

MERRI COMMUNITY HEALTH SERVICES LIMITED

ACN: 135 261 988

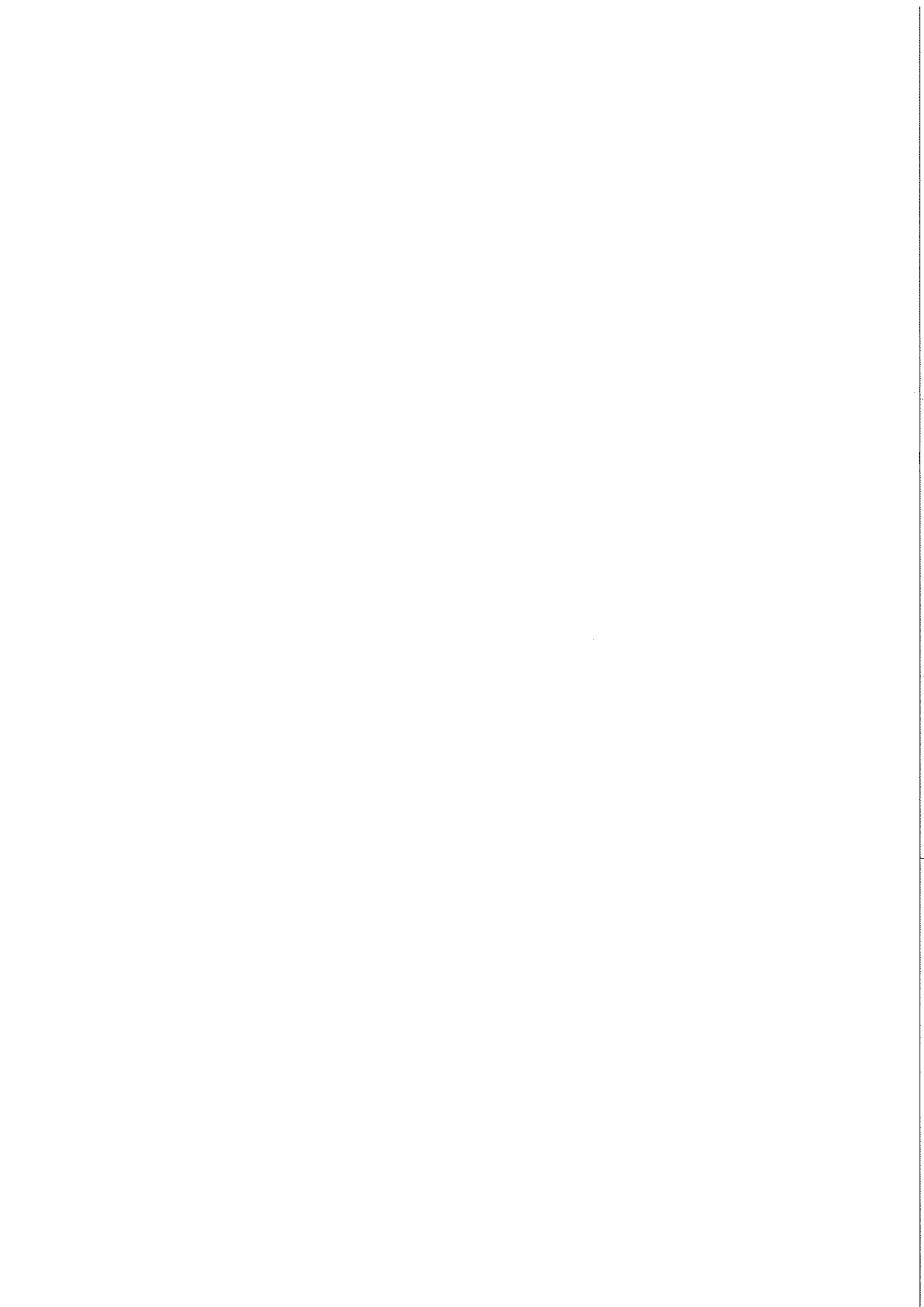
**Financial Report For The Year Ended
30 June 2010**

Merri Community Health Services Limited

ACN: 135 261 988

Financial Report For The Year Ended 30 June 2010

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MERRI COMMUNITY HEALTH SERVICES LIMITED
ACN: 135 261 988
DIRECTORS' REPORT

Your directors present this report on the entity for the financial year ended 30 June 2010.

Directors

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

Katerina Angelopoulos
 Margaret Burdeu
 Genevieve Juj
 Anthony Helou
 Michael Caputo
 Milad El-Halabi
 Stephen Duns appointed (27/10/2009)
 Jane Meredith Carter appointed (27/10/2009)
 Bernard John Moran resigned (2/02/2010)

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

The principal activity of the entity during the financial year was to meet the health and welfare needs of individuals in the region

The entities short and long term objectives are to meet the health and welfare needs of individuals by:

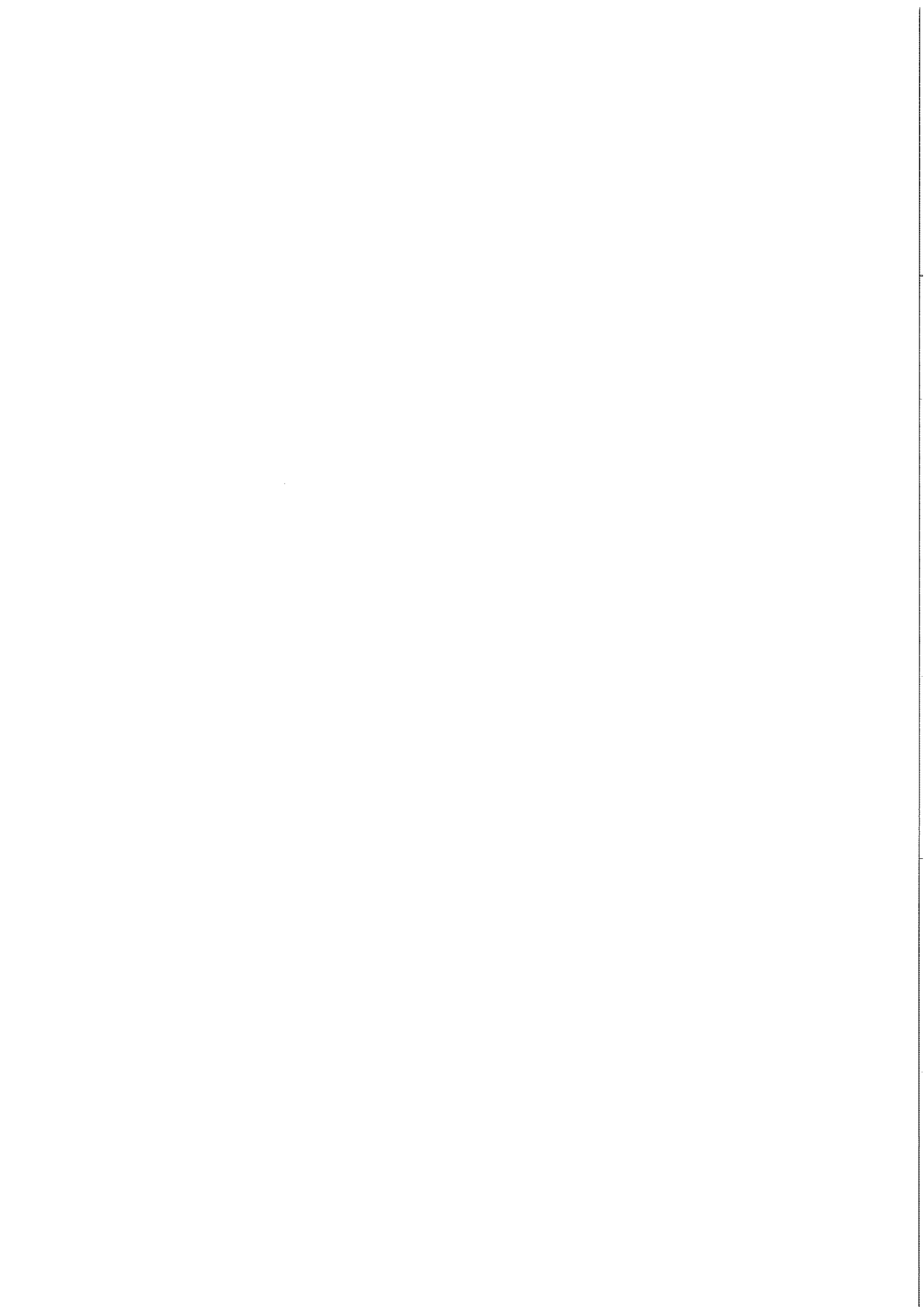
- using a social model of health which recognises the needs of individuals who cannot readily access the health and welfare system;
- focussing on individuals who have complex health care needs, in particular those who are frail, aged, youth, disabled or mentally ill;
- giving priority to individuals who, aside from illness, are suffering from distress, misfortune, helplessness or poverty; providing these services in a culturally appropriate, effective and empowering manner;
- directly providing and facilitating the provision of a range of health, welfare and support services to individuals;
- assessing the needs of individuals and developing and implementing care plans to meet individual and carer needs;
- co-ordinating, implementing and monitoring the quality and effectiveness of care provided to individuals and modifying as appropriate; and
- directly providing a range of community-based services to individuals.

