**Brisbane Housing Company Limited**
ABN 75 101 263 834

Financial Report

For the period 1 July 2021 to 30 June 2022

bhc
creating liveable communities

## Contents

## Brisbane Housing Company Limited

**ABN 75 101 263 834**

## Financial Report for the Year Ended 30 June 2022

### DIRECTORS' REPORT

Your directors present this financial report on Brisbane Housing Company Limited consolidated entity ("Group") for the financial year ended 30 June 2022.

**Incorporation**

Brisbane Housing Company Limited ("BHC" or "the Company") is a not for profit legal entity incorporated in Australia as a company limited by shares.

**Directors**

The name of each person who has been a director during the year are:

Eloise Atkinson
John Gallimore (resigned 14th July 2022)
Geoff Woolcock
Stuart Gregory (resigned 24th November 2021)
Les Jones
Julie Heckenberg
Stacey Ross
Kirsty Smith
Matthew Leyshon
Katie Williams (appointed 10th December 2021)

All directors have been in office from the start of the financial year to the date of this report unless indicated otherwise.

**Information on Directors**

| | | |
|---|---|---|
| Eloise Atkinson | – | Independent Chair (Appointed 20 July 2016) |
| | – | Director since 2007 |
| | – | B. Des St., B.Arch, AIA, GAICD |
| | – | Member of Property Committee, Member of Tenancy Management Committee, Member of Finance Committee, Member of Audit & Risk Committee |
| | – | Director nominated by the State Government and Brisbane City Council |
| John Gallimore | – | Director since 2002 (resigned 14 July 2022) |
| | – | BA, LLB (Hons), FANZCN, MAICD |
| | – | Member of Property Committee and Audit & Risk Committee |
| | – | Director nominated by the State Government |
| Geoff Woolcock | – | Director appointed 2009 |
| | – | BA Hons 1 (UQ) PhD (La Trobe) |
| | – | Member of Tenancy Management Committee |
| | – | Director nominated by Community Shareholders |
| Stuart Gregory | – | Director since 2005 (resigned 24th November 2021) |
| | – | B.Comm (Hons), FCPA, MAICD |
| | – | Chair of Finance Committee and Member of Audit & Risk Committee |
| | – | Director nominated by Brisbane City Council |
| Les Jones | – | Director since 2012 |
| | – | B.Com and Admin Victoria University Of Wgtn N.Z, CA, MAICD |
| | – | Chair of Audit & Risk Committee and Member of Finance Committee |
| | – | Director nominated by Community Shareholders |
| Julie Heckenberg | – | Director since 2013 |
| | – | Dip of Teaching (TAFE) |
| | – | Chair of Tenancy Management Committee |
| | – | Director nominated by Community Shareholders |
| | – | Director of Catalyst Affordable Housing Limited |

**Directors Report continued**

| | |
|---|---|
| Stacey Ross | – Director since 2016<br>– BHS, DipComDevel, DipComServ, DipYthWork<br>– Member of Tenancy Management Committee<br>– Director nominated by the State Government |
| Kirsty Smith | – Director since 2016<br>– B.Com & Grad.Dip Property Economics (Development Major)<br>– Chair of Finance Committee<br>– Member of the Property Committee<br>– Director nominated by Community Shareholders |
| Matthew Leyshon | – Appointed 25 November 2020<br>– B Arch, MBA<br>– Chair of Property Committee<br>– Director nominated by Community Shareholders |
| Katie Williams | – Appointed 10 December 2021<br>– B Com (Hons), PhD<br>– Member of Finance Committee and Audit & Risk Committee<br>– Director nominated by the Brisbane City Council |
| Karla Fraser | – Appointed 14 July 2022<br>– LLB (Hons) BA (Hons)<br>– Member of Property Committee and Audit & Risk Committee<br>– Director nominated by the State Government |

**Company Secretary**
The following person held the position of Company Secretary for the entire financial year:
Peter Garrone, B.Com and LLB (Hons), Chartered Accountant (Australia). Peter Garrone has worked for Brisbane Housing Company Limited since March 2017 as Chief Financial Officer and was appointed Company Secretary on 19 April 2017.

**Principal Activities**
The principal activities of the Group during the financial year were the provision of affordable housing and activities to support this mission in Queensland.

**Operating Results**
The comprehensive income of the Group amounted to $18,883,787 (2021: $22,371,224). No provision for Income tax was established as Brisbane Housing Company Limited is exempt from income tax and the non-exempt subsidiaries have carried forward losses.

**Dividends Paid or Recommended**
No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made as the Group reinvests all surpluses in the development of affordable housing.

**Review of Operations**
The Group continued to provide affordable housing during the financial year and commenced construction on a 32 unit development in Upper Mount Gravatt, Brisbane, which is part of the Partnering for Growth initiative with the Queensland Government.

BHC announced a partnership with Queensland Investment Corporation (QIC) and the Queensland Government to deliver up to 1,200 new social and affordable homes across South-East Queensland through the Housing Investment Fund (HIF). The first stage of the partnership will deliver seven projects and provide almost 600 new social and affordable homes.

BHC's AA- credit rating was reaffirmed by Standard and Poor's during the year and it is anticipated that the credit rating will assist BHC in accessing the appropriate funding to further BHC's strategy of providing additional affordable housing.

**Directors Report continued**

### Significant Changes in State of Affairs
During the year there were no material or significant changes in the state of affairs of the Group. The Group continues to focus on the development and management of affordable housing within Queensland.

### After Balance Date Events
Other than disclosed below, 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.

On 16th September 2022, BHC signed a contract for the sale of the building located at 31 School St, Kelvin Grove.

### Future Developments, Prospects and Business Strategies
The Group expects to continue to build social and affordable housing in Queensland by developing mixed tenure and mixed use buildings. This will involve the use of external funding, Government grants and cash generated by the Group. The Group will continue to investigate alternative methods of raising private sector funding to finance development projects and the AA- credit rating from Standard and Poor's may assist with this process.

