for him; I had to put my heart to God."

God answered Aminata's patient prayers in the form of a hospital ship visiting with volunteer crew from around the world. Sema came on board the *Africa Mercy* for a pediatric orthopedic surgery, which would straighten his legs and help them to heal through regular post-op care and physiotherapy sessions.

Before surgery, Sema was subdued and quiet.

"My legs were bowed; my friends' legs were straight," Sema said. "Everywhere I went, people used to laugh. They'd say 'Open legs, open legs.'"

But during his months in the hospital wards and in the rehab tent, Sema became the life of the party. He was particularly beloved by the team of volunteer

physiotherapists who would play and dance with the young boy.

"When we went on the ship, there was only happiness — we were treated like a queen and king," Aminata said. "People were playing with him like they'd known him for a long time."

After several months, Sema was able to return home to his community. Due to the severity of his condition, his legs aren't perfectly straight, but they hint that there's a story to be told. With continued proper nutrition and adherence to Sema's rehab exercises, there's hope that his legs will continue to grow straighter as he grows up. Now, it's easier for Sema to walk straight and tall — especially with the added eight centimeters of height that his surgery has given him!

Sema's grandmother believes his future looks brighter than ever, saying, "Now, if he goes to school, anything is possible."

Sema's future has been restored and now he can chase his dream of becoming a pilot. A world of discovery is now open to him.

IMAGE: Above: Smiling Sema, on Deck 7 after his surgery.

Committed to Africa

Mercy Ships Interview



Dr M'Pele is the director of our Africa Bureau in Benin. Before joining Mercy Ships he worked with the World Health Organisation and led the UNAIDS Inter-country Technical Support Team for West and Central Africa.

Recognising that change is best affected through building deep partnerships, our Africa Bureau's central goal is to develop and strengthen relationships in the African nations with whom we partner.

What attracted you to Mercy Ships?

I met Mercy Ships for the first time in Lomé, in Togo in 2011. I was the World Health Organisation representative to the Republic of Togo and I had the opportunity to go on board Mercy Ships floating hospital, the *Africa Mercy*.

As a doctor and public health specialist working to make Africa healthier, I was impressed by the work of Mercy Ships and I established a solid collaboration with Mercy Ships based on my experience and advice; I was able to support to the charity's operations in Africa.

Then in 2016, the Mercy Ships International Board appointed me as Africa Ambassador for Mercy Ships, with the responsibility of cultivating relationships across the African continent. Once retired from the United Nations I became the Director of the Mercy Ships Africa Bureau.

I have learnt so many things from Africa and the African people while fighting the HIV/AIDS epidemic on the continent. In Africa, we are still so fragile. I believe in Africa and I'm totally engaged in making my contribution to the betterment of the African people. Mercy Ships share my belief in and commitment to this incredible continent and their appearance was an opportunity with faith, humility and humanity to serve my fellow African people.

How did setting up a base in West Africa impact the work of Mercy Ships?

By setting up a base in Cotonou in the Republic of Benin, Mercy Ships has fulfilled the missing face of the organisation on the continent, proving its ongoing commitment to Africa and its peoples. Mercy Ships belongs to the African countries we serve and their peoples.

The Africa Bureau was established in October 2016. We conduct and facilitate negotiations, sign and follow up protocol collaboration agreements with African governments, support Mercy Ships programs and improve the communication,

3 GOOD HEALTH AND WELL-BEING



Sustainable Development Goals

The Sustainable Development Goals (SDGs) are the UN's blueprint to achieve a better, more sustainable future for all. They address the global challenges we face, including health. Ensuring healthy lives and promoting wellbeing for all at all ages is important for building prosperous societies. The work of Mercy Ships contributes towards SDG 3, Good health and Well -Being. Together, we can end the global surgery crisis.

"I believe in Africa and I'm totally engaged in making my contribution to the betterment of the African people."

Dr Pierre M'Pele



networking and advocacy to better involve African nations and the people of Africa.

How do you see the work of Mercy Ships contributing to the UN's Sustainable Development Goals (SDGs) in Africa?

The UN's SDG N°3, endorsed by the international community aims to ensure healthy lives and promote wellbeing for all people at all ages. To achieve this goal in Africa we need to build strong and resilient health care systems to be able to provide universal health coverage. This is what Mercy Ships is working towards.

Mercy Ships programmes provide free surgeries, training of local health care professionals and medical capacity building. These programmes make a solid contribution to two of the UN's six building blocks of health systems (health workforce and health care service delivery).

Going forward, Mercy Ships efforts should continue to be sustained in a holistic manner with the full participation of the African communities, African health professionals and health sector partners in a coordinated manner because we can only achieve the SDG N°3 if we work together with the local governments in the driving seat.

I also believe that by strategically focusing on countries with both need and opportunity, we can a big make contribution towards achieving the SDG N°3. These strategic countries should host hospital ships three times in the next ten years to make a real impact.

