Pacific Link Housing Limited

ABN 82 074 394 648

Financial Statements

For the Year Ended 30 June 2020

Pacific Link Housing Limited

ABN 82 074 394 648

Contents

For the Year Ended 30 June 2020

Directors' Report

30 June 2020

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 2020.

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:

Wal Edgell	Chair
Qualifications	Banking and Property Executive
Years service	6 years
Special responsibilities	Attends any committee meeting in ex-officio capacity
Leoni Baldwin	Director, Deputy Chair
Qualifications	BA Ed PE; AMA Mediation
Years service	8 years
Special responsibilities	Governance, Tenant Opportunity Programs and Social Enterprises Committees
Clifford Innes	Director, Deputy Chair
Qualifications	Chartered Accountant
Years service	11 years
Special responsibilities	Finance, Risk and Audit, and Governance Committees, Key2 Realty Pty Ltd.
Stephen Brahams	Director
Qualifications	Property Development Director, Licensed Real Estate Agent
Years service	11 years
Special responsibilities	Governance and Growth Committees, Key2 Realty Pty Ltd.
Deborah Howe	Director
Qualifications	RN, BA Social Science, MPH, MHA, GAICD
Years service	11 years
Special responsibilities	Governance and Tenant Opportunity Programs and Social Enterprises Committees
Kim Tibbey	Director
Qualifications	CEO, MAICD, BA Social Enterprise Grad
Years service	11 years
Special responsibilities	Tenant Opportunity Programs and Social Enterprises Committee
Peter Alward	Director
Qualifications	Property Development Director, Licensed Real Estate Agent.
Years service	2 years
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.

Directors' Report
30 June 2020

Principal activities

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

During the 2020 financial year the Company was successful in making an application for finance to the National Housing Finance and Investment Corporation (NHFIC) that will underpin ongoing development and construction of new affordable housing.

The Company has a 100% owned subsidiary - Key 2 Realty Pty Ltd. The subsidiary's business is to provide property management services to private landlords as a licensed real estate agency. All surpluses remitted from Key 2 Realty Pty Ltd will be applied towards the Group's objectives.

Short term objectives

The Group's short term objectives are to:

- Collaborate with Government and other partners 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;
- Build community and tenant engagement through programs to offer opportunities of education and employment;
- 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.

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 continue 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 35 years of property management experience and achieving philanthropic objectives through working with a rent-for-purpose organisation.

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 2020 the collective liability of members was $76 (2019: $110).

Other items

The Directors have determined there is an unrecognised asset that has been generated as a result of the creation of a rent roll within the subsidiary, Key 2 Realty. The market value of the rent roll is deemed to be $465,000, which reflects significantly the business success and the Company's value. The method used to determine this estimated market value is the annualised income as at 30 June 2020 multiplied by a factor of 3x, discounted to reflect the social and affordable client base. According to Australian Accounting Standards, this intangible asset is not reflected in the financial statements. There is a $500k investment in subsidiary on the statement of financial position for Pacific Link Housing Limited which is eliminated on consolidation.

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
Wal Edgell	12	12
Leoni Baldwin	12	10
Clifford Innes	12	11
Stephen Brahams	12	12
Deborah Howe	12	11
Kim Tibbey	12	11
Peter Alward	12	11

Directors' Report

30 June 2020

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 2020 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: M. Edgell .... Director: ....

Dated 15 OCTOBER 2020

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 2020, 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

15 OCTOBER 2020
NEWCASTLE, NSW

PKF(NS) Audit & Assurance Limited Partnership
ABN 91 850 861 839

Liability limited by a scheme approved under Professional Standards Legislation

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Pacific Link Housing Limited

ABN 82 074 394 648

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2020

	Note	2020 $	2019 $
Revenue from Continuing Operations			
Revenue from government grants		**3,628,214**	3,623,399
Other income		**13,554,943**	12,103,958
	5	**17,183,157**	15,727,357
Employee benefits expense		**(3,035,165)**	(2,801,557)
Depreciation and amortisation expense	6	**(159,908)**	(123,495)
Property development expenses		**(2,164,063)**	-
Training expenses		**(34,207)**	(21,111)
Audit, legal and consultancy expenses		**(229,577)**	(139,454)
Insurance expense		**(298,508)**	(264,295)
Property repairs and maintenance		**(1,478,291)**	(1,353,377)
Council and water rates		**(1,052,964)**	(1,114,767)
Rental expense		**(6,117,741)**	(6,053,182)
Repairs, maintenance and vehicle running expense		**(42,637)**	(51,018)
Other operating expenses		**(924,905)**	(995,555)
Finance costs	6	**(57,976)**	(32,446)
Other expenses		**(166,265)**	(200,529)
Profit before income tax		**1,420,950**	2,576,571
Income tax expense	3(c)	**-**	-
Profit for the year		**1,420,950**	2,576,571
Total comprehensive income for the year		**1,420,950**	2,576,571

The accompanying notes form part of these financial statements.

