



Ermha Limited

Financial Report for the year ended 30 June 2018

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Directors' Report

The directors present their report on Ermha Limited for the financial year ended 30 June 2018 and the Independent Audit Report thereon.

Director details

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

Agata Jarbin (Chair)

Sam Afra (Deputy Chair)

Dean Laurence (Chair of the Finance and Risk Committee)

Scott Phillips

Peter Day

Debra Stuart

Yumiko Bonnardeux (appointed Wednesday, the 27th of Sep 2017)

Company Secretary

Glenn O'Sullivan

Principal activities

The principal activity of Ermha Limited during the financial year was to provide services to improve the quality of life and wellbeing of people living with mental illness or disability and their carers by advocating for and providing, individual tailored support, focused on recovery, independence and social inclusion.

Operating results

The profit of the Company after providing for income tax amounted to \$933,651. The entity made a profit of \$665,696 in the previous financial year.

Contribution in winding up

The Company is incorporated under the *Corporations Act 2001* and is a Company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$10 towards meeting any outstanding obligations of the entity. At 30 June 2018, the total amount that members of the Company are liable to contribute if the Company wound up is \$70 (2017: \$60).

Significant changes in state of affairs

There have been no significant changes in the state of affairs.

Events after the reporting date

There have been no events after the reporting date that may have a material impact on the ongoing accounts.

Directors' Report

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under s.60-40 of the Australian Charities and Not-for-profits Commission Act 2012 is included in page 5 of this financial report and forms part of the Responsible Entities' Report.



Agata Jarbin
Chair

Dated this ^{5th} of October 2018

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Auditor's Independence Declaration

To the Directors of Ermha Limited

In accordance with the requirements of section 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012*, as lead auditor for the audit of Ermha Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd
Chartered Accountants



E W Passaris
Partner - Audit & Assurance

Melbourne, 31 October 2018

Grant Thornton Audit Pty Ltd ACN 130 913 594
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Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Revenue			
Operational revenue	3	20,881,147	17,818,197
Other revenue	3	96,127	82,550
Total revenue		20,977,274	17,900,747
Expenditure			
Employee benefits expenses		16,050,907	13,516,717
Depreciation and amortisation expense		272,959	303,420
Loss on Disposal of Asset		26,740	-
Operating lease expense		856,386	703,768
Occupancy expense		1,255,058	1,308,391
Project delivery expense		563,197	479,461
Consultants and contractors		176,894	316,884
Motor vehicle expense		84,920	65,575
Repairs and maintenance		118,824	45,404
Stationary and printing		59,798	36,090
IT expenses		109,756	39,944
Other expenses		468,184	419,397
Total operating expenditure		20,043,623	17,235,051
Profit/(Loss) before income tax		933,651	665,696
Income tax expense		-	-
Profit/(Loss) for the year		933,651	665,696
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Revaluation of land and buildings		-	-
Total comprehensive Profit/(Loss) for the year		933,651	665,696

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2018

	Notes	2018 \$	2017 \$
Assets			
Current			
Cash and cash equivalents	4	4,170,192	2,213,149
Trade and other receivables	5	946,116	810,246
Other assets	6	59,393	116,919
Total current assets		5,175,701	3,140,314
Non-current assets			
Property, plant and equipment	7	800,702	933,328
Intangible assets	8	93,328	133,976
Total non-current assets		894,030	1,067,304
Total assets		6,069,731	4,207,618
Liabilities			
Current liabilities			
Trade and other payables	9	1,229,971	819,606
Provisions	10	314,184	243,925
FBT Provision	11	-	51,690
Employee benefits	13	989,262	962,199
Income received in advance	12	1,523,953	641,457
Total current liabilities		4,057,370	2,718,877
Non-current liabilities			
Employee benefits	13	187,985	224,404
Lease provision	10	161,905	328,758
FBT Provision	11	-	206,759
Total non-current liabilities		349,890	759,921
Total liabilities		4,407,260	3,478,798
Net Assets		1,662,471	728,820
Equity			
Reserves		244,167	244,167
Retained profits/(losses)		1,418,304	484,653
Total equity		1,662,471	728,820

The accompanying notes form part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2018