### Environmental Issues
The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

### Options
No options over issued shares or interests in the entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

### Meetings of Directors
During the financial year, 11 meetings of directors were held. Attendances by each director during the year were as follows:

**Committee Meetings**

| | Directors' Meetings | | Audit Committee | | Finance Committee | | Property Committee | | Tenancy Management Committee | |
|---|---|---|---|---|---|---|---|---|---|---|
| | A | B | A | B | A | B | A | B | A | B |
| Eloise Atkinson | 11 | 11 | 3 | 3 | 10 | 7 | 11 | 10 | 6 | 3 |
| John Gallimore | 11 | 10 | 3 | 3 | | | 11 | 11 | | |
| Geoff Woolcock | 11 | 11 | | | | | | | 6 | 6 |
| Stuart Gregory | 5 | 5 | 1 | 1 | 5 | 5 | | | | |
| Les Jones | 11 | 10 | 3 | 3 | 10 | 9 | | | | |
| Julia Heckenberg | 11 | 10 | | | | | | | 6 | 6 |
| Stacey Ross | 11 | 9 | | | | | | | 6 | 3 |
| Kirsty Smith | 11 | 11 | | | 7 | 7 | 11 | 11 | | |
| Matthew Leyshon | 11 | 11 | | | | | 11 | 11 | | |
| Katie Williams | 6 | 6 | 2 | 2 | 6 | 5 | | | | |

A = Number of meetings eligible to attend
B = Number of meetings attended

### Indemnifying Officers
During the financial year, the Group paid a premium to insure against legal costs that might be incurred in defending an action against one or any of the directors or officers of the Group and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty in relation to the Group.

**Directors Report continued**

### Proceedings on Behalf of the Entity

No person has applied for leave of Court to bring proceedings on behalf of an entity of the Group or intervene in any proceedings to which an entity of the Group is a party for the purpose of taking responsibility on behalf of the entity for all or any part of those proceedings.

None of the Group entities were party to any such proceedings during the year.

### Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under s 60-40 of the Australian Charities and Not-for-Profits Commission Act 2012 is set out on page 7.

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

Chairperson

Eloise Atkinson

Dated this 28th day of September 2022

**Grant Thornton Audit Pty Ltd**
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Brisbane QLD 4000
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Brisbane QLD 4001

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# Auditor's Independence Declaration

## To the Directors of Brisbane Housing Company Limited

In accordance with the requirements of section 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012*, as lead auditor for the audit of Brisbane Housing Company Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

S H Hancox
Partner – Audit & Assurance

Brisbane, 28 September 2022

# Brisbane Housing Company Limited
**ABN 75 101 263 834**

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 30 JUNE 2022

| | Note | Consolidated Group | |
|---|---|---|---|
| | | **2022** | **2021** |
| | | **$** | **$** |
| Revenue from rent | | 18,430,074 | 17,454,568 |
| Revenue from government grants | | 3,789,084 | 4,862,599 |
| Other revenue | | 2,445,699 | 2,026,743 |
| Total Revenue | 2 | **24,664,857** | **24,343,910** |
| Property expenses | | 9,199,021 | 8,605,397 |
| Employee benefits expense | | 6,558,593 | 6,104,697 |
| Depreciation and amortisation | | 7,868,858 | 7,935,325 |
| Finance costs | | 144,893 | 145,874 |
| Professional fees | | 420,814 | 236,469 |
| Administration expenses | | 827,867 | 790,615 |
| Other expenses | | 254,296 | 482,380 |
| Total Expenses | 3 | **25,274,342** | **24,300,757** |
| Surplus / (loss) before income tax | | **(609,485)** | **43,153** |
| Income tax expense | | - | - |
| Surplus / (loss) after income tax | | **(609,485)** | **43,153** |
| Other comprehensive income: | | | |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Gains/(Losses) on property revaluation | | 19,493,272 | 22,328,071 |
| Other comprehensive income, net of income tax | | **19,493,272** | **22,328,071** |
| Total comprehensive income for the year | | **18,883,787** | **22,371,224** |

The accompanying notes form part of these financial statements.

## Brisbane Housing Company Limited
**ABN 75 101 263 834**

**STATEMENT OF FINANCIAL POSITION**
**AS AT 30 JUNE 2022**

| | Note | Consolidated Group | |
|---|---|---|---|
| | | 2022 | 2021 |
| | | $ | $ |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 4 | 16,020,295 | 22,514,806 |
| Trade and other receivables | 5 | 400,982 | 311,011 |
| Loans to third parties | 6 | 170,687 | 191,967 |
| Assets held for sale | 7 | 9,024,000 | - |
| Other current assets | 8 | 3,186,169 | 1,833,361 |
| TOTAL CURRENT ASSETS | | **28,802,133** | **24,851,145** |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 9 | 386,138,465 | 365,735,220 |
| Right of use assets | 10 | 2,010,252 | 2,336,244 |
| Work in progress | 11 | 3,502,667 | 416,059 |
| Investment properties | 12 | 1,300,000 | 1,300,000 |
| Intangible assets | 13 | 17,986 | 61,958 |
| TOTAL NON-CURRENT ASSETS | | **392,969,370** | **369,849,481** |
| TOTAL ASSETS | | **421,771,503** | **394,700,626** |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 14 | 25,338,421 | 16,865,335 |
| Current provisions | 15 | 641,278 | 589,730 |
| Lease liabilities | 16 | 320,202 | 263,754 |
| TOTAL CURRENT LIABILITIES | | **26,299,901** | **17,718,819** |
| NON-CURRENT LIABILITIES | | | |
| Non-current provisions | 15 | 91,633 | 135,162 |
| Lease liabilities | 16 | 2,116,420 | 2,466,883 |
| TOTAL NON-CURRENT LIABILITIES | | **2,208,053** | **2,602,045** |
| TOTAL LIABILITIES | | **28,507,954** | **20,320,864** |
| NET ASSETS | | **393,263,549** | **374,379,762** |
| EQUITY | | | |
| Issued capital | 20 | 11 | 11 |
| Reserves | | 145,844,303 | 126,351,031 |
| Retained earnings | | 247,419,235 | 248,028,720 |
| TOTAL EQUITY | | **393,263,549** | **374,379,762** |

The accompanying notes form part of these financial statements.

