

# **Pacific Link Housing Limited**

ABN 82 074 394 648

## **Financial Statements**

For the Year Ended 30 June 2019

# Pacific Link Housing Limited

ABN 82 074 394 648

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For the Year Ended 30 June 2019

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# Pacific Link Housing Limited

ABN 82 074 394 648

## Directors' Report

30 June 2019

The directors present their report, together with the financial statements of the Group, being the entity and its controlled entities, for the financial year ended 30 June 2019.

### Information on directors

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

<b>Wal Edgell</b>	Chair
Qualifications	Banking and Property Executive
Years service	5 years
Special responsibilities	Attends any committee meeting in ex-officio capacity
<b>Leoni Baldwin</b>	Director, Deputy Chair (from 22 Nov 2018)
Qualifications	BA Ed PE; AMA Mediation
Years service	7 years
Special responsibilities	Governance, Tenant Opportunity Programs and Social Enterprises Committees
<b>Alan Bennell</b>	Director, (Retired 22 November 2018)
Qualifications	Chartered Accountant
Years service	11 years
Special responsibilities	Finance, Risk and Audit Committee
<b>Clifford Innes</b>	Director, Deputy Chair (to 21 Nov 2018)
Qualifications	Chartered Accountant
Years service	10 years
Special responsibilities	Finance, Risk and Audit, and Governance Committees, Key2 Realty Pty Ltd.
<b>Stephen Brahams</b>	Director
Qualifications	Licensed Real Estate Agent
Years service	10 years
Special responsibilities	Governance and Growth Committees, Key2 Realty Pty Ltd.
<b>Deborah Howe</b>	Director
Qualifications	RN, BA Social Science, MPH, MHA, GAICD
Years service	10 years
Special responsibilities	Governance and Tenant Opportunity Programs and Social Enterprises Committees
<b>Kim Tibbey (formally McLoughry)</b>	Director
Qualifications	CEO, MAICD, BA Social Enterprise Grad
Years service	10 years
Special responsibilities	Tenant Opportunity Programs and Social Enterprises Committee

# Pacific Link Housing Limited

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## Directors' Report

30 June 2019

### Information on directors (Cont'd)

<b>Peter Alward</b>	Director
Qualifications	Appointed 19 July 2018. Property Development Director, Licenced Real Estate Agent.
Years service	1 year
Special responsibilities	Finance, Risk and Audit, Governance, and Growth Committees, Key2 Realty Pty Ltd.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### Principal activities

The principal activities of the Group during the financial year were the provision of low-cost subsidised housing to clients on low incomes and property management services.

During the year the Company established a new 100% owned subsidiary - Key2 Realty Pty Ltd. The subsidiary's business is to provide property management services to private landlords as a licenced real estate agency. The start-up operation is being financed by an intercompany loan from Pacific Link Housing Limited. All surpluses remitted from Key2 Realty Pty Ltd will be applied towards the Group's objectives.

### Short term objectives

The Group'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 objectives

- 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 Group operates within a culture of social justice, fairness and transparency and remains accountable to all stakeholders.

## **Pacific Link Housing Limited**

ABN 82 074 394 648

## **Directors' Report**

**30 June 2019**

### **Strategy for achieving the objectives**

To achieve these objectives, the Group 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 Group 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 and affordable housing demand.

Pacific Link will further strengthen the business's revenue base and will seek opportunities for alternative government and private funding streams. With the establishment of Key2 Realty, property owners will be offered the reassurance of 30 years of property management experience, the satisfaction of working with a rent-for-purpose organisation and, where eligible, guaranteed rental returns.

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 protect the social amenity and economic value of the housing investment.

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 Housing and Homelessness Directorate of the Department of Communities and Justice and the Registrar of Community Housing.

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 Group, 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 2019 the collective liability of members was \$110 (2018: \$100).

