ermha 365 | Complex Mental Health and Disability Services

Ermha Limited

Financial Report for the year ended 30 June 2023

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 2023 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)
Dr Scott Phillips
Jennifer King
Donna Markham
Stephen Taylor
Dr Peter Langkamp

Company Secretary

Fiona Justin (01 July 2022 till 10 March 2023)
Michael Bowers (from 17 March 2023)

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 result reported by the Company after providing for income tax amounted to a profit of $407,290. The entity made a loss of $283,136 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 2023, the total amount that members of the Company are liable to contribute if the Company wound up is $60 (2022: $60).

Significant changes in state of affairs

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

Directors' Report

Events after the reporting date

On 25th October 2023, the Company made a decision to sell its interest in 13 Buckley St, Noble Park and to additionally sell land which it owns in Packenham. The funds generated by the Company from these sales will be consolidated with funds provided by the Victorian State Government to complete a housing project. The housing will be used for the purpose of providing short to medium term accommodation for NDIS clients.

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 Directors Report.

Agata Jarbin
Chair

Dated this 22nd day of November 2023

Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222

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 2023, I declare that, to the best of my knowledge and belief, there have been 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

E W Passaris

Partner - Audit & Assurance

Melbourne, 22 November 2023

Statement of Profit or Loss and Other Comprehensive Income

Financial Report for the year ended 30 June 2023

	Notes	2023 $	2022 $
Revenue			
Operational revenue	3	**48,343,565**	47,577,645
Other revenue	3	**110,958**	39,069
Total revenue		**48,454,523**	47,616,714
Expenditure			
Employee benefits expenses		**43,984,345**	43,278,158
Depreciation and amortisation expense		**1,049,240**	1,190,169
Lease expenses		**92,249**	189,095
Occupancy expense		**10,129**	181,720
Project delivery expense		**500,181**	413,562
Consultants and contractors		**496,605**	271,791
Motor vehicle expense		**96,142**	162,515
Repairs and maintenance		**112,753**	262,735
Stationery and printing		**36,992**	52,448
IT expenses		**1,320,124**	1,324,430
Other expenses		**275,238**	518,359
Finance costs		**73,235**	54,868
Total operating expenditure		**48,047,233**	47,899,850
(Loss) profit before income tax		**407,290**	(283,136)
Income tax expense		-	-
Profit for the year		**407,290**	(283,136)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of land and buildings		**-**	-
Total comprehensive loss/income for the year		**407,290**	(283,136)

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2023

	Notes	2023	2022 Restated
		$	$
Assets			
Current			
Cash and cash equivalents	4	**4,277,899**	5,662,395
Investments	5	**-**	11,738
Term Deposits	6	**1,000,000**	-
Trade and other receivables	7	**2,784,439**	3,700,854
Portable Long Service Leave – Right to Reimbursement	8	**79,678**	52,917
Other assets	9	**160,652**	211,293
Total current assets		**8,302,668**	9,639,197
Non-current assets			
Property, plant and equipment	10	**1,298,043**	1,075,886
Right of Use Assets	11	**1,587,864**	2,196,515
Portable Long Service Leave – Right to Reimbursement	8	**205,272**	62,173
Intangible assets	14	**0**	-
Total non-current assets		**3,091,179**	3,334,574
Total assets		**11,393,847**	12,973,771
Liabilities			
Current liabilities			
Trade and other payables	15	**1,643,743**	2,160,898
Provisions	16	**497**	70,497
Employee benefits	18	**2,172,113**	2,324,559
Lease Liabilities	12	**851,637**	781,381
Contract Liabilities	17	**1,190,662**	2,067,561
Total current liabilities		**5,858,652**	7,404,897
Non-current liabilities			
Employee benefits	18	**422,535**	304,603
Lease Liabilities	12	**915,547**	1,474,449
Total non-current liabilities		**1,338,082**	1,779,052
Total liabilities		**7,196,734**	9,183,948
Net Assets		**4,197,113**	3,789,823
Equity			
Reserves		**244,167**	244,167
Retained profits/(losses)		**3,952,946**	3,545,656
Total equity		**4,197,113**	3,789,823

The accompanying notes form part of these financial statements.

