Ermha Limited

Financial Report for the year ended 30 June 2017

ACN 603 692 637
1st Floor, Building G
45 Assembly Drive
Dandenong South VIC 3175

Contents

Directors' Report

The directors present their report on Ermha Limited for the financial year ended 30 June 2017 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	
Deborah Stuart	
Caroline Cuckson	Resigned 16 November 2016
John Collins (Company Secretary)	Resigned 31 May 2017
Glenn O'Sullivan (Company Secretary)	Appointed 1 June 2017

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 $665,696. The entity made a loss of $721,094 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 2017,

the total amount that members of the Company are liable to contribute if the Company wound up is $60 (2016:$70).

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 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 4 of this financial report and forms part of the Responsible Entities' Report.

Agata Jarbin
Chair

Dated this 25th of October 2017

Grant Thornton

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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 2017, 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Eric W Passaris

Eric Passaris
Partner - Audit & Assurance

Melbourne, 25 October 2017

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	Notes	2017 $	2016 $
Continuing operations			
Revenue			
Operational revenue	3	**17,818,197**	16,109,372
Other revenue	3	**82,550**	314,968
Total revenue		**17,900,747**	16,424,340
Expenditure			
Employee benefits expenses		**13,516,717**	12,505,792
Depreciation and amortisation expense		**303,420**	412,628
Operating lease expense		**703,768**	406,346
Occupancy expense		**1,308,391**	1,528,508
Project delivery expense		**479,461**	421,627
Consultants and contractors		**316,884**	348,648
Motor vehicle expense		**65,575**	248,686
Repairs and maintenance		**45,404**	95,594
Stationary and printing		**36,090**	68,805
IT expenses		**39,944**	42,424
Other expenses		**419,397**	625,242
Total operating expenditure		**17,235,051**	16,704,300
Profit/(Loss) before income tax		**665,696**	(279,960)
Income tax expense		**-**	-
Profit/(Loss) from continuing operations		**665,696**	(279,960)
Discontinued operations			
Profit/(Loss) from discontinued operations (net of tax)	4	**-**	(441,134)
Profit/(Loss) for the year		**665,696**	(721,094)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of land and buildings		**-**	65,000
Total comprehensive Profit/(Loss) for the year		**665,696**	(656,094)

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2017

	Notes	2017 $	2016 $
Assets			
Current			
Cash and cash equivalents	5	**2,213,149**	278,864
Trade and other receivables	6	**810,246**	1,489,527
Other assets	7	**116,919**	111,283
Total current assets		**3,140,314**	1,879,674
Non-current assets			
Property, plant and equipment	8	**933,328**	1,194,967
Intangible assets	9	**133,976**	153,529
Total non-current assets		**1,067,304**	1,348,496
Total assets		**4,207,618**	3,228,170
Liabilities			
Current liabilities			
Trade and other payables	10	**819,606**	1,018,236
Provisions	11	**186,782**	217,882
Lease provision	12	**57,143**	57,143
FBT Provision	13	**51,690**	-
Employee benefits	15	**962,199**	918,133
Income received in advance	14	**641,457**	425,775
Total current liabilities		**2,718,877**	2,637,169
Non-current liabilities			
Employee benefits	15	**224,404**	194,544
Lease provision	12	**328,758**	333,333
FBT Provision	13	**206,759**	-
Total non-current liabilities		**759,921**	527,877
Total liabilities		**3,478,798**	3,165,046
Net Assets		**728,820**	63,124
Equity			
Reserves		**244,167**	244,167
Retained profits/(losses)		**484,653**	(181,043)
Total equity		**728,820**	63,124

The accompanying notes form part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2017

	Retained profits / (losses) $	Asset revaluation reserve $	Total $
Restated			
Balance at 1 July 2015 (restated)	540,052	179,167	719,218
Loss for the year	(721,094)	-	(721,094)
Other comprehensive income	-	65,000	65,000
Total comprehensive income/(loss) for the year	(721,094)	65,000	(656,094)
Balance at 30 June 2016	(181,043)	244,167	63,124
Balance at 1 July 2016	**(181,043)**	**244,167**	**63,124**
Profit for the year	**665,696**	**-**	**665,696**
Total comprehensive income for the year	**665,696**	**-**	**665,696**
Balance at 30 June 2017	**484,653**	**244,167**	**728,820**