# Pacific Link Housing Limited

ABN 82 074 394 648

## Directors' Report 30 June 2019

### Meetings of directors

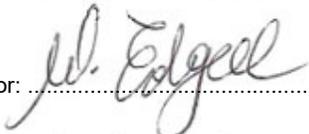
During the financial year, 12 meetings of directors were held. Attendances by each director during the year were as follows:

Directors' Meetings	
Number eligible to attend	Number attended
Wai Edgell	12
Leoni Baldwin	11
Alan Bennell	3
Clifford Innes	9
Stephen Brahams	12
Deborah Howe	10
Kim Tibbey	12
Peter Alward	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 2019 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: 

Director: 

Dated 19/09/2019

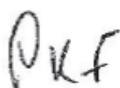
**PACIFIC LINK HOUSING LIMITED**

**ABN 82 074 394 648**

**Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Pacific Link Housing Limited and its Controlled Entities**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019, 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**

**19 SEPTEMBER 2019  
NEWCASTLE, NSW**

## Pacific Link Housing Limited

ABN 82 074 394 648

### Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2019

	2019	2018
Note	\$	\$
<b>Revenue from Continuing Operations</b>		
Revenue from government grants	3,623,399	3,491,344
Other income	12,103,958	10,374,491
4	<u>15,727,357</u>	<u>13,865,835</u>
Employee benefits expense	(2,801,557)	(2,161,053)
Depreciation and amortisation expense	(123,495)	(144,832)
Training expenses	(21,111)	(36,595)
Audit, legal and consultancy expenses	(139,454)	(320,394)
Insurance expense	(264,295)	(231,214)
Property repairs and maintenance	(1,353,377)	(1,439,369)
Council and water rates	(1,114,767)	(1,094,952)
Rental expense	(6,053,182)	(5,953,039)
Repairs, maintenance and vehicle running expense	(51,018)	(38,295)
Other operating expenses	(995,555)	(893,217)
Finance costs	(32,446)	(31,202)
Other expenses	(200,529)	(178,283)
	<u>2,576,571</u>	1,343,390
<b>Profit before income tax</b>	<b>2,576,571</b>	1,343,390
Income tax expense	-	-
	<u>2,576,571</u>	<u>1,343,390</u>
<b>Profit for the year</b>	<b>2,576,571</b>	1,343,390
<b>Total comprehensive income for the year</b>	<b>2,576,571</b>	1,343,390

The Group has not restated comparatives when initially applying AASB 9, the comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*.

# Pacific Link Housing Limited

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## Statement of Financial Position

As at 30 June 2019

	Note	2019 \$	2018 \$
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	9	1,064,366	1,797,426
Trade and other receivables	10	666,266	626,059
Other assets	12	105,178	88,763
Other financial assets	11	4,765,159	8,669,134
TOTAL CURRENT ASSETS		<u>6,600,969</u>	<u>11,181,382</u>
NON-CURRENT ASSETS			
Property, plant and equipment	13	321,647	295,737
Investment property	14	16,321,286	10,738,205
TOTAL NON-CURRENT ASSETS		<u>16,642,933</u>	<u>11,033,942</u>
TOTAL ASSETS		<u>23,243,902</u>	<u>22,215,324</u>
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	16	1,679,274	1,695,936
Financial liabilities	18	659,303	686,049
Employee benefits	17	269,558	137,484
Other liabilities	19	682,485	2,221,985
TOTAL CURRENT LIABILITIES		<u>3,290,620</u>	<u>4,741,454</u>
NON-CURRENT LIABILITIES			
Trade and other payables	16	30,000	60,000
Employee benefits	17	-	67,159
TOTAL NON-CURRENT LIABILITIES		<u>30,000</u>	<u>127,159</u>
TOTAL LIABILITIES		<u>3,320,620</u>	<u>4,868,613</u>
NET ASSETS		<u>19,923,282</u>	<u>17,346,711</u>
<b>MEMBERS' FUNDS</b>			
Retained earnings		<u>19,923,282</u>	<u>17,346,711</u>
TOTAL MEMBERS' FUNDS		<u>19,923,282</u>	<u>17,346,711</u>

The Group has not restated comparatives when initially applying AASB 9, the comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*.

The accompanying notes form part of these financial statements.