Statement of changes in equity

Financial Report for the year ended 30 June 2023

	Retained profits / (losses)	Asset revaluation reserve	Total
	$	$	$
Balance at 1 July 2021	3,828,792	244,167	4,072,959
Loss for the year	(283,136)	-	(283,136)
Total comprehensive income for the year	(283,136)	-	(283,136)
Balance at 30 June 2022	3,545,656	244,167	3,789,823
Balance at 1 July 2022	**3,545,656**	**244,167**	**3,789,823**
Profit for the year	**407,290**	**-**	**407,290**
Total comprehensive income for the year	**407,290**	**-**	**407,290**
Balance at 30 June 2023	**3,952,946**	**244,167**	**4,197,113**

Statement of Cash Flows

Financial Report for the year ended 30 June 2023

	Notes	2023	2022
		$	$
Cash flows from operating activities			
Receipts from customers, donors and funders		**48,424,692**	49,558,272
Cash payments to employees and suppliers		**(47,595,646)**	(47,233,279)
Interest received		**69,346**	77
Net cash provided by operating activities		**898,392**	2,325,070
Cash flows from investing activities			
Proceeds from / (Payment to) investments		**(988,262)**	-
Payment for property, plant and equipment		**(278,210)**	(596,074)
Net cash used in investing activities		**(1,266,472)**	(596,074)
Cash flows from financing activities			
Repayment of lease liabilities		**(1,016,416)**	(1,315,104)
Net cash used in financing activities		**(1,016,416)**	(1,315,104)
Net increase/(decrease) in cash held		**(1,384,496)**	413,892
Cash and cash equivalents at beginning of financial year		**5,662,395**	5,248,503
Cash and cash equivalents at end of financial year	4	**4,277,899**	5,662,395

The accompanying notes form part of these financial statements.

Entity information

The financial statements of Ermha Limited for the year ended 30 June 2023 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.

The entity's principal activities are 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.

For the purpose of application of accounting standards, Ermha Limited is a not-for-profit entity.
The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 22nd November 2023.

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-Simplified Disclosure and other authoritative pronouncements of the Australian Accounting Standards Board.

The Company does not have 'public accountability' as defined in AASB 1053 Application of Tiers of Australian Accounting Standards and is therefore eligible to apply the 'Tier 2' reporting framework under Australian Accounting Standards.

The financial statements comply with the recognition and measurement requirements of Australian Accounting Standards, the presentation requirements in those Standards as modified by AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (AASB 1060) and the disclosure requirements in AASB 1060. Accordingly, the financial statements comply with Australian Accounting Standards – Simplified Disclosures.

Comparative information

Except when AASB 1060 permits or requires otherwise, an entity discloses comparative information in respect of the previous comparable period for all amounts presented in the current period's financial statements. An entity includes comparative information for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.

Materiality

AASB 1060 specifies information that is required to be included in the financial statements, which include the notes. An entity need not provide a specific disclosure if the information resulting from that disclosure, is not material. This is the case even if AASB 1060 contains a list of specific requirements or describes them as minimum requirements.

Definition and presentation requirements of other Australian Accounting Standards

Except to the extent specifically addressed in AASB 1060, the definitions and presentation requirements of other Australian Accounting Standards continue to apply. Entities are permitted to refer to other Standards for guidance on the requirements in AASB 1060, including:

- AASB 7 Financial Instruments: Disclosures
- AASB 101 Presentation of Financial Statements
- AASB 107 Statement of Cash Flows
- AASB 124 Related Party Disclosures.

General information and statement of compliance (continued)

In addition to the disclosure requirements of AASB 1060, entities applying Australian Accounting Standards – Simplified Disclosures are therefore required to comply with the presentation requirements and associated guidance of a number of Australian Accounting Standards:

- AASB 15 Revenue from Contracts with Customers – paragraphs 105-109
- AASB 16 Leases – paragraphs 47-50 and 88
- AASB 119 Employee Benefits – paragraphs 131-134
- AASB 132 Financial Instruments: Presentation

In some cases, the presentation requirements outlined above refer to other requirements of Australian Accounting Standards that are not applicable in financial statements prepared in accordance with AASB 1060. For example, many of these presentation requirements refer to AASB 101 Presentation of Financial Statements, even though that Standard does not apply to entities applying Australian Accounting Standards – Simplified Disclosures.

In these cases, we believe that entities applying Australian Accounting Standards – Simplified Disclosures should instead refer to the equivalent requirements in AASB 1060, which the guidance in those other Standards referred to as guidance.

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.

Ermha Ltd has returned a surplus in 2022/23 and current forecasts for 2023/24 indicate a surplus for the upcoming year. Additionally, cash levels have remained constant which has enabled the Company to pay debts when due and this is expected to be maintained during FY2023/24.