To achieve these objectives, the entity has adopted strategies which include;

- The entity strives to attract and retain quality staff and volunteers who are committed to working with the community in need, and this is evidenced by low staff turnover. The entity believes that attracting and retaining quality staff and volunteers will assist with the success of the entity in both the short and long term.
- Staff and volunteers work in partnership with a range of community stakeholders, and this is evidenced by ongoing support of the entity's projects and initiatives. The entity ensures community stakeholders understand and are committed to the objectives of the entity through ongoing education in order for the projects to succeed.
- Staff and volunteers are committed to providing the best of all possible outcomes on behalf of the community with whom the organisation is involved. This is evidenced by the success of new and existing programs in support of the community in need. Committed staff and volunteers allow the entity the ability to engage in continuous improvement.
- The entity's staff and volunteers strive to meet consistent standards of best practice and provide clear expectations of professional accountabilities and responsibilities to all stakeholders. This is evidenced by the performance of staff and volunteers being assessed based on these accountabilities, and ensure that staff are operating in the best interests of the community.

Information on Directors

Katerina Angelopoulos	—	Chair
Qualifications	—	Bachelor of Social Work, Dip Welfare Studies
Responsibilities	—	Community and Member Engagement Sub-Committee
Bernard John Moran	—	Board Member
Qualifications	—	Graduate Diploma in Community Development
Responsibilities	—	Research Development and Evaluation Sub-Committee
Margaret Burdeu	—	Treasurer & Board Member
Responsibilities	—	Finance, Risk and Audit Sub-Committee
Genevieve Juj	—	Board Member
Qualifications	—	BA Arts, Bachelor of Social Work, Master of Social Work (Human Services Management)
Responsibilities	—	Community and Member Engagement Sub-Committee
Anthony Helou	—	Board Member
Qualifications	—	Certificate in Building (Business Professionals Group). Diploma in Health Counselling (University of Sydney)
Responsibilities	—	Community and Member Engagement Sub-Committee



MERRI COMMUNITY HEALTH SERVICES LIMITED
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DIRECTORS' REPORT

- | | | |
|----------------------|---|--|
| Michael Caputo | — | Board Member |
| Qualifications | — | Bachelor of Arts |
| Responsibilities | — | Finance, Risk and Audit Sub-Committee |
| Milad El-Halabi | — | Board Member |
| Qualifications | — | Justice of the Peace in Victoria. Have a Statement of Attainment in Marriage Celebrant and Qualified Civil Celebrant. Certificate 4 in Building. |
| Responsibilities | — | Finance, Risk and Audit Sub-Committee |
| Stephen Duns | — | Board Member |
| Qualifications | — | Doctor of Business Leadership. Master of Business Administration. Bachelor of Letters (Psychology). Bachelor of Arts (Philosophy). Diploma, Australian Institute of Company Directors. |
| Responsibilities | — | Convener Strategic Research, Development and Evaluation Sub-Committee. |
| Jane Meredith Carter | — | Board Member |
| Qualifications | — | Master of Laws. Bachelor of Arts. Certificate of Health Economics. |
| Responsibilities | — | Strategic Research, Development and Evaluation Sub Committee |

Meetings of Directors

During the financial year, 12 meetings of directors were held. Attendances by each director were as follows:


	Directors' Meetings	
	Number eligible to attend	Number attended
Katerina Angelopoulos	12	11
Bernard John Moran	8	8
Margaret Burdeu	12	11
Genevieve Juj	12	11
Anthony Helou	12	10
Michael Caputo	12	9
Milad El-Halabi	12	6
Stephen Duns	9	8
Jane Meredith Carter	9	9

The entity is incorporated under the Corporations Act 2001 and is an entity limited by guarantee. If the entity is wound up, the constitution states that each member is required to contribute a maximum of \$2 each towards meeting any outstanding obligations of the entity. At 30 June 2010, the collective liability of members was \$2,770 (2009: \$2,594).

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 3 of the directors' report.

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

Director 

Katerina Angelopoulos

Dated this 28th day of September 2010

Director 

Margaret Burdeu



Merri Community Health Services Limited
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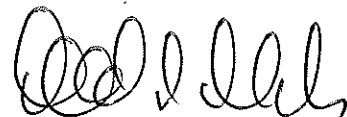
Auditors Independence Declaration under Section 307C of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

WILLIAM BUCK AUDIT (VIC) PTY LTD

ABN 59 116 151 136



A P MARKS
Director

Melbourne: 28 September 2010

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

2000

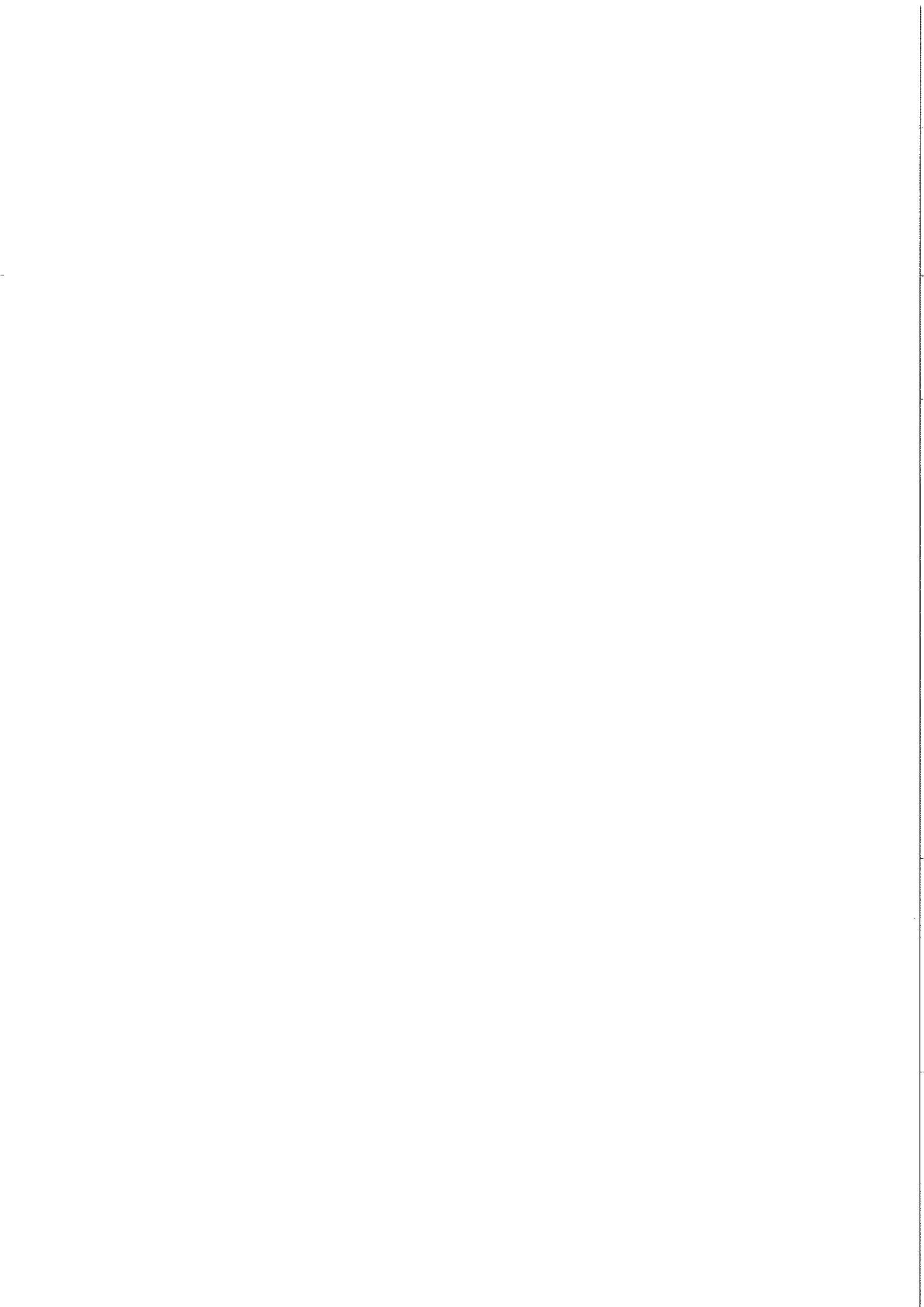
MERRI COMMUNITY HEALTH SERVICES LIMITED

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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010	2009
		\$	\$
Revenue	2	24,133,461	23,988,404
Other income	2	2,667,825	1,780,211
Employee benefits expense		(15,686,367)	(13,266,355)
Depreciation and amortisation expense	3	(846,106)	(763,452)
Rental expense	3	(383,102)	(308,145)
Client Costs		(5,949,061)	(5,782,876)
Operational Expenses		(3,817,350)	(3,209,793)
Profit for the year		119,300	2,437,994
Other comprehensive income:			
Net gain on land and buildings reserve		100,008	-
Total comprehensive income for the year		100,008	-
Total comprehensive income attributable to members of the entity		219,308	2,437,994

The accompanying notes form part of these financial statements.



