

Pacific Link Housing Limited

ABN 82 074 394 648

Financial Statements

For the Year Ended 30 June 2022

Pacific Link Housing Limited

ABN 82 074 394 648

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For the Year Ended 30 June 2022

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Pacific Link Housing Limited

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Directors' Report 30 June 2022

The directors present their report, together with the financial statements of the Group, being Pacific Link Housing Limited and its controlled entities, for the financial year ended 30 June 2022.

Information on directors

The names of each person who has been a director during the year and to the date of this report are:

Wal Edgell	Chairman
Qualifications	Banking and Property Executive
Years service	8 years
Special responsibilities	Attends all committee meeting in ex-officio capacity
Leoni Baldwin	Director, Deputy Chair
Qualifications	BA Ed PE; AMA Mediation
Years service	10 years
Special responsibilities	Governance, Tenant Opportunity Programs and Social Enterprises Committees
Clifford Innes	Director - Retired 18 November 2021
Qualifications	Chartered Accountant
Years service	12 years
Special responsibilities	Finance, Risk and Audit Committee, Key2 Realty Pty Ltd
Matthew Cochrane-Smith	Director - Appointed 21 October 2021
Qualifications	Fellow of CPA Australia and Graduate of the Australian Institute of Company Directors (GAICD)
Years service	1 year
Special responsibilities	Finance, Risk and Audit Committee, Key2 Realty Pty Ltd
Stephen Brahams	Director
Qualifications	Property Development Director, Licensed Real Estate Agent
Years service	13 years
Special responsibilities	Growth and Social Housing Management Transfer (SHMT)) Planning Committees, Key2 Realty Pty Ltd.
Kim Tibbey	Director - Retired 18 November 2021
Qualifications	CEO, MAICD, BA Social Enterprise
Years service	12 years
Special responsibilities	Tenant Opportunity Programs and Social Enterprises Committee
Peter Alward	Director
Qualifications	Property Development Director, Licensed Real Estate Agent.
Years service	4 years
Special responsibilities	Finance, Risk and Audit and Growth Committees, Key2 Realty Pty Ltd.

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Directors' Report

30 June 2022

Information on directors (Cont'd)

Kristen Watts	Director
Qualifications	Chartered Accountant, Masters in Commerce, GAICD
Years service	2 years
Special responsibilities	Finance, Risk and Audit, Tenant Opportunity Programs and Social Enterprises and SHMT Planning Committees

Sarah Winter	Director
Qualifications	Partner, Human Services and Community Infrastructure Practice; Solicitor, Masters Public and International Law
Years service	2 years
Special responsibilities	Governance and SHMT Planning Committee

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 development, provision and management of low-cost subsidised housing to clients on low incomes and property management services.

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 are applied towards the Group's objectives.

No significant change in the nature of these activities occurred during the year.

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 for 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;
- Maintain a focus on continuous improvement; and
- Maintain financial viability and continual asset growth.

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Directors' Report

30 June 2022

Long term objectives

The Group's long term objectives are to:

- 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. The Company will borrow within its capacity from reputable lenders to underpin its ongoing development pipeline, where loans are secured on owned property.
- 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, contribute to the raising of the community housing sector's profile and reputation and improving the economy of the footprint in which it operates.

Members' guarantee

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

At 30 June 2022 the collective liability of members was \$96 (2021: \$92).

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Directors' Report

30 June 2022

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 \$644,000 (2021: \$519,000), 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 2022 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 \$570,000 (2021: \$530,000) investment in the subsidiary on the statement of financial position for Pacific Link Housing Limited which is eliminated on consolidation.

Meetings of directors

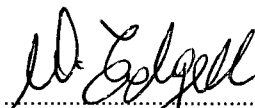
During the financial year, 10 meetings of directors (not including committees of directors) were held. Attendances by each director during the year were as follows:


Directors' Meetings		
	Number eligible to attend	Number attended
Wal Edgell	10	10
Leoni Baldwin	10	9
Clifford Innes	4	4
Matthew Cochrane-Smith	7	7
Stephen Brahams	10	9
Kim Tibbey	4	4
Peter Alward	10	8
Kristen Watts	10	9
Sarah Winter	10	9

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 2022 has been received and can be found on page 5 of the financial report.