2.2 New or amended Accounting Standards and Interpretations adopted

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

The following Accounting Standards and Interpretations are most relevant to the company:

Summary of accounting policies (continued)

2.3 Revenue

Revenue comprises revenue from the sale of goods, services, 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:

Grant Revenue

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

Grant funds received by the Company that have sufficiently specific and enforceable performance obligations, in accordance with AASB 15, are recognised as a contract liability on receipt and are recognised as revenue, over time, as the Company satisfies its performance obligations.

Revenue from grant funds received by the Company that do not have sufficiently specific and enforceable performance obligations is recognised as income on receipt of the funds.

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 and services to the customer as this is deemed to be the point in time when the performance obligations and control 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 payables 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.

Summary of accounting policies (continued)

Cash flows for receipts and payments 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 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% -33%	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.

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.

Summary of accounting policies (continued)

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.

2.7 Financial instruments

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.

(i) Recognition, initial measurement and derecognition

Financial assets are recognised when the Company becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

(ii) Classification and subsequent measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- fair value through profit or loss (FVPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI)

Classifications are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

(iii) Subsequent measurement financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

Summary of accounting policies (continued)

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVPL):

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Impairment of financial assets:

AASB 9's impairment requirements use more forward looking information to recognise expected credit losses – the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using the practical expedient, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Classification and measurement of financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Summary of accounting policies (continued)

2.8 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.

2.9 Income received in advance

The Company has adopted AASB 15 which requires income to be recognised on the completion of performance obligations.

2.10 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.

From 1 January 2020 the Company commenced making contributions for certain eligible employees to Victoria's new portable long service leave scheme, pursuant to the Long Service Benefits Portability Act 2018. A levy of 1.65% of eligible salaries is paid to the Portable Long Service Leave Authority. Any amounts payable to eligible employees in relation to long service leave post 1 January 2020 will be funded by the Authority as and when they arise. However, the existence of the scheme does not discharge the company's obligation to pay long service leave to employees in the event that the Authority cannot meet its obligations. At balance date the Company has no reason to believe that the Authority will not meet its obligations under the agreements with the Company as employer.

2.11 Income taxes

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

2.12 Leases

Right of use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Summary of accounting policies (continued)

Lease liability

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

2.13 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.

2.14 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.

3. Revenue and other income

	2023 $	2022 $
Operational revenue		
Operating grants	**6,234,714**	2,971,533
NDIA Income	**30,629,001**	35,012,751
Program Income	**10,749,773**	9,581,469
Other trading revenue	**730,077**	11,892
	48,343,565	47,577,645
Income		
Donations	**41,612**	38,992
Finance income	**69,346**	77
	110,958	39,069
	48,454,523	47,616,714

Information about the performance obligations arising under each of the above categories of revenue, including a description of when the entity typically satisfies its performance obligations, any significant payment terms, the nature of the services provided is provided as set out below.

NDIA Income
The entity receives funding directly or indirectly from the National Disability Insurance Agency for a range of mental health and disability support services provided to eligible clients registered in the National Disability Insurance Scheme. The revenue recognised from the provision of services is recognised at a point in time when the service has been performed.

Operating grants
The entity enters into service agreements with State governments for the provision of services directed at supporting clients with complex needs particularly with mental health and disability support including the provision of residential care, early intervention and psychological support services. The revenue is recognised over time as the services are provided. The agreements include performance obligations requiring care to be provided to a specified number of clients and with specified support plans in place.

Program income
The entity enters into service agreements with other agencies to provide specific mental health support services directed at particular cohorts. The revenue is recognised over time as the services are provided. The agreements include performance obligations requiring care and treatment to be provided to a specified number of clients.

4. Cash and cash equivalents

	2023 $	2022 $
Cash on hand	**350**	1,350
Cash at bank and on call investments	**2,777,549**	5,661,045
Short-term deposits	**1,500,000**	-
	4,277,899	5,662,395

5. Investments

	2023 $	2022 $
Financial assets at fair value through profit or loss	**-**	11,738
	-	11,738

6. Term Deposits

	2023 $	2022 $
At reporting date, the entity had a Fixed Term Deposit held with The Commonwealth Bank of Australia at 4.56% maturing on 06 November 2023.	**1,000,000**	-
	1,000,000	-