MERRI COMMUNITY HEALTH SERVICES LIMITED
ACN: 135 261 988
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	2010 \$	2009 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	8,474,981	7,835,940
Trade and other receivables	5	445,564	711,449
Other assets	6	274,885	-
TOTAL CURRENT ASSETS		<u>9,195,430</u>	<u>8,547,389</u>
NON-CURRENT ASSETS			
Property, plant and equipment	7	6,990,139	6,648,083
Other non-current assets		89,030	27,951
TOTAL NON-CURRENT ASSETS		<u>7,079,169</u>	<u>6,676,034</u>
TOTAL ASSETS		<u>16,274,599</u>	<u>15,223,423</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	8	1,863,306	1,254,160
Short term provisions	9	1,537,434	1,382,859
TOTAL CURRENT LIABILITIES		<u>3,400,740</u>	<u>2,637,019</u>
NON-CURRENT LIABILITIES			
Long term provisions	9	356,039	287,892
TOTAL NON-CURRENT LIABILITIES		<u>356,039</u>	<u>287,892</u>
TOTAL LIABILITIES		<u>3,756,779</u>	<u>2,924,911</u>
NET ASSETS		<u>12,517,820</u>	<u>12,298,512</u>
EQUITY			
Retained earnings		6,772,547	6,653,247
Reserves	15	5,745,273	5,645,265
TOTAL EQUITY		<u>12,517,820</u>	<u>12,298,512</u>

The accompanying notes form part of these financial statements.



MERRI COMMUNITY HEALTH SERVICES LIMITED

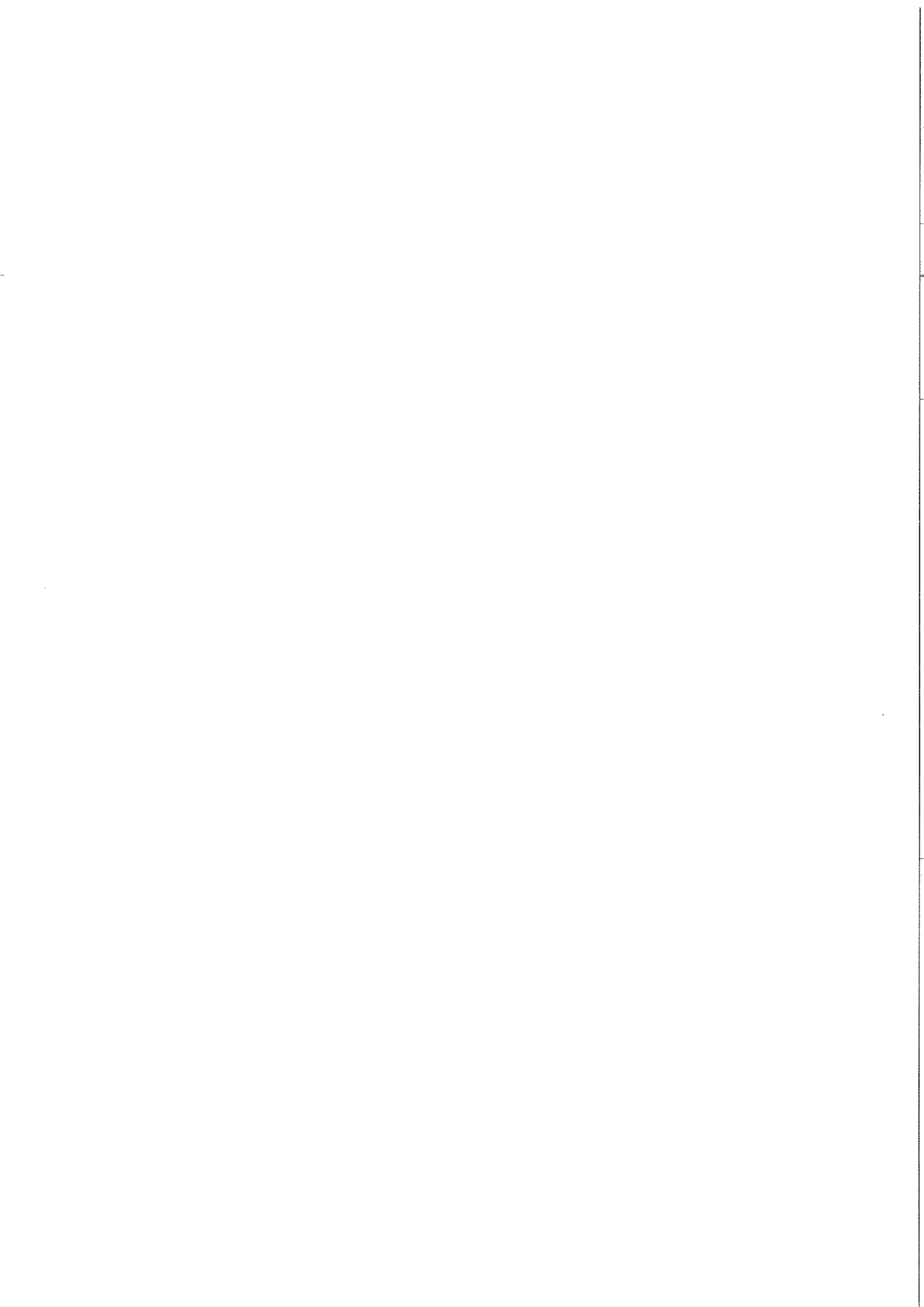
ACN: 135 261 988

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	Retained Earnings	Asset Revaluation Reserve	Reserve for Land and Buildings	Financial Assets Reserve	Total
	\$	\$		\$	\$
Balance at 1 July 2008	4,215,253	147,242	-	5,498,023	9,860,518
Surplus attributable to the entity	2,437,994	-	-	-	2,437,994
Balance at 30 June 2009	6,653,247	147,242	-	5,498,023	12,298,512
Surplus attributable to the entity	119,300	-	-	-	119,300
Total other comprehensive income for the year	-	-	100,008	-	100,008
Balance at 30 June 2010	6,772,547	147,242	100,008	5,498,023	12,517,820

For a description of each reserve, refer to Note 15.

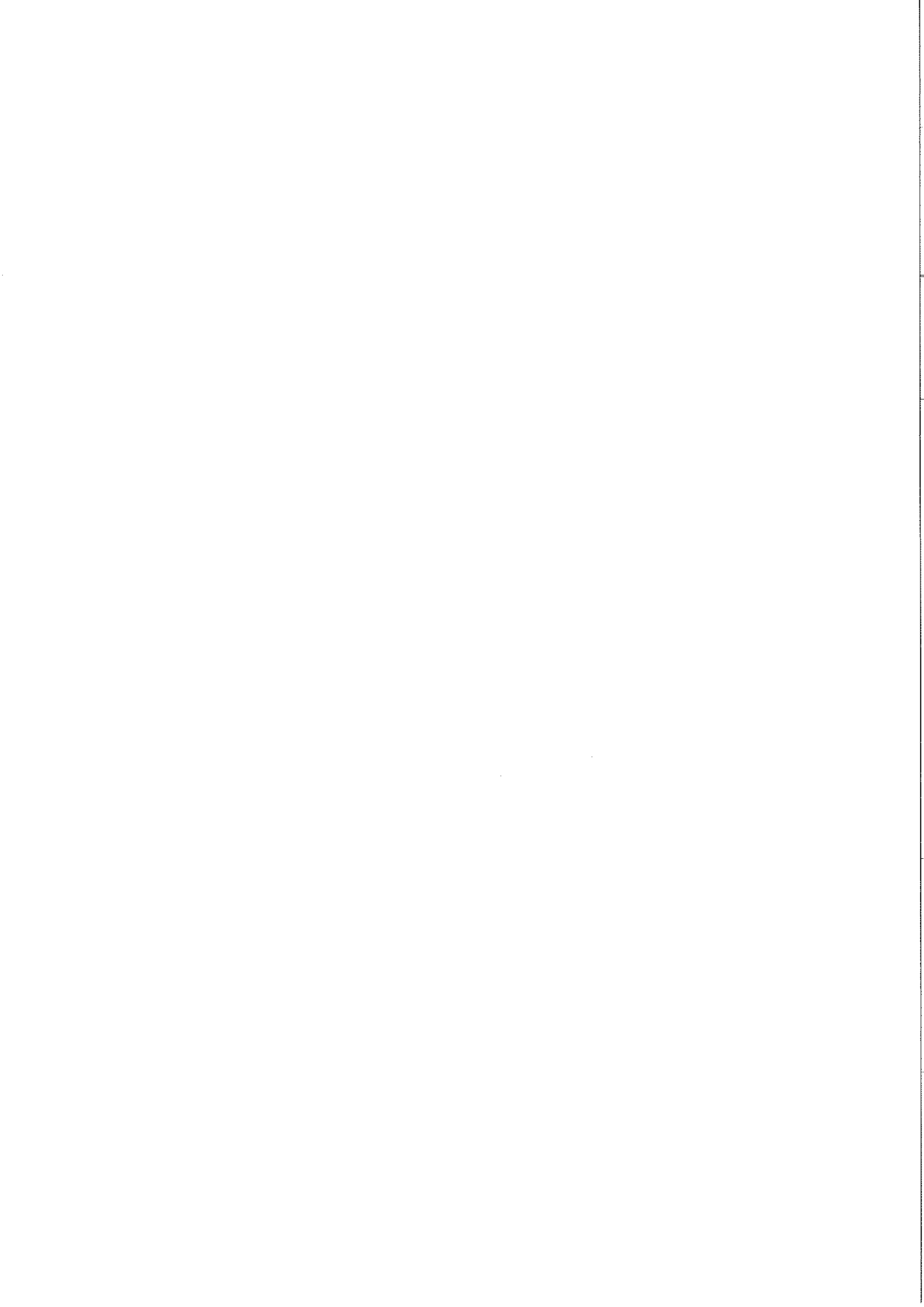
The accompanying notes form part of these financial statements.



