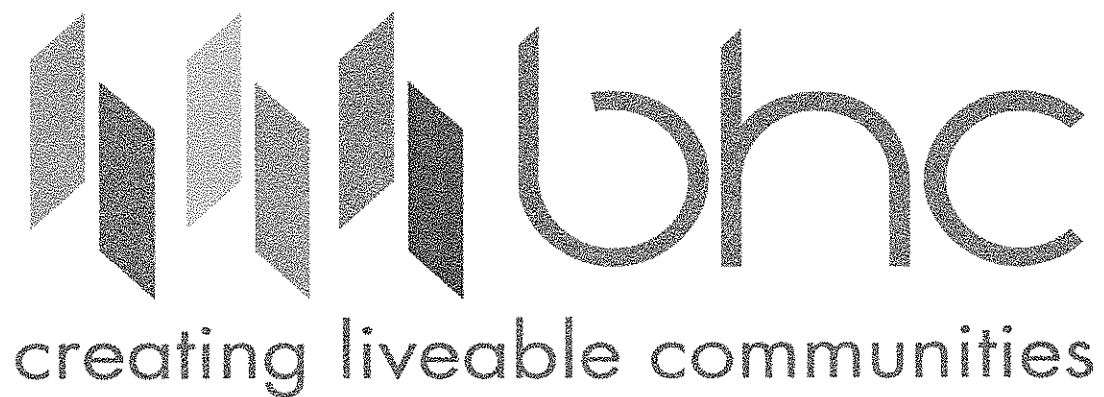


Brisbane Housing Company Limited

ABN 75 101 263 834

Financial Report

For the period 1 July 2015 to 30 June 2016



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Brisbane Housing Company Limited

ABN 75 101 263 834

Financial Report for the Year Ended 30 June 2016

DIRECTORS' REPORT

Your directors present this financial report on Brisbane Housing Company Limited consolidated entity ("group") for the financial year ended 30 June 2016.

Incorporation

Brisbane Housing Company Limited 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:

John McAuliffe
Eloise Atkinson
John Gallimore
Geoff Woolcock
Stuart Gregory
Benjamin Foster
Les Jones
Julia Heckenberg
Brian Stewart

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

Professor John McAuliffe AM	<ul style="list-style-type: none">– Independent Chair– Director since 2002 (Resigned 30 June 2016)– LFAPL, FAIB, ACTCB, MAICD– Chair of the Property Committee, Member of the Tenancy Management Committee, Member of the Finance Committee, Member of the Audit & Risk Committee. Director of Catalyst Affordable Housing Ltd, Director nominated by the State Government and Brisbane City Council
Eloise Atkinson	<ul style="list-style-type: none">– Director since 2007 (Appointed Independent Chair 20 July 2016)– B. Des St., B.Arch, AIA, GAICD– Chair of the Tenancy Management Committee, Member of Property Committee, Director nominated by Community Shareholders (Resigned as a Director nominated by the Community Shareholders effective 30 June 2016)
John Gallimore	<ul style="list-style-type: none">– Director since 2002– BA, LLB (Hons), FANZCN, MAICD– Member of the Property Committee, Member of the Audit & Risk Committee. Director nominated by the State Government
Geoff Woolcock	<ul style="list-style-type: none">– Director appointed 2009– BA Hons 1 (UQ) PhD (La Trobe)– Member of Tenancy Management Committee, Director nominated by Community Shareholders

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Stuart Gregory	<ul style="list-style-type: none">– Director since 2005– B.Comm (Hons), FCPA, MAICD– Chair of Finance Committee, Member of Audit & Risk Committee– Director of BHC Development Services Pty Ltd and Catalyst Affordable Housing Ltd, Director nominated by Brisbane City Council
Ben Foster	<ul style="list-style-type: none">– Director since 2010– B. App Science., Dip Fac Mgt, AAIQS– Member of Property Committee, Director nominated by Community Shareholders
Les Jones	<ul style="list-style-type: none">– Director since 18 July 2012– B.Com and Admin Victoria University Of Wgtn N.Z, CA, MAICD– Chair of the Audit & Risk Committee, Member of Finance Committee. Director nominated by Community Shareholders
Julia Heckenberg	<ul style="list-style-type: none">– Director since 9 August 2013– Dip of Teaching (TAFE)– Member of the Tenancy Management Committee, Director nominated by Community Shareholders
Brian Stewart	<ul style="list-style-type: none">– Director since 4 December 2013 (Resigned 30 June 2016)– Cert T, MBA, Barrister at Law, FDIA– Member of Property Committee, Director of Catalyst Affordable Housing Ltd, nominated by the State Government
Stacey Ross	<ul style="list-style-type: none">– Director since 20 July 2016– BHC, DipComDevel, DipComServ, DipYthWork– Secretary and Director for Logan Women's Health & Wellbeing Centre Ltd– Member of the Tenancy Management Committee, Director nominated by the State Government
Kirsty Smith	<ul style="list-style-type: none">– Director since 27 July 2016– B.Com & Grad.Dip Property Economics (Development Major)– Member of the Property Committee– nominated as a Casual Vacancy

Company Secretary

The following person held the position of Company Secretary at the end of the financial year:

Stephen Honan, Bachelor of Commerce (University of Qld), Diploma of Finance and Mortgage Broking Management (FARSTA). Stephen Honan has worked for Brisbane Housing Company for the past 6.5 years performing project management and governance roles. Stephen Honan was appointed Company Secretary on 2 December 2014.