## Pacific Link Housing Limited

ABN 82 074 394 648

### Statement of Changes in Equity For the Year Ended 30 June 2019

2019

	Retained Earnings	Total
	\$	\$
<b>Balance at July 1, 2018</b>	<b>17,346,711</b>	<b>17,346,711</b>
Profit for the year	2,576,571	2,576,571
<b>Balance at 30 June 2019</b>	<b>19,923,282</b>	<b>19,923,282</b>

2018

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

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 2019

	2019	2018
Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from tenants and other persons	<b>11,826,693</b>	9,937,086
Payments to suppliers and employees	<b>(13,150,831)</b>	(12,711,809)
Interest received	<b>189,648</b>	213,178
Receipts from government sources	<b>2,292,289</b>	3,840,478
Interest and other charges	<b>(32,446)</b>	(31,202)
Net cash provided by operating activities	<b><u>1,125,353</u></b>	<u>1,247,731</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for property, plant & equipment	<b>(174,157)</b>	(164,580)
Proceeds from sale of assets	<b>21,596</b>	36,735
Payments for investment properties	<b>(5,583,081)</b>	(1,494,160)
Net cash used in investing activities	<b><u>(5,735,642)</u></b>	<u>(1,622,005)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
(Repayment of)/proceeds from borrowings	<b>(26,746)</b>	20,278
Net cash (used in)/provided by financing activities	<b><u>(26,746)</u></b>	<u>20,278</u>
Net decrease in cash and cash equivalents held	<b>(4,637,035)</b>	(353,996)
Cash and cash equivalents at beginning of year	<b>10,466,560</b>	10,820,556
Cash and cash equivalents at end of financial year	<b>9 <u>5,829,525</u></b>	<u>10,466,560</u>

The accompanying notes form part of these financial statements.

## Pacific Link Housing Limited

ABN 82 074 394 648

# Notes to the Financial Statements

For the Year Ended 30 June 2019

The financial report covers Pacific Link Housing Limited and its controlled entities ('the Group'). The Group is a not-for-profit entity limited by guarantee, incorporated and domiciled in Australia.

The Group prepare their financial statements based on the currency of the primary economic environment in which they operate (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

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 Group 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).

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2019**

### **2 Summary of Significant Accounting Policies (Cont'd)**

#### **(a) Revenue and other income (Cont'd)**

##### **Service Concession Arrangements**

The Group has entered into arrangements to provide community housing services on behalf of Government. The arrangements are for operating services only whereby the Group 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.

The Group 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, the Group 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 entity 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 entities in the Group, are classified as finance leases.

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

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

## Pacific Link Housing Limited

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# Notes to the Financial Statements

For the Year Ended 30 June 2019

## 2 Summary of Significant Accounting Policies (Cont'd)

### (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 on the date that the Group 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).

#### Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### *Classification*

On initial recognition, the Group classifies its financial assets into the following categories, those measured at:

- amortised cost
- fair value through profit or loss - FVTPL
- fair value through other comprehensive income - equity instrument (FVOCI - equity)
- fair value through other comprehensive income - debt investments (FVOCI - debt)

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

#### *Amortised cost*

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and

## Pacific Link Housing Limited

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# Notes to the Financial Statements

For the Year Ended 30 June 2019

## 2 Summary of Significant Accounting Policies (Cont'd)

interest on the principal amount outstanding.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

### *Fair value through other comprehensive income*

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at FVTPL.

Net gains or losses, including any interest or dividend income are recognised in profit or loss (refer to hedging accounting policy for derivatives designated as hedging instruments.)

### *Impairment of financial assets*

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost
- debt investments measured at FVOCI

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward looking information.

The Group uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Group uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Group in full, without recourse to the Group to actions such as realising security (if any is held); or
- the financial assets is more than 90 days past due.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2019**

### **2 Summary of Significant Accounting Policies (Cont'd)**

Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

#### *Trade receivables*

Impairment of trade receivables have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Group renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

#### *Other financial assets measured at amortised cost*

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

#### **Financial liabilities**

The Group measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Group comprise trade payables, bank and other loans and finance lease liabilities.

#### **(g) 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.

#### **(h) Trade and other receivables**

Other receivables are recognised at amortised cost, less any allowance for expected credit losses. The Group has applied the simplified approach in measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2019**

#### **2 Summary of Significant Accounting Policies (Cont'd)**

##### **(i) 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 Group 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 Group and the cost of the item can be measured reliably. Repairs and maintenance is charged to the statement of profit or loss and other comprehensive income 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 Group, commencing when the asset is ready for use.

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

<b>Fixed asset class</b>	<b>Depreciation rate</b>
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 2019**

### **2 Summary of Significant Accounting Policies (Cont'd)**

**(j) Investment property**

Investment property is carried at fair value, determined on an annual basis by persons defined as independent valuers or Directors valuations 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/expense.