# Brisbane Housing Company Limited
**ABN 75 101 263 834**

**STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2022**

| | Note | Share Capital | Retained Earnings | Asset Revaluation Reserve | Total |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| **Consolidated Group** | | | | | |
| **Balance at 1 July 2020** | | 11 | 247,985,567 | 104,022,960 | 352,008,538 |
| Total comprehensive income for the year | | - | 43,153 | 22,328,071 | 22,371,224 |
| Share Redemption | 20 | - | - | - | - |
| **Balance at 30 June 2021** | | 11 | 248,028,720 | 126,351,031 | 374,379,762 |
| Total comprehensive income for the year | | - | (609,485) | 19,493,272 | 18,883,787 |
| Share Redemption | 20 | - | - | - | - |
| **Balance at 30 June 2022** | | 11 | 247,419,235 | 145,844,303 | 393,263,549 |

The accompanying notes form part of these financial statements.

# Brisbane Housing Company Limited
**ABN 75 101 263 834**

**STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2022**

| | Note | Consolidated Group | |
|---|---|---|---|
| | | **2022** | **2021** |
| | | **$** | **$** |
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Rent & other income | | 20,285,209 | 18,779,770 |
| Payments to suppliers and employees | | (16,828,591) | (13,894,120) |
| Government grants | | 7,534,684 | 5,572,412 |
| Interest received | | 39,397 | 69,446 |
| Finance costs | | (131,587) | (144,933) |
| Net cash provided by operating activities | | **10,899,112** | **10,382,575** |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (17,349,068) | (2,018,391) |
| Purchase of motor vehicle | | (33,946) | (66,399) |
| Payments for work in progress | | (2,412,041) | (7,864,777) |
| Proceeds from sale of fixed assets | | 12,727 | 14,100 |
| Net cash used in investing activities | | **(19,782,328)** | **(9,935,467)** |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Loan repayments from third parties | | 21,280 | 20,240 |
| Payments relating to leases | | (327,785) | (507,315) |
| Retirement village incoming contributions | | 2,695,210 | 3,145,660 |
| Net cash provided by (used in) financing activities | | **2,388,705** | **2,658,585** |
| Net (decrease) / increase in cash held | | (6,494,511) | 3,105,693 |
| Cash and cash equivalents at beginning of financial year | | 22,514,806 | 19,409,113 |
| Cash and cash equivalents at end of financial year | 4 | **16,020,295** | **22,514,806** |

The accompanying notes form part of these financial statements.

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Brisbane Housing Company Limited and controlled entities ("Consolidated Group" or "Group"). Brisbane Housing Company Limited is a not for profit company limited by shares.

### 1.1 Basis of Preparation

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards - Simplified Disclosures, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Australian Charities and Not-for-Profits Commission Act 2012.

The financial statements cover Brisbane Housing Company Limited as a consolidated entity. The financial statements are presented in Australian Dollars, which is the consolidated entity's functional and presentation currency.

*Historical cost convention*
The financial statements have been prepared under the historical cost convention.

### 1.2 New and revised standards that are effective for these financial statements.

In the current year, the Group 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.

*AASB 1060 General Purpose Financial Statements*
In the current year, the Group has adopted *AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.* The Group 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. The adoption of this standard did not have a material impact on the financial statements.

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

### 1.3 Summary of accounting policies

**a. Principles of Consolidation**

A controlled entity is any entity of which Brisbane Housing Company Limited has the power to govern the financial and operating policies, so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered/(left) the consolidated group during the year, their operating results have been included/(excluded) from the date control was obtained/(ceased).

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

**b. Revenue**

The company recognises revenue as follows:

*Revenue from contracts with customers*
Revenue is recognised at an amount that reflects the consideration to which the company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued**

**1.3 Summary of accounting policies continued**

**b. Revenue continued**

*Revenue from contracts with customers continued*

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

*Rental Income*

Rental Income is recognised in accordance with AASB 15. The performance obligation of providing units of accommodation or commercial tenancy (as documented in the lease agreement) is satisfied over a period of time as the lessee occupies the premises. Accordingly, revenue is recognised over the same period of time at the rates agreed to in the rental agreement.

*Grants*

Grant funding is received by the Group from a number of sources. The performance obligations attached to the grant funding are considered when determining whether to account for the revenue under AASB 15 or AASB 1058. Where the grant funding has no specific performance obligations attached the revenue is recognised at the point in time the right to receive the grant funds occurs.

In situations where a capital funding agreement is in place the grant funding is often received up-front or at the time specified milestones in the project are achieved. The funding agreement may include the transfer of land as well as a cash contribution towards the construction costs of the building. For each funding agreement the Group identifies the performance obligations which often require construction of a building on a particular site and may also require the Group to contribute towards a particular share of the construction costs.

Where land is transferred, the performance obligation is satisfied at the point in time the land is transferred to the Group. Revenue is recognised under AASB 1058 at the time of the transfer at fair value.

Where cash funding is received up-front and the performance obligations have been identified as being fulfilled over time in line with the construction works on the project, the funds received are accounted for under AASB 1058 and are initially recorded as a liability under unearned grant income (see note 13 Trade and other payables). Grant revenue is recognised in profit or loss over time in proportion to the value of construction works over the same period. If conditions are attached to the grant which must be satisfied before the company is eligible to retain any remaining contribution, the grant will be recognised as a liability until those conditions are satisfied.

*Donations*

Donations are recognised as revenue at the time the pledge is made.

*Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

**c. Construction Contracts and Work in Progress**

Construction work in progress is valued at cost. Cost includes both variable and fixed costs relating to specific contracts, and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued**

**1.3 Summary of accounting policies continued**

**d. Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated, less (where applicable) accumulated depreciation and impairment losses.

**Property**

Freehold land and buildings are shown at their fair value based on periodic, but at least triennial, valuations by external independent valuers, or directors' valuations.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same classes of assets are charged against the revaluation reserve directly in equity; all other decreases are charged to the Statement of Profit or Loss and Other Comprehensive Income.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Freehold land and buildings that have been contributed at no cost or for nominal cost are initially valued at the fair value of the asset at the date it is acquired.

**Plant and Equipment**

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

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal.

Plant and equipment that have been contributed at no cost or for nominal cost are valued at the fair value of the asset at the date it is acquired.