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

Director: 
WAL EDGELL

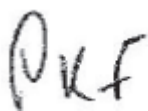
Director: 
KRISTEN JULIE WATTS

Dated 27 OCTOBER 2022

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of PACIFIC LINK HOUSING LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2022, 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

27 OCTOBER 2022
NEWCASTLE, NSW

Pacific Link Housing Limited

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Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2022

		2022	2021
	Note	\$	\$
Revenue	4	12,520,338	11,520,857
Other income	4	8,896,315	6,874,831
Finance income	5	24,246	21,674
		<u>21,440,899</u>	<u>18,417,362</u>
Employee benefits expense		(4,070,111)	(3,511,833)
Depreciation and amortisation expense		(638,634)	(305,118)
Training expenses		(24,329)	(27,387)
Audit, legal and consultancy expenses	6	(118,450)	(180,518)
Insurance expense		(335,480)	(325,080)
Property repairs and maintenance		(1,929,476)	(1,537,254)
Council and water rates		(1,183,114)	(1,102,301)
Rental expense		(6,934,881)	(6,490,174)
Adhoc repairs, maintenance and vehicle running expense		(54,553)	(43,396)
Other operating expenses		(2,069,879)	(1,437,174)
Finance expenses	5	(317,377)	(147,089)
Surplus before income tax		3,764,615	3,310,038
Income tax expense	2(b)	-	-
Surplus for the year		<u>3,764,615</u>	<u>3,310,038</u>
Total comprehensive surplus for the year		<u>3,764,615</u>	<u>3,310,038</u>

The accompanying notes form part of these financial statements.

Pacific Link Housing Limited

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Statement of Financial Position

As at 30 June 2022

	Note	2022 \$	2021 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	7,519,637	10,769,315
Trade and other receivables	9	960,871	952,827
Other assets	11	195,082	209,095
Financial assets	10	2,126,519	126,519
TOTAL CURRENT ASSETS		<u>10,802,109</u>	<u>12,057,756</u>
NON-CURRENT ASSETS			
Property, plant and equipment	13	908,482	754,299
Investment property	14	33,957,983	28,786,279
Right of use assets	12	3,056,673	2,345,817
TOTAL NON-CURRENT ASSETS		<u>37,923,138</u>	<u>31,886,395</u>
TOTAL ASSETS		<u>48,725,247</u>	<u>43,944,151</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	5,606,092	5,461,647
Employee benefits	16	474,990	385,887
Lease liabilities	12	502,770	265,528
TOTAL CURRENT LIABILITIES		<u>6,583,852</u>	<u>6,113,062</u>
NON-CURRENT LIABILITIES			
Lease liabilities	12	2,692,510	2,146,819
Financial liabilities	17	11,000,000	11,000,000
Other liabilities		30,000	30,000
TOTAL NON-CURRENT LIABILITIES		<u>13,722,510</u>	<u>13,176,819</u>
TOTAL LIABILITIES		<u>20,306,362</u>	<u>19,289,881</u>
NET ASSETS		<u>28,418,885</u>	<u>24,654,270</u>
MEMBERS' FUNDS			
Retained earnings		<u>28,418,885</u>	<u>24,654,270</u>
TOTAL EQUITY		<u>28,418,885</u>	<u>24,654,270</u>

The accompanying notes form part of these financial statements.

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Statement of Changes in Equity For the Year Ended 30 June 2022

2022

	Retained Earnings	Total
	\$	\$
Balance at 1 July 2021	24,654,270	24,654,270
Surplus for the year	3,764,615	3,764,615
Balance at 30 June 2022	28,418,885	28,418,885

2021

Balance at 1 July 2020	21,344,232	21,344,232
Surplus for the year	3,310,038	3,310,038
Balance at 30 June 2021	24,654,270	24,654,270

The accompanying notes form part of these financial statements.

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Statement of Cash Flows For the Year Ended 30 June 2022

	2022	2021
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from tenants and other persons	12,688,631	12,652,818
Payments to suppliers and employees	(17,281,336)	(13,670,611)
Interest received	24,245	20,254
Receipts from government sources	8,394,211	5,353,431
Interest and other charges	(317,377)	(147,078)
Net cash provided by operating activities	<u>3,508,374</u>	<u>4,208,814</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(370,920)	(575,327)
(Purchase) / disposal of financial assets	(2,000,000)	7,596
Proceeds from sale of assets	-	10,000
Payment for investment properties	(4,037,312)	(6,662,597)
Net cash used in investing activities	<u>(6,408,232)</u>	<u>(7,220,328)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	-	6,385,283
Payment of lease liabilities	(349,820)	(90,673)
Net cash used in financing activities	<u>(349,820)</u>	<u>6,294,610</u>
Net (decrease)/increase in cash and cash equivalents held	(3,249,678)	3,283,096
Cash and cash equivalents at beginning of year	10,769,315	7,486,219
Cash and cash equivalents at end of financial year	8 <u>7,519,637</u>	<u>10,769,315</u>

The accompanying notes form part of these financial statements.