IMAGE: Dr M'Pele meeting with patients and their families during National Geographic filming.

How does Mercy Ships continue to develop our relationships with African partners?

We have two major partners in African nations: the government and the people. Our relationships with our partners are strong.

We align our support to the strategic development of African governments and their vision, as in Liberia with the "Pro-Poor Agenda for Prosperity and Development" and in Senegal, with the "Plan for an Emerging Senegal". We are always invited by the host nation and we work under the leadership of the national government in a win-win collaboration for the benefit of the people: a true partnership with the African people to achieve more together.

What is the perception of Mercy Ships and its impact from your base in Africa?

We are working in a challenging and changing Africa. To ensure we are as effective as possible we adapt our strategy with the country we are serving as we work to transform the lives of the people and strengthen health care systems.

Mercy Ships keeps building its partnership with African countries in line with our values: integrity, excellence, love God as we love and serve others. We are viewed as a committed and long-term partner by our brothers and sisters on the continent of Africa.

To conclude, I would say: in Africa we are all part of Mercy Ships because we are working towards the same goals, together.

Mercy Ships in Senegal

August 2019 - March 2020



Mercy Ships arrived for the second time in the nation of Senegal in August of 2019, where the ship was docked for a 7-month field service in the port of Dakar.

Although Senegal has a solid health care system in place, there is still a need for capacity building and surgeries especially in the rural areas where approximately half of Senegal's population (around 8.8 million people) lives and access to health care is limited.

As such, the President of Senegal and the Minister of Health and Social Action requested that Mercy Ships focus on the needs of patients both in the capital and interior regions of Senegal. This meant that 75% of our patients came from the thirteen interior regions of Senegal.

But, before the *Africa Mercy* was nudged gently into position by several Port of Dakar tugboats to take up her moorings, several years of work had already been done.

Work in each nation starts with signing a Protocol Agreement approximately two years before a Mercy Ship arrives and will only come to an end approximately two years after a ship has left.

Mercy Ships partners with nations for around five years at a time. So, in any one year we are actually working with up to five nations.

At the moment we are working with our partners in Cameroon, Guinea, Senegal, Liberia and Sierra Leone. Mercy Ships is always invited by our host nation's government and we work closely with the Ministry of Health and other local government departments of our host nation to ensure that we are providing the most effective aid possible.

Mercy Ships provides assistance in four ways:

1. We deliver free surgical and dental services to the poor in the countries that we serve.
2. We strengthen our host nation's surgical health care - system through training, infrastructure and mentoring.
3. We conduct research and evaluation to improve the impact of our activities and to share knowledge with the wider health care community.
4. We advocate for safe, timely and affordable surgery for the underserved in the nations of Africa.

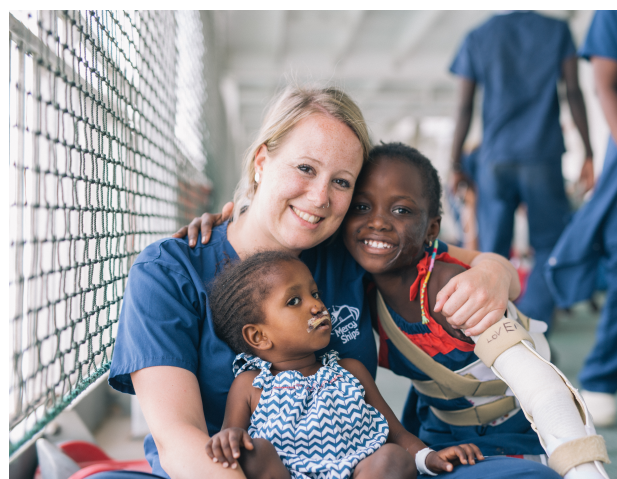


IMAGE: Above: Volunteer Alyssa VanderPloeg with patients on Deck 7

SENEGAL | THE FINAL FIGURES

116

Orthopaedic
surgeries

326

Maxillofacial
surgeries

236

General
surgeries

480

Ophthalmic
surgeries

1,133

Professionals
trained and
mentored



Mercy Ships in Senegal

August 2019 - March 2020



Our current field service in Senegal is still ongoing. The *Africa Mercy* arrived in Senegal in August, 2019, in the culmination of two years of collaborative planning in support of the nation's "Plan for an Emerging Senegal" goals. Senegal has made great strides in providing the necessary medical care for its people, and Mercy Ships is honoured to be a part of their plan.

The President of Senegal, Macky Sall, requested that Mercy Ships focus on the needs of patients both in the capital and interior regions of Senegal. 75% of our patients come from the thirteen interior regions of Senegal.

This is the second time that a Mercy Ship has visited Senegal and whilst the country has a reasonably robust health care system in Dakar, many of its rural population lack access to health care. Mercy Ships plan to deliver more than 1,700 free operations while the *Africa Mercy* is docked in Dakar and treat more than 3,500 dental patients. The Mercy Ships capacity building projects will train and mentor over 1,400 local health care professionals, providing skills and knowledge that will ensure improved

health care long after the *Africa Mercy* has left Dakar for the next port.