**Depreciation**

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

| **Class of Fixed Asset** | **Depreciation Rate** |
|---|---|
| Buildings | 2.5% |
| Plant & Equipment | 3 - 33% |
| Office Equipment | 10 - 50% |
| Motor Vehicles | 12 - 20% |
| Leasehold Improvements | 12.5 - 17% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

Asset classes carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the Statement of Profit or Loss and Other Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

**e. Assets Held for Sale**

Assets held for sale are land and buildings that have been identified by management as no longer being suitable in fulfilling BHC's mission and have been approved by the Board for divestment. Assets held for sale are shown at fair value. When the asset is sold, any amounts included in the asset revaluation reserve for that asset are transferred to retained earnings.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued**

**1.3 Summary of accounting policies continued**

**f. Investment Properties**

Investment properties are properties which are outside the core mission of Brisbane Housing Company Limited and are held for generation of cash flows and capital appreciation.

Investment properties are recognised at fair value, based on periodic, but at least triennial, valuations by external independent valuers, or director's valuations. Investment properties are not depreciated. The last valuation was obtained in the 2021 financial year.

**g. Leases**

All leases, except for short-term leases and leases of low-value are recognised in the Statement of Financial Position with a 'Right of Use' asset and a corresponding 'Finance Lease Liability'. The right of use asset is depreciated over the term of the lease and the finance lease liability is reduced as lease payments are made. An 'interest' charge is recognised in finance costs over the term of the lease.

**h. Impairment of Assets**

At each reporting date, the entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset’s fair value less costs to sell and value in use, is compared to the asset’s carrying value. Any excess of the asset’s carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income. Refer to Note 1d for the accounting policy for property assets.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an asset's class, the entity estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

**i. Employee Benefits**

Provision is made for the company’s liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within 1 year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than 1 year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on the corporate bond rate with terms to maturity that match the expected timing of cash flows.

Contributions are made by the entity to employee superannuation funds and are charged as expenses when incurred.

**j. Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they are incurred.

**k. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at-call with financial institutions, other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**l. Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued**

**1.3 Summary of accounting policies continued**

**m. Income Tax**
No provision for income tax has been raised as the entity is exempt from income tax under Division 50 of the Income Tax Assessment Act 1997. Subsidiaries that are not exempt from income tax did not have taxable income for the period.

**n. Intangibles**
**Software**
Software is recorded at cost. Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses. Software is currently amortised over 3 years.

**Management Rights**
Management rights are recognised at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Management rights are amortised over 10 years.

**o. Provisions**
Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**p. Comparative Figures**
Where required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**q. Financial Instruments**
*Recognition, Initial Measurement and Derecognition*
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transaction costs, except for those carried at fair value through profit or loss, which are initially measured at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

*Classification and Subsequent Measurement of Financial Assets*
Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified in to the following categories upon initial recognition:
- Amortised cost
- Fair value through profit and loss (FVPL)
- Equity instruments at fair value through other comprehensive income (FVOCI)

Classifications are determined by both:
- The Group's business model for managing the financial asset
- The contractual cash flow characteristics of the financial asset

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

*Subsequent Measurement of Financial Assets*

(i) Financial Assets at Amortised Cost
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL);
- They are held within a business model whose objective is to hold the financial assets and collect contractual cash flows
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued**

**1.3 Summary of accounting policies continued**

**q. Financial Instruments continued**

*Subsequent Measurement of Financial Assets continued*

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall in to this category of financial instruments.

*Impairment of Financial Assets*

In assessing the impairment of financial assets, the Group uses the "expected credit losses" model (ECL). The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").
- "Stage 3" would cover financial assets that have objective evidence of impairment.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

*Trade and Other Receivables*

The Group makes use of a simplified approach for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

The Group assesses the impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due. The Group fully provides for amounts that are more than 60 days past due.

Included in trade and other receivables at 30 June 2022 is an amount receivable from rental tenants charged by The Group during the current financial year amounting to $410,200 and an allowance for expected credit losses has been made for $168,011.

*Classification and Measurement of Financial Liabilities*

The Group's financial liabilities include trade and other payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs, unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

*Unearned Grant Income*

Unearned Grant Income is represented by grant income received under funding agreements with the State Government through the various government departments. Where cash funding is received up-front and there are performance obligations specified in the agreement that have been identified as being fulfilled over time in line with the construction works on the project, the funds received are accounted for under AASB 1058 and are initially recorded as a liability under unearned grant income. Grant revenue is recognised in profit or loss over time in proportion to the value of construction works over the same period. If conditions are attached to the grant which must be satisfied before the company is eligible to retain any remaining contribution, the grant will be recognised as a liability until those conditions are satisfied.

Due to the conditions of the funding agreements where if the performance obligations are not met, the funds are to be returned to the State Government, the unearned grant revenue is presented as a current asset, even where construction may not commence for a period greater than 12 months.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued**

**1.3 Summary of accounting policies continued**

**q. Financial Instruments continued**

*Other Payables - Retirement Village*

New residents of the Village are required to pay an ingoing contribution. The ingoing contribution is initially recorded at fair value and is non-interest bearing. Subsequent fair value adjustments are made through the Statement of Profit or Loss and Other Comprehensive Income. Over the first five years at the Village, residents are required to pay a deferred management fee of 6% of the ingoing contribution per annum. Fair value is the amount payable on demand and is measured as the principle amount less deferred management fees accrued for up to reporting date.

As there is no unconditional right for BHC to defer payment for 12 months or greater, the ingoing contribution liability is recorded as a current liability. Based on the experience at the Village to date and estimates around length of stay at the Village, it is reasonable to expect that only a portion of residents will leave the Village in any given year and therefore it is reasonable to expect that only a portion of the ingoing contributions received will become due and payable in the next 12 months. In the year to 30 June 2022 $nil (2021: $172,243) ingoing contributions were paid out.

**r. Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

*Key estimates - Impairment*

The entity assesses impairment at each reporting date by evaluating conditions specific to the entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs to sell or value-in-use calculations to assess the recoverable amounts which incorporate a number of key estimates.

