



Pacific Link Housing Limited

ABN 82 074 394 648

Financial Statements

For the Year Ended 30 June 2017

Pacific Link Housing Limited

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Registration number: 4557210012
ABN 82 074 394 648

Pacific Link Housing Limited

ABN 82 074 394 648

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Pacific Link Housing Limited

ABN 82 074 394 648

Directors' Report

For the financial year ended 30 June 2017

Your directors present their report on Pacific Link Housing Limited ("the company") for the financial year ended 30 June 2017.

Information on directors

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

David Bacon	Chairman
Qualifications	Director
Years Service	8 years
Special Responsibilities	Attends any committee meeting in ex-officio capacity
Leoni Baldwin	Director, Deputy Chairman
Qualifications	Consultant and Mediator
Years Service	5 years
Special Responsibilities	Governance, Tenant Opportunity Programs and Social Enterprises Committees
Alan Bennell	Director
Qualifications	Chartered Accountant
Years Service	9 years
Special Responsibilities	Finance, Risk and Audit Committee
Stephen Brahams	Director
Qualifications	Director
Years Service	8 years
Special Responsibilities	Finance, Risk and Audit and Project Committees
Deborah Howe	Director
Qualifications	Public Service Manager
Years Service	8 years
Special Responsibilities	Governance and Tenant Opportunity Programs and Social Enterprises Committees
Cliff Innes	Director
Qualifications	Chartered Accountant
Years Service	8 years
Special Responsibilities	Finance, Risk and Audit and Governance Committees
Kim McLoughry	Director
Qualifications	General Manager
Years Service	8 years
Special Responsibilities	Tenant Opportunity Programs and Social Enterprises Committee

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Directors' Report

For the financial year ended 30 June 2017

Information on directors

Information on directors

David Simmons Director
Qualifications Director
Years Service 7 years
Special Responsibilities Governance and Finance, Risk and Audit Committees

Wal Edgell Director
Qualifications Banking and Property Executive
Years Service 3 years
Special Responsibilities Finance, Risk and Audit, Project and Tenant Opportunity Programs and Social Enterprises Committees

Meetings of directors

During the financial year, 15 meetings of directors were held. Attendances by each director during the year were as follows:

Board Meetings		
	Number eligible to attend	Number attended
David Bacon	15	15
Alan Bennell	15	10
Stephen Brahams	15	13
Deborah Howe	15	12
Cliff Innes	15	13
Kim McLoughry	15	12
David Simmons	15	14
Leoni Baldwin	15	14
Wal Edgell	15	14

Principal activities

The principal activity of the company 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 activity occurred during the financial year.

Pacific Link Housing Limited

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Directors' Report

For the financial year ended 30 June 2017

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.

Strategies

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

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 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.

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Directors' Report

For the financial year ended 30 June 2017

Strategies

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 2017 the collective liability of members was \$ 110 (2016: \$ 116).


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 2017 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: 

David Bacon

Director: 

Cliff Innes

Dated this 21 day of September 2017

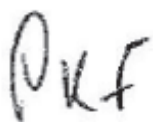
Pacific Link Housing Limited

ACN: 074 394 648

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 2017, 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

25 SEPTEMBER 2017

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 2017

	Note	2017 \$	2016 \$
Revenue from Continuing Operations			
Revenue from government and other grants	4	3,394,791	3,106,779
Other income	4	12,885,207	9,659,897
		<u>16,279,998</u>	<u>12,766,676</u>
Employee benefits expense		(2,226,438)	(2,122,170)
Depreciation and amortisation expense	5	(144,871)	(257,098)
Training expenses		(38,631)	(45,533)
Audit, legal and consultancy expenses		(381,526)	(215,150)
Insurance expense		(212,380)	(192,941)
Property repairs and maintenance		(1,425,181)	(1,632,929)
Council and water rates		(972,395)	(782,885)
Rental expense		(5,851,263)	(5,668,130)
Repairs, maintenance and vehicle running expense		(44,819)	(50,313)
Other operating expenses		(804,550)	(876,476)
Bad and doubtful expense		(158,739)	(160,015)
Finance costs	5	(9,636)	(1,120)
Profit before income tax		<u>4,009,569</u>	<u>761,916</u>
Income tax expense	2(c)	-	-
Profit after income tax		<u>4,009,569</u>	<u>761,916</u>
Other comprehensive income for the year			
Items that will not be reclassified subsequently to profit or loss		-	-
Other comprehensive income		-	-
Total comprehensive income for the year		<u>4,009,569</u>	<u>761,916</u>

The accompanying notes form part of these financial statements.