Pacific Link Housing Limited

ABN 82 074 394 648

Statement of Financial Position

As at 30 June 2020

	Note	2020 $	2019 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	**7,486,219**	1,064,366
Trade and other receivables	10	**658,476**	666,266
Other assets	12	**218,475**	105,178
Other financial assets	11	**141,354**	4,765,159
TOTAL CURRENT ASSETS		**8,504,524**	6,600,969
NON-CURRENT ASSETS			
Property, plant and equipment	14	**274,619**	321,647
Investment property	15	**19,678,691**	16,321,286
Right of use assets	13	**221,771**	-
TOTAL NON-CURRENT ASSETS		**20,175,081**	16,642,933
TOTAL ASSETS		**28,679,605**	23,243,902
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	**1,422,855**	1,679,274
Financial liabilities	19	**614,717**	659,303
Employee benefits	18	**353,917**	269,558
Lease liabilities		**37,492**	-
Other liabilities	20	**682,485**	682,485
TOTAL CURRENT LIABILITIES		**3,111,466**	3,290,620
NON-CURRENT LIABILITIES			
Trade and other payables	17	**30,000**	30,000
Lease liabilities		**193,907**	-
Financial liabilities	19	**4,000,000**	-
TOTAL NON-CURRENT LIABILITIES		**4,223,907**	30,000
TOTAL LIABILITIES		**7,335,373**	3,320,620
NET ASSETS		**21,344,232**	19,923,282
MEMBERS' FUNDS			
Retained earnings		**21,344,232**	19,923,282
TOTAL MEMBERS' FUNDS		**21,344,232**	19,923,282

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 2020

2020

	Retained Earnings	Total
	$	$
Balance at July 1, 2019	**19,923,282**	**19,923,282**
Profit for the year	**1,420,950**	**1,420,950**
Balance at 30 June 2020	**21,344,232**	**21,344,232**

2019

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

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the Year Ended 30 June 2020

	Note	2020 $	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from tenants and other persons		**13,617,105**	11,826,693
Payments to suppliers and employees		**(16,270,773)**	(13,150,831)
Interest received		**43,130**	189,648
Receipts from government sources		**3,991,035**	2,292,289
Interest and other charges		**(57,976)**	(32,446)
Net cash provided by operating activities		**1,322,521**	1,125,353
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property, plant & equipment		**(132,537)**	(174,157)
Proceeds from sale of assets		**38,870**	21,596
Payments for investment properties		**(3,357,405)**	(5,583,081)
Net cash used in investing activities		**(3,451,072)**	(5,735,642)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from/(Repayment of) borrowings		**3,955,414**	(26,746)
Payment of finance lease liabilities		**(28,815)**	-
Net cash (used in)/provided by financing activities		**3,926,599**	(26,746)
Net decrease in cash and cash equivalents held		**1,798,048**	(4,637,035)
Cash and cash equivalents at beginning of year		**5,829,525**	10,466,560
Cash and cash equivalents at end of financial year	9	**7,627,573**	5,829,525

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2020

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 Change in Accounting Policy

Leases - Adoption of AASB 16

The Group has adopted AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method from July 1, 2019 and therefore the comparative information for the year ended 30 June 2019 has not been restated and has been prepared in accordance with AASB 117 *Leases* and associated Accounting Interpretations.

Impact of adoption of AASB 16

The impact of adopting AASB 16 is described below:

The Group as a lessee

Under AASB 117, the Group assessed whether leases were operating or finance leases based on its assessment of whether the significant risks and rewards of ownership had been transferred to the Group or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low value assets).

The Group has elected to use the exception to lease accounting for short-term leases and leases of low value assets, and the lease expense relating to these leases is recognised in the statement of profit or loss on a straight line basis.

