

Pacific Link Housing Limited

ABN 82 074 394 648

Financial Statements

For the Year Ended 30 June 2018

Pacific Link Housing Limited

ABN 82 074 394 648

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For the Year Ended 30 June 2018

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Pacific Link Housing Limited

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Directors' Report For the financial year ended 30 June 2018

Your directors present their report on Pacific Link Housing Limited ("the company") for the financial year ended 30 June 2018.

Information on directors

The following were directors of the Company during the whole of the financial year up to the date of this report, unless otherwise stated:

Wal Edgell	Chairman from 27 June 2018
Qualifications	Banking and Property Executive
Years Service	4 years
Special responsibilities	Attends any committee meeting in ex-officio capacity
Leoni Baldwin	Director
Qualifications	BA Ed PE; AMA Mediation
Years Service	6 years
Special responsibilities	Governance, Tenant Opportunity Programs and Social Enterprises Committee
David Bacon	Chairman (resigned 27 June 2018)
Qualifications	Director
Years Service	9 years
Special responsibilities	Attends any committee meeting in ex-officio capacity
Alan Bennell	Director
Qualifications	Chartered Accountant
Years Service	10 years
Special responsibilities	Finance, Risk and Audit Committee
Clifford Innes	Director, Deputy Chairman
Qualifications	Chartered Accountant
Years Service	9 years
Special responsibilities	Finance, Risk and Audit and Governance Committee
Stephen Brahams	Director
Qualifications	Director
Years Service	9 years
Special responsibilities	Finance, Risk and Audit and Project Committee
Deborah Howe	Director
Qualifications	RN, BA Social Science, MPH, MHA, GAICD
Years Service	9 years
Special responsibilities	Governance and Tenant Opportunity Programs and Social Enterprises Committees

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Directors' Report For the financial year ended 30 June 2018

Information on directors

Kim McLoughry	Director
Qualifications	CEO, MAICD, BA Social Enterprise Grad
Years Service	9 years
Special responsibilities	Tenant Opportunity Programs and Social Enterprises Committee

David Simmons	Director (resigned 30 May 2018)
Qualifications	Director
Years Service	8 years
Special responsibilities	Governance and Finance, Risk and Audit Committees

Principal activities

The principal activity of Pacific Link Housing Limited during the financial year was the provision of low cost subsidised housing to clients on low incomes.

No significant changes in the nature of the Company's activities occurred during the financial year.

Short term objectives

The Company's short term objectives are to:

- Work with Government to increase the supply of housing;
- Build property development capacity, through social and affordable housing developments with environmental and sustainability credentials;
- Build strategic alliances with relevant partners and benchmark and evaluate the success of joint projects;
- Develop our state of readiness to take advantage of sector changes;
- Continue our thought leadership strategy through our evidence-based research program and advocacy to stakeholders and lead innovation;
- Maintain tenant focus and quality of services;
- Recruit, train and retain our employees and remain an employer of choice;
- Establish and maintain effective and efficient systems;
- Continue to enhance board development and governance;
- Maintain housing stock to a good standard; and
- Maintain a focus on continuous improvement.

Long term objective

- Pacific Link Housing Limited aims to continue to provide affordable and secure housing solutions for those in the community who are in the greatest need. We assist those who are able to develop new lives and skills to be able to return to the mainstream housing market. The Company operates within a culture of social justice, fairness and transparency and remains accountable to all stakeholders.

Strategy for achieving the objectives

To achieve these objectives, the Company has adopted the following strategies:

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Directors' Report

For the financial year ended 30 June 2018

Strategy for achieving the objectives

By using stronger relationship channels, Pacific Link's aim is to effectively advocate and promote the needs of the community housing sector with all levels of government. The Company will seek to change the traditional perspective of community housing as a permanent solution and will take a leading role in highlighting the potential for tenants to transition through, and exit from, social and affordable housing given focused and appropriate support programs.

Pacific Link aims to grow expertise to access opportunities to develop, build or acquire more properties in our area of operation in order to meet social housing demand.