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Statement of Financial Position As At 30 June 2017

	Note	2017 \$	2016 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7,13	3,497,166	2,895,444
Trade and other receivables	8	1,461,464	598,731
Other financial assets	9	7,323,390	8,262,901
Other assets	10	77,091	85,053
TOTAL CURRENT ASSETS		<u>12,359,111</u>	<u>11,842,129</u>
NON-CURRENT ASSETS			
Property, plant and equipment	11	319,535	350,996
Investment property	12	8,594,050	5,088,881
TOTAL NON-CURRENT ASSETS		<u>8,913,585</u>	<u>5,439,877</u>
TOTAL ASSETS		<u>21,272,696</u>	<u>17,282,006</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	1,853,065	1,183,505
Financial liabilities	16	665,771	-
Employee benefits	15	108,309	143,107
Other liabilities	13,17	2,221,985	3,500,000
TOTAL CURRENT LIABILITIES		<u>4,849,130</u>	<u>4,826,612</u>
NON-CURRENT LIABILITIES			
Trade and other payables	14	60,000	60,000
Employee benefits	15	60,245	101,642
TOTAL NON-CURRENT LIABILITIES		<u>120,245</u>	<u>161,642</u>
TOTAL LIABILITIES		<u>4,969,375</u>	<u>4,988,254</u>
NET ASSETS		<u>16,303,321</u>	<u>12,293,752</u>
MEMBERS' FUNDS			
Retained Earning		16,303,321	12,293,752
TOTAL MEMBERS' FUNDS		<u>16,303,321</u>	<u>12,293,752</u>

The accompanying notes form part of these financial statements.

Statement of Changes in Members Funds
For the Year Ended 30 June 2017

	Retained Earnings	Total
	\$	\$
Balance at 1 July 2016	12,293,752	12,293,752
Profit for the year	4,009,569	4,009,569
Total comprehensive income for the year	-	-
Balance at 30 June 2017	16,303,321	16,303,321

	Retained Earnings	Total
	\$	\$
Balance at 1 July 2015	11,531,836	11,531,836
Profit for the year	761,916	761,916
Total comprehensive income for the year	-	-
Balance at 30 June 2016	12,293,752	12,293,752

The accompanying notes form part of these financial statements.

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Statement of Cash Flows For the Year Ended 30 June 2017

	2017	2016
	\$	\$
Cash flows from operating activities:		
Receipts from tenants and other persons	11,932,673	9,324,510
Payments to suppliers and employees	(14,501,520)	(11,668,927)
Interest received	237,822	295,907
Receipts from government sources	3,734,270	3,317,702
Interest and other charges	(9,636)	(1,120)
Net cash provided by operating activities	<u>1,393,609</u>	<u>1,268,072</u>
Cash flows from investing activities:		
Payments for property, plant & equipment and investment property	(3,200,169)	(2,814,838)
Proceeds from sale of assets	803,000	20,000
Net cash used by investing activities	<u>(2,397,169)</u>	<u>(2,794,838)</u>
Cash flows from financing activities		
Repayment of finance lease	-	(8,314)
Proceeds from borrowings	665,771	-
Net cash provided / (used) by financing activities	<u>665,771</u>	<u>(8,314)</u>
Net increase/(decrease) in cash held	(337,789)	(1,535,080)
Cash at beginning of the financial year	11,158,345	12,693,425
Cash at end of financial year	<u>10,820,556</u>	<u>11,158,345</u>

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The accompanying notes form part of these financial statements.

Pacific Link Housing Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2017

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 stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accrual 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.

Rental revenue is recognised when the rent in respect of accommodation provided on a straight-line basis over the lease term.

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.

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Notes to the Financial Statements For the Year Ended 30 June 2017

2 Summary of Significant Accounting Policies

(a) Revenue and other income

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

(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 only 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 present value of the minimum lease payments, including any guaranteed residual values.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the 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.

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Notes to the Financial Statements

For the Year Ended 30 June 2017

2 Summary of Significant Accounting Policies

(d) Leases

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 payable are stated inclusive of GST.

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

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

(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.

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.

Notes to the Financial Statements

For the Year Ended 30 June 2017

2 Summary of Significant Accounting Policies

(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.

(j) Property, plant and equipment

Each class of property, plant and equipment is carried at cost, 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.

Notes to the Financial Statements

For the Year Ended 30 June 2017

2 Summary of Significant Accounting Policies

(j) Property, plant and equipment

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 asset's 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	6-25%
Buildings	2%
Motor Vehicles	23-33%

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.