2 Change in Accounting Policy (Cont'd)

Leases - Adoption of AASB 16 (Cont'd)

Impact of adoption of AASB 16 (Cont'd)

Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition, the Group has used the following expedients:

- contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16;
- lease liabilities have been discounted using the Group's incremental borrowing rate at 1 July 2019;
- right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments;
- a single discount rate was applied to all leases with similar characteristics;
- the right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset;
- excluded leases with an expiry date prior to 30 June 2020 from the statement of financial position and lease expenses for these leases have been recorded on a straight-line basis over the remaining term;
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease;
- for leases which were classified as finance leases under AASB 117, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 is the same value as the leased asset and liability on 30 June 2019.

Revenue from Contracts with Customers - Adoption of AASB 15

The Group has adopted AASB 15 from 1 July 2019. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

3 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).

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.

3 Summary of Significant Accounting Policies (Cont'd)

(b) Basis for consolidation (Cont'd)

The Group has determined that it has both joint ventures and joint operations.

Joint ventures:

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.

For leases that have significantly below-market terms and conditions principally to enable the Entity to further its objectives (commonly known as peppercorn/concessionary leases), the Entity has adopted the temporary relief under AASB 2018-8 and measures the right of use assets at cost on initial recognition.

(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.

3 Summary of Significant Accounting Policies (Cont'd)

(e) Goods and services tax (GST) (Cont'd)

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 are solely payments of principal and 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.

3 Summary of Significant Accounting Policies (Cont'd)

(f) Financial instruments (Cont'd)

Financial assets (Cont'd)

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 asset is more than 90 days past due.

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.

3 Summary of Significant Accounting Policies (Cont'd)

(f) Financial instruments (Cont'd)

Financial assets (Cont'd)

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

The impairment of other financial assets measured at amortised cost is 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 a 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) 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.

3 Summary of Significant Accounting Policies (Cont'd)

(h) Property, plant and equipment (Cont'd)

Plant and equipment (Cont'd)

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, are 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:

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

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(i) 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.

3 Summary of Significant Accounting Policies (Cont'd)

(j) 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.

(k) 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.

(l) 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.

4 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.

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 independant valuations obtained during the current year.

4 Critical Accounting Estimates and Judgments (Cont'd)

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.

Key estimates - COVID-19

The outbreak of Coronavirus (COVID-19) pandemic globally is causing significant disturbance and slowdown of economic activity. The Group has considered internal and external information while finalising various estimates in relation to its financial statement up to the date of approval of the financial statements by the Board of Directors and has not identified any material impact on the carrying value of assets, liabilities or provisions. However, the impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration. The Group is monitoring the situation closely and shall take actions as appropriate based on any material changes to future economic conditions.

Notes to the Financial Statements

For the Year Ended 30 June 2020

5 Revenue and Other Income

	2020	2019
	$	$
- Government grants	**3,628,214**	3,623,399
- Service concession arrangements	**10,871,443**	10,096,549
- Interest income	**43,130**	184,642
- Fair value investment gain	**669,996**	-
- Other grants	**28,291**	1,706,003
- Other income	**1,942,083**	116,764
	17,183,157	15,727,357

6 Result for the Year

	2020	2019
Finance costs:		
Interest and charges on financial liabilities	**57,976**	32,446
Depreciation:		
Leasehold upgrade	**25,749**	830
Furniture and fittings	**56,225**	58,178
Right-of-use asset	**38,443**	-
Motor vehicles	**36,253**	64,487
Office equipment	**262**	-
Computer equipment	**2,976**	-
	159,908	123,495

7 Auditors' Remuneration

	2020	2019
Auditing or reviewing the financial report	**26,000**	22,500

8 Interests in Subsidiaries

(a) Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2020	Percentage Owned (%)* 2019
Subsidiaries:			
Key 2 Realty Pty Ltd	Australia	**100**	100

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

Notes to the Financial Statements

For the Year Ended 30 June 2020

9 Cash and Cash Equivalents

		2020	2019
		$	$
Cash on hand		**640**	640
Cash at bank		**7,472,203**	670,657
Cash at bank - joint arrangement (note 16)		**13,376**	393,069
		7,486,219	1,064,366

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:

		2020	2019
Cash and cash equivalents		**7,486,219**	1,064,366
Term deposits		**141,354**	4,765,159
Balance as per statement of cash flows		**7,627,573**	5,829,525

10 Trade and Other Receivables

		2020	2019
Trade receivables		**930,487**	905,193
Expected credit loss	(a)	**(272,011)**	(238,927)
		658,476	666,266

(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 2020 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.