So far in Senegal, the Mercy Ships volunteer teams have provided more than 575 free surgical procedures. This translates to over 526 lives transformed by free surgery so far this field service. Mercy Ships volunteers have also treated over 3,091 dental patients and more than 830 local health care professionals have taken part in training and mentoring programmes.

Two buildings have been renovated: Sangalkam Dental Clinic, which is being used by our volunteer dental team until the end of the field service and it will then be returned to the local health care system with all its new equipment, and a building in Dakar to serve as the Mercy Ships HOPE (Hospital OutPatient Extension) Centre. Which has also had further renovations to accommodate our Ponsetti project (club foot).

The *Africa Mercy* will remain in the Port of Dakar until June 2020.

IMAGE: Above: Birane after surgery to repair his cleft lip.



IMAGE: Above: Nick and Suzanne.

Finding true love on the Mercy Ship

More than 70% of the world's population is unable to access essential surgery. As a result, 17 million people die needlessly each year, and many common, treatable illnesses become life-threatening.

When Australian physio Nick Veltjens heard these statistics he realised it was time he used his skills to have more of an impact in the lives of people who couldn't afford necessary health care.

He joined Mercy Ships in 2010 and has been working alongside our other courageous volunteers ever since. He is now the Clubfoot Program Manager.

"I think I am one of the luckiest people on earth. I love my job."

As well as following his calling in life, Nick also found true love on board.

"I remember when we were getting to know each other, I often used to try and organise group social activities just so that I could invite Suzanne along so I could spend more time with her," said Nick.

Suzanne, an American registered nurse, worked in the operating theatres on board providing cataract surgeries to people who didn't have access to affordable surgery. It wasn't long before Nick and Suzanne started spending more time together and their love blossomed.

Now married, they continue their volunteer work in Africa and love that they can use their job skills in a way that is having a massive positive impact in people's lives.

CREW SPOTLIGHT

Jane Frisken says it was the blessing of her good education and the opportunity to be part of the recovery process for patients in need that motivated her to join Mercy Ships.

"I worked as a hand therapist with the rehabilitation team and plastic surgeons. This involved providing therapy for children and adults who had plastic surgery. Many of these people have sustained severe burns and have not had access to safe, affordable, and timely care."

"One of the outstanding memories for me is being part of the plastic surgery screening day and watching a father carry his son in, sit down in front of us, then weep with relief and happiness that finally his son was getting some help."

With great support from friends and family at home in Melbourne, including her husband and three adult children, Jane left the ship with an eye on returning in the future.

"It was incredibly hard to leave my patients and the ship community. I don't know the outcome for some of my patients, but I do know that they are all so thankful for the love and compassion they've experienced on board."



IMAGE: Above: Jane on board the *Africa Mercy*.

An Unshakable Smile

Saliou's Story

A life transformed

Saliou was too young to realise that he was different. At two years old, the little boy had no idea that his cleft lip set him apart from the other children. Blissfully unaware, the condition had no damper on Saliou's personality, which brought joy to everyone he met.

While some might view Saliou's condition as a reason to feel shame — especially in West Africa where the lack of medical access can cause a person to live with the defect for a lifetime — Saliou's grandmother, Ndiane, refused to let his condition hinder her love.

"He's so handsome," she said while holding his photo.

Despite her admiration for Saliou, Ndiane still hoped that he wouldn't have to grow up with a cleft lip which, she worried would cause him to become an outcast when he was older.

"If he didn't get surgery, he would be different from the other children," she said.

Sadly, it is often the case that people suffering with visible conditions, like cleft-lip, are ostracised from their communities, mocked and shunned.

Saliou's family didn't have the means to find healing for him. With minimal access to safe, affordable surgery, Ndiane resorted to the only thing she could do — she

"I'm giving thanks to God and the people at Mercy Ships," Ndiane said. "I didn't have anywhere to get surgery for Saliou..."

prayed for a miracle. She held on to the hope that one day, her sweet Saliou would be healed.

After two years of waiting on a miracle, Ndiane was thrilled to hear about a hospital ship that was docked in the capital city of Senegal. This devoted grandmother traveled 12 hours to bring Saliou to the *Africa Mercy* for a surgery that would change his life forever.

"When I heard about the ship's arrival, I was relieved," she said. "Then, I made the decision to stop everything and bring him because this will impact his future!"

Ndiane's heart swelled with joy and gratitude after Saliou's operation — her grandson was finally healed!

A couple of hours was all it took to return Saliou's future to the young boy. Thanks to your support, Saliou will never have to experience the pain and suffering of an outcast. Now the young boy's future looks brighter than ever.

"I'm giving thanks to God and the people at Mercy Ships," Ndiane said. "I didn't have anywhere to get surgery for Saliou, and they did that for me."