Pacific Link will further strengthen the business's revenue base and will seek opportunities for alternative government and private funding streams. The Company will broaden and diversify our service offering, and will pursue potential for horizontal integration with other complementary service providers.

Pacific Link will continue to offer a range of participatory methods of tenant involvement and provide programs to assist in building residents' skills and capacity, social inclusion and community engagement.

Pacific Link will continue to maintain its properties to a good standard to conform with its asset management strategies and conduct pilot programs that seek to improve the properties so that utility costs are minimised.

The organisation has a skilled and professional team who are committed to continuous improvement. Pacific Link will promote and offer appropriate training opportunities to ensure that the highest levels of practice and procedure continue to reflect quality service provision for clients. Pacific Link is committed to a culture of continuous improvement in all aspects of operation and will make every endeavour to meet the highest standards as set down by the Communities, Housing and Pathways Directorate of the Department of Family and Community Services.

Pacific Link is well positioned to look forward to an exciting future. One that includes initiatives to enhance the lives of tenants, contribute to a more sustainable approach, grow the number of properties available and contribute to the raising of the community housing sector's profile and reputation.

Members' guarantee

Pacific Link Housing Limited is a company limited by guarantee. In the event of, and for the purpose of winding up of the company, the amount capable of being called up from each member and any person or association who ceased to be a member in the year prior to the winding up, is limited to \$ 2 subject to the provisions of the company's constitution.

At 30 June 2018 the collective liability of members was \$ 100 (2017: \$110).

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Directors' Report

For the financial year ended 30 June 2018

Meetings of directors


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

	Directors' Meetings	
	Number eligible to attend	Number attended
David Bacon	12	12
Alan Bennell	12	10
Clifford Innes	12	10
Stephen Brahams	12	10
Deborah Howe	12	11
Kim McLoughry	12	9
David Simmons	11	8
Leoni Baldwin	12	11
Wal Edgell	12	11

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2018 has been received and can be found on page 5 of the financial report.

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

Director: 
Wal Edgell

Director: 
Clifford Innes

Dated this 20th day of September 2018

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018, there have been:

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



PKF



CLAYTON HICKEY

PARTNER

21 SEPTEMBER 2018

NEWCASTLE, NSW

Pacific Link Housing Limited

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Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2018

	2018	2017
Note	\$	\$
Revenue from Continuing Operations		
Revenue from government and other grants	3,491,344	3,394,791
Other revenue	10,374,491	12,585,207
4	<u>13,865,835</u>	<u>15,979,998</u>
Employee benefits expense	(2,161,053)	(2,226,438)
Depreciation and amortisation expense	(144,832)	(144,871)
Training expenses	(36,595)	(38,631)
Audit, legal and consultancy expenses	(320,394)	(381,526)
Insurance expense	(231,214)	(212,380)
Property repairs and maintenance	(1,439,369)	(1,425,181)
Council and water rates	(1,094,952)	(972,395)
Rental expense	(5,953,039)	(5,851,263)
Repairs, maintenance and vehicle running expense	(38,295)	(44,819)
Other operating expenses	(893,217)	(804,550)
Bad and doubtful expense	(178,283)	(158,739)
Finance costs	(31,202)	(9,636)
5	<u>1,343,390</u>	<u>3,709,569</u>
Profit before income tax	1,343,390	3,709,569
Income tax expense	-	-
2(c)	<u>-</u>	<u>-</u>
Profit after income tax	1,343,390	3,709,569
	<u>1,343,390</u>	<u>3,709,569</u>
Total comprehensive income for the year	1,343,390	3,709,569

The accompanying notes form part of these financial statements.