	2023	2022
	$	$

7. Trade and other receivables

Trade receivables	**1,635,317**	1,760,225
Provision for Impairment	**(200,000)**	(250,000)
Asset Clearing	**-**	140,162
Net Value of Receivables	**1,435,317**	1,650,387
Accrued income	**1,284,671**	2,007,942
Deposits (Security bonds)	**38,001**	42,525
Other receivables	**26,450**	-
	2,784,439	3,700,854

8. Portable Long Service Leave – Right to Reimbursement

Portable Long Service Leave – Right to Reimbursement (current)	**79,678**	52,917
Portable Long Service Leave – Right to Reimbursement (Non -current)	**205,272**	62,173
	284,950	115,090

9. Other assets

Prepayments	**160,652**	211,293
	160,652	211,293

10. Property, plant and equipment

Land and buildings		
At fair value	**1,210,777**	955,947
Total land and buildings	**1,210,777**	955,947
Plant and equipment		
At cost	**134,093**	110,713
Accumulated depreciation	**(93,540)**	(86,313)
Total plant and equipment	**40,553**	24,399
Furniture, fixtures and fittings		
At cost	**25,083**	25,083
Accumulated depreciation	**(22,335)**	(21,016)
Total furniture, fixture and fittings	**2,748**	4,066
Motor vehicles		
At cost	**112,819**	112,819
Accumulated depreciation	**(110,984)**	(94,474)
Total motor vehicles	**1,835**	18,345
Office equipment		
At cost	**133,420**	133,420
Accumulated depreciation	**(94,837)**	(71,347)
Total office equipment	**38,583**	62,073
Leasehold improvements		
At cost	**1,002,261**	1,002,261
Accumulated depreciation	**(998,714)**	(991,206)
Total leasehold improvements	**3,547**	11,055
Total property, plant and equipment	**1,298,043**	1,075,886

The Company's land and buildings at 13 Buckley Street, Noble Park was last revalued at 19 January 2023 by independent valuers. The valuation supported the carrying value of Land & Buildings at $385,000.

	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	**955,947**	**24,399**	**4,066**	**18,345**	**62,073**	**11,055**	**1,075,886**
Additions	**254,830**	**23,381**	**1**	**- 0**	**(0)**	**(0)**	**278,211**
Disposals	**-**	**-**	**-**		**-**	**-**	**-**
Adjustments							**-**
Depreciation expense	**-**	**(7,227)**	**(1,319)**	**(16,510)**	**(23,490)**	**(7,508)**	**(56,054)**
Balance at the end of the year	**1,210,777**	**40,554**	**2,748**	**1,835**	**38,583**	**3,547**	**1,298,043**

11. Right-of-Use assets

Assets used by the entity under lease arrangement

	2023	2022
	$	$
Property		
At cost	**2,196,653**	2,478,382
Accumulated depreciation	**(1,026,356)**	(728,435)
Total property	**1,170,297**	1,749,947
Motor vehicles		
At cost	**932,206**	603,863
Accumulated depreciation	**(666,414)**	(318,071)
Total motor vehicles	**265,792**	285,792
Office equipment		
At cost	**461,289**	430,430
Accumulated depreciation	**(309,513)**	(269,653)
Total office equipment	**151,776**	160,776
Total right of use assets	**1,587,865**	2,196,515

	Property	Motor vehicles	Office equipment	Total
Balance at the beginning of the year	**1,749,947**	**285,792**	**160,776**	**2,196,515**
Additions	**(2,930)**	**260,378**	**127,087**	**384,535**
Disposals	**-**	**-**	**-**	**-**
Depreciation expense	**(576,721)**	**(280,378)**	**(136,088)**	**(993,187)**
				-
Balance at the end of the year	**1,170,296**	**265,792**	**151,776**	**1,587,864**

12. Lease Liabilities

The consolidated entity leases vehicles, land and buildings for its offices and client accommodation under agreements of between one to five years. The leases have various escalation clauses with, in some cases, options to extend. On renewal, the terms of the leases are renegotiated.