IMAGE: Left: Volunteer anaesthetist, Sarah Kwok, carries Saliou up the gangway. Right: Saliou with his grandmother, Ndiane.



The Journey

The Mercy Ships mission

Imagine the pain of a parent who has no choice but to watch as their child suffers from a preventable disease. Or, the distress a woman might face after being rejected by her loved ones and community because of a painful condition. For more than five billion people around the world, this is the life they are forced to endure simply because they lack access to safe, timely medical care.

This staggering statistic has been the driving force for the Mercy Ships mission since 1978. Over the last 40 years, Mercy Ships has worked alongside our supporters and dedicated volunteers to provide life-changing surgical care and medical training through our fully equipped hospital ships.

The Mercy Ships story began with a dream by our

IMAGES: Left: Don Stephens, founder of Mercy Ships with a patient on Deck 7 of the *Africa Mercy*. Right: A mother holds her child, who is recovering from a cleft lip repair.



1978-2006 *Anastasis*

founders Don and Deyon Stephens and a 1953-built Italian cruise liner, formerly known as the *Victoria*. Mercy Ships acquired this ship in 1978 and converted it into our very first mobile hospital, housing three state-of-the-art operating rooms, a 40-bed hospital ward, a dental clinic, a laboratory, an X-ray unit, and three cargo holds.

Renamed *Anastasis* (meaning "Resurrection" in Greek), the ship sailed the high seas for 29 years, during which time an estimated 25,000 volunteer crew members



1994-2006 *Caribbean Mercy*

served on board.

In 1983, Mercy Ships acquired two additions to the fleet: the Norwegian ferry known as the *Polarlys* became the second hospital ship when she was deployed as the *Caribbean Mercy*, and spent 12 busy years in Central America and the Caribbean Basin, visiting 137 ports in 13 countries before her 2006 retirement.

Also in 1983, the former Newfoundland coastal ferry *Petite Forte* found new life as the *Good Samaritan*,



1984-2001 *Island Mercy*

serving the Caribbean as well as Central and South America.

In 1994 she was renamed the *Island Mercy* and redeployed to the South Pacific where she served 24 developing countries until being retired in 2001.

Then in 2007 our current ship, the *Africa Mercy*, passed sea trials. It took eight years to convert the ship from a Danish rail ferry into a first-class hospital ship and it was the largest conversion project in the UK at the time. The *Africa Mercy* is so large that it is possible to fit all our



2006-Present *Africa Mercy*

previous ships inside it with room to spare. The ship's first field service was in Liberia and it has now been bringing hope and healing to the world's forgotten poor for over a decade. The *Africa Mercy* will join our new flagship as, together, they serve to reach more people in desperate need than ever before.

From the *Anastasis* to our current vessel, the *Africa Mercy*, our hospital ships have helped impact over 2.8 million lives around the world by providing safe, clean environments for surgical care and training.



The Next Steps

Transforming lives in Africa

Mercy Ships is committed to increasing our own surgical and training capacity. From the launch of our current vessel, the *Africa Mercy*, in 2007, we had plans to increase our capacity by adding a new, bigger ship capable of bringing even more hope and healing to those in need.

In response to the critical need for safe and accessible medical care, Mercy Ships commissioned the construction of the world's first purpose-built charity hospital ship — the *Global Mercy*. The design of the new ship incorporates more than 40 years of our experience, crew feedback, and learning. Using the latest technology for crew safety and security, the *Global Mercy* will provide accommodation for 641 people, including the crew and patients.

Once the fully funded construction of the *Global Mercy* is completed, the ship will join our fleet and more than double our surgical and training capacity. It is expected that within its 50-year service, more than 150,000 lives will be changed on board through surgery alone.

After construction is completed, this hospital ship

will have the facilities needed to carry out a wide range of surgeries, including repairing cleft-lips and palates, removing cataracts and life-threatening tumours, correcting debilitating burn contractures, and more. The new hospital will cover most of decks 3 and 4 and will house six operating rooms, 102 acute care beds, seven ICU/isolation beds, and an additional 90 self-care beds.

Through direct surgical intervention, Mercy Ships stands in the gap and helps to alleviate pressure on a nation's health care system and at the same time we help to increase and improve the local health care system through training and capacity building. Providing surgery alone is not enough to tackle the global surgery crisis, we must support and strengthen the local surgical health system from grassroots to government in the most impactful way possible.

That is why in addition to the increased capacity for surgical care that we will be able to provide, the new ship will also increase our ability to train local health care professionals with dedicated teaching spaces and simulator labs for more effective surgical training. All pre- and post-operative work will be done on board the *Global Mercy*, which minimises our footprint when operating in busy ports.

With a training platform, observation facilities, and classrooms on board, we can build for the future

by providing vital training and mentoring of medical professionals while working to upgrade the local health care facilities of the nations we serve.

The *Global Mercy* and *Africa Mercy* working together to eradicate diseases of poverty will more than double our surgical capacity and enable us to operate in two countries simultaneously.