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Statement of Financial Position

As At 30 June 2018

	Note	2018 \$	2017 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	1,797,426	3,497,166
Trade and other receivables	8	626,059	1,461,464
Other financial assets	9	8,669,134	7,323,390
Other assets	10	88,763	77,091
TOTAL CURRENT ASSETS		<u>11,181,382</u>	<u>12,359,111</u>
NON-CURRENT ASSETS			
Property, plant and equipment	11	295,737	319,535
Investment property	12	10,738,205	8,294,050
TOTAL NON-CURRENT ASSETS		<u>11,033,942</u>	<u>8,613,585</u>
TOTAL ASSETS		<u>22,215,324</u>	<u>20,972,696</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	1,695,936	1,853,065
Financial liabilities	16	686,049	665,771
Employee benefits	15	137,484	108,309
Other liabilities	17,	2,221,985	2,221,985
TOTAL CURRENT LIABILITIES		<u>4,741,454</u>	<u>4,849,130</u>
NON-CURRENT LIABILITIES			
Trade and other payables	14	60,000	60,000
Employee benefits	15	67,159	60,245
TOTAL NON-CURRENT LIABILITIES		<u>127,159</u>	<u>120,245</u>
TOTAL LIABILITIES		<u>4,868,613</u>	<u>4,969,375</u>
NET ASSETS		<u>17,346,711</u>	<u>16,003,321</u>
MEMBERS' FUNDS			
Retained earnings		<u>17,346,711</u>	<u>16,003,321</u>
TOTAL MEMBERS' FUNDS		<u>17,346,711</u>	<u>16,003,321</u>

The accompanying notes form part of these financial statements.

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Statement of Changes in Members Funds For the Year Ended 30 June 2018

2018

	Retained Earnings	Total
	\$	\$
Balance at July 1, 2017	16,003,321	16,003,321
Profit for the year	1,343,390	1,343,390
Balance at 30 June 2018	17,346,711	17,346,711

2017

	Retained Earnings	Total
	\$	\$
Balance at July 1, 2016	12,293,752	12,293,752
Profit for the year	3,709,569	3,709,569
Total comprehensive income for the year	-	-
Balance at 30 June 2017	16,003,321	16,003,321

The accompanying notes form part of these financial statements.

Pacific Link Housing Limited

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Statement of Cash Flows For the Year Ended 30 June 2018

	2018	2017
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from tenants and other persons	9,937,086	8,611,946
Payments to suppliers and employees	(12,711,809)	(11,180,793)
Interest received	213,178	237,822
Receipts from government sources	3,840,478	3,734,270
Interest and other charges	(31,202)	(9,636)
Net cash provided by operating activities	<u>1,247,731</u>	<u>1,393,609</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for property, plant & equipment	(164,580)	(200,708)
Proceeds from sale of assets	36,735	803,000
Payments for investment properties	(1,494,160)	(2,999,461)
Net cash provided by/(used in) investing activities	<u>(1,622,005)</u>	<u>(2,397,169)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	20,278	665,771
Net cash provided by financing activities	<u>20,278</u>	<u>665,771</u>
Net increase/(decrease) in cash and cash equivalents held	(353,996)	(337,789)
Cash and cash equivalents at beginning of year	<u>10,820,556</u>	<u>11,158,345</u>
Cash and cash equivalents at end of financial year	7 <u><u>10,466,560</u></u>	<u><u>10,820,556</u></u>

The accompanying notes form part of these financial statements.

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Notes to the Financial Statements

For the Year Ended 30 June 2018

The financial report covers Pacific Link Housing Limited as an individual entity. Pacific Link Housing Limited is a not-for-profit Company limited by guarantee, incorporated and domiciled in Australia.

The functional and presentation currency of Pacific Link Housing Limited is Australian dollars.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001*.

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

The financial statements, except for the cash flow information, 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. The amounts presented in the financial statements have been rounded to the nearest dollar.

2 Summary of Significant Accounting Policies

(a) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Company and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

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

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

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

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

Donations and bequests are recognised as revenue when received.