	Retained profits / (losses) \$	Asset revaluation reserve \$	Total \$
Balance at 1 July 2016	(181,043)	244,167	63,124
Profit for the year	665,696	-	665,696
Other comprehensive income	-	-	-
Total comprehensive income/(loss) for the year	665,696	-	665,696
Balance at 30 June 2017	484,653	244,167	728,820
Balance at 1 July 2017	484,653	244,167	728,820
Profit for the year	933,651	-	933,651
Other comprehensive income	-	-	-
Total comprehensive income for the year	933,651	-	933,651
Balance at 30 June 2018	1,418,304	244,167	1,662,471

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers and donors		21,680,897	18,779,549
Cash payments to employees and suppliers		(19,640,432)	(16,839,198)
Interest received		43,003	9,242
Net cash provided by/(used in) operating activities	14	2,083,468	1,949,593
Cash flows from investing activities			
Proceeds from sale of plant and equipment		-	7,990
Acquisition of plant and equipment		(123,670)	(2,169)
Acquisition of intangible assets		(2,755)	(21,130)
Net cash provided by / (used in) investing activities		(126,425)	(15,309)
Net increase/(decrease) in cash held		1,957,043	1,934,284
Cash and cash equivalents at beginning of financial year		2,213,149	278,864
Cash and cash equivalents at end of financial year	4	4,170,192	2,213,149

The accompanying notes form part of these financial statements.

Notes to the Financial Statements for the year ended 30 June 2018

Entity information

The financial statements of Ermha Limited for the year ended 30 June 2018 were authorised for issue in accordance with the requirements of the Australian Charities and Not-for-profits Commission Act 2012.

The financial statements are presented in Australian currency.

Ermha Limited is a company limited by guarantee incorporated and domiciled in Australia. The address of the registered office and principal place of business is 1st floor, Building G, 45 Assembly Drive, Dandenong South, VIC, 3175.

1 General information and statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the requirements of the Australian Charities and Not-for-Profits Commission Act 2012, Australian Accounting Standards-Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board.

The Directors have determined that Ermha is permitted to apply the Tier 2 reporting requirements (Australian Accounting Standards –Reduced Disclosure Requirements) as set out in AASB 1053 “Application of Tiers of Australian Accounting Standards” because it is a not-for-profit private sector entity that does not have public accountability.

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

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

2 Summary of accounting policies**2.1 Going Concern**

Ermha Management believes the Company is a viable going concern and trading profitably.

Growth in Client packages has been generated in the new financial year to date and the company is trading to its operating budget. It is currently projected to attain its annual budget which is a surplus. Ermha is well placed to attract profitable new packages and programs given its long history and solid reputation. Management also believes the company has the resources available to trade satisfactorily and meet all its obligations as and when they fall due.

2.2 Accounting Standards issued but not yet effective and not adopted early by the entity

New standards, amendments to Standards and Interpretations which have been recently issued or amended but are not yet effective have not been applied to the financial statements for the current year.

2.3 Revenue

Revenue comprises revenue from the sale of goods, government grants, fundraising activities and client contributions. Revenue from major products and services is shown in Note 3.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

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

The following specific recognition criteria must also be met before revenue is recognised:

Notes to the Financial Statements for the year ended 30 June 2018

Summary of accounting policies (continued)

2.3 Revenue (continued)*Grant Revenue*

A number of the entity's programs are supported by grants received from the federal, state and local governments.

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

Where a grant is received on the condition that specified services are delivered, to the grantor, this is considered a reciprocal transaction. Revenue is recognised as services are performed and at year-end until the service is delivered.

Revenue from a non-reciprocal grant that is not subject to conditions is recognised when the entity obtains control of the funds, economic benefits are probable and the amount can be measured reliably. Where a grant may be required to be repaid if certain conditions are not satisfied, a liability is recognised at year end to the extent that conditions remain unsatisfied.

Where the entity receives a non-reciprocal contribution of an asset from a government or other party for no or nominal consideration, the asset is recognised at fair value and a corresponding amount of revenue is recognised.

Sale of Goods

Revenue is recognised on transfer of goods to the customer as this is deemed to be the point in time when risks and rewards are transferred and there is no longer any ownership or effective control over the goods.

Donations

Donations collected, including cash and goods for resale, are recognised as revenue when the Company gains control, economic benefits are probable and the amount of the donation can be measured reliably.

Interest revenue

Interest income is recognised on an accrual basis using the effective interest method.