*Key estimates - Plant and Equipment*

To comply with AASB 116, as each building is completed the Board of Directors adopts Quantity Surveyor estimates for Plant and Equipment associated with rental properties based on the estimated replacement cost of the assets. Depreciation for Building Plant and Equipment has been calculated by amortising the replacement cost of the assets over the remaining useful life as determined by the Quantity Surveyor's report and adopted by the Board of Directors.

*Key estimates - Land & Buildings at valuation*

The sale of certain properties in the Group's portfolio would give rise to a taxable supply under the GST legislation and therefore be subject to GST. This GST liability would cause the net sale value being less than the book value. No adjustment to the book value has been made in the accounts as there is no current intention to sell any of the affected properties and also because the potential GST liability could be avoided by renting the affected properties at market rents for a period of five years.

Refer to Note 9 which highlights key estimates in relation to the valuation of land and buildings.

*Key estimates - Work In Progress*

Directors review amounts held in work in progress on a quarterly basis to assess the likelihood of a project progressing. Costs for projects that are aborted are expensed by a resolution of the Board.

*Key estimates - Deferred Management Fee Income*

Residents of the retirement village pay an up-front ingoing contribution, of which 70% is ultimately refundable and with 30% being a "deferred management fee" (DMF) paid to the Group. The DMF is payable over a 5 year period or on a pro-rata basis if the resident leaves within the 5 year period.

The DMF is initially recorded as an unearned revenue and is recognised as income over 7 years which which reflects the estimated length of time a resident might stay in the Village.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued**

**1.3 Summary of accounting policies continued**

**r. Critical Accounting Estimates and Judgments continued**

*Fair Value Measurement Hierarchy*

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can assess at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The inputs used for the purposes of revaluing the Group's land and buildings fall under the "Level 2" inputs.

*Coronavirus (COVID-19) pandemic*

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the company operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

## NOTE 2: REVENUE

| | Consolidated Group | |
|---|---|---|
| | **2022** | **2021** |
| | **$** | **$** |
| (a) Revenue from rent | | |
| – Residential rent (incl service charges) | 16,715,304 | 15,974,527 |
| – Commercial rent | 299,777 | 279,513 |
| – Recovery of tenant damage | 320,855 | 246,141 |
| – Caretaking income | 711,748 | 692,690 |
| – Other property related revenue | 382,390 | 261,697 |
| | 18,430,074 | 17,454,568 |
| (b) Revenue from grants | | |
| – Grants – Affordable Housing | 2,462,450 | 3,686,097 |
| – Grants – National Rental Affordability Scheme | 1,326,634 | 1,176,502 |
| | 3,789,084 | 4,862,599 |
| (c) Other revenue | | |
| – Management fees | 459,655 | 502,327 |
| – Management fees & sales commissions relating to Elevate Residential | 617,545 | 453,121 |
| – Accommodation fees relating to Arbor Sherwood Retirement Village | 270,282 | 110,429 |
| – Deferred management fees relating to Arbor Sherwood Retirement Village* | 539,794 | 264,263 |
| – Interest received | 45,844 | 67,005 |
| – Other revenue** | 512,579 | 629,598 |
| | 2,445,699 | 2,026,743 |
| Total Revenue | 24,664,857 | 24,343,910 |

* Deferred Management Fees are payable by the resident during the first 5 years of occupancy. If a resident exits within the first 5 years, Deferred Management Fees are payable on a pro rata basis to the date of exit.

** Other Revenue includes amounts received as settlement of insurance claims and proceeds received as part of the settlement of legal claims against third parties.

## NOTE 3: EXPENSES

| | Consolidated Group | |
|---|---|---|
| | **2022** | **2021** |
| | **$** | **$** |
| **Expenses** | | |
| Finance costs: | | |
| – External | 111,122 | 114,936 |
| – Right of Use Asset * | 33,771 | 30,938 |
| Bad and doubtful debts | 90,127 | 83,205 |
| Depreciation expense on non-cancellable leases | | |
| – Right of Use Asset * | 325,992 | 342,498 |
| Rental expense on leases where AASB16 has been applied | | |
| – minimum lease payments | 5,376 | 5,376 |
| Expenses relating to Elevate Residential | 515,416 | 360,842 |
| Sales and marketing expenses relating to Arbor Sherwood | 44,744 | 256,752 |

* Depreciation Right of Use Asset includes an amount of $0 (2021: $42,231) to cover make-good cost at the end of the lease. The current office lease does not have specific make-good requirements other than to return the premises in a clean and tidy condition.

## NOTE 4: CASH AND CASH EQUIVALENTS

| | Consolidated Group | |
|---|---|---|
| | **2022** | **2021** |
| | **$** | **$** |
| Cash at bank | 15,220,295 | 6,042,968 |
| Short term deposits with original maturity < 3 months | 800,000 | 5,721,838 |
| Short term deposits with original maturity 3-6 months | - | 10,750,000 |
| | 16,020,295 | 22,514,806 |

The average effective interest on cash and term deposits was 0.16% (2021: 0.40%).

At 30 June 2022, the Company had a bank guarantee in favour of the lessor of the property occupied as the head office of the Company to a total value of $385,637 (2021: $385,637).

## NOTE 5: TRADE AND OTHER RECEIVABLES

| | Consolidated Group | |
|---|---|---|
| | **2022** | **2021** |
| | **$** | **$** |
| CURRENT | | |
| Residential receivables | 414,483 | 276,786 |
| Commercial receivables | 154,510 | 155,235 |
| | 568,993 | 432,021 |
| Provision for impairment of receivables | (168,011) | (121,010) |
| | 400,982 | 311,011 |

Refer to note 1.3(q) for analysis details on past due receivables.

## NOTE 6: LOANS TO THIRD PARTIES

| | Consolidated Group | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| Current | 170,687 | 191,967 |
| Non current | - | - |
| | 170,687 | 191,967 |

Loans to third parties are interest free with the balance payable after 10 years from the start of the loan.

## NOTE 7: ASSETS HELD FOR SALE

| | Consolidated Group | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| Current | 9,024,000 | - |
| Non current | - | - |
| | 9,024,000 | - |

Assets held for sale relates to the fair value of property assets expected to be sold.