Pacific Link Housing Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2022

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

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

Comparatives has been adjusted to align disclosure with GPFS-SDS Tier-2. For this reason, while the total value remains the same, the classification of revenue, other income, finance income, other expenses, other operating expenses, trade and other receivables, other financial assets, financial assets, trade and other payables and other liabilities has changed.

1 Basis of Preparation

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

The financial statements have been prepared on an accruals basis and are based on historical costs modified, except for the measurement at fair value of investment property.

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

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

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

AASB 1060 General Purpose Financial Statements -Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities

The company has adopted AASB 1060 from 1 July 2021. The standard provides a new Tier 2 reporting framework with simplified disclosures that are based on the requirements of IFRS for SMEs. As a result, there is increased disclosure in these financial statements for financial instruments.

Pacific Link Housing Limited

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Notes to the Financial Statements For the Year Ended 30 June 2022

2 Summary of Significant Accounting Policies

(a) Revenue and other income

The revenue recognition policies for the principal revenue streams of the Group are:

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.

Income from grants

Non-reciprocal grant income 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.

Donations

Donations and bequests are recognised as revenue when received.

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

(b) Income Tax

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

(c) Leases

At inception of a contract, the Group assesses whether a lease exists.

Lessee accounting

The non-lease components included in the lease agreement have been separated and are recognised as an expense as incurred.

At the lease commencement, the Group recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Group believes it is reasonably certain that the option will be exercised.

Notes to the Financial Statements

For the Year Ended 30 June 2022

2 Summary of Significant Accounting Policies (Cont'd)

(c) Leases (Cont'd)

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Group's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Group's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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.

For leases that have a useful life of less than 12 months at inception, the Entity has adopted the short-term exemption under AASB16 and records the payments as expenses.

(d) Goods and services tax (GST)

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

Receivables and payable are stated inclusive of GST.

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.

(e) 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.

Notes to the Financial Statements

For the Year Ended 30 June 2022

2 Summary of Significant Accounting Policies (Cont'd)

(e) Financial instruments (Cont'd)

Financial assets (Cont'd)

Classification

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

- amortised cost

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.

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.

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

When determining whether the credit risk of a financial assets 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, including forward looking information.

Notes to the Financial Statements

For the Year Ended 30 June 2022

2 Summary of Significant Accounting Policies (Cont'd)

(e) Financial instruments (Cont'd)

Financial assets (Cont'd)

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 the Group seeking recourse to actions such as realising security (if any is held); or
- the financial asset is more than 14 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.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised as a 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 lease liabilities.

(f) 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.

Notes to the Financial Statements

For the Year Ended 30 June 2022

2 Summary of Significant Accounting Policies (Cont'd)

(g) 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 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.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the asset's 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	20%

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.

(h) Investment property

Investment property is carried at fair value, determined annually by 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/expenses.

(i) 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.

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Notes to the Financial Statements

For the Year Ended 30 June 2022

2 Summary of Significant Accounting Policies (Cont'd)

(i) Employee benefits (Cont'd)

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 on high quality corporate bond rates 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.

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 - 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.

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Notes to the Financial Statements For the Year Ended 30 June 2022

4 Revenue and Other Income

	2022	2021
	\$	\$
Service concession revenue - at a point in time	<u>12,520,338</u>	<u>11,520,857</u>
- Fair value investment gain	1,134,392	1,560,865
- Grants income	1,658,607	687,866
- Other income	135,962	179,204
- Government grants	<u>5,967,354</u>	<u>4,446,896</u>
	<u><u>8,896,315</u></u>	<u><u>6,874,831</u></u>

5 Finance Income and Expenses

Finance income

Interest income	<u>24,246</u>	<u>21,674</u>
-----------------	---------------	---------------