Other income

Other income is recognised on an accruals basis when the Company is entitled to it.

2.4 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

2.5 Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).
- (ii) receivables and payable are stated inclusive of GST.

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

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

2.6 Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and demand deposits which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

2.7 Trade and other receivables

Trade and other receivables are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. An allowance for doubtful debts is made when there is objective evidence that the entity will not be able to collect the debts. Bad debts are written off when identified.

Notes to the Financial Statements for the year ended 30 June 2018

Summary of accounting policies (continued)

2.8 Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment of losses. All other repairs and maintenance are recognised in the income statement when incurred.

Items of property, plant and equipment acquired for nil or nominal consideration have been recorded at the acquisition date fair value. Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Assets measured using the revaluation model are carried at fair value at the revaluation date less any subsequent accumulated depreciation and impairment losses. Revaluations are performed whenever there is a material movement in the value of an asset under the revaluation model.

Land and buildings

Land and buildings are measured using the revaluation model.

Plant and equipment

Plant and equipment are measured using the cost model.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets' useful life to the Company, commencing when the asset is ready for use.

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate	
Plant and equipment	10%	Straight line
Furniture, fixtures and fittings	10%	Straight line
Motor vehicles	22.5%	Straight line
Office equipment	20%	Straight line
Leasehold improvements		Lease term Straight line

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

De-recognition

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

An item of property, plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal. When revalued assets are sold, amounts included in the revaluation reserve relating to the asset are transferred to retained earnings.

Notes to the Financial Statements for the year ended 30 June 2018

Summary of accounting policies (continued)

2.8 Property, Plant and Equipment (continued)*Impairment*

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Where the future economic benefits of the entity's property, plant and equipment is not primarily dependent on their ability to generate net cash inflows, and the entity would replace the remaining future economic benefit of the asset if deprived of those assets, the recoverable amount is based on value in use, being the current replacement cost of the asset.

All impairment losses are recognised in the profit or loss. A reversal of an impairment loss is recognised immediately in the profit and loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years.

2.9 Intangible assets

Acquired computer software licences are capitalised on the basis of the cost incurred to acquire and install the specific software.

All intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing. Amortisation has been included within amortisation / depreciation expenses. The following useful lives are applied: computer software 5 years.

2.10 Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Impairment of financial assets

At the end of the reporting period the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance account, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

2.11 Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

2.12 Income received in advance

The liability for deferred income is the unutilised amounts of grants received on the condition that specified services are delivered or conditions are fulfilled. The services are usually provided or the conditions usually fulfilled within twelve months of receipt of the grant. Where the amount received is in respect of services to be provided over a period that exceeds twelve months after the reporting date or the conditions will only be satisfied more than twelve months after the reporting date, the liability is discounted and presented as non-current.

Notes to the Financial Statements for the year ended 30 June 2018

Summary of accounting policies (continued)

2.13 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 wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

(i) Wages, Salaries, Annual leave and Sick leave

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year (short term employee benefits) together with benefits arising from wages and salaries have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year (long term employee benefits) have been measured at the present value of the estimated future cash outflows made for those benefits.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

2.14 Income taxes

The Company is exempt from income tax under Division 50 of the Income Tax Assessment Act 1997.

2.15 Leases

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

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

2.16 Critical Accounting Estimates and Judgements

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

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

The significant estimates and judgements made have been described below.

Long service leave

The liability for long service leave is recognised and measured at the present value of the estimated cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Revenue recognition

In determining whether revenue should be recognised in the year or deferred to future accounting periods, management exercise significant level of judgement. The recognition criteria for each donor is subject to specific targets which are given in the relevant funding agreements with the donor. Management exercise judgement about the amount of revenue to be recognised in the accounting period in line with the funding agreement.

Key estimates - receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best information at the reporting date.

2.17 Events occurring after the balance sheet date

All material events occurring after the balance sheet date are considered, and where necessary, adjustments made in these financial statements.