Principal Activities

The principal activities of the consolidated 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 consolidated group amounted to \$4,624,569 (2015: \$6,072,528). No provision for income tax was established as the company 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.

Brisbane Housing Company Limited

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Review of Operations

The BHC Group continued to increase the supply of affordable rental accommodation through the year with the completion of a development in Gladstone which provided an additional 24 units. Work is also ongoing in Lutwyche with a 60 unit affordable housing development having commenced in September 2015 and forecast to be completed late September 2016.

After extensive consultation with the Department of Public Works and Housing and building on the recent success of the 55 unit Caggara house under occupancy project, a new submission was prepared and submitted to the Department during the year. The submission was for a four site project which will result in the development of 160 new social housing units within Brisbane for occupants 55 years+ over the next three years. BHC is currently awaiting a decision on the proposal.

The BHC development pipeline was also further enhanced with the acquisition of a development site in Hood Street Sherwood which is slated to be used as part of the under occupancy project.

Significant Changes in State of Affairs

During the year there were no material or significant changes in the state of affairs of BHC. BHC continues to focus on the development and management of affordable housing within Queensland.

After Balance Date Events

The BHC Group purchased land in Hood Street, Sherwood for \$3.7M on the 12th September 2016.

Future Developments, Prospects and Business Strategies

The company expects to build and rent affordable housing in the State of Queensland by developing mixed tenure and mixed use buildings. This will involve the use of external funding by the company to supplement Government grants and surpluses as a means to finance future development and growth projects. The company will continue to seek funds from all levels of Government, to maximise its ability to meet the increasing demand for affordable housing. The group is also investigating alternative methods to raise private sector funding to finance the ongoing development and project pipeline. The group is currently delivering a new 60 unit development at Lutwyche and investigating development opportunities to further increase the supply of affordable housing.

Environmental Issues

The entity'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, 15 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	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
John McAuliffe	15	15	6	5	10	9	11	11	8	7
John Gallimore	15	13	6	5			11	10		
Geoff Woolcock	15	14							8	7
Stuart Gregory	15	14	6	6	10	10	3	3		
Eloise Atkinson	15	15					11	9	8	6
Ben Foster	15	14					11	9		
Les Jones	15	14	6	6	10	10				
Julia Heckenberg	15	15							8	8
Brian Stewart	15	14					11	11		

Brisbane Housing Company Limited
ABN 75 101 263 834

Indemnifying Officers

During the financial year, the company has paid premiums to insure each of the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was \$793 for each director.

Proceedings on Behalf of the Entity

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

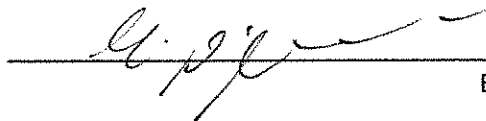
The entity was not a party to any such proceedings during the year.

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 21st day of September 2016



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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 2016, 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.

A handwritten signature in black ink, appearing to read "G T L".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in black ink, appearing to read "Simon Hancox".

Simon Hancox
Partner - Audit & Assurance

Brisbane, 21 September 2016

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Brisbane Housing Company Limited

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Note	Consolidated Group	
		2016	2015
		\$	\$
Revenue from rent		14,954,891	13,829,068
Revenue from government grants	2	4,026,136	5,299,500
Revenue from property sales		1,219,508	13,305,952
Other revenue	2	1,462,242	1,659,840
Total Revenue		<u>21,662,777</u>	<u>34,094,360</u>
Property expenses		6,818,496	5,844,616
Employee benefits expense		3,449,891	3,126,999
Depreciation and amortisation		6,760,564	6,348,834
Finance costs		117,331	558,742
Cost of property sales		1,432,168	15,440,348
Impairment of property held for sale		399,929	321,596
Professional Fees		498,017	449,615
Administration expenses		1,242,793	1,366,660
Other expenses		99,153	372,833
Total Expenses		<u>20,818,342</u>	<u>33,830,243</u>
Surplus before income tax		844,435	264,117
Income tax expense		-	-
Surplus after income tax		<u>844,435</u>	<u>264,117</u>
Other comprehensive income:			
Gains/(Losses) on property revaluation		3,780,134	5,808,411
Other comprehensive income, net of income tax		3,780,134	5,808,411
Total comprehensive income for the year		<u>4,624,569</u>	<u>6,072,528</u>

The accompanying notes form part of these financial statements.