MERRI COMMUNITY HEALTH SERVICES LIMITED
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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$	2009 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipt of Grants		24,122,060	23,493,094
Other receipts		1,733,290	1,769,462
Payments to suppliers and employees		(25,239,968)	(22,206,516)
Interest received		277,286	286,113
Net cash provided by/(used in) operating activities	13(b)	<u>892,668</u>	<u>3,342,153</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		2,334,986	302,510
Payment for property, plant and equipment		(2,588,613)	(1,249,875)
Net cash provided by/(used in) investing activities		<u>(253,627)</u>	<u>(947,365)</u>
Net increase/(decrease) in cash held		639,041	2,394,788
Cash and cash equivalents at the beginning of the financial year		7,835,940	5,441,152
Cash and cash equivalents at the end of the financial year	4	<u>8,474,981</u>	<u>7,835,940</u>

The accompanying notes form part of these financial statements.



MERRI COMMUNITY HEALTH SERVICES LIMITED
ACN: 135 261 988
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

The financial statements are for Merri Community Health Services Limited as an individual entity, incorporated and domiciled in Australia. Merri Community Health Services Limited is a company limited by guarantee.

Note 1 Summary of Significant Accounting Policies

Basis of Preparation

The financial statements are a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

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

Accounting Policies

(a) Revenue

Grant revenue is recognised in the statement of comprehensive income when the entity obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

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

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

Merri Community Health Services Limited receives non-reciprocal contributions of assets from the government and other parties for zero or a nominal value. These assets are recognised at fair value on the date of acquisition in the statement of financial position, with a corresponding amount of income recognised in the statement of comprehensive income.

Donations and bequests are recognised as revenue when received.

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

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

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

(b) Inventories

Inventories are measured at the lower of cost and current replacement cost.

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

(c) Property, Plant and Equipment

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

Property

Freehold land and buildings are shown at their fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

In periods when the freehold land and buildings are not subject to an independent valuation, the directors conduct directors' valuations to ensure the carrying amount for the land and buildings is not materially different to the fair value.

Increases in the carrying amount arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in the revaluation surplus in equity. Revaluation decreases that offset previous increases of the same class of assets shall be recognised in other comprehensive income under the heading of revaluation surplus. All other decreases are charged to the statement of comprehensive income.

As the revalued buildings are depreciated the difference between depreciation recognised in the statement of comprehensive income, which is based on the revalued carrying amount of the asset, and the depreciation based on the asset's original cost is transferred from the revaluation surplus to retained earnings.

Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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

Depreciation

The depreciable amount of all 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 held ready 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
Buildings	2.5%
Plant and equipment	10% - 33%



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Leased plant and equipment 10% - 20%

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

Asset classes carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Leases

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

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

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

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

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

(e) Financial Instruments

Initial Recognition and Measurement

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

Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as

- (i) the amount at which the financial asset or financial liability is measured at initial recognition
- (ii) less principal repayments
- (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- (iv) less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short-term profit taking, or where they are derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which will be classified as non-current assets.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

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

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

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

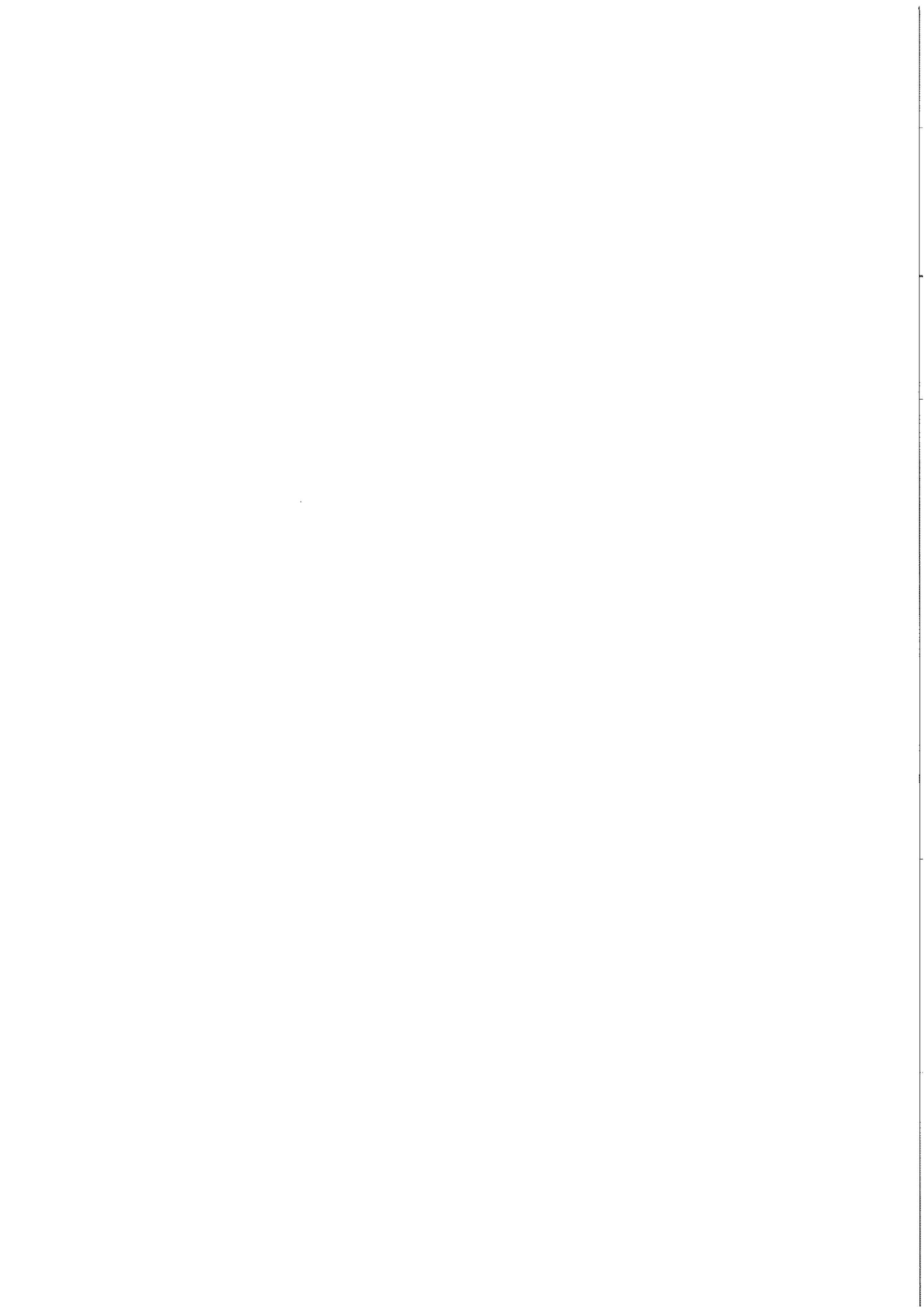
Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after the end of the reporting period.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.



MERRI COMMUNITY HEALTH SERVICES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Impairment

At the end of each reporting period, the entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability, which is extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(f) Impairment of Assets

At the end of each reporting period, the entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where the future economic benefits of the asset are not primarily dependent upon on the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an assets class, the entity estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

Where an impairment loss on a revalued asset is identified, this is debited 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 same class of asset.

(g) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Contributions are made by the entity to an employee superannuation fund and are charged as expenses when incurred.

(h) Cash and Cash Equivalents

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

(i) 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. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(j) 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*.

(k) Intangibles

Software

Software is recorded at cost. Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of between one and two years. It is assessed annually for impairment.

(l) 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 reporting period.

(m) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year. When an entity applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period must be disclosed.

(n) Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(o) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key Estimates

Impairment

At 30 June 2010 the directors reviewed the key assumptions made by the valuers at 30 June 2009. They have concluded that these assumptions remain materially unchanged, and are satisfied that carrying value does not exceed the recoverable amount of land and buildings at 30 June 2010.

(p) Economic Dependence

Merri Community Health Services Limited is dependent on the Department of Human Services for the majority of its revenue used to operate the business. At the date of this report the Board of Directors has no reason to believe the Department will not continue to support Merri Community Health Services Limited.