(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

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Notes to the Financial Statements

For the Year Ended 30 June 2017

2 Summary of Significant Accounting Policies

(l) Employee benefits

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) Members 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.

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.

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 independent valuations obtained by the Company. The freehold land and buildings were last independently valued in 2017.

Key judgement - 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 parties 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.

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Notes to the Financial Statements

For the Year Ended 30 June 2017

3 Critical Accounting Estimates and Judgments

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.

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Notes to the Financial Statements For the Year Ended 30 June 2017

4 Revenue and Other Income

	2017	2016
	\$	\$
- Government grants	3,394,791	3,106,779
- Rental income	9,399,760	9,207,855
- Interest Income	237,822	295,907
- Fair Value Investment Gain/(Loss)	1,015,198	-
- Other grants	2,164,319	23,148
- Other income	68,108	132,987
	<u>16,279,998</u>	<u>12,766,676</u>

5 Result for the Year

Finance Costs

-Interest and charges on financial liabilities

9,636 1,120

Depreciation

Leasehold upgrade

2,496 116,677

Furniture and office equipment

85,445 79,556

Motor vehicles

56,930 60,865

144,871 257,098

6 Auditors' Remuneration

Auditing and reviewing the financial report

20,000 19,500

7 Cash and Cash Equivalents

Cash on hand

640 640

Cash at bank

2,184,280 905,004

Cash at bank- joint arrangement (note 13)

1,312,246 1,989,800

3,497,166 2,895,444

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

3,497,166 2,895,444

Term deposits

7,323,390 8,262,901

Balance as per statement of cash flows

10,820,556 11,158,345

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Notes to the Financial Statements For the Year Ended 30 June 2017

8 Trade and Other Receivables

	Note	2017 \$	2016 \$
Trade receivables		1,625,591	691,365
Provision for doubtful debts	(a)	(164,127)	(92,634)
		<u>1,461,464</u>	<u>598,731</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 doubtful debts is as follows:

Balance at beginning of the year	92,634	85,580
Charge for the year	71,493	7,054
Balance at end of the year	<u>164,127</u>	<u>92,634</u>

9 Other Financial Assets

Term deposits	<u>7,323,390</u>	8,262,901
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10 Other Assets

Prepayments	<u>77,091</u>	85,053
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Pacific Link Housing Limited

ABN 82 074 394 648

Notes to the Financial Statements For the Year Ended 30 June 2017

11 Property, plant and equipment

	2017	2016
	\$	\$
PLANT AND EQUIPMENT		
Leasehold improvements - at cost	295,318	295,318
Accumulated depreciation	<u>(293,340)</u>	<u>(290,843)</u>
	1,978	4,475
Furniture and office equipment - at cost	555,763	454,540
Accumulated depreciation	<u>(355,360)</u>	<u>(269,915)</u>
	200,403	184,625
Motor vehicles - at cost	188,429	238,395
Accumulated depreciation	<u>(71,275)</u>	<u>(76,499)</u>
	117,154	161,896
Total property, plant and equipment	<u>319,535</u>	<u>350,996</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	Furniture and Office Equipment	Motor Vehicles	Total
	\$	\$	\$	\$
Year ended 30 June 2017				
Balance at the beginning of year	4,475	184,625	161,896	350,996
Additions	-	101,222	99,484	200,706
Disposals	-	-	(87,296)	(87,296)
Depreciation expense	<u>(2,497)</u>	<u>(85,444)</u>	<u>(56,930)</u>	<u>(144,871)</u>
Balance at the end of the year	<u>1,978</u>	<u>200,403</u>	<u>117,154</u>	<u>319,535</u>

12 Investment Properties

Opening balance	5,088,881	2,400,551
Acquisitions	3,062,186	2,688,330
Disposals	(572,215)	-
Fair Value Investment Gain/(Loss)	<u>1,015,198</u>	<u>-</u>
Balance at end of year	<u>8,594,050</u>	<u>5,088,881</u>

Pacific Link Housing Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2017

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 \$2,906,500 towards the construction and fit-out of the apartments. Subsequent to year end this commitment has been revised to be \$3,177,492.

A contingent liability exists in the form of a bank guarantee for the joint venture. Pacific Link Housing's portion is \$2,221,985 (2016: \$3,500,000).