**(k) Employee benefits**

Provision is made for the Group'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 the statement of profit or loss and other comprehensive income.

**(l) 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 statement of financial position under trade and other payables.

**(m) Adoption of new and revised accounting standards**

The Group 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 Group 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.

## **Pacific Link Housing Limited**

ABN 82 074 394 648

# **Notes to the Financial Statements**

**For the Year Ended 30 June 2019**

### **3 Critical Accounting Estimates and Judgments (Cont'd)**

#### **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 Group or independent valuations obtained during the current year.

#### **Key judgments - Classification of joint arrangement**

The Group has a joint arrangement which is structured through an unincorporated entity, Evolve Pacific Developments. The Group 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 provision**

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

ABN 82 074 394 648

## Notes to the Financial Statements For the Year Ended 30 June 2019

### 4 Revenue and Other Income

	2019	2018
	\$	\$
- Government grants	3,623,399	3,491,344
- Service concession arrangements	10,096,549	9,941,934
- Interest income	184,642	213,178
- Fair value investment gain	-	(4,831)
- Other grants	1,706,003	125,882
- Other income	116,764	98,328
	<u>15,727,357</u>	<u>13,865,835</u>

### 5 Result for the Year

Finance costs:		
Interest and charges on financial liabilities	32,446	31,202
Depreciation:		
Leasehold upgrade	830	1,148
Furniture and office equipment	58,178	99,426
Motor vehicles	64,487	44,258
	<u>123,495</u>	<u>144,832</u>

### 6 Business Combinations

On 06 November 2018, the parent entity acquired a 100% interest of Key 2 Realty Pty Ltd and resulted in Pacific Link Housing Limited obtaining control of Key 2 Realty Pty Ltd. This acquisition is expected to increase the Group's share of this market and reduce costs through economies of scale.

### 7 Auditors' Remuneration

Auditing or reviewing the financial report	22,500	21,000
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### 8 Interests in Subsidiaries

#### (a) Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%)*	Percentage Owned (%)*
		2019	2018
<b>Subsidiaries:</b>			
Key 2 Realty Pty Ltd	Australia	100	-

\*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

## Pacific Link Housing Limited

ABN 82 074 394 648

### Notes to the Financial Statements For the Year Ended 30 June 2019

#### 9 Cash and Cash Equivalents

	2019	2018
	\$	\$
Cash on hand	640	640
Cash at bank	670,657	823,457
Cash at bank - joint arrangement (note 16)	393,069	973,329
	<u>1,064,366</u>	<u>1,797,426</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	1,064,366	1,797,426
Term deposits	4,765,159	8,669,134
<b>Balance as per statement of cash flows</b>	<u><b>5,829,525</b></u>	<u>10,466,560</u>

#### 10 Trade and Other Receivables

Trade receivables	905,193	809,294
Expected credit loss	(a) (238,927)	(183,235)
	<u>666,266</u>	<u>626,059</u>

#### (a) Expected credit loss

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 30 June 2019 is determined as follows and the expected credit losses incorporate forward looking information. The expected credit losses did not result in a significant change in the provision.

Balance at beginning of the year	183,235	164,127
Charged for the year	55,692	19,108
<b>Balance at end of the year</b>	<u><b>238,927</b></u>	<u>183,235</u>

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

#### 11 Other Financial Assets

Term deposits	<u>4,765,159</u>	<u>8,669,134</u>
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## Pacific Link Housing Limited

ABN 82 074 394 648

### Notes to the Financial Statements For the Year Ended 30 June 2019

#### 12 Other Assets

	2019	2018
	\$	\$
Prepayments	105,178	88,763

#### 13 Property, plant and equipment

##### PLANT AND EQUIPMENT

Leasehold improvements - at cost	394,737	295,318
Accumulated depreciation	(303,808)	(294,488)
	<u>90,929</u>	<u>830</u>
Furniture and office equipment - at cost	638,197	593,763
Accumulated depreciation	(511,921)	(453,742)
	<u>126,276</u>	<u>140,021</u>
Motor vehicles - at cost	240,503	245,008
Accumulated depreciation	(140,790)	(90,122)
	<u>99,713</u>	<u>154,886</u>
Office equipment - at cost	2,093	-
Accumulated depreciation	(105)	-
	<u>1,988</u>	<u>-</u>
Computer equipment - at cost	3,460	-
Accumulated depreciation	(719)	-
	<u>2,741</u>	<u>-</u>
<b>Total property, plant and equipment</b>	<u><u>321,647</u></u>	<u><u>295,737</u></u>