	2020	2019
Balance at beginning of the year	**238,927**	183,235
Charged for the year	**33,084**	55,692
Balance at end of the year	**272,011**	238,927

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

	2020	2019
Term deposits	**141,354**	4,765,159

12 Other Assets

	2020	2019
	$	$
Prepayments	**218,475**	105,178

13 Right of Use Assets

The Group has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

The Group as a lessee

The Group has leases over a range of assets including buildings and office equipment.

The Group has chosen not to apply AASB 16 to leases of intangible assets.

Information relating to the leases in place and associated balances and transactions are provided below.

Terms and conditions of leases

Buildings

The Group leases buildings for their corporate offices and other buildings, the leases are generally between 3 - 6 years and some of the leases include a renewal option to allow the Group to renew for up to twice the non-cancellable lease term.

The corporate office lease contains an annual pricing mechanism based on CPI movements at each anniversary of the lease inception.

Office equipment

The Group leases photocopiers and phone equipment, the leases are generally between 3 - 6 years, the lease payments are fixed during the lease term. Leases for IT equipment are generally considered to be for low value assets, except for significant items such as photocopiers.

The Group has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability.

Right-of-use assets

	Properties	Office Equipment	Total
	$	$	$
Year ended 30 June 2020			
Opening Balance	-	-	-
Additions	**204,391**	**55,823**	**260,214**
Depreciation	**(27,252)**	**(11,191)**	**(38,443)**
Balance at end of year	**177,139**	**44,632**	**221,771**

Notes to the Financial Statements

For the Year Ended 30 June 2020

14 Property, plant and equipment

	2020 $	2019 $
PLANT AND EQUIPMENT		
Leasehold improvements - at cost	**394,737**	394,737
Accumulated depreciation	**(329,557)**	(303,808)
	65,180	90,929
Furniture and fittings - at cost	**469,620**	638,197
Accumulated depreciation	**(334,130)**	(511,921)
	135,490	126,276
Motor vehicles - at cost	**176,739**	240,503
Accumulated depreciation	**(108,781)**	(140,790)
	67,958	99,713
Office equipment - at cost	**6,593**	2,093
Accumulated depreciation	**(367)**	(105)
	6,226	1,988
Computer equipment - at cost	**3,460**	3,460
Accumulated depreciation	**(3,695)**	(719)
	(235)	2,741
Total property, plant and equipment	**274,619**	321,647

Notes to the Financial Statements

For the Year Ended 30 June 2020

14 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 fittings	Motor Vehicles	Office Equipment	Computer equipment - at cost	Total
	$	$	$	$	$	$
Year ended 30 June 2020						
Balance at the beginning of year	90,929	126,276	99,713	1,988	2,741	321,647
Additions	-	89,294	38,744	4,500	-	132,538
Disposals	-	(23,855)	(34,247)	-	-	(58,102)
Depreciation expense	(25,749)	(56,225)	(36,252)	(262)	(2,976)	(121,464)
Balance at the end of the year	65,180	135,490	67,958	6,226	(235)	274,619

Notes to the Financial Statements

For the Year Ended 30 June 2020

15 Investment Properties

	2020	2019
	$	$
Balance at beginning of year	**16,321,286**	10,738,205
Acquisitions	**3,357,405**	5,583,081
Balance at end of year	**19,678,691**	16,321,286

16 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.

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:

2020	**Evolve Pacific Developments**
Summarised statement of financial position	
Cash and cash equivalents	**13,378**
Other current assets	**73,199**
Non-current assets	**61,581**
Land and buildings	**9,211,691**
Borrowings	**(614,717)**
Funding received in advance	**(682,485)**
Other current liabilities	**(14,635)**
Net assets	**8,048,012**

Notes to the Financial Statements

For the Year Ended 30 June 2020

2019	Evolve Pacific Developments
Summarised statement of financial position	
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)
Net assets	6,269,929

17 Trade and Other Payables

	2020 $	2019 $
Current		
Trade payables	**850,125**	1,030,251
Rent in advance	**550,166**	501,760
Grants in advance	**22,564**	147,263
	1,422,855	1,679,274
Non-Current		
Licence fees	**30,000**	30,000

18 Employee benefits

CURRENT		
Annual leave	**201,938**	148,306
Long service leave	**151,979**	121,252
	353,917	269,558

19 Financial liabilities

CURRENT		
Secured liabilities:		
Westpac loans	**614,717**	659,303
	614,717	659,303
NON CURRENT		
Secured liabilities:		
NHFIC Loan	**4,000,000**	-
	4,000,000	-

19 Financial liabilities (Cont'd)

The current 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 prior 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 2020.