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

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Notes to the Financial Statements

For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies

(a) Revenue and other income

Service Concession Arrangements

Pacific Link Housing Limited has entered into arrangements to provide community housing services on behalf of Government. The arrangements are for operating services only whereby Pacific Link Housing receives use of the housing infrastructure and also the right to charge users of the housing service in accordance with the terms of the arrangements. The revenue and costs in relation to the operating services are recognised as they are incurred.

(b) Basis for consolidation

Joint Arrangements

AASB 11 *Joint Arrangements* defines a joint arrangement as an arrangement of which two or more parties have joint control and classifies these arrangements as either joint ventures or joint operations.

Pacific Link Housing Limited has determined that it has both joint ventures and joint operations.

Joint operations:

In relation to its joint venture operations, where the venturer has the rights to the individual assets and obligations arising from the arrangement, Pacific Link Housing Limited has recognised:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation;
- Its expenses, including its share of any expenses incurred jointly.

These figures are incorporated into the relevant line item in the primary statements.

(c) Income Tax

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

(d) Leases

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies

(d) Leases

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

Lease payments for operating leases, where substantially all 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.

(e) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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.

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.

(f) 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.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal repayments and amortisation.

Available-for-sale financial assets

Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are recognised in other comprehensive income.

Notes to the Financial Statements

For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies

(f) Financial instruments

Held-to-maturity investments

Held to maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(g) Impairment of assets

At the end of each reporting period the Company reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the entity estimates the recoverable amount of the cash generating unit to which the asset belongs.

When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(h) Cash and cash equivalents

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

(i) Trade and other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

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Notes to the Financial Statements For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies

(j) 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.

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.

Plant and equipment

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

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

The cost of fixed assets constructed by the Company includes the cost of materials, direct labour and borrowing costs. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance is charged to the income statement during the financial period in which it is incurred.

Motor Vehicles

Motor vehicles are generally replaced at the earlier of three years or 100,000 kilometres.

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.

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

Fixed asset class	Depreciation rate
Leasehold improvements	20%
Furniture and office equipment	10 - 33%
Motor Vehicles	23%

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.

Notes to the Financial Statements

For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies

(k) Investment property

Investment property is carried at fair value, determined on an annual basis by persons defined as independent valuers pursuant to *AASB 140 Investment Property*. Changes to fair value are recorded in the statement of profit or loss and other comprehensive income as other income/expenses.

(l) 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.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields at the reporting date on national government bonds, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

(m) Member subscriptions

Member subscriptions received in advance are amounts received from members in respect of subscriptions for the current and subsequent years, and are shown in the balance sheet under trade and other payables.

(n) Adoption of new and revised accounting standards

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

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

Notes to the Financial Statements For the Year Ended 30 June 2018

2 Summary of Significant Accounting Policies

(o) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Company has decided not to early adopt these Standards. The following table summarises those future requirements, and their impact on the Company where the standard is relevant:

Standard Name	Effective date for entity	Impact
AASB 15 - Revenue from Contracts with Customers	1 July 2019	The introduction of this standard will change the way in which the company recognises revenue from customers, in particular revenue received from Government Grants. Revenue will change to be recognised as the performance obligations outlined in each of the agreements are satisfied. The company will apply this change for the 2019 financial year without retrospective restatement.
AASB 16 - Leases	1 July 2020	The company has a number of registered leases over properties owned by Government Departments. These properties are provided under service concession arrangements for the provision of public housing services. The impact of AASB 16 Leases on Service Concession Arrangements is yet to be determined.
AASB 9 - Financial Instruments	1 July 2018	The way in which the company considers impairment of debtors will change to include a forward looking method, taking into consideration the likelihood of future events which may cause the debtors to become impaired. Therefore the provision for doubtful debts may increase by an unknown amount to be considered upon adoption of the new standard.

3 Critical Accounting Estimates and Judgments

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.

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Notes to the Financial Statements

For the Year Ended 30 June 2018

3 Critical Accounting Estimates and Judgments

Key estimates - Useful lives of assets

The Company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Key estimates - fair value of investment properties

Investment property land and buildings are included in the financial statements at fair value. Fair value has been determined with reference to Director valuations obtained by the Company. The freehold land and buildings were last independently valued in 2018.