Lease liabilities are presented in the statement of financial position as follows:	**2023**	2022
	$	$
Current	**851,637**	781,381
Non-Current	**915,547**	1,474,449
	1,767,184	2,255,830

13. Non-Current liabilities - lease liabilities

Lease liability	**915,547**	1,474,449
Future lease payments		
Future lease payments are due as follows :		
Within one year	**892,385**	838,507
One to five years	**947,408**	1,537,737
More than five years	**-**	-
	1,839,793	**2,376,244**

14. Intangible assets

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

	Computer software	**Computer software**
Cost		
Balance at the beginning of the year	**219,330**	219,330
Additions	**0**	-
Balance at the end of the year	**219,330**	219,330
Less Amortisation		
Balance at the beginning of the year	**219,330**	219,330
Amortisation	**-**	-
Balance at the end of the year	**219,330**	219,330
Net Book value as at 30 June	0	-

15. Trade and other payables

	2023	2022
	$	$
Trade payables	**185,890**	661,230
Other payables	**1,457,853**	1,499,667
	1,643,743	2,160,898

16. Provisions

Current		
Lease make good provision	**497**	70,497
	497	70,497

17. Contract Liabilities

Income received in advance	**1,190,662**	2,067,561
	1,190,662	2,067,561

18. Employee benefits

	2023	2022 Restated
	$	$
Current liabilities		
Long service leave	**522,184**	455,254
Annual leave	**1,649,929**	1,869,305
	2,172,113	2,324,559
Non-current liabilities		
Long service leave	**422,535**	304,603

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 $1,735,470 (2022: $1,313,824).

20. Remuneration of auditors

Auditing and reviewing the financial statements	**59,740**	48,000
Other non-assurance services	**24,463**	6,800
	84,203	**54,800**

The auditor in 2022 and 2023 is Grant Thornton Audit Pty Ltd

21. Events occurring after the reporting date

On 25th October 2023, the Company made a decision to sell its interest in 13 Buckley St, Noble Park and to additionally sell land which it owns in Packenham. The funds generated by the Company from these sales will be consolidated with funds provided by the Victorian State Government to complete a housing project. The housing will be used for the purpose of providing short to medium term accommodation for NDIS clients.

22. Related party transactions

During the 2022/23 financial year, Ermha Ltd had no related party transactions.

23. Capital commitments

As at 30 June 2023, the Company had no capital commitments to purchase assets.

24. Contingencies

The entity has no contingent assets as at 30 June 2023 and 30 June 2022

The entity has a bank guarantee facility in relation to lease properties of $305,000 (2022: $305,000) which remains unused

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 2023, 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

27. Restatement of comparatives

Reclassification

In the last 4 financial periods, multiple state legislatures have introduced portable long service leave schemes, whereby a levy is paid to the Portable Long Service Leave Authority allowing for employees to continue to accrue long service leave upon transition from employer to employer to encourage employee retention within the community services sector. Historically management have recorded the portable LSL liability on a net basis under the employee benefits financial statement line. In the current year, management have made the election to adopt a policy whereby a corresponding Portable LSL asset is recognised for the LSL that employees accrue, where the Company would be able to claim back any LSL that is paid out to Employees. As such the below prior year reclassification has been made.

Portable Long Service Leave – Right to Reimbursement

	2022 Financials	Adjustment	2022 Restated
	$	$	$
Right to Reimbursement – Current	-	52,917	52,917
Right to Reimbursement – Non-Current	-	62,173	62,173
	-	115,090	115,090

Employee Benefits

	2022 Financials	Adjustment	2022 Restated
	$	$	$
Liabilities – Current	2,271,642	52,917	2,324,559
Liabilities – Non-Current	242,430	62,173	304,603
	2,514,073	115,090	2,629,163

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 2023 and of its performance for the year ended on that date; and

  ii. Complying with Australian Accounting Standards - Simplified Disclosure Requirements (including the Australian Accounting Interpretations) and the *Australian Charities and Not-for-profits Commission Regulation 2022*, and

b. There are reasonable grounds to believe that Ermha Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Agata Jarbin
Chair

Jennifer King
Chair of the Finance, Audit and Risk Management Committee

Signed at Melbourne on 22nd November 2023.

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Independent Auditor's Report

To the Members of Ermha Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Ermha Limited (the "Registered Entity") which comprises the statement of financial position as at 30 June 2023, 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 Registered Entity's financial position as at 30 June 2023 and of its financial performance for the year then ended; and

b complying with Australian Accounting *Standards AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2022*.

Basis for opinion

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

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

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

The Directors are responsible for the other information. The other information comprises the information included in the Registered Entity’s annual report for the year ended 30 June 2023, but does not include the financial report and our auditor’s report thereon.

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

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

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

Responsibilities of the Directors for the financial report

The Directors of the Registered Entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – *AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* and the ACNC Act, 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 Registered Entity’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Registered Entity or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Registered Entity’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 Registered Entity’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Registered Entity’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are

based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Registered Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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, 22 November 2023