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2017

	Notes	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers and donors		**18,779,549**	14,925,831
Cash payments to employees and suppliers		**(16,839,198)**	(17,067,838)
Interest received		**9,242**	18,790
Receipts from the discontinued operations	4	**-**	(326,353)
Net cash provided by/(used in) operating activities	16	**1,949,593**	(2,449,570)
Cash flows from investing activities			
Proceeds from sale of plant and equipment		**7,990**	944,360
Acquisition of plant and equipment		**(2,169)**	(10,514)
Acquisition of intangible assets		**(21,130)**	(90,473)
Net cash provided by / (used in) investing activities		**(15,309)**	843,373
Net increase/(decrease) in cash held		**1,934,284**	(1,606,197)
Cash and cash equivalents at beginning of financial year		**278,864**	1,885,061
Cash and cash equivalents at end of financial year	5	**2,213,148**	278,864

Notes to the Financial Statements for the year ended 30 June 2017

Entity information

The financial statements of Ermha Limited for the year ended 30 June 2017 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.

The financial statements are prepared on the going concern basis.

2 Summary of accounting policies

2.1 Going Concern

Ermha Management believes the Company is a viable going concern despite incurring significant trading losses in the past two financial years. This year has seen a return to profitability. The losses incurred related primarily to the Madcap operations which have now ceased, while the underlying Ermha operations have traded satisfactorily in the same period. 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 profit. 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:

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.

Summary of accounting policies (continued)

2.8 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the first-in-first-out basis and is net of any rebates and discounts received.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the costs necessary to make the sale. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

2.9 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.

Summary of accounting policies (continued)

2.9 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 depreciated 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.

2.10 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.

2.11 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.

2.12 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.

2.13 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.

Summary of accounting policies (continued)

2.14 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.

2.15 Income taxes

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

2.16 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.

2.17 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.

2.18 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.

	2017	2016
	$	$

3. Revenue and other income

	2017	2016
Operational revenue		
Operating grants	9,128,486	6,559,083
Donations	14,080	5,232
Other trading revenue	8,675,631	9,545,057
	17,818,197	16,109,372
Other revenue		
Sale of goods	66,389	71,412
Finance income	9,242	18,790
Net gain on sale of property, plant and equipment	6,919	224,766
	82,550	314,968
	17,900,747	16,424,340

4. Results of discontinued operation

	2017	2016
Revenue	-	892,491
Expenses	-	(1,270,073)
Results from operating activities	-	(377,582)
Loss on sale of assets	-	(63,552)
Loss for the year	-	(441,134)
Cash flows from discontinued operations		
Net cash generated by operating activities	-	(326,353)
Net cash flows for the year	-	(326,353)

5. Cash and cash equivalents

	2017	2016
Cash on hand	3,876	5,071
Cash at bank and on call investments	2,209,273	273,793
	2,213,149	278,864

6. Trade and other receivables

	2017	2016
Trade receivables	678,215	1,048,094
Accrued income	68,572	331,303
Deposits	63,459	66,736
Bank guarantees	-	43,394
	810,246	1,489,527

7. Other assets

	2017	2016
Prepayments	116,919	111,283
	116,919	111,283

8. Property, plant and equipment

	2017 $	2016 $
Land and buildings		
At fair value	**385,000**	385,000
Total land and buildings	**385,000**	385,000
Plant and equipment		
At cost	**77,514**	304,323
Accumulated depreciation	**(59,953)**	(269,120)
Total plant and equipment	**17,561**	35,203
Furniture, fixtures and fittings		
At cost	**23,778**	23,778
Accumulated depreciation	**(10,251)**	(7,875)
Total furniture, fixture and fittings	**13,527**	15,903
Motor vehicles		
At cost	**58,428**	102,456
Accumulated depreciation	**(58,428)**	(101,385)
Total motor vehicles	**-**	1,071
Office equipment		
At cost	**15,971**	13,802
Accumulated depreciation	**(7,973)**	(4,852)
Total office equipment	**7,998**	8,950
Leasehold improvements		
At cost	**1,012,035**	1,012,035
Accumulated depreciation	**(502,793)**	(263,195)
Total leasehold improvements	**509,242**	748,840
Total property, plant and equipment	**933,328**	1,194,967