Key judgments - Classification of joint arrangement

Pacific Link Housing Limited has a joint arrangement which is structured through an unincorporated entity, Evolve Pacific Developments. Pacific Link Housing Limited and the other party to the arrangement have rights to the assets, obligations, income and expenses of the joint arrangement based on the agreement in place and therefore based on facts and circumstances, the joint arrangements have been classified as a joint operation.

Key estimates - Employee benefits provisions

As described in the accounting policies, provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. These estimates are made taking into account a range of possible outcomes and will vary as further information is obtained.

Key estimates - doubtful debts

Tenant receivables are assessed for recoverability and a provision for impairment is recognised when there is objective evidence that an individual tenant receivable is impaired.

Pacific Link Housing Limited

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Notes to the Financial Statements For the Year Ended 30 June 2018

4 Revenue and Other Income

	2018	2017
	\$	\$
- Government grants	3,491,344	3,394,791
- Service concession arrangements	9,941,934	9,399,760
- Interest Income	213,178	237,822
- Fair Value Investment Gain	(4,831)	715,198
- Other grants	125,882	2,164,319
- Other income	98,328	68,108
	<u>13,865,835</u>	<u>15,979,998</u>

5 Result for the Year

Finance Costs		
- Interest and charges on financial liabilities	31,202	9,636
Depreciation		
Leasehold upgrade	1,148	2,496
Furniture and office equipment	99,426	85,445
Motor vehicles	44,258	56,930
	<u>144,832</u>	<u>144,871</u>

6 Auditors' Remuneration

Auditing or reviewing the financial report	21,000	20,000
--	--------	--------

7 Cash and Cash Equivalents

Cash on hand	640	640
Cash at bank	823,457	2,184,280
Cash at bank- joint arrangement (note 13)	973,329	1,312,246
	<u>1,797,426</u>	<u>3,497,166</u>

Reconciliation of cash

Cash and Cash equivalents reported in the statement of cash flows are reconciled to the equivalent items in the statement of financial position as follows:

Cash and cash equivalents	1,797,426	3,497,166
Term deposits	8,669,134	7,323,390
Balance as per statement of cash flows	<u>10,466,560</u>	<u>10,820,556</u>

Pacific Link Housing Limited

ABN 82 074 394 648

Notes to the Financial Statements For the Year Ended 30 June 2018

8 Trade and Other Receivables

	2018	2017
Note	\$	\$
Trade receivables	809,294	1,625,591
Provision for doubtful debts	(a) (183,235)	(164,127)
	<u>626,059</u>	<u>1,461,464</u>

(a) Provision for doubtful debts

Generally receivables are client outstanding rents. These receivables are assessed for recoverability and a provision for impairment is recognised when there is objective evidence that rent receivables are impaired.

Movement in the provision for impairment of receivables is as follows:

Balance at beginning of the year	164,127	92,634
Charge for the year	19,108	71,493
Balance at end of the year	<u>183,235</u>	<u>164,127</u>

9 Other Financial Assets

Term deposits	<u>8,669,134</u>	7,323,390
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10 Other Assets

Prepayments	<u>88,763</u>	77,091
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Pacific Link Housing Limited

ABN 82 074 394 648

Notes to the Financial Statements For the Year Ended 30 June 2018

11 Property, plant and equipment

	2018	2017
	\$	\$
PLANT AND EQUIPMENT		
Leasehold improvements - at cost	295,318	295,318
Accumulated depreciation	<u>(294,488)</u>	<u>(293,340)</u>
	<u>830</u>	<u>1,978</u>
Furniture and office equipment - at cost	593,763	555,763
Accumulated depreciation	<u>(453,742)</u>	<u>(355,360)</u>
	<u>140,021</u>	<u>200,403</u>
Motor vehicles - at cost	245,008	188,429
Accumulated depreciation	<u>(90,122)</u>	<u>(71,275)</u>
	<u>154,886</u>	<u>117,154</u>
Total property, plant and equipment	<u><u>295,737</u></u>	<u><u>319,535</u></u>