During the 2020 financial year, the Company was successful in making an application for finance to the National Housing Finance and Investment Corporation (NHFIC) that will underpin ongoing development and construction of new affordable Housing.

20 Other Liabilities

	2020 $	2019 $
CURRENT		
Funding received in advance (Note 15)	**682,485**	682,485

21 Capital and Leasing Commitments

(a) Operating leases

Minimum lease payments under non-cancellable operating leases:		
- not later than one year	**-**	85,476
- between one year and five years	**-**	216,657
	-	302,133

Operating leases are in place for properties leased at suites 2 and 3 of Level 1, 153 Mann Street, Gosford, shop 16 of 153 Mann Street Gosford and photocopier lease. Suites 2 and 3 of Level 1, 153 Mann Street have been determined short term leases as they are less than 12 months until expiry.

22 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	**976,754**	928,529
Board Remuneration	**216,031**	235,166
	1,192,785	1,163,695

23 Related Parties

(a) Key management personnel

Disclosures relating to key management personnel are set out in Note 22.

Subsidiaries - refer to Note 8

24 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 incomes.

25 Financial Risk Management

	2020 $	2019 $
Financial assets		
Held at amortised cost		
Cash and cash equivalents	**7,486,219**	1,064,366
Trade and other receivables	**658,476**	666,266
Fair value through profit or loss (FVTPL)		
Other financial assets	**141,354**	4,765,159
Fair value through Other Comprehensive Income (OCI)		
Total financial assets	**8,286,049**	6,495,791
Financial liabilities		
Trade and other payables	**1,422,855**	1,679,274
Financial liabilities at fair value		
Financial liabilities	**614,717**	659,303
Other financial liabilities	**4,000,000**	-
Total financial liabilities	**6,037,572**	2,338,577

26 Contingencies

In the opinion of the Directors, the entity did not have any contingencies at 30 June 2020 (30 June 2019: None).

27 Events after the end of the Reporting Period

The COVID-19 pandemic and its associated lockdown protocols has not had a material impact on the operations and trading performance of the Company however it is not possible to reliably assess the potential financial impacts at this time.

In August 2020, the Group have signed a new building lease agreement for the Pacific Link Housing office located in 280 Mann Street, Gosford to be occupied for the next 6 years.

In October 2020, the Group entered into an agreement with Evolve Housing to divest the joint venture.

Except for the above, no other 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.

28 Parent entity

	2020 $	2019 $
Statement of Financial Position		
Assets		
Current assets	**8,456,190**	6,474,724
Non-current assets	**20,415,453**	16,932,186
Total Assets	**28,871,643**	23,406,910
Liabilities		
Current liabilities	**7,089,941**	3,277,397
Non-current liabilities	**30,000**	30,000
Total Liabilities	**7,119,941**	3,307,397
Equity		
Retained earnings	**21,751,702**	20,099,513
Total Equity	**21,751,702**	20,099,513
Statement of Profit or Loss and Other Comprehensive Income		
Total profit for the year	**1,652,190**	2,752,802
Total comprehensive income	**1,652,190**	2,752,802

29 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

ABN 82 074 394 648

Directors' Declaration

The directors of the entity declare that:

1. The financial statements and notes, as set out on pages 6 to 29, 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 2020 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 W. Edgell
Wal Edgell

Director ....
Clifford Innes

Dated 15 OCTOBER 2020

INDEPENDENT AUDITOR'S 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 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration by Directors.

In our opinion, the accompanying financial report gives a true and fair view of the financial position of the Group as at 30 June 2020 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards – Reduced Disclosure Requirements.

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

Independence

We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020 but does not include the financial report and our auditor's report thereon.

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

Responsibilities of Management and Directors for the Financial Report

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

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

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements[2], and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 management.

Auditor's Responsibilities for the Audit of the Financial Report (cont'd)

- Conclude on the appropriateness of management's 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.

Auditor's Responsibilities for the Audit of the Financial Report (cont'd)

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 management 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, actions taken to eliminate threats or safeguards applied.

PKF

CLAYTON HICKEY
PARTNER

15 OCTOBER 2020
NEWCASTLE, NSW