## NOTE 8: OTHER CURRENT ASSETS

| | Consolidated Group | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| CURRENT | | |
| Prepayments | 1,113,872 | 1,003,444 |
| Accrued income | 1,665,492 | 295,961 |
| Interest receivable | 6,984 | 2,186 |
| GST receivable | 248,498 | 128,504 |
| Advances and deposits | 151,323 | 403,266 |
| Total other assets | 3,186,169 | 1,833,361 |

## NOTE 9: PROPERTY, PLANT AND EQUIPMENT

The Group's land and buildings were revalued as at 30 June 2022 and are based on the independent valuations, annual rents and capitalisation rates, and applying a discount factor to come to the valuation amount for both the independently valued properties as well as the balance of the portfolio which is usually subject to a directors valuation.

They have been termed the "modified independent valuation approach" and the "modified directors valuation approach" to distinguish from the methodology used in the years prior to 30 June 2021. See note 26 - Fair value measurement for more details on the valuation methodologies.

The Group is required to classify all assets and liabilities measured at fair value using a three level hierarchy (see Fair Value Measurement Hierarchy under Critical Accounting Estimates and Judgements) and the inputs used for the purposes of revaluing the Group's land and buildings fall under the "Level 2" inputs.

Valuations were made on the basis of open market value with consideration being given to the reduced rental charged on the properties, reflecting the mission of the Group. The revaluation increment was credited to the asset revaluation reserve in shareholders' equity during the year.

**NOTE 9: PROPERTY, PLANT AND EQUIPMENT continued**

| | Consolidated Group | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| Freehold land at: | | |
| – Cost | 1,780,865 | - |
| – Directors' Valuation - Modified "Directors' valuation" | 1,499,870 | 1,499,870 |
| Total Land | 3,280,735 | 1,499,870 |

Land includes vacant land and land currently under development. Development costs are identified separately under Work in Progress.

| | | |
|---|---|---|
| Land and Buildings at: | | |
| – Directors' Valuation - Modified "Directors' valuation" | 260,056,588 | 243,790,632 |
| – Directors' Valuation - Modified "Independent valuation" | 103,684,986 | 114,460,738 |
| – Cost | 14,060,303 | - |
| Total Buildings | 377,801,877 | 358,251,370 |

The value of Buildings excludes any associated Plant and Equipment items which are identified separately.

The Land & Buildings at Cost represents sites purchased for redevelopment. At 30 June 2022 these sites had an existing dwelling and some are operating under a tenancy agreement.

| | | |
|---|---|---|
| Plant and equipment | | |
| At cost | 20,499,526 | 20,897,769 |
| Accumulated depreciation | (16,091,123) | (15,560,964) |
| | 4,408,403 | 5,336,805 |
| Office Equipment | | |
| At cost | 293,484 | 390,552 |
| Accumulated depreciation | (206,189) | (327,094) |
| | 87,295 | 63,458 |
| Leasehold Improvements | | |
| At cost | 565,509 | 544,618 |
| Accumulated depreciation | (95,539) | (26,823) |
| | 469,970 | 517,795 |
| Motor Vehicles | | |
| At cost | 126,359 | 128,382 |
| Accumulated depreciation | (36,174) | (62,460) |
| | 90,185 | 65,922 |
| Total Property, Plant and Equipment | 386,138,465 | 365,735,220 |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**NOTE 9: PROPERTY, PLANT AND EQUIPMENT (CONT)**

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**

| | Freehold Land | Land & Buildings | Plant & Equipment | Office Equipment | Leasehold Improvements | Motor Vehicles | Total |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| **Consolidated Group:** | | | | | | | |
| Balance at 30 June 2021 | 1,499,870 | 358,251,370 | 5,336,805 | 63,458 | 517,795 | 65,922 | 365,735,220 |
| Additions | 1,780,865 | 15,148,813 | 377,710 | 70,791 | 20,891 | 33,798 | 17,432,868 |
| Disposals | - | - | - | - | - | - | - |
| Transfers | - | (8,842,659) | (181,341) | - | - | - | (9,024,000) |
| Revaluation increments / (decrements) | - | 19,493,272 | - | - | - | - | 19,493,272 |
| Reversal of Impairment | - | - | - | - | - | - | - |
| Depreciation expense | - | (6,248,919) | (1,124,771) | (46,954) | (68,716) | (9,535) | (7,498,895) |
| Balance at 30 June 2022 | 3,280,735 | 377,801,877 | 4,408,403 | 87,295 | 469,970 | 90,185 | 386,138,465 |

## NOTE 10: RIGHT OF USE ASSETS

| | Consolidated Group | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| Right of use asset | 2,607,899 | 2,607,899 |
| Accumulated depreciation | (597,647) | (271,655) |
| | 2,010,252 | 2,336,244 |

Right of Use Assets relates to the capitalisation of the Company's office lease in accordance with AASB 16. The lease is for a fixed term of 8 years, with an option to renew for a further 5 years.

## NOTE 11: WORK IN PROGRESS

| | Consolidated Group | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| Work in Progress | | |
| At cost | 3,502,667 | 416,059 |
| **Movements in Work in Progress** | | |
| Balance at 30 June 2021 | 416,059 | |
| Additions | 3,086,608 | |
| Transfer to property, plant and equipment | - | |
| Transfer to property expenses | - | |
| Balance at 30 June 2022 | 3,502,667 | |

During the year construction commenced on a 32 unit development at Wardle Street, Mt Gravatt. Construction is expected to be completed in early 2023.

## NOTE 12: INVESTMENT PROPERTIES

| | Consolidated Group | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| NON-CURRENT | | |
| Commercial | 1,300,000 | 1,300,000 |
| | 1,300,000 | 1,300,000 |

Commercial properties are carried at fair value in accordance with Note 1.3(e).

## NOTE 13: INTANGIBLE ASSETS

| | Consolidated Group | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| Software | | |
| Cost | 45,330 | 45,330 |
| Accumulated amortisation | (27,344) | (12,235) |
| Net Carrying Value | 17,986 | 33,095 |

Capitalised Software at 30 June 2022 represents customisation of accounting software for various business uses.