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Leasehold improvements	Furniture and office equipment	Motor Vehicles	Total
	\$	\$	\$	\$
Year ended 30 June 2018				
Balance at the beginning of year	1,978	200,403	117,154	319,535
Additions	-	61,959	102,621	164,580
Disposals	-	(22,916)	(20,630)	(43,546)
Depreciation expense	<u>(1,148)</u>	<u>(99,425)</u>	<u>(44,259)</u>	<u>(144,832)</u>
Balance at the end of the year	<u><u>830</u></u>	<u><u>140,021</u></u>	<u><u>154,886</u></u>	<u><u>295,737</u></u>

Pacific Link Housing Limited

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Notes to the Financial Statements For the Year Ended 30 June 2018

12 Investment Properties

	2018	2017
	\$	\$
Opening balance	8,294,050	5,088,881
Acquisitions	1,494,160	3,062,186
Non-cash acquisitions	954,827	-
Disposals	-	(572,215)
Fair value investment gain	(4,832)	715,198
Balance at end of year	10,738,205	8,294,050

13 Interests in Joint Arrangements

Material joint ventures

Pacific Link Housing Limited holds 50% interest in Evolve Pacific Developments, a joint arrangement with another party. The principal place of business of the Evolve Pacific Developments Joint Venture is Parramatta and the primary purpose of the joint venture is to facilitate the construction and management of studio apartments in three locations in NSW. The funding agreement entered into by the joint venture requires a further commitment by the company of \$1,551,988 towards the construction and fit-out of the apartments.

Evolve Pacific Developments joint venture is an unincorporated entity (partnership) and is classified as a joint operation. Accordingly, the Company's interests in assets and liabilities attributable to the joint venture have been consolidated into the financial statements of the Company. Where differences occur between the accounting policies of the joint venture arrangement and the company, the balances included within the financial report have been adjusted to align with those policies outlined in note 1. The Company's share of assets employed in Evolve Pacific Developments that are included in the financial statements are as follows:

2018	Evolve Pacific Developments
Name of Joint Venture	
Summarised statement of financial position	
Cash and cash equivalents	973,329
Other current assets	42,140
Non-current assets	37,970
Land and buildings	5,652,229
Borrowings	(686,049)
Funding received in advance	(2,221,985)
Net assets	3,797,634

Pacific Link Housing Limited

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Notes to the Financial Statements For the Year Ended 30 June 2018

2017		Evolve Pacific Developments
Name of Joint Venture		
Summarised statement of financial position		
Cash and cash equivalents		1,312,246
Land and buildings		4,750,000
Construction - work in progress		112,057
Other assets		56,603
Current financial liabilities		(665,771)
Funding received in advance		(2,221,985)
Net assets		<u><u>3,343,150</u></u>
14 Trade and Other Payables		
	2018	2017
	\$	\$
Current		
Trade payables	820,729	935,482
Rent in advance	528,452	508,449
Grants in advance	346,755	409,134
	<u>1,695,936</u>	<u>1,853,065</u>
Non-Current		
Licence fees	60,000	60,000
15 Provisions		
CURRENT		
Annual leave	115,739	91,359
Long service leave	21,745	16,950
	<u>137,484</u>	<u>108,309</u>
NON-CURRENT		
Long service leave	67,159	60,245
16 Borrowings		
Secured liabilities:		
Westpac loans	686,049	665,771

The borrowing listed above represents fifty percent of the full Westpac liability with the remaining fifty percent being liable by the other party to the joint venture. The Westpac Business Finance Agreement notes that each borrower is liable for the whole amount of the facility in the event of default.