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. The Company's share of assets employed in Evolve Pacific Developments that are included in the financial statements are as follows:

2017

Name of Joint Venture

Evolve Pacific Developments

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	3,343,150

2016

Name of Joint Venture

Evolve Pacific Developments

Summarised statement of financial position

Cash and cash equivalents	1,989,800
Land and buildings	1,825,000
Construction - work in progress	645,546
Other assets	5,808
Funding received in advance	(3,500,000)
Net assets	966,154

Pacific Link Housing Limited

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Notes to the Financial Statements For the Year Ended 30 June 2017

14 Trade and Other Payables

	2017	2016
	\$	\$
Current		
Trade payables	935,482	509,955
Rents in advance	508,449	462,627
Grants in advance	409,134	210,923
	<u>1,853,065</u>	<u>1,183,505</u>
Non-Current		
Licence fees	60,000	60,000

15 Provisions

CURRENT

Annual leave
Long service leave

91,359	111,871
16,950	31,236
<u>108,309</u>	<u>143,107</u>

NON-CURRENT

Long service leave

60,245	101,642
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16 Borrowings

Secured liabilities:
Westpac Loan

665,771	-
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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.

17 Other Liabilities

Funding received in advance (Note 13)

2,221,985	3,500,000
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18 Capital and Leasing Commitments

(a) Operating leases

Minimum lease payments under non-cancelable operating leases:

- not later than one year
- between one year and five years

50,474	57,684
-	50,474
<u>50,474</u>	<u>108,158</u>

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

Pacific Link Housing Limited

ABN 82 074 394 648

Notes to the Financial Statements

For the Year Ended 30 June 2017

18 Capital and Leasing Commitments

(b) Capital Commitment - Joint Venture

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 \$2,906,500 towards the construction and fit-out of three new generation studio apartment projects. Subsequent to year end this commitment increased to \$3,177,492.

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:

	2017	2016
	\$	\$
Aggregate compensation	<u>1,102,874</u>	<u>877,012</u>

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, Mr David Bacon and Mr Wal Edgell were paid consulting fees totaling \$93,710 in relation to property consulting services that were provided to the Evolve Pacific Developments Joint Venture (2016 Mr Stephen Brahams was paid \$27,503). Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

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 client's on low income.

Pacific Link Housing Limited

ABN 82 074 394 648

Notes to the Financial Statements For the Year Ended 30 June 2017

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:

	2017	2016
	\$	\$
Financial assets		
Cash and cash equivalents	3,497,166	2,895,444
Trade and other receivables	1,461,464	598,731
Other financial assets	7,323,390	8,262,901
	<u>12,282,020</u>	<u>11,757,076</u>
Financial liabilities		
Trade and other payables	1,853,065	1,183,505
Financial liabilities	665,771	-
Other liabilities	2,221,985	3,500,000
	<u>4,740,821</u>	<u>4,683,505</u>

The Company does not have any derivative instruments at 30 June 2017 (2016: none).

23 Prior Period Error

(a) Pacific Link Housing previously allocated land and buildings as Property, Plant and Equipment. The land and buildings owned by Pacific Link Housing are held for the purpose of generating rental returns and therefore meet the definition of Investment Property per *AASB 140 Investment Property*.

Under AASB 140 fair value adjustments are recognised in the Statement of Comprehensive Income; where as the previous classification as property, plant and equipment required fair value adjustments to be recognised as other comprehensive income and impact the asset revaluation reserve.

The aggregate effect on the annual financial statements for the year ended 30 June 2017 is as follows:

	Previously stated	30 June 2016 Adjustments	Restated
	\$	\$	\$
Statement of Financial Position			
Property, plant and equipment	5,439,877	(5,088,881)	350,996
Investment property	-	5,088,881	5,088,881
Retained earnings	11,957,241	336,511	12,293,752
Asset revaluation reserve	336,511	(336,511)	-

Pacific Link Housing Limited

ABN 82 074 394 648

Notes to the Financial Statements For the Year Ended 30 June 2017

24 Contingencies

There is an ongoing legal case, that is likely to not have a material impact.

The Company has issued bank guarantees to the value of \$10,575 as at 30 June 2017. The joint venture holds a bank guarantee, details are included within note 13.

In the opinion of the Directors, the Company did not have any other contingencies at 30 June 2017 (30 June 2016: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 24, 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 2017 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 
Mr David Bacon

Director 
Mr Cliff Innes

Dated this 21st day of September 2017

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 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity 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 2017 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.

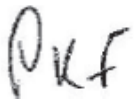
Responsibilities of Directors for the Financial Report

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 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.



PKF



CLAYTON HICKEY

PARTNER

25 SEPTEMBER 2017

NEWCASTLE, NSW