Mercy Ships has the potential, within a generation, to transform the health care story in Africa. Thanks to our family of partners, supporters, and volunteers, we have been able to help the next patient in line receive the surgery that will change their life, freeing them to embrace their future.

IMAGES: The world's first purpose build hospital ship, the *Global Mercy* under construction. The ship will impact over 150,000 lives over its 50 year service.

Together, we can make a difference to the lives of thousands and change the surgical landscape of whole countries, not only in the immediate future, but for decades to come.

A look inside the *Global Mercy*

Decks – **12**
Hospital Area – **7,000** square meters
Operating Rooms – **6**
Patient Capacity – **199**
Crew Capacity – **641**
K-12 School Capacity – **50+**
Auditorium Seating – **684**
Simulation Lab



How you can help

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

You can help provide life-changing medical treatments and surgeries and change the face of health care in the nations that our ships visit, 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 at 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](https://www.mercyshipsaustralia.org.au)



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Mercy Ships Australia is a registered charity endorsed for tax concessions
ABN 30 097 037 922

Registered with



MERCY SHIPS AUSTRALIA LTD

ABN: 30 097 037 922

**Financial Report For The Year Ended
31 December 2019**

Mercy Ships Australia Ltd

ABN: 30 097 037 922

Financial Report For The Year Ended 31 December 2019

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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 2019

	Note	2019	2018
		\$	\$
Revenue	2	103,985	106,251
Other income	2	7,855,066	7,432,292
Employee benefits expense		(554,321)	(412,438)
Depreciation and amortisation expense	3	(11,213)	(12,569)
Rental expense	3	(14,538)	(12,757)
Audit, legal and consultancy fees		(6,091)	(4,880)
Marketing expenses		(747,196)	(657,821)
Donations made - Mercy Ships projects		(3,952,729)	(3,762,097)
Donations made - contributed services		(2,513,765)	(2,499,346)
Sundry expenses		(151,602)	(150,467)
Current year surplus before income tax		7,596	26,168
Income tax expense		-	-
Net current year surplus		7,596	26,168
Other comprehensive income			
Other comprehensive income		-	-
Total other comprehensive (losses)/income for the year		-	-
Total comprehensive income for the year		7,596	26,168
Surplus attributable to members of the entity		7,596	26,168
Total comprehensive income attributable to members of the entity		7,596	26,168

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 2019

	Note	2019 \$	2018 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	3,837,220	2,855,148
Accounts receivable and other debtors	5	38,911	29,815
Inventories	6	9,465	14,046
Other current assets	7	29,955	27,423
TOTAL CURRENT ASSETS		<u>3,915,551</u>	<u>2,926,432</u>
NON-CURRENT ASSETS			
Property, plant and equipment	8	36,917	39,027
Intangible assets	9	100	100
Right-of-use assets	10	18,031	-
TOTAL NON-CURRENT ASSETS		<u>55,048</u>	<u>39,127</u>
TOTAL ASSETS		<u>3,970,599</u>	<u>2,965,559</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and other payables	11	3,413,718	2,465,292
Lease liabilities	11	10,389	-
Employee provisions	12	77,729	56,797
TOTAL CURRENT LIABILITIES		<u>3,501,836</u>	<u>2,522,089</u>
NON-CURRENT LIABILITIES			
Accounts payable and other payables	11	-	-
Lease liabilities	11	8,353	-
Employee provisions	12	34,738	25,394
TOTAL NON-CURRENT LIABILITIES		<u>43,091</u>	<u>25,394</u>
TOTAL LIABILITIES		<u>3,544,927</u>	<u>2,547,483</u>
NET ASSETS		<u>425,672</u>	<u>418,076</u>
EQUITY			
Retained surplus		425,672	418,076
TOTAL EQUITY		<u>425,672</u>	<u>418,076</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

	Retained Surplus \$	Total \$
Balance at 1 January 2018	391,908	391,908
Comprehensive Income		
Surplus for the year attributable to owners of the entity	26,168	26,168
Other comprehensive income for the year	-	-
Total other comprehensive income	-	-
Total comprehensive income attributable to owners of the entity	26,168	26,168
Balance at 31 December 2018	418,076	418,076
Balance at 1 January 2019	418,076	418,076
Comprehensive Income		
Surplus for the year attributable to owners of the entity	7,596	7,596
Other comprehensive income for the year	-	-
Total other comprehensive income	-	-
Total comprehensive income for the year	7,596	7,596
Transactions with members, in their capacity as members, and other transfers	-	-
Total transactions with members and other transfers	-	-
Balance at 31 December 2019	425,672	425,672

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 2019

	Note	2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Commonwealth, state and local government grants		-	29,424
Receipts from donations, bequests and raffles		5,361,916	4,927,706
Payments to suppliers and employees		(4,445,015)	(3,871,138)
Interest received		74,274	61,638
Net cash generated from operating activities	17	991,175	1,147,630
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	3,000
Payment for property, plant and equipment		(9,103)	(38,717)
Net cash used in investing activities		(9,103)	(35,717)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		-	-
Increase in borrowings		-	-
Net cash used in financing activities		-	-
Net increase in cash held		982,072	1,111,913
Cash on hand at beginning of the financial year		2,855,148	1,743,235
Cash on hand at end of the financial year	4	3,837,220	2,855,148

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 2019

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, 2020 by the directors of the company.