Notes to the Financial Statements for the year ended 30 June 2018

	2018	2017
	\$	\$
3. Revenue and other income		
Operational revenue		
Operating grants	9,304,520	9,128,486
Donations	4,314	14,080
Other trading revenue	11,572,313	8,675,631
	<u>20,881,147</u>	<u>17,818,197</u>
Other revenue		
Sale of goods	53,124	66,389
Finance income	43,003	9,242
Net gain on sale of property, plant and equipment	-	6,919
	<u>96,127</u>	<u>82,550</u>
	<u>20,977,274</u>	<u>17,900,747</u>
4. Cash and cash equivalents		
Cash on hand	3,525	3,876
Cash at bank and on call investments	4,166,667	2,209,273
	<u>4,170,192</u>	<u>2,213,149</u>
5. Trade and other receivables		
Trade receivables	863,429	678,215
Accrued income	27,900	68,572
Deposits (Security bonds)	54,787	63,459
	<u>946,116</u>	<u>810,246</u>
6. Other assets		
Prepayments	59,393	116,919
	<u>59,393</u>	<u>116,919</u>

Notes to the Financial Statements for the year ended 30 June 2018

	2018	2017
	\$	\$
7. Property, plant and equipment		
Land and buildings		
At fair value	385,000	385,000
Total land and buildings	<u>385,000</u>	<u>385,000</u>
Plant and equipment		
At cost	77,514	77,514
Accumulated depreciation	(67,705)	(59,953)
Total plant and equipment	<u>9,809</u>	<u>17,561</u>
Furniture, fixtures and fittings		
At cost	23,778	23,778
Accumulated depreciation	(12,627)	(10,251)
Total furniture, fixture and fittings	<u>11,151</u>	<u>13,527</u>
Motor vehicles		
At cost	93,425	58,428
Accumulated depreciation	(41,465)	(58,428)
Total motor vehicles	<u>51,960</u>	<u>-</u>
Office equipment		
At cost	15,971	15,971
Accumulated depreciation	(11,165)	(7,973)
Total office equipment	<u>4,806</u>	<u>7,998</u>
Leasehold improvements		
At cost	964,721	1,012,035
Accumulated depreciation	(626,745)	(502,793)
Total leasehold improvements	<u>337,976</u>	<u>509,242</u>
Total property, plant and equipment	<u>800,702</u>	<u>933,328</u>

The Company's land and buildings were last revalued at 9 September 2015 by independent valuers. Valuations were made using the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date. The revaluation surplus was credited to an asset revaluation reserve in the members' equity in 2015/2016.

	Land and Buildings	Plant and equipment	Furniture, fixture and fittings	Motor vehicles	Office equipment	Leasehold imprvm'ts	Total
Balance at the beginning of the year	385,000	17,561	13,527	-	7,998	509,242	933,328
Additions	-	-	-	53,984	-	69,686	123,670
Disposals - written down value	-	-	-	-	-	(26,740)	(26,740)
Depreciation expense	-	(7,752)	(2,376)	(2,024)	(3,192)	(214,212)	(229,556)
Balance at the end of the year	<u>385,000</u>	<u>9,809</u>	<u>11,151</u>	<u>51,960</u>	<u>4,806</u>	<u>337,976</u>	<u>800,702</u>

Notes to the Financial Statements for the year ended 30 June 2018

8. Intangible assets

Details of the entity's intangible assets and their carrying amounts are as follows:

	2018	2017
	\$	\$
	Computer software	Computer software
Cost		
Balance at the beginning of the year	216,585	195,455
Additions	2,755	21,130
Balance at the end of the year	<u>219,340</u>	<u>216,585</u>
Less Amortisation		
Balance at the beginning of the year	82,609	41,926
Amortisation	43,403	40,683
Balance at the end of the year	<u>126,012</u>	<u>82,609</u>
Net Book value as at 30 June	<u>93,328</u>	<u>133,976</u>
9. Trade and other payables		
Trade payables	337,804	156,225
Other payables	892,167	663,381
	<u>1,229,971</u>	<u>819,606</u>
10. Provisions		
Current		
Lease incentive	57,143	57,143
Onerous lease provision	-	15,913
Lease make good provision	132,350	170,869
Rent Free Period Provision	124,691	-
	<u>314,184</u>	<u>243,925</u>
Non-current		
Lease incentive	161,905	328,758
11. FBT provisions		
Current		
FBT Provision	-	51,690
Non-current		
FBT Provision	-	206,759
12. Income in advance		
Income received in advance	1,523,953	641,457
13. Employee benefits		
Current liabilities		
Long service leave	362,956	353,177
Annual leave	626,306	609,022
	<u>989,262</u>	<u>962,199</u>
Non-current liabilities		
Long service leave	187,985	224,404