Finance expenses

Interest on lease liabilities	60,166	22,387
Finance expenses	<u>257,211</u>	<u>124,702</u>
Total finance expenses	<u><u>317,377</u></u>	<u><u>147,089</u></u>

6 Auditors' Remuneration

Remuneration of the auditor PKF, for:

- Auditing the financial report	<u>30,000</u>	<u>28,000</u>
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7 Interests in Subsidiaries

Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%)*	Percentage Owned (%)*
		2022	2021
Subsidiaries:			
Key 2 Realty Pty Ltd	Australia	<u>100</u>	<u>100</u>

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

8 Cash and Cash Equivalents

Cash on hand	640	640
Cash at bank	<u>7,518,997</u>	<u>10,768,675</u>
	<u><u>7,519,637</u></u>	<u><u>10,769,315</u></u>

Pacific Link Housing Limited

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Notes to the Financial Statements For the Year Ended 30 June 2022

9 Trade and Other Receivables

	2022	2021
	\$	\$
Trade receivables	1,551,144	1,210,093
Expected credit loss	(590,273)	(257,266)
	<u>960,871</u>	<u>952,827</u>

Expected credit loss

The Group applies the simplified approach to expected credit losses, 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 2022 is determined as follow and the expected credit losses incorporate forward looking information.

Balance at beginning of the year	257,266	272,011
(Recovered during)/ Charged for the year	333,007	(14,745)
Balance at end of the year	<u>590,273</u>	<u>257,266</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.

10 Financial Assets

Term deposits	2,126,519	126,519
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11 Other assets

Prepayments	195,082	209,095
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12 Leases

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.

Pacific Link Housing Limited

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Notes to the Financial Statements For the Year Ended 30 June 2022

12 Leases (Cont'd)

Terms and conditions of leases

Buildings

The Group leases buildings for their corporate offices and other buildings, the leases are generally between 2 - 7 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.

Right-of-use assets

	Properties	Office Equipment	Total
	\$	\$	\$
Year ended 30 June 2022			
Opening balance	2,313,194	32,623	2,345,817
Additions	1,132,752	-	1,132,752
Depreciation	(409,911)	(11,985)	(421,896)
Balance at end of year	3,036,035	20,638	3,056,673

Lease liabilities

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

	< 1 year	1 - 5 years	> 5 years	Total undiscounted lease liabilities	Lease liabilities included in this Statement Of Financial Position
	\$	\$	\$	\$	\$
2022					
Lease liabilities	517,204	1,908,485	815,840	3,241,529	3,056,673

Pacific Link Housing Limited

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Notes to the Financial Statements For the Year Ended 30 June 2022

13 Property, plant and equipment

	2022	2021
	\$	\$
Leasehold improvements - at cost	355,043	355,043
Accumulated depreciation	(123,205)	(74,284)
	<u>231,838</u>	<u>280,759</u>
Furniture and fittings - at cost	943,214	616,737
Accumulated depreciation	(413,001)	(295,543)
	<u>530,213</u>	<u>321,194</u>
Motor vehicles - at cost	265,505	221,062
Accumulated depreciation	(120,583)	(71,911)
	<u>144,922</u>	<u>149,151</u>
Office and computer equipment - at cost	10,053	10,053
Accumulated depreciation	(8,544)	(6,858)
	<u>1,509</u>	<u>3,195</u>
Total property, plant and equipment	<u><u>908,482</u></u>	<u><u>754,299</u></u>

Pacific Link Housing Limited

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Notes to the Financial Statements For the Year Ended 30 June 2022

13 Property, plant and equipment (Cont'd)

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 and computer equipment	Total
	\$	\$	\$	\$	\$
Year ended 30 June 2022					
Balance at the beginning of year	280,758	321,194	149,152	3,195	754,299
Additions					
Additions	-	326,477	44,443	-	370,920
Depreciation expense	(48,920)	(117,458)	(48,673)	(1,686)	(216,737)
Balance at the end of the year	231,838	530,213	144,922	1,509	908,482

14 Investment Properties

	2022	2021
	\$	\$
Balance at beginning of year	28,786,279	19,678,691
Acquisitions	4,037,312	16,567,205
Disposals	-	(9,214,869)
Fair value gain	1,134,392	1,755,252
Balance at end of year	33,957,983	28,786,279

The Group measures investment properties at fair value on a recurring basis.