Note 1 Summary of Significant Accounting Policies

Accounting Policies

(a) Revenue

Revenue recognition

The Entity has applied AASB 15: Revenue from Contracts with Customers and AASB 1058: Income of Not-for-Profit Entities using the cumulative effective method; that is, by recognising the cumulative effect of initially applying AASB 15 and AASB 1058 as an adjustment to the opening balance of equity at 1 January 2019. Therefore, the comparative information has not been restated and continues to be presented under AASB 118: *Revenue* and AASB 1004: *Contributions*. The details of accounting policies under AASB 118 and AASB 1004 are disclosed separately since they are different from those under AASB 15 and AASB 1058, and the impact of changes is disclosed in this note.

In the current year

Operating grants, donations and bequests

When the entity received operating grant revenue, donations or bequests, it assesses whether the contract is enforceable and has sufficiently specific performance obligations in accordance with AASB 15.

When both these conditions are satisfied, the Entity:

- identifies each performance obligation relating to the grant;
- recognises a contract liability for its obligations under the agreement; and
- recognises revenue as it satisfies its performance obligations.

Where the contract is not enforceable or does not have sufficiently specific performance obligations, the Entity:

- recognises the asset received in accordance with the recognition requirements of other applicable accounting standards (eg AASB 9, AASB 16, AASB 116 and AASB 138);
- recognises related amounts (being contributions by owners, lease liability, financial instruments, provisions, revenue or contract liability arising from a contract with a customer); and
- recognises income immediately in profit or loss as the difference between the initial carrying amount of the asset and the related amount.

If a contract liability is recognised as a related amount above, the Entity recognises income in profit or loss when or as it satisfies its obligations under the contract.

Capital grant

When the Entity receives a capital grant, it recognises a liability for the excess of the initial carrying amount of the financial asset received over any related amounts (being contributions by owners, lease liability, financial instruments, provisions, revenue or contract liability arising from a contract with a customer) recognised under other Australian Accounting Standards.

The Entity recognises income in profit or loss when or as the Entity satisfies its obligations under the terms of the grant.

Interest income

Interest income is recognised using the effective interest method.

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

In the comparative period

Non-reciprocal grant revenue was recognised in profit or loss when the Entity obtained control of the grant and it was probable that the economic benefits gained from the grant would flow to the Entity and the amount of the grant could be measured reliably.

If conditions were attached to the grant which must be satisfied before the Entity was eligible to receive the contribution, the recognition of the grant as revenue was deferred until those conditions were satisfied.

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

Donations and bequests were recognised as revenue when received.

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

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

MERCY SHIPS AUSTRALIA LTD
ABN: 30 097 037 922
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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.

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

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

(d) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost 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.

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

The Entity as lessee

At inception of a contract, the Entity assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Entity where the Entity is a lessee. However, all contracts that are classified as short-term leases (ie a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Entity uses the incremental borrowing rate.

MERCY SHIPS AUSTRALIA LTD
ABN: 30 097 037 922
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options if lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Entity anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

(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 (i.e. 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.

(g) Impairment of Assets

At the end of each reporting period, the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs 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.

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.

MERCY SHIPS AUSTRALIA LTD
ABN: 30 097 037 922
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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) Intangible Assets

Data Files

Data files are recorded at cost. It has a finite life and is carried at cost less accumulated amortisation and any impairment losses. It is assessed annually for impairment.

(n) 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.

(o) 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.

(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.

Note 2 Revenue and Other Income

	2019 \$	2018 \$
Revenue		
Revenue from grants		
— State/federal government grants – operating	7,066	29,424
Total revenue	7,066	29,424
Other revenue		
Interest received on investments and bank accounts	96,919	76,827
	96,919	76,827
Total revenue	103,985	106,251