Pacific Link Housing Limited

ABN 82 074 394 648

Notes to the Financial Statements For the Year Ended 30 June 2018

17 Other Liabilities

	2018	2017
	\$	\$
Funding received in advance (Note 13)	<u>2,221,985</u>	<u>2,221,985</u>

18 Capital and Leasing Commitments

(a) Operating leases

Minimum lease payments under non-cancellable operating leases:

- not later than one year	63,852	50,474
- between one year and five years	<u>63,552</u>	-
	<u><u>127,404</u></u>	<u><u>50,474</u></u>

Operating leases are in place for property leased at suites 2 and 3 of Level 1, 153 Mann Street, Gosford.

(b) Capital Commitment

Joint Venture Construction

Under the terms of the funding agreement entered into by the Company as an equal party with another service provider the Company is committed to the outlay of \$1,551,988 towards the construction and fit-out of three new generation studio apartment projects.

19 Key Management Personnel Remuneration

The totals of remuneration paid to the key management personnel of Pacific Link Housing Limited during the year are as follows:

Aggregate compensation	<u>865,028</u>	<u>1,102,874</u>
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20 Related Parties

(a) Key management personnel

Disclosures relating to Key management personnel are set out in Note 19.

(b) Transactions with related parties

During the financial year Mr Stephen Brahams was paid \$60,000 and Mr Wal Edgell was paid \$60,000 in consulting fees totaling \$120,000 in relation to property consulting services that were provided to the Evolve Pacific Developments Joint Venture and to Pacific Link Housing Limited (2017 Mr Stephen Brahams, Mr David Bacon and Mr Wal Edgell were paid fees totalling \$93,710). Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Pacific Link Housing Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2018

21 Operating Segments

The Company operates predominantly in one industry. The principal activity of the Company is that of a provider of low cost subsidised housing to clients on low income.

22 Financial Risk Management

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payable and borrowings.

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

	2018	2017
	\$	\$
Financial assets		
Cash and cash equivalents	1,797,426	3,497,166
Trade and other receivables	626,059	1,461,464
Other financial assets	8,669,134	7,323,390
	<u>11,092,619</u>	<u>12,282,020</u>
Financial liabilities		
Trade and other payables	1,695,936	1,853,065
Financial liabilities	686,049	665,771
	<u>2,381,985</u>	<u>2,518,836</u>

The Company does not have any derivative instruments at 30 June 2018 (2017 : none).

23 Prior Period Error

(a) In the prior year Pacific Link Housing obtained external valuations on investment properties held. These valuations were calculated for a small number of properties on incorrect bedroom configurations and this overstated the investment properties by \$300,000 in 2017.

The aggregate effect on the annual financial statements for the year ended 30 June 2018 is as follows:

	Previously stated	June 30, 2017 Adjustments	Restated
	\$	\$	\$
Statement of Financial Position			
Investment property	8,594,050	(300,000)	8,294,050
Fair value investment gain	(1,015,198)	300,000	(715,198)

Pacific Link Housing Limited

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Notes to the Financial Statements For the Year Ended 30 June 2018

24 Contingencies

A legal case was satisfactorily concluded in August 2018 that had no material financial impact.

In the opinion of the Directors, the Company did not have any other contingencies at 30 June 2018 (30 June 2017: None).

25 Events after the end of the Reporting Period

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.

26 Statutory Information

The registered office and principal place of business of the company is:

Pacific Link Housing Limited
Level 1
10 William Street
Gosford NSW 2250

Pacific Link Housing Limited


ABN 82 074 394 648


Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 6 to 25, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards - Reduced Disclosure Requirements; and
 - b. give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the Company.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Director 
Wal Edgell

Director 
Clifford Innes

Dated this 20th day of September 2018

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF PACIFIC LINK HOUSING LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Pacific Link Housing Limited (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in members funds and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- (i) 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 ended; and
- (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

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 auditor independence requirements of the *Corporations Act 2001* and 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Responsibilities of Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the 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.

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 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 the financial report.

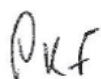
As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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 the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



PKF



CLAYTON HICKEY

PARTNER

21 SEPTEMBER 2018

NEWCASTLE, NSW