Investment property	33,957,983	28,786,279
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15 Trade and Other Payables

Trade payables	1,144,330	1,452,612
Rent in advance	688,100	643,346
Grants in advance	3,773,662	3,365,689
	5,606,092	5,461,647

16 Employee Benefits

CURRENT		
Annual leave	274,869	218,677
Long service leave	200,121	167,210
	474,990	385,887

Pacific Link Housing Limited

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Notes to the Financial Statements For the Year Ended 30 June 2022

17 Financial liabilities

	2022	2021
	\$	\$
Borrowings	<u>11,000,000</u>	11,000,000

Summary of borrowings

NHFIC is the National Housing and Finance Investment Corporation, a lender established and guaranteed by the Commonwealth Government.

Defaults and breaches

During the current and prior year, there were no defaults or breaches on any of the loans.

18 Financial Risk Management

Financial assets

Held at amortised cost

Cash and cash equivalents	7,519,637	10,769,315
Trade and other receivables	960,871	952,827
Financial assets	<u>2,126,519</u>	126,519

Total financial assets

	<u>10,607,027</u>	11,848,661
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Financial liabilities

Held at amortised cost

Trade and other payables	5,606,092	5,461,647
Financial liabilities	<u>11,000,000</u>	11,000,000

Total financial liabilities

	<u>16,606,092</u>	16,461,647
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19 Key Management Personnel Disclosures

The remuneration paid to key management personnel of the Company is \$1,667,475 (2021: \$1,340,607).

20 Related Parties

The Group's main related parties are as follows:

Key management personnel - refer to Note 19.

Subsidiaries - refer to Note 7

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

No other transactions occurred with related parties.

Pacific Link Housing Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2022

21 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2022 (30 June 2021: None).

22 Events after the end of the Reporting Period

The financial report was authorised for issue on 27 October 2022 by the Board of Directors.

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.

23 Parent entity

The following information has been extracted from the books and records of the parent, Pacific Link Housing Limited and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, Pacific Link Housing Limited has been prepared on the same basis as the financial statements except as disclosed below.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of the parent entity.

	2022	2021
	\$	\$
Statement of Financial Position		
Assets		
Current assets	10,764,409	12,014,577
Non-current assets	38,336,319	32,201,587
Total Assets	<u>49,100,728</u>	<u>44,216,164</u>
Liabilities		
Current liabilities	6,521,389	6,033,957
Non-current liabilities	13,605,251	13,030,809
Total Liabilities	<u>20,126,640</u>	<u>19,064,766</u>
Equity		
Retained earnings	28,974,088	25,151,398
Total Equity	<u>28,974,088</u>	<u>25,151,398</u>
Statement of Profit or Loss and Other Comprehensive Income		
Total profit or loss for the year	<u>3,822,690</u>	3,399,696
Total comprehensive income	<u>3,822,690</u>	<u>3,399,696</u>

Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2022 or 30 June 2021.

Pacific Link Housing Limited

ABN 82 074 394 648

Notes to the Financial Statements

For the Year Ended 30 June 2022

24 Statutory Information

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

Pacific Link Housing Limited
280 Mann Street
Gosford NSW 2250

Pacific Link Housing Limited

ABN 82 074 394 648

Directors' Declaration

The directors of the Company declare that:

- 1. The financial statements and notes, as set out on pages 6 to 24, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards - Simplified Disclosure Standard; and
 - b. give a true and fair view of the financial position as at 30 June 2022 and of the performance for the year ended on that date of the Company and consolidated group.
- 2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Director 
 Director
 WALTER LAWRIE
 WALTER LAWRIE
 WALTER LAWRIE

Director 
 Director
 KRISTEN JULIE WATTS

Dated 27 OCTOBER 2022

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 consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 of the Company and the consolidated entity comprising the Company and the entities it controlled at the year end or from time to time during the financial year.

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the year then ended; and
- (b) complying with Australian Accounting Standards – Simplified 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 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 Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the consolidated entity's annual report for the year ended 30 June 2022 but does not include the financial report and our auditor's report thereon.

Other Information (cont'd)

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Simplified 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 consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the consolidated entity 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

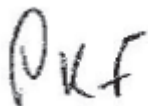
- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a 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 consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- 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 consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, action taken to eliminate threats or safeguards applied.



PKF



CLAYTON HICKEY
PARTNER

27 OCTOBER 2022
NEWCASTLE, NSW