Notes to the Financial Statements for the year ended 30 June 2018

14. Cash flow information

	2018	2017
	\$	\$
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	<u>4,170,192</u>	<u>2,213,149</u>
Reconciliation of result for the year to cash flow from operating activities		
Profit/(Loss) for the year	933,651	665,696
Non-cash flows in profit		
Depreciation and amortisation	272,959	303,420
Net gain on disposal of property, plant and equipment	-	(6,919)
Loss on disposal of assets (discontinued operations)	26,740	-
Changes in assets and liabilities		
(Increase)/Decrease in trade and other receivables	(176,542)	416,550
(Increase)/Decrease in other assets	98,198	257,095
(Increase)/Decrease in inventories	-	-
Increase/(Decrease) in income received in advance	882,496	215,682
Increase/(Decrease) in trade and other payables	410,365	(198,630)
Increase/(Decrease) in provisions	(355,043)	222,774
Increase/(Decrease) in employee benefits	(9,356)	73,925
Net cash (used in)/provided by operating activities	<u>2,083,468</u>	<u>1,949,593</u>

15. Leasing commitments**Operating Lease Commitments**

Minimum lease payments under non-cancellable operating leases

Payable — minimum lease payments:

not later than 12 months	1,190,215	1,065,122
between 12 months and five years	2,141,249	2,668,268
greater than five years	-	-
	<u>3,331,464</u>	<u>3,733,390</u>

16. Reserves**Asset revaluation reserve**

The asset revaluation reserve records fair value movements in land and buildings held under the revaluation model.

17. Key management personnel disclosure

Any persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including the Directors (whether executive or otherwise) of that entity are considered key management personnel. The total remuneration paid to key management personnel of the Company is \$1,402,020 (2017: \$1,333,396).

18. Remuneration of auditors

Auditing and reviewing the financial statements	<u>39,350</u>	<u>37,600</u>
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The auditor in 2017 and 2018 is Grant Thornton Audit Pty Ltd.

Notes to the Financial Statements for the year ended 30 June 2018

19. Events occurring after the reporting date

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

20. Related party transactions

There was no related party transactions during 2017/2018.

21. Capital commitments

As at 30 June 2018, the Company had no capital commitments to purchase assets.

22. Contingencies

The entity has no contingent assets.

The entity has a bank guarantee facility in relation to lease properties of \$305,000 (2017: \$305,000) of which \$53,407 (2017: \$53,407) remains unused at year end.

23. Members' guarantee

The Company is incorporated under the *Corporations Act 2001* and is a Company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum \$10 each towards meeting any outstanding obligations of the entity. At 30 June 2018, the total amount that members of the Company are liable to contribute if the Company wound up is \$70.

24. Company details

The registered office of the company is:

Ermha Limited
1st Floor, Building 45
Assembly Drive
Dandenong South, VIC 3175

Directors' Declaration

In the opinion of the Directors of Ermha Limited:

- a. The financial statements and notes of Ermha Limited are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:
 - i. Giving a true and fair view of its financial position as at 30 June 2018 and of its performance for the year ended on that date; and
 - ii. Complying with Australian Accounting Standards - Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the *Australian Charities and Not-for-profits Commission Regulation 2013*, and
- b. There are reasonable grounds to believe that Ermha Limited will be able to pay its debts as and when when they become due and payable.

Signed in accordance with a resolution of the Directors.



Agata Jarbin
Chair



Peter Day
Chair of the Finance and Risk Committee

Signed at Melbourne this ⁴_{st} of October 2018.

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Independent Auditor's Report

To the Members of Ermha Limited

Report on the audit of the financial report

Qualified opinion

We have audited the financial report of Ermha Limited (the "Company"), which comprises the statement of financial position as at 30 June 2018, and 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 financial report of Ermha Limited has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- a giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- b complying with Australian Accounting Standards – Reduced Disclosure Requirements 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 Company in accordance with 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.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Directors' report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Act 2012*, and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Company's financial reporting process.

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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company 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 those charged with governance 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.



Grant Thornton Audit Pty Ltd
Chartered Accountants



E W Passaris
Partner – Audit & Assurance

Melbourne, 31 October 2018