**NOTE 13: INTANGIBLE ASSETS continued**

| | Consolidated Group | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| Management rights | 288,636 | 288,636 |
| Accumulated amortisation | (288,636) | (259,773) |
| Net Carrying Value | - | 28,863 |
| Net intangibles | 17,986 | 61,958 |

**Movements in Carrying Amounts**

| | Software | Management Rights | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Movement in the carrying amounts for each class of intangibles between the beginning and the end of the current financial year** | | | |
| **Consolidated Group:** | | | |
| Balance at 30 June 2021 | 33,095 | 28,863 | 61,958 |
| Additions | - | - | - |
| Amortisation expense | (15,109) | (28,863) | (43,972) |
| Balance at 30 June 2022 | 17,986 | - | 17,986 |

**NOTE 14: TRADE AND OTHER PAYABLES**

| | Consolidated Group | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| CURRENT | | |
| Trade payables and accruals | 1,854,033 | 1,051,069 |
| GST payable | 34,136 | 213,637 |
| Unearned grant income | 8,818,921 | 3,920,407 |
| Other unearned income | 594,817 | 353,070 |
| Other payables | 1,130,351 | 1,766,658 |
| Other payables - retirement village | 12,906,163 | 9,560,494 |
| | 25,338,421 | 16,865,335 |

Refer to note 1.3q for more details on unearned grant income and other payables - retirement village.

**NOTE 15: PROVISIONS**

| | Consolidated Group | |
|---|---|---|
| | 2022 | 2021 |
| | $ | $ |
| Current | 641,278 | 589,730 |
| Non-current | 91,633 | 135,162 |
| | 732,911 | 724,892 |

**NOTE 15: PROVISIONS continued**

| **Analysis of Total Provisions** | **Short-term Employee Benefits** | **Long-term Employee Benefits** | **Total** |
|---|---|---|---|
| | **$** | **$** | **$** |
| **Consolidated Group** | | | |
| Balance at 1 July 2021 | 382,438 | 342,454 | 724,892 |
| Additional provisions | 513,928 | (49,843) | 464,085 |
| Amounts paid | (420,601) | (35,465) | (456,066) |
| Balance at 30 June 2022 | 475,765 | 257,146 | 732,911 |

**NOTE 16: LEASE LIABILITIES**

| | **Consolidated Group** | |
|---|---|---|
| | **2022** | **2021** |
| | **$** | **$** |
| Current | 320,202 | 263,754 |
| Non-current | 2,116,420 | 2,466,883 |
| | 2,436,622 | 2,730,637 |

| | **Consolidated Group** | |
|---|---|---|
| | **2022** | **2021** |
| **Lease Commitments** | **$** | **$** |
| Payable: | | |
| – not later than 12 months | 349,994 | 327,786 |
| – between 12 months and 5 years | 1,639,194 | 1,541,713 |
| – greater than 5 years | 553,945 | 1,001,419 |
| – Less finance costs | (106,511) | (140,281) |
| | 2,436,622 | 2,730,637 |

The non-cancellable office lease has a 8 year term expiring 31 Aug 2028 with an option to renew for a further 5 years. Rental provisions within the lease agreement require the minimum lease payments to be increased by 3.75% on each anniversary.

**NOTE 17: CAPITAL COMMITMENTS**

| | **Consolidated Group** | |
|---|---|---|
| | **2022** | **2021** |
| | **$** | **$** |
| **Capital Expenditure Commitments** | | |
| Capital expenditure commitments contracted for: | | |
| Capital expenditure projects | 7,270,974 | 648,401 |
| | 7,270,974 | 648,401 |
| Payable: | | |
| – not later than 12 months | 7,270,974 | 648,401 |
| – between 12 months and 5 years | - | - |
| – greater than 5 years | - | - |
| | 7,270,974 | 648,401 |

## NOTE 18: OPERATING LEASES AS LESSOR

The Group leases out commercial space retained in its developments on an operating lease basis.
The lease contracts are all non-cancellable ranging from 1 - 5 years from the commencement of the lease.
No contingent rents were recognised. Future minimum lease rentals are as follows:

| | Consolidated Group | |
|---|---|---|
| | **2022** | **2021** |
| | **$** | **$** |
| Minimum lease rentals due: | | |
| – not later than 12 months | 256,999 | 214,205 |
| – between 12 months and 5 years | 262,851 | 179,790 |
| – greater than 5 years | - | - |
| | 519,850 | 393,995 |

## NOTE 19: KEY MANAGEMENT PERSONNEL COMPENSATION

The Group's key management personnel consisted of the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Projects Director and Directors. Total compensation paid to key management personnel during the financial year amounted to $1,100,563 (2021: $1,083,009).

## NOTE 20: SHARE CAPITAL

| | Consolidated Group | |
|---|---|---|
| | **2022** | **2021** |
| | **$** | **$** |
| 3 (2020: 3) fully paid Ordinary Shares | 3 | 3 |
| 8 (2020: 8) fully paid Community Redeemable Preference Shares | 8 | 8 |
| | 11 | 11 |

Ordinary shares do not carry the right to receive a dividend or participate in the income, profits or surplus assets of the Company beyond the redemption amount and in the event of winding up, the surplus assets of the company are transferred to one or more charitable institutions nominated by the State Government. Redeemable preference shares do not participate in dividends or proceeds of winding up (apart from the $1 redemption amount).

At shareholders' meetings each ordinary share and community redeemable preference share is entitled to vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

## NOTE 21: PARENT ENTITY INFORMATION

Information relating to Brisbane Housing Company Limited - excluding subsidiaries ("the Parent Entity")

| | **2022** | **2021** |
|---|---|---|
| | **$** | **$** |
| **Statement of Financial Position** | | |
| Current Assets | 27,361,723 | 23,489,501 |
| Total Assets | 421,512,439 | 394,440,143 |
| Current Liabilities | 25,725,783 | 17,196,375 |
| Total Liabilities | 28,246,476 | 20,058,364 |
| Total Equity | 393,265,962 | 374,381,779 |

**NOTE 21: PARENT ENTITY INFORMATION continued**

| | 2022 $ | 2021 $ |
|---|---|---|
| **Statement of Profit or Loss and Other Comprehensive Income** | | |
| Surplus / (loss) for the year | (695,690) | 19,923 |
| Add: Profit/(loss) recorded on investment in Catalyst Affordable Housing Limited | 136,328 | 255,690 |
| Other Comprehensive Income | 19,443,545 | 22,096,004 |
| Total Comprehensive Income | 18,884,183 | 22,371,617 |

At 30 June 2022 the Parent Entity had $7.3m of capital expenditure commitments relating to capital works (2020: $0.6m relating to projects and capital works). The Parent Entity has not entered into a deed of cross guarantee nor are there any contingent liabilities at the year end other than those described in Note 23.