## Pacific Link Housing Limited

ABN 82 074 394 648

### Notes to the Financial Statements For the Year Ended 30 June 2019

#### 13 Property, plant and equipment (Cont'd)

##### (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	Office Equipment	Computer equipment - at cost	Total
	\$	\$	\$	\$	\$	\$
<b>Year ended 30 June 2019</b>						
Balance at the beginning of year	830	140,021	154,886	-	-	295,737
Additions	99,419	44,434	21,597	2,093	3,460	171,003
Disposals	-	-	(21,597)	-	-	(21,597)
Depreciation expense	(9,320)	(58,179)	(55,173)	(105)	(719)	(123,496)
<b>Balance at the end of the year</b>	<b>90,929</b>	<b>126,276</b>	<b>99,713</b>	<b>1,988</b>	<b>2,741</b>	<b>321,647</b>

## Pacific Link Housing Limited

ABN 82 074 394 648

### Notes to the Financial Statements

For the Year Ended 30 June 2019

#### 14 Investment Properties

	2019	2018
	\$	\$
Balance at beginning of year	10,738,205	8,294,050
Acquisitions	5,583,081	1,494,160
Non-cash acquisitions	-	954,827
Fair value investment gain	-	(4,832)
<b>Balance at end of year</b>	<b>16,321,286</b>	<b>10,738,205</b>

#### 15 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 \$2,015,300 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 Group's interests in assets and liabilities attributable to the joint venture have been consolidated into the financial statements of the Group. Where differences occur between the accounting policies of the joint venture arrangement and the Group, the balances included within the financial report have been adjusted to align with those policies outlined in note 2. The Group's share of assets employed in Evolve Pacific Developments that are included in the financial statements are as follows:

2019	Evolve Pacific Developments
<b>Summarised statement of financial position</b>	
Cash and cash equivalents	393,069
Other current assets	16,633
Non-current assets	53,059
Land and buildings	7,196,574
Borrowings	(659,303)
Funding received in advance	(682,485)
Other current liabilities	(47,618)
<b>Net assets</b>	<b>6,269,929</b>

## Pacific Link Housing Limited

ABN 82 074 394 648

### Notes to the Financial Statements For the Year Ended 30 June 2019

2018	Evolve Pacific Developments	
<b>Summarised statement of financial position</b>		
Cash and cash equivalents		973,329
Other current assets		42,140
Non-current assets		37,970
Land and buildings		5,870,112
Borrowings		(686,049)
Funding received in advance		(2,221,985)
Other current liabilities		(226,124)
<b>Net assets</b>		<u><u>3,789,393</u></u>
 <b>16 Trade and Other Payables</b>		
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Current		
Trade payables	<b>1,030,251</b>	820,729
Rent in advance	<b>501,760</b>	528,452
Grants in advance	<b>147,263</b>	346,755
	<u><b>1,679,274</b></u>	<u>1,695,936</u>
Non-Current		
Licence fees	<u><b>30,000</b></u>	60,000
 <b>17 Employee benefits</b>		
CURRENT		
Annual leave	<b>148,306</b>	115,739
Long service leave	<b>121,252</b>	21,745
	<u><b>269,558</b></u>	<u>137,484</u>
NON-CURRENT		
Long service leave	<u>-</u>	<u>67,159</u>
 <b>18 Financial liabilities</b>		
Secured liabilities:		
Westpac loans	<u><b>659,303</b></u>	<u>686,049</u>

The financial liabilities 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.

During the financial year the Commonwealth Bank of Australia approved a \$2.6m finance facility accessible to the Group. However, the facility remained unused as at 30 June 2019.

## Pacific Link Housing Limited

ABN 82 074 394 648

### Notes to the Financial Statements For the Year Ended 30 June 2019

#### 19 Other Liabilities

	2019	2018
	\$	\$
CURRENT		
Funding received in advance (Note 15)	<u>682,485</u>	<u>2,221,985</u>

#### 20 Capital and Leasing Commitments

##### (a) Operating leases

Minimum lease payments under non-cancellable operating leases:

- not later than one year	85,476	63,852
- between one year and five years	<u>216,657</u>	<u>63,552</u>
	<u>302,133</u>	<u>127,404</u>

Operating leases are in place for properties leased at suites 2 and 3 of Level 1, 153 Mann Street, Gosford and shop 16 of 153 Mann Street Gosford.