MERCY SHIPS AUSTRALIA LTD
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Other income		
— Donations received	5,336,558	4,648,199
— Sale of goods	4,743	8,968
— Donations received - contributed services	2,513,765	2,499,346
— Bequests received	-	275,779
Total other income	7,855,066	7,432,292
Total revenue and other income	7,959,051	7,538,543
Note 3 Surplus for the year		
	2019	2018
	\$	\$
a. Expenses		
Employee benefits expense:		
— contributions to defined contribution superannuation funds	44,957	34,492
— Salaries and wages	509,364	377,946
Total employee benefits expense	554,321	412,438
Depreciation and amortisation:		
— motor vehicles	3,035	9,278
— furniture and equipment	8,178	3,291
Total depreciation and amortisation	11,213	12,569
Rental expense on operating leases:		
— minimum lease payments	14,538	12,757
Total rental expense	14,538	12,757
Audit fees:		
— audit services	4,600	4,500
— Relief fund audits	400	380
Total audit remuneration	5,000	4,880
Note 4 Cash and Cash Equivalents		
	2019	2018
	\$	\$
CURRENT		
General account	55,138	32,357
Relief account	3,782,082	2,822,791
Total cash on hand as stated in the statement of financial position and statement of cash flows	3,837,220	2,855,148
	3,837,220	2,855,148
Note 5 Accounts Receivable and Other Debtors		
	2019	2018
	\$	\$
CURRENT		
Accounts receivable	-	5,240
Other debtors	38,911	24,575
Total current accounts receivable and other debtors	38,911	29,815
	38,911	29,815
Note 6 Inventories		
	2019	2018
	\$	\$
CURRENT		
At cost:		
Inventory	9,465	14,046
	9,465	14,046
At current replacement cost:		
Donated inventory	-	-
	-	-
	9,465	14,046

MERCY SHIPS AUSTRALIA LTD
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Note 7 Other Current Assets

	2019	2018
	\$	\$
Accrued Income	22,645	21,685
Prepayments	7,310	5,738
	<u>29,955</u>	<u>27,423</u>

Note 8 Property, Plant and Equipment

	2019	2018
	\$	\$
PLANT AND EQUIPMENT		
Motor Vehicles		
At cost	21,314	21,314
Accumulated depreciation	<u>(6,214)</u>	<u>(3,178)</u>
	<u>15,100</u>	<u>18,136</u>
Furniture and Fixtures		
At cost	6,288	6,288
Accumulated depreciation	<u>(1,514)</u>	<u>(242)</u>
	<u>4,774</u>	<u>6,046</u>
Office Equipment		
At cost	30,682	23,061
Accumulated depreciation	<u>(13,639)</u>	<u>(8,216)</u>
	<u>17,043</u>	<u>14,845</u>
Total plant and equipment	<u>36,917</u>	<u>39,027</u>
Total property, plant and equipment	<u>36,917</u>	<u>39,027</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
	\$	\$	\$
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	<u>(9,278)</u>	<u>(3,291)</u>	<u>(12,569)</u>
Carrying amount at the end of the year	<u>18,136</u>	<u>20,891</u>	<u>39,027</u>
2019			
Balance at the beginning of the year	18,136	20,891	39,027
Additions at cost		9,104	9,104
Depreciation expense	<u>(3,036)</u>	<u>(8,178)</u>	<u>(11,214)</u>
Carrying amount at the end of the year	<u>15,100</u>	<u>21,817</u>	<u>36,917</u>

Note 9 Intangible Assets

	2019	2018
	\$	\$
Data Files - at cost	5,900	5,900
Accumulated amortisation	<u>(5,800)</u>	<u>(5,800)</u>
Net carrying amount	<u>100</u>	<u>100</u>

Movements in Carrying Amount

	Data Files
	\$
2018	
Balance at the beginning of the year	100
Additions	-
Disposals	-
Amortisation charge	<u>-</u>
	<u>100</u>

MERCY SHIPS AUSTRALIA LTD
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2019

Balance at the beginning of the year	100
Additions	-
Disposals	-
Amortisation charge	-
	<u>100</u>

Note 10 Right-of-use assets

The entity has entered into a lease for the head office from which the entity operates. The lease is for a term of 3 years, commencing in October, 2018.

i) AASB 16 related amounts recognised in the balance sheet

<u>Right-of-use assets</u>	2019
	\$
Leased building	28,334
Accumulated depreciation	<u>(10,303)</u>
Total right-of-use asset	<u>18,031</u>

Movements in carrying amounts:

Leased buildings:

Recognised on initial application of AASB 16 (previously classified as operating leases under AASB 117)	28,334
Depreciation expense	<u>(10,303)</u>
Net carrying amount	<u>18,031</u>

Note 11 Accounts Payable and Africa Mercy Projects

	Note	2019 \$	2018 \$
CURRENT			
Accounts payable		139,893	136,905
Other current payables		13,825	28,387
Payable to Mercy Ships Projects		<u>3,260,000</u>	<u>2,300,000</u>
	11a	<u>3,413,718</u>	<u>2,465,292</u>

NON-CURRENT

Accounts payable		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>

		2019 \$	2018 \$
a Financial liabilities at amortised cost classified as accounts payable and other payables			
Accounts payable and other payables:			
— Total current		3,413,718	2,465,292
— Total non-current		<u>-</u>	<u>-</u>
		<u>3,413,718</u>	<u>2,465,292</u>
Less other payables (net amount of GST payable)		<u>-</u>	<u>-</u>
Financial liabilities as accounts and other payables	18	<u>3,413,718</u>	<u>2,465,292</u>
b Contract liabilities			
Balance at the beginning of the year		-	-
Reclassified from deferred income on initial application of AASB 15		28,334	
Less:			
— Amortised during the year		<u>(9,592)</u>	<u>-</u>
— Closing balance at the end of the year		<u>18,742</u>	<u>-</u>