**NOTE 22: COMPOSITION OF THE GROUP**

Set out below are details of the subsidiaries held directly by the Group:

| Name of the Subsidiary | Country of Incorporation and principal place of business | Principal Activity | Proportion of Ownership interests held by the Group | |
|---|---|---|---|---|
| | | | 2022 | 2021 |
| BHC Development Services Pty Ltd | Australia | Dormant | 100% | 100% |
| Catalyst Affordable Housing Limited | Australia | Developer/Manager of Affordable Housing in Gladstone and;<br><br>Elevate Real Estate Agency | 100% | 100% |

**NOTE 23: CONTINGENT LIABILITIES**

As a condition of the funding received under the funding agreement with the State Government (the State), for the Bothwell Street project (Caggara House), the Company was required to construct 57 social housing units. The State contributed the land currently valued at $2.78m and cash of $7.47m. The State has an option to purchase the development in 2053 and a first right of refusal if the Company sells before that date. The Company may be required to repay the contingent liability to the State in the event of a sale of the property. The contingent liability is a proportion of the value of the property based on the proportion of the total cost which was provided by the State and is to reduce by 2.5% per annum.

**NOTE 24: AFTER BALANCE DATE EVENTS**

On 16th September 2022, BHC signed a contract for the sale of the building located at 31 School St, Kelvin Grove.

There is no litigation filed against the Group since balance date and the Group is unaware of any pending litigation.

The financial report was authorised for issue on 28th September 2022 by the Board of Directors.

**NOTE 25: RELATED PARTY TRANSACTIONS**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other persons.

During the year the Group invoiced $39,787 excl GST (2021: $39,570 excl GST) in rent to Multicap Ltd for 6 boarding rooms at Hartopp Lane, Kelvin Grove. One of the Group's directors is also a director at Multicap Ltd.

## NOTE 26: FAIR VALUE MEASUREMENT

The following table shows the non-financial assets measured at fair value on a recurring basis at 30 June 2022:

| | **$'000** |
|---|---|
| **Property Plant and Equipment** | |
| Land & Buildings Directors' Valuation - Modified "Independent Valuation" Approach | 103,684,986 |
| Land & Buildings Directors' Valuation - Modified "Directors' Valuation" Approach | 261,556,458 |

Consistent with prior years, one third of the portfolio was valued by an independent valuer at 30 June 2022. Given the fluctuation in values due to the uncertainty in the property market at the current time, the directors have determined, based on BHC individual circumstances, not to adopt the independent valuations as assessed. In determining the fair value of the Land and Buildings the Directors have had regard to these independent valuations and have applied two approaches.

- Modified Independent Valuation Approach – applied to properties that were independently valued during the period. Where the independent valuation indicated a valuation increment, the Directors have considered BHC's internal annual rental and capitalisation forecasts and, where appropriate, applied a discount factor of between 0% to 50% on the independent valuation increment. For properties where the independent valuation indicated a decrement, the decrement has been booked in its entirety.
- Modified Directors Valuation Approach – applied to all other properties. In these cases the Directors have applied the average increment / decrement determined under the Modified Independent Valuation Approach above to properties with similar geographical and operational characteristics as those independently valued.

It is expected that once the property market settles, the previous valuation methods for independent and directors' valuations will resume.

The land and buildings were revalued on 30 June 2022. The land and buildings were previously revalued in June 2021.

## NOTE 27: REMUNERATION OF AUDITORS

| | **2022** | **2021** |
|---|---|---|
| | **$** | **$** |
| *Audit Services - Grant Thornton* | | |
| Audit of the financial statements | 54,000 | 53,200 |
| Other audit services | 14,426 | 7,550 |
| Total remuneration for audit services | 68,426 | 60,750 |
| *Other Services - Grant Thornton* | | |
| Tax compliance services | 3,100 | 2,500 |
| Risk management services | 6,000 | - |
| Other professional services | - | 2,500 |
| Total remuneration for other services | 9,100 | 5,000 |
| Total remuneration for services | 77,526 | 65,750 |

## NOTE 28: REGISTERED OFFICE

The registered office and principal place of business for the group is Level 17, 333 Ann St, Brisbane QLD 4000.

## Brisbane Housing Company Limited
**ABN 75 101 263 834**

**DIRECTORS' DECLARATION**

The directors of the entity declare that:

1. The consolidated financial statements and notes, as set out on pages 8 to 30, are in accordance with the Australian Charities and Not-for-Profits Commission Act 2012 and:

    a. comply with Accounting Standards - Simplified Disclures (including Australian Interpretations) and the Australian Charities and Not-for-Profits Regulations 2013; 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 of the consolidated group.

2. In the directors' opinion there are reasonable grounds to believe that the company and its subsidiaries will be able to pay their debts as and when they become due and payable.

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

Eloise Atkinson (Chairperson)

Dated this 28th day of September 2022

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# Independent Auditor's Report

## To the Members of Brisbane Housing Company Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Brisbane Housing Company Limited (the "Registered Entity") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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.

In our opinion, the financial report of Brisbane Housing Company Limited has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012 ("ACNC Act")*, including:

a giving a true and fair view of Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and

b complying with Australian Accounting Standards - *AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Registered Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

## Other information

The Directors are responsible for the other information. The other information comprises the information included in the Registered Entity's annual report for the year ended 30 June 2022, 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.

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 Registered Entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards - *AASB 1060 General Purpose Financial Statements -Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* and the ACNC Act, and for such internal control as the Directors determine 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, the Directors are responsible for assessing the Registered Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Registered Entity or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Registered Entity'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 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 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 Registered Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Registered 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 Registered 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 evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the 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 those charged with governance 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.

Grant Thornton Audit Pty Ltd
Chartered Accountants

S G Hancox
Partner – Audit & Assurance

Brisbane, 28 September 2022