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'nts	Total
Balance at the beginning of the year	**385,000**	**35,203**	**15,903**	**1,071**	**8,950**	**748,840**	**1,194,967**
Additions	-	-	-	-	2,169	-	**2,169**
Disposals - written down value	-	-	-	- 1,071	-	-	- **1,071**
Depreciation expense	-	- 17,642	- 2,376	-	- 3,121	- 239,598	- **262,737**
Balance at the end of the year	**385,000**	**17,561**	**13,527**	**-**	**7,998**	**509,242**	**933,328**

9. Intangible assets

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

	2017	2016
	$	$
	Computer software	Computer software
Cost		
Balance at the beginning of the year	**195,455**	104,982
Additions	**21,130**	90,473
Balance at the end of the year	**216,585**	195,455
Less Amortisation		
Balance at the beginning of the year	**41,926**	9,846
Amortisation	**40,683**	32,080
Balance at the end of the year	**82,609**	41,926
Net Book value as at 30 June	**133,976**	153,529

10. Trade and other payables

Trade payables	**156,225**	324,257
Other payables	**663,381**	693,979
	819,606	1,018,236

11. Provisions

Onerous lease provision	**15,913**	79,104
Lease make good provision	**170,869**	138,778
	186,782	217,882

12. Lease provisions

Current		
Lease incentive	**57,143**	57,143
Non-current		
Lease incentive	**328,758**	333,333

13. FBT provisions

Current		
FBT Provision	**51,690**	-
Non-current		
FBT Provision	**206,759**	-

14. Income in advance

Income received in advance	**641,457**	425,775

15. Employee benefits

Current liabilities		
Long service leave	**353,177**	282,662
Annual leave	**609,022**	635,471
	962,199	918,133
Non-current liabilities		
Long service leave	**224,404**	194,544

Notes to the Financial Statements for the year ended 30 June 2017

16. Cash flow information

	2017 $	2016 $

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:

	2017 $	2016 $
Cash and cash equivalents	**2,213,149**	278,864

Reconciliation of result for the year to cash flow from operating activities

	2017 $	2016 $
Profit/(Loss) for the year	**665,696**	**(721,094)**
Non-cash flows in profit		
Depreciation and amortisation	**303,420**	412,628
Net gain on disposal of property, plant and equipment	**(6,919)**	(224,766)
Loss on disposal of assets (discontinued operations)	**-**	63,552
Changes in assets and liabilities		
(Increase)/Decrease in trade and other receivables	**416,550**	(370,463)
(Increase)/Decrease in other assets	**257,095**	(263,442)
(Increase)/Decrease in inventories	**-**	51,229
Increase/(Decrease) in income received in advance	**215,682**	(665,289)
Increase/(Decrease) in trade and other payables	**(198,630)**	(748,621)
Increase/(Decrease) in provisions	**222,774**	(20,896)
Increase/(Decrease) in employee benefits	**73,925**	37,592
Net cash (used in)/provided by operating activities	**1,949,593**	(2,449,570)

The entity has a bank credit facility of $305,000 all of which remained unused as at the year end.

17. Leasing commitments

Operating Lease Commitments

Minimum lease payments under non-cancellable operating leases

Payable — minimum lease payments:

	2017 $	2016 $
not later than 12 months	**1,065,122**	1,117,460
between 12 months and five years	**2,668,268**	2,916,064
greater than five years	**-**	517,434
	3,733,390	4,550,959

18. Reserves

Asset revaluation reserve

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

19. 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 of otherwise) of that entity are considered key management personnel. The total remuneration paid to key management personnel of the Company is $1, 333,396 (2016: $1,045,989).

20. Remuneration of auditors

	2017 $	2016 $
Auditing and reviewing the financial statements	**37,600**	37,550

The auditor in 2016 and 2017 is Grant Thornton Audit Pty Ltd.

21. 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.

22. Related party transactions
There was no related party transactions during 2016/2017.

23. Capital commitments
As at 30 June 2017, the Company had no capital commitments to purchase assets.

24. Contingencies
In the opinion of the Directors, the Company did not have any contingencies at 30 June 2017 (30 June 2016: None).

25. 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 2017, the total amount that members of the Company are liable to contribute if the Company wound up is $60.

26. 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 2017 and of its performance for year ended on that date; and

   ii. Complying with Australian Accounting Standards - Reduced Disclosure Requirements (including 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 Jurbin
Chair

Dean Laurence
Chair of the Finance and Risk Committee

Signed at Melbourne on 25 October 2017.