MERRI COMMUNITY HEALTH SERVICES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Note 2 Revenue and Other Income

	Note	2010 \$	2009 \$
Revenue from Government Grants and Other Grants			
— State/federal government grants		23,856,175	23,702,291
		<u>23,856,175</u>	<u>23,702,291</u>
Other Revenue			
— Interest received on financial assets not at fair value through profit or loss		277,286	286,113
		<u>277,286</u>	<u>286,113</u>
Total Revenue		<u>24,133,461</u>	<u>23,988,404</u>
Other Income			
Gain on disposal of property, plant and equipment		934,535	11,683
Charitable income and fundraising		8,279	(934)
Bequests received		18,156	9,011
Rental income		128,134	238,898
Other		253,427	90,327
Client Fees		1,099,651	737,718
Reimbursements		225,643	487,944
Prior Year Recoveries		-	205,564
Total Other Income		<u>2,667,825</u>	<u>1,780,211</u>
Total Revenue and Other Income		<u>26,801,286</u>	<u>25,768,615</u>

Note 3 Profit for the Year

		2010 \$	2009 \$
Expenses			
Depreciation and Amortisation			
— land and buildings		78,032	71,879
— motor vehicle		304,223	264,533
— furniture and equipment		154,702	171,079
— Leasehold Improvements Amortisation		309,149	255,961
Total Depreciation and Amortisation		<u>846,106</u>	<u>763,452</u>
Rental expense on operating leases			
— minimum lease payments		383,102	308,145
Total rental expense		<u>383,102</u>	<u>308,145</u>
Auditor Remuneration			
— audit services		33,800	25,550
Total Audit Remuneration		<u>33,800</u>	<u>25,550</u>

Note 4 Cash and Cash Equivalents

		2010 \$	2009 \$
CURRENT			
Cash at bank		384,369	2,482,513
Cash on hand		4,675	4,075
Cash on deposit		8,085,937	5,349,352
		<u>8,474,981</u>	<u>7,835,940</u>

Note 5 Trade and Other Receivables

		2010 \$	2009 \$
CURRENT			
Trade receivables		445,564	711,449
Provision for impairment	5(i)	-	-
Total current trade and other receivables	14	<u>445,564</u>	<u>711,449</u>

(i) Provision for Impairment of Receivables

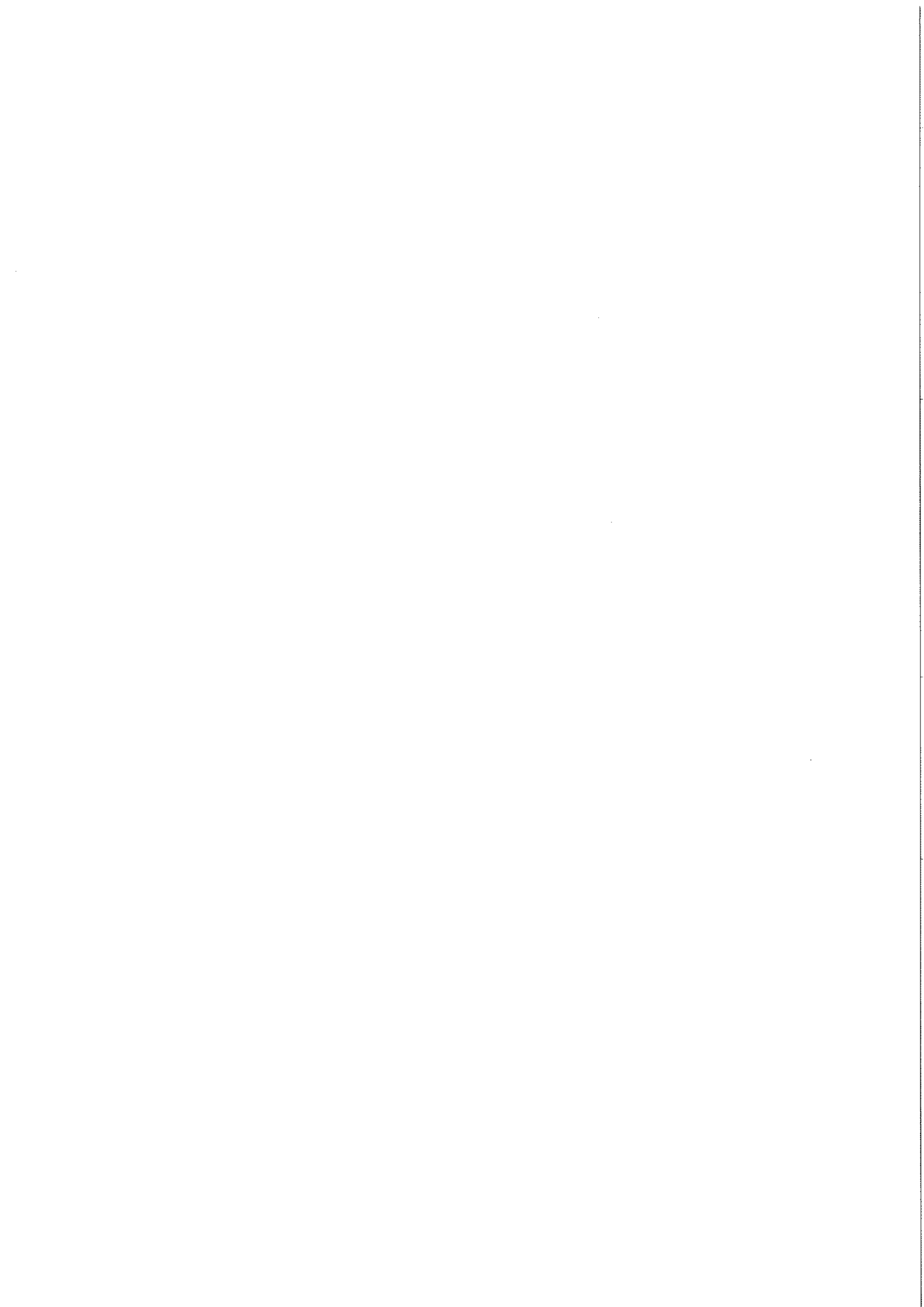
Current trade receivables are generally on 30 day terms. These receivables are assessed for recoverability and a provision for impairment is recognised when there is objective evidence that an individual trade receivable is impaired.

Credit risk - Trade and Other Receivables

The company does not have any material credit risk exposure to any single receivable or group of receivables.

The company does not hold any financial assets whose terms have been renegotiated, but which would otherwise be past due or impaired.

There are no balances within trade receivables that contain assets that are not impaired and are past due. It is expected that these balances will be received when due.



MERRI COMMUNITY HEALTH SERVICES LIMITED
ACN: 135 261 988
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Note 6	Other Assets			
		Note	2010	2009
			\$	\$
CURRENT				
	Accrued Income		74,494	-
	Prepayments		200,391	-
			<u>274,885</u>	<u>-</u>

Note 7	Property, Plant and Equipment			
			2010	2009
			\$	\$
LAND AND BUILDINGS				
Buildings at fair value:				
	— Directors valuation 2010		2,335,723	-
	— Independent valuation 2009		-	2,882,781
	Less accumulated depreciation		<u>(262,827)</u>	<u>(407,958)</u>
	Total buildings		<u>2,072,896</u>	<u>2,474,823</u>
PLANT AND EQUIPMENT				
Plant and equipment				
	At cost		3,829,051	3,451,848
	Less accumulated depreciation		<u>(1,544,907)</u>	<u>(1,516,405)</u>
			<u>2,284,144</u>	<u>1,935,443</u>
Leasehold Improvements				
	At Cost		4,205,512	3,501,081
	Less Accumulated Amortisation		<u>(1,572,413)</u>	<u>(1,263,264)</u>
			<u>2,633,099</u>	<u>2,237,817</u>
			-	-
	Total plant and equipment		<u>4,917,243</u>	<u>4,173,260</u>
	Total property, plant and equipment		<u>6,990,139</u>	<u>6,648,083</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:

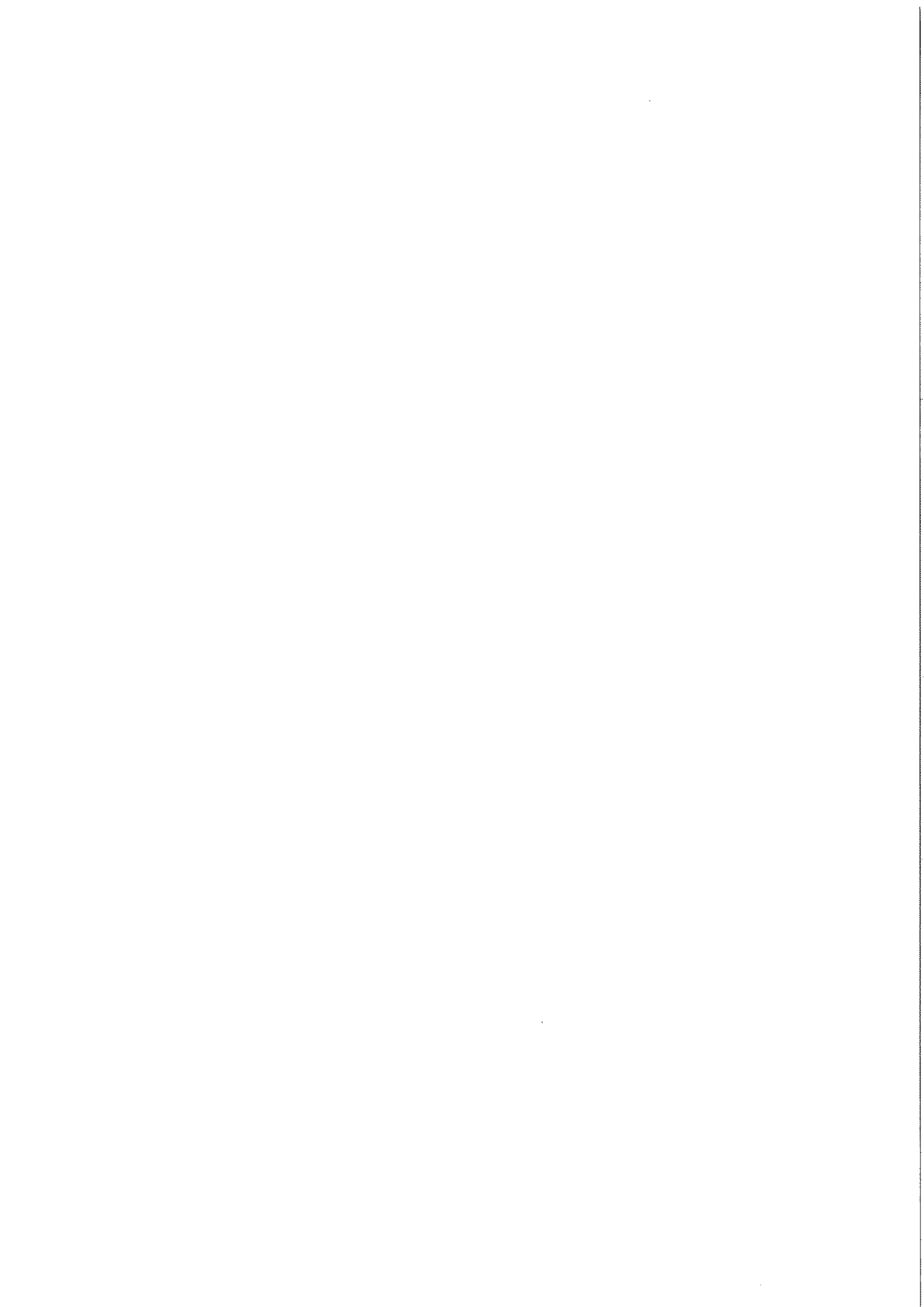
	Land and Buildings \$	Leasehold Improvements \$	Plant and Equipment \$	Total \$
2009				
Balance at the beginning of the year	2,533,660	2,194,605	1,724,222	6,452,487
Additions at cost	13,043	299,173	937,659	1,249,875
Disposals	-	-	(290,827)	(290,827)
Depreciation expense	(71,880)	(255,961)	(435,611)	(763,452)
Carrying amount at end of year	<u>2,474,823</u>	<u>2,237,817</u>	<u>1,935,443</u>	<u>6,648,083</u>
2010				
Balance at the beginning of the year	2,474,823	2,237,817	1,935,443	6,648,083
Additions at cost	655,326	704,431	1,228,856	2,588,613
Disposals	(979,222)	-	(421,229)	(1,400,451)
Depreciation expense	(78,032)	(309,149)	(458,925)	(846,106)
Carrying amount at end of year	<u>2,072,895</u>	<u>2,633,099</u>	<u>2,284,145</u>	<u>6,990,139</u>

Asset revaluations

At 30 June 2010 the directors reviewed the key assumptions made by the valuers at 30 June 2009. They have concluded that these assumptions remain materially unchanged, and are satisfied that carrying value does not exceed the recoverable amount of land and buildings at 30 June 2010.

Note 8	Trade and Other Payables			
			2010	2009
			\$	\$
CURRENT				
	Trade payables		655,158	649,332
	Deferred income		10,000	-
	Other current payables		885,263	69,860
	Employee benefits		-	51,889
	GST		312,885	483,079
		8(a)	<u>1,863,306</u>	<u>1,254,160</u>

			2010	2009
			\$	\$
(a)	Financial liabilities at amortised cost classified as trade and other payables			
	Trade and other payables			
	— Total Current		1,863,306	1,254,160
	Financial liabilities as trade and other payables	14	<u>1,863,306</u>	<u>1,254,160</u>



MERRI COMMUNITY HEALTH SERVICES LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Note 9 Provisions

CURRENT	Note	2010	2009
		\$	\$
Short-term Employee Benefits			
Opening balance at 1 July 2009		1,382,859	1,115,638
Additional provisions raised during year		154,575	1,218,229
Amounts used		-	(951,008)
Balance at 30 June 2010		<u>1,537,434</u>	<u>1,382,859</u>
NON-CURRENT			
Long-term Employee Benefits			
Opening balance at 1 July 2009		287,892	267,748
Additional provisions raised during year		68,147	174,878
Amounts used		-	(154,734)
Balance at 30 June 2010		<u>356,039</u>	<u>287,892</u>
Analysis of Total Provisions		\$	\$
Current		1,537,434	1,382,859
Non-current		<u>356,039</u>	<u>287,892</u>
		<u>1,893,473</u>	<u>1,670,751</u>

Provision for Long-term Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave. 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 on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

Note 10 Capital and Leasing Commitments

(a) Operating Lease Commitments

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

	2010	2009
	\$	\$
Payable – minimum lease payments		
— not later than 12 months	377,002	322,161
— later than 12 months but not later than 5 years	1,834,094	2,160,913
— greater than 5 years	46,000	96,183
	<u>2,257,096</u>	<u>2,579,257</u>

The property lease commitments are non-cancellable operating leases contracted for but not capitalised in the financial statements with a five-year term. Increase in lease commitment may occur in line with CPI.

Note 11 Key Management Personnel Compensation

	Short-term benefits	Post employment benefits	Other long-term benefits	Total
	\$	\$	\$	\$
2010				
Total compensation	576,737	46,248	-	622,985
2009				
Total compensation	528,902	42,073	-	570,975

Note 12 Related Party Transactions

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

Note 13 Cash Flow Information

	2010	2009
	\$	\$
(a) Reconciliation of cash		
Cash at bank	384,369	2,482,513
Other cash	8,090,612	5,353,427
	<u>8,474,981</u>	<u>7,835,940</u>
(b) Reconciliation of cash flow from operations with profit after income tax		
Surplus after income tax	119,300	2,437,994
Non cash flows		
Depreciation and amortisation	846,106	763,452
(Surplus)/Deficit on sale of property, plant and equipment	(934,535)	(11,683)
Transfer to land and buildings reserve	100,008	
Change in assets and liabilities		
(Increase)/decrease in trade and other receivables	265,885	(209,197)
Increase/(decrease) in trade and other payables	609,146	73,176
(Increase)/decrease in other assets (Accrued Income)	(74,494)	-
Increase/(decrease) in provisions	222,722	287,365
(Increase)/decrease in prepayments	(200,391)	1,046
(Increase)/decrease in other non current assets	(61,079)	-
	<u>892,668</u>	<u>3,342,153</u>



MERRI COMMUNITY HEALTH SERVICES LIMITED
ACN: 135 261 988
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Note 14 Financial Risk Management

The company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term and long-term investments, accounts receivable and payable and leases.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2010 \$	2009 \$
Financial Assets			
Cash and cash equivalents	4	8,474,981	7,835,940
Loans and receivables	5	445,564	711,449
Total Financial Assets		8,920,545	8,547,389
Financial Liabilities			
Financial liabilities at amortised cost			
— Trade and other payables	8(a)	1,863,306	1,254,160
Total Financial Liabilities		1,863,306	1,254,160

Financial Risk Management Policies

Consisting of senior committee members, the finance committee's overall risk management strategy seeks to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the finance committee on a regular basis. These include the credit risk policies and future cash flow requirements.

Specific Financial Risk Exposures and Management

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

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 for the company.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and removal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counter parties), ensuring to the extent possible, that customers and counter parties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the finance committee has otherwise cleared as being financially sound. Where the company is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, then risk may be further managed by retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

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.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 5.

The Company has no significant concentration of credit risk exposure to any single counterparty or group of counterparties. Details with respect to credit risk of Trade and Other Receivables is provided in Note 5.

Credit risk related to balances with banks and other financial institutions is managed by the finance committee in accordance with approved Board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor's counterparty credit ratings.