##### (b) Capital Commitment

###### Joint Venture Construction

Under the terms of the funding agreement entered into by the Group as an equal party with another service provider the Group is committed to the outlay of \$2,015,300 towards the construction and fit-out of 30 new generation studio apartments.

###### Other Construction

The Group has entered into a construction contract of which the capital outlay in the next 12 months is expected to be \$2,020,085, which is intended to be settled by the Commonwealth Bank construction facility already in place.

#### 21 Key Management Personnel Remuneration

The aggregate compensation made to Directors and other members of key management personnel of the company is shown below:

Executive Remuneration	928,529	610,299
Board Remuneration	<u>235,166</u>	<u>254,729</u>
	<u>1,163,695</u>	<u>865,028</u>

#### 22 Related Parties

##### (a) Key management personnel

Disclosures relating to key management personnel are set out in Note 21.

## Pacific Link Housing Limited

ABN 82 074 394 648

### Notes to the Financial Statements For the Year Ended 30 June 2019

#### 22 Related Parties (Cont'd)

##### (b) Transactions with related parties

During the financial year Mr Stephen Brahams and Mr Wal Edgell were paid \$Nil (2018: \$120,000) in relation to property consulting services provided to Evolve Pacific Developments Joint Venture and to Pacific Link Housing Limited. Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

#### 23 Operating Segments

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

#### 24 Financial Risk Management

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

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

	2019	2018
	\$	\$
Financial assets:		
Cash and cash equivalents	1,064,366	1,797,426
Trade and other receivables	666,266	626,059
Other financial assets	4,765,159	8,669,134
	<u>6,495,791</u>	<u>11,092,619</u>
Financial liabilities:		
Trade and other payables	1,679,274	1,695,936
Financial liabilities	659,303	686,049
	<u>2,338,577</u>	<u>2,381,985</u>

The Group has not restated comparatives when initially applying AASB 9, the comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*.

The Group does not have any derivative instruments at 30 June 2019 (2018 : none).

#### 25 Contingencies

In the opinion of the Directors, the entity did not have any contingencies at 30 June 2019 (30 June 2018: None).

## Pacific Link Housing Limited

ABN 82 074 394 648

### Notes to the Financial Statements For the Year Ended 30 June 2019

#### 26 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 Group, the results of those operations or the state of affairs of the Group in future financial years.

#### 27 Parent entity

	2019	2018
	\$	\$
<b>Statement of Financial Position</b>		
Assets		
Current assets	6,474,724	11,181,382
Non-current assets	16,932,186	11,033,942
Total Assets	<u>23,406,910</u>	<u>22,215,324</u>
Liabilities		
Current liabilities	3,277,397	4,741,454
Non-current liabilities	30,000	127,159
Total Liabilities	<u>3,307,397</u>	<u>4,868,613</u>
Equity		
Retained earnings	20,099,513	17,346,711
Total Equity	<u>20,099,513</u>	<u>17,346,711</u>
 <b>Statement of Profit or Loss and Other Comprehensive Income</b>		
Total profit for the year	2,752,802	1,343,390
<b>Total comprehensive income</b>	<u>2,752,802</u>	<u>1,343,390</u>

#### 28 Statutory Information

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

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

## Pacific Link Housing Limited

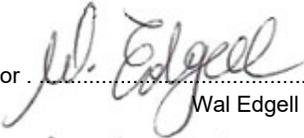
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### Directors' Declaration

The directors of the entity declare that:

1. The financial statements and notes, as set out on pages 6 to 26, 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 2019 and of the performance for the year ended on that date of the entity and consolidated group.
2. In the directors' opinion, there are reasonable grounds to believe that the entity 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 19/09/2019

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 and its subsidiaries (the Group), which comprises the statement of financial position as at 30 June 2019, 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 Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2019 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 Group 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 Group, 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 Group 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 Group'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 Group 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.

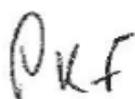
As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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 Group'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 Group'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 Group 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

19 SEPTEMBER 2019  
NEWCASTLE, NSW