MERCY SHIPS AUSTRALIA LTD
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Note 12 Employee Provisions

	2019	2018
CURRENT	\$	\$
Provision for employee benefits: annual leave	77,729	56,797
Provision for employee benefits: long service leave	-	-
	<u>77,729</u>	<u>56,797</u>
NON-CURRENT		
Provision for employee benefits: long service leave	34,738	25,394
	<u>34,738</u>	<u>25,394</u>
	<u>112,467</u>	<u>82,191</u>
Analysis of total provisions:	Employee Benefits	Total
Opening balance at 1 January 2019	82,191	82,191
Additional provisions raised during the year	30,276	30,276
Amounts used	-	-
Balance at 31 December 2019	<u>112,467</u>	<u>112,467</u>

Provision for employee benefits

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

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the entity 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 entity 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(h).

Note 13 Capital and Leasing Commitments

(a) Operating Lease Commitments

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

	2019	2018
Payable – minimum lease payments	\$	\$
— not later than 12 months	11,436	11,436
— between 12 months and five years	8,577	20,013
	<u>20,013</u>	<u>31,449</u>

The property lease commitments are 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 14 Contingent Liabilities and Contingent Assets

	2019	2018
	\$	\$
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 15 Events After the Reporting Period

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

MERCY SHIPS AUSTRALIA LTD
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Note 16 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 17 Cash Flow Information

	2019 \$	2018 \$
a. Reconciliation of Cash Flows from Operating Activities with Net Current Year Surplus		
Net current year surplus	7,596	26,168
Adjustment for:		
Depreciation and amortisation expense	11,213	12,569
Movement in working capital changes:		
(Increase)/decrease in accounts receivable and other debtors	(9,096)	(20,429)
Increase/(decrease) in accounts payable and other payables	967,168	1,147,735
(Increase)/decrease in other current assets	(2,532)	(21,896)
(Increase)/decrease in right-of-use assets	(18,031)	-
Increase/(decrease) in employee provisions	30,276	7,531
(Increase)/decrease in inventories on hand	4,581	(4,048)
	991,175	1,147,630

Note 18 Financial Risk Management

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

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	2019 \$	2018 \$
Financial assets			
Financial assets at fair value through profit or loss:			
Financial assets:			
— cash and cash equivalents	4	3,837,220	2,855,148
— accounts receivable and other debtors	5	38,911	29,815
Total financial assets		3,876,131	2,884,963
Financial liabilities			
Financial liabilities at amortised cost:			
— accounts payable and other payables	11a	3,413,718	2,465,292
— lease liabilities		18,742	-
Total financial liabilities		3,432,460	2,465,292

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.

MERCY SHIPS AUSTRALIA LTD
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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.

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	
	2019	2018	2019	2018	2019	2018	2019	2018
Financial liabilities due for payment	\$	\$	\$	\$	\$	\$	\$	\$
Accounts payable and other payables (excluding estimated annual leave and deferred income)	3,413,718	2,465,292					3,413,718	2,465,292
Lease liabilities	10,389	-	8,353				18,742	-
Total expected outflows	3,424,107	2,465,292	8,353	-	-	-	3,432,460	2,465,292
Financial Assets - cash flows realisable								
Cash and cash equivalents	3,837,220	2,855,148					3,837,220	2,855,148
Accounts receivable and other debtors	38,911	29,815					38,911	29,815
Total anticipated inflows	3,876,131	2,884,963	-	-	-	-	3,876,131	2,884,963
Net (outflow) / inflow on financial instruments	452,024	419,671	(8,353)	-	-	-	443,671	419,671

MERCY SHIPS AUSTRALIA LTD
ABN: 30 097 037 922
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 2019		
+/- 1% in interest rates	38,372	38,372
	Surplus	Equity
	\$	\$
Year ended 31 December 2018		
+/- 1% in interest rates	28,551	28,551

No sensitivity analysis has been performed on foreign exchange risk as the company has no material exposures to currency risk.

There have been no changes in any of the assumptions used to prepare the above sensitivity analysis from the prior year.

Note 19 Entity Details

The registered office of the entity is:

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

The principal place of business is:

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

Note 20 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
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DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Mercy Ships Australia Ltd, 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 2019 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 2020

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

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 2019, 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 and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion, the accompanying financial report of the Registered Entity is in accordance with Division 60 of the Australian Charities and Not-for-profits Commission Act 2012 (the ACNC Act), including:

- i. giving a true and fair view of the Registered Entity's financial position as at 31 December 2019 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards to the extent described in Note 1 and Division 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, the 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.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Registered Entity's financial reporting responsibilities under the Australian Charities and Not-for-profits Commission Act 2012. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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 and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the Australian Charities and Not-for-profits Commission Act 2012 and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- 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.

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:

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

Dated this 15th day of March 2020