	2010 \$	2009 \$
Cash and cash equivalents		
- AA Rated	8,474,981	7,835,940
	8,474,981	7,835,940

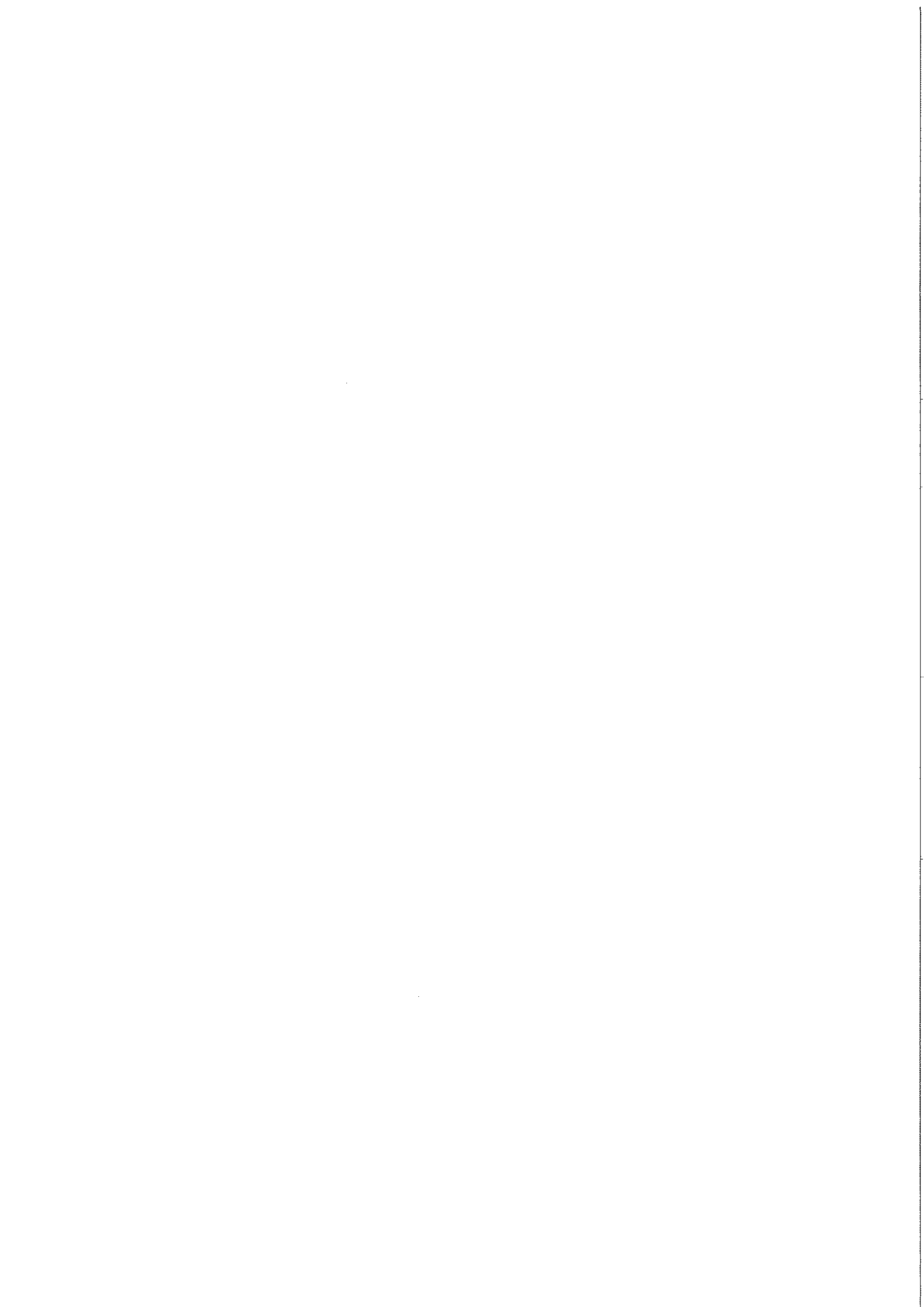
b. Liquidity risk

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

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

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

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.



MERRI COMMUNITY HEALTH SERVICES LIMITED
ACN: 135 261 988
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Note 14 Financial Risk Management Continued ...

Financial liability and financial asset maturity analysis

	Within 1 Year		1 to 5 years		Over 5 years		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment								
Trade and other payables (excl. est. annual leave and deferred income)	1,863,306	1,254,160	-	-	-	-	1,863,306	1,254,160
Total expected outflows	1,863,306	1,254,160	-	-	-	-	1,863,306	1,254,160
Financial Assets - cash flows realisable								
Cash and cash equivalents	8,474,981	7,835,940	-	-	-	-	8,474,981	7,835,940
Trade, term and loans receivables	445,564	711,449	-	-	-	-	445,564	711,449
Total anticipated Inflows	8,920,545	8,547,389	-	-	-	-	8,920,545	8,547,389
Net (outflow) / inflow on financial instruments	7,057,239	7,293,229	-	-	-	-	7,057,239	7,293,229

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.

ii. Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities held.

The company is exposed to securities price risk on investments held for trading or for medium to longer terms. Such risk is managed through diversification of investments across industries and geographical locations.

The Company's investments are held in the following sectors at reporting date:

	2010	2009
Banking and finance	100%	100%

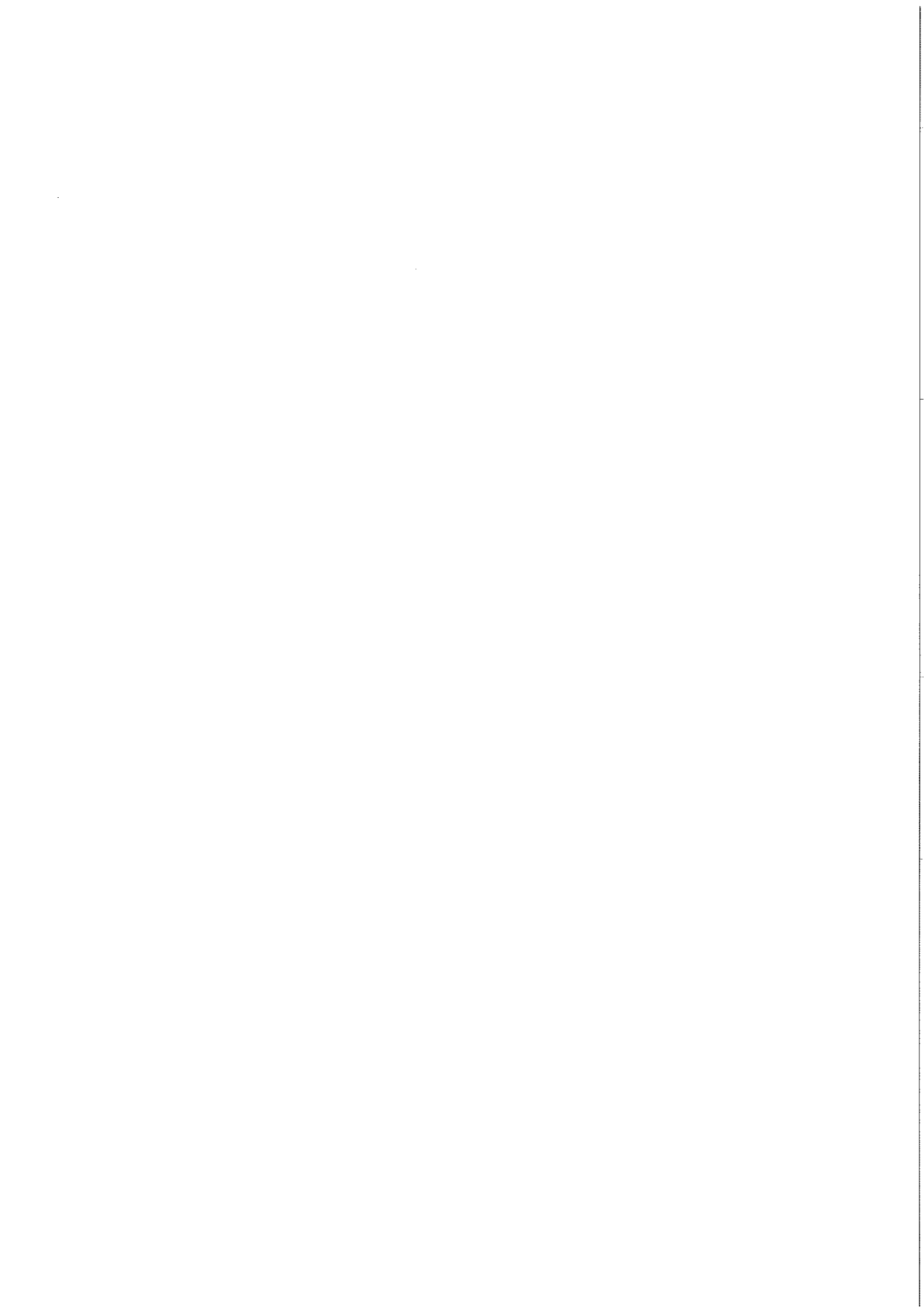
Net Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgement, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgement and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Company. Most of these instruments which are carried at amortised cost (i.e. trade receivables, loan liabilities) are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the company.



MERRI COMMUNITY HEALTH SERVICES LIMITED
ACN: 135 261 988
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Note 15 Reserves

a. Asset Revaluation Reserve

The asset revaluation reserve records the revaluations of non-current assets. Where revaluations are deemed to represent profits of a permanent nature, dividends may be declared from this surplus.

b. Financial Assets Reserve

The financial asset reserve records revaluation increments and decrements (that do not represent impairment write-down's) that relate to financial assets that are classified as available-for-sale.

c. Land and Building Reserve

The land and building reserve records the value of the reserve established to generate funds for future capital expenditure.

Note 16 Entity Details

The registered office of the entity is:

Merri Community Health Services Limited
11 Glenlyon Road
BRUNSWICK VIC 3056

The principal place of business is:

Merri Community Health Services Limited
11 Glenlyon Road
BRUNSWICK VIC 3056



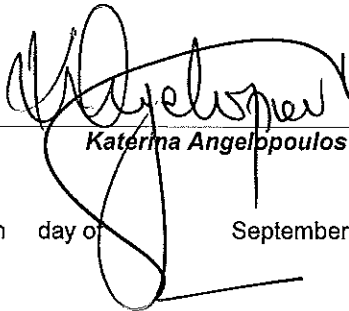
MERRI COMMUNITY HEALTH SERVICES LIMITED
ACN: 135 261 988
DIRECTORS' DECLARATION

The directors of the entity declare that:

1. The financial statements and notes, as set out on pages 3 to 16, are in accordance with the Corporations Act 2001, and
 - (a) comply with Australian Accounting Standards;
 - (b) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the entity.
2. In the directors' opinion, there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable.

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

Director



Katerina Angelopoulos

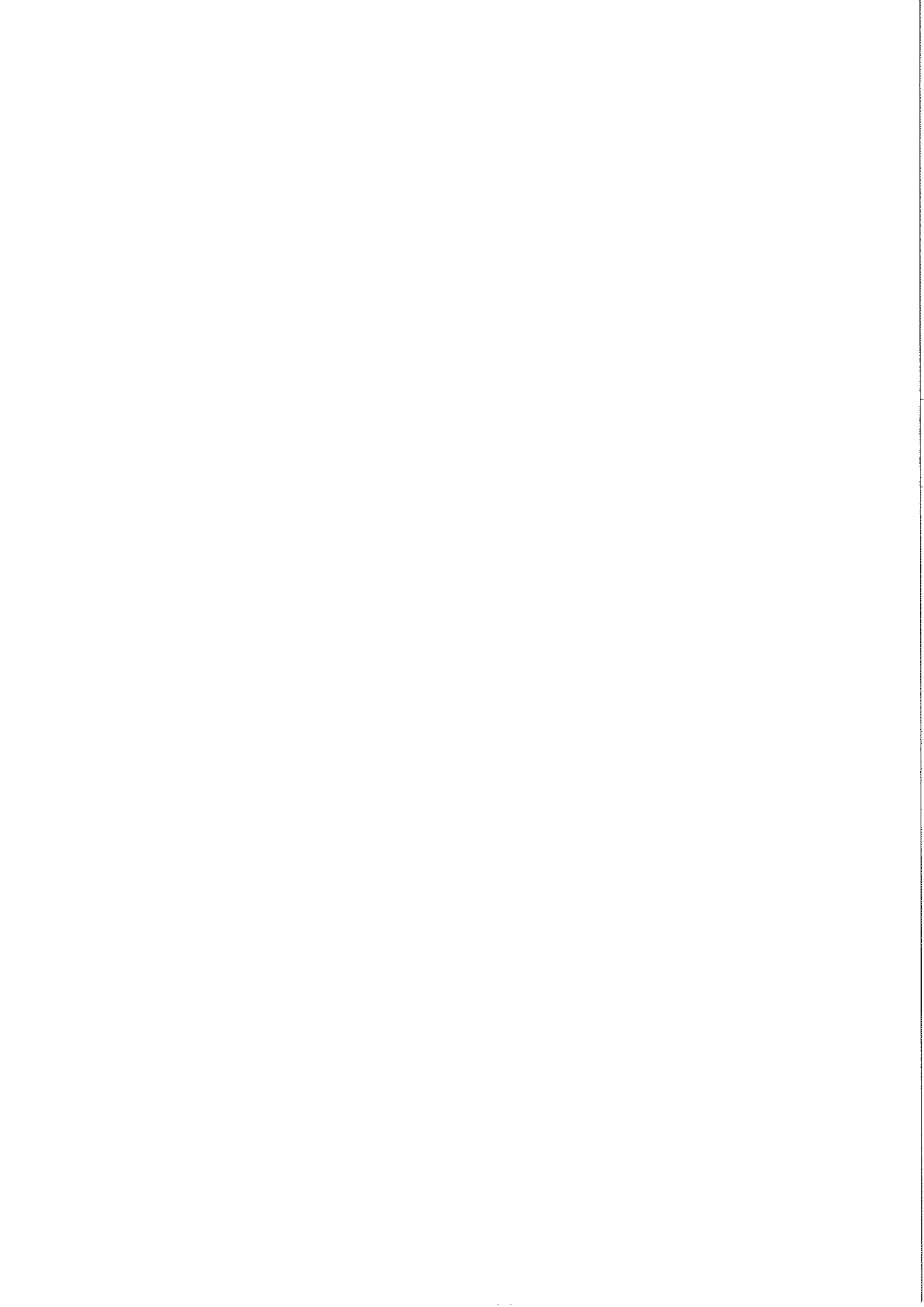
Director



Margaret Burdeu

Dated this 28th day of September

2010



Merri Community Health Services Limited

ACN 135 261 988

Independent Audit Report

Report on the Financial Report

We have audited the accompanying financial report of Merri Community Health Services Limited, which comprises the balance sheet as at 30 June 2010 and the income statement, statement of recognised income and expenditure and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

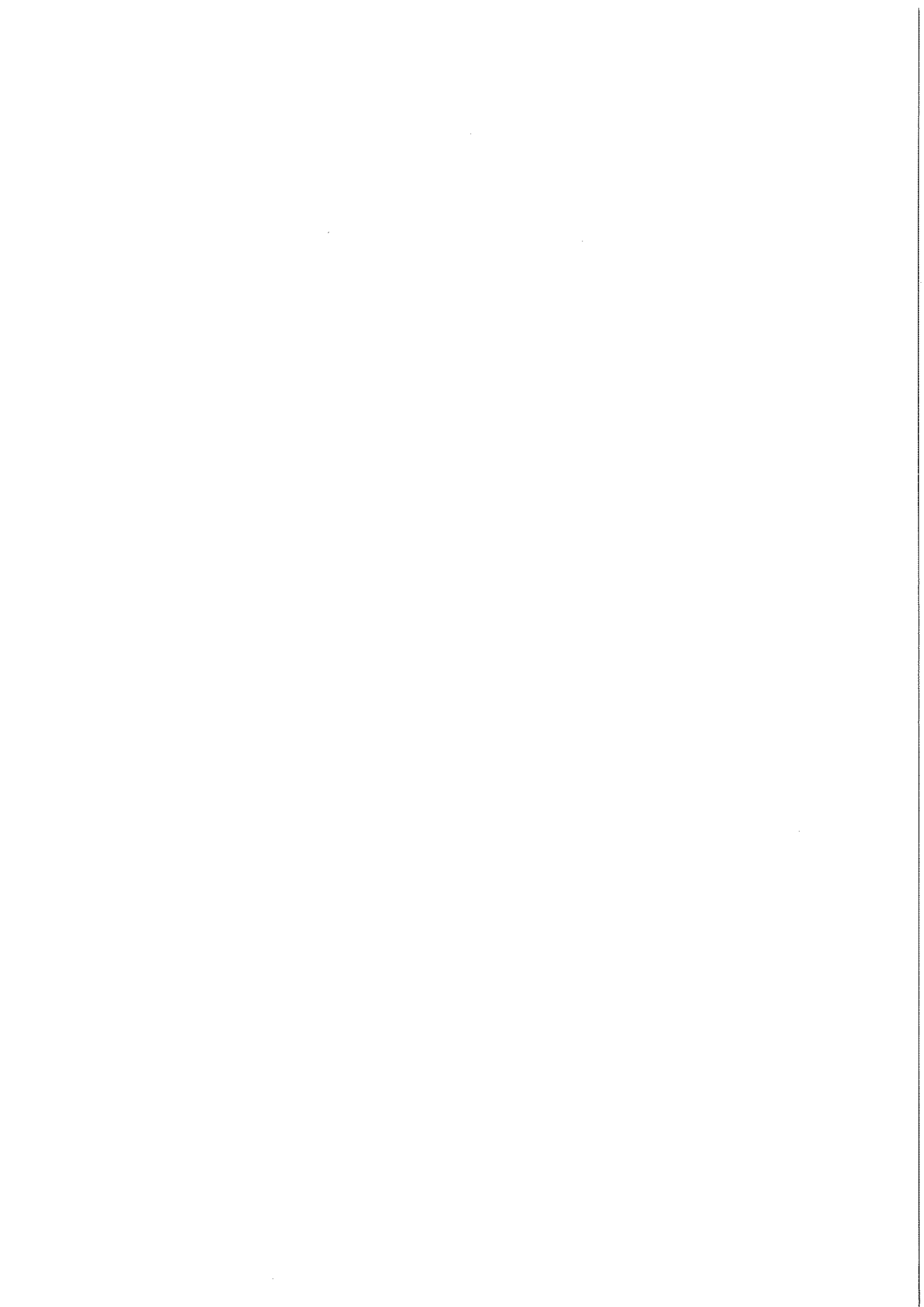
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Merri Community Health Services Limited

ACN 135 261 988

Independent Audit Report

Independence

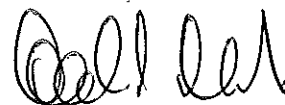
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Merri Community Health Services Limited on 28 September 2010 would be in the same terms if provided at the date of our audit opinion.

Audit Opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of Merri Community Health Services Limited as of 30 June 2010, and its financial performance and cash flows for the year then ended in accordance with the *Corporations Act 2001* and the Australian Accounting Standards (including Australian Accounting Interpretations).

WILLIAM BUCK AUDIT (VIC) PTY LTD

ABN 59 116 151 136



A P MARKS
Director

Dated: Melbourne, 28 September 2010

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

THE
FEDERAL BUREAU OF INVESTIGATION
U. S. DEPARTMENT OF JUSTICE