Brisbane Housing Company Limited

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STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	Consolidated Group	
		2016	2015
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	22,597,351	27,659,232
Trade and other receivables	5	270,833	269,896
Property held for sale	6	1,386,241	3,074,942
Other current assets	7	2,059,613	4,967,980
TOTAL CURRENT ASSETS		26,314,038	35,972,050
NON-CURRENT ASSETS			
Property, plant and equipment	8	293,450,617	279,406,737
Loans to third parties		307,166	325,882
Intangible assets	9	173,182	240,405
TOTAL NON-CURRENT ASSETS		293,930,965	279,973,024
TOTAL ASSETS		320,245,003	315,945,074
CURRENT LIABILITIES			
Trade and other payables	10	3,331,143	3,659,820
Current provisions	11	257,744	278,522
TOTAL CURRENT LIABILITIES		3,588,887	3,938,342
NON-CURRENT LIABILITIES			
Non-current provisions	11	139,618	114,801
TOTAL NON-CURRENT LIABILITIES		139,618	114,801
TOTAL LIABILITIES		3,728,505	4,053,143
NET ASSETS		316,516,498	311,891,931
EQUITY			
Issued capital	15	13	15
Reserves		71,548,322	67,768,188
Retained earnings		244,968,163	244,123,728
TOTAL EQUITY		316,516,498	311,891,931

The accompanying notes form part of these financial statements.

Brisbane Housing Company Limited

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STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2016

		Share Capital Ordinary	Retained Earnings	Asset Revaluation Reserve	Total
	Note	\$	\$	\$	\$
Consolidated Group					
Balance at 1 July 2014		15	243,859,611	61,959,777	305,819,403
Total comprehensive income for the year		-	264,117	5,808,411	6,072,528
Share Redemption		-	-	-	-
Balance at 30 June 2015		15	244,123,728	67,768,188	311,891,931
Total comprehensive income for the year		-	844,435	3,780,134	4,624,569
Share Redemption	15	(2)	-	-	(2)
Balance at 30 June 2016		13	244,968,163	71,548,322	316,516,498

The accompanying notes form part of these financial statements.

Brisbane Housing Company Limited

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STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2016

	Note	Consolidated Group
	2016	2015
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Rent & other	15,936,307	17,231,926
Payments to suppliers and employees	(10,464,077)	(15,627,005)
Government grants	689,473	5,829,450
Interest received	663,696	952,451
Finance Costs	(117,331)	(222,897)
Net cash provided by operating activities	6,708,068	8,163,925
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(14,108,172)	(22,369,537)
Interest paid	-	(124,465)
Proceeds from property sales	1,219,508	13,305,952
Net cash used in investing activities	(12,888,664)	(9,188,050)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of borrowings	-	(15,000,000)
Loans from Third Parties	1,118,715	10,925
Net cash provided by (used in) financing activities	1,118,715	(14,989,075)
Net increase in cash held	(5,061,881)	(16,013,200)
Cash and cash equivalents at beginning of financial year	27,659,232	43,672,432
Cash and cash equivalents at end of financial year	22,597,351	27,659,232

The accompanying notes form part of these financial statements.

Brisbane Housing Company Limited

ABN 75 101 263 834

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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.

Basis of Preparation

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

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2015. Information on the more significant standard(s) is presented below.

AASB 2015-4 Amendments to Australian Accounting Standards - Financial Reporting Requirements for Australian Groups with a Foreign Parent

AASB 2015-4 amends AASB 128 Investments in Associates and Joint Ventures to ensure that its reporting requirements on Australian groups with a foreign parent align with those currently available in AASB 10 Consolidated Financial Statements for such groups. AASB 128 will now only require the ultimate Australian entity to apply the equity method in accounting for interests in associates and joint ventures, if either the entity or the group is a reporting entity, or both the entity and group are reporting entities.

AASB 2015-4 is applicable to annual reporting periods beginning on or after 1 July 2015.

The adoption of these amendments has not had a material impact on the Group.

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

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

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Grant revenue is recognised in the Statement of Profit or Loss and Other Comprehensive Income when it is controlled. When there are conditions attached to grant revenue relating to the use of those grants for specific purposes it is recognised in the Statement of Financial Position as a liability until such conditions are met or services provided.

Donations and bequests are recognised as revenue when received unless they are designated for a specific purpose, where they are carried forward as prepaid income on the Statement of Financial Position, until the specific purpose is met.

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

Dividend revenue is recognised when the right to receive a dividend has been established.

Rental income is recognised in accordance with tenancy agreements.

Revenue from property sales is recognised in the Statement of Profit or Loss and Other Comprehensive Income at the time of settlement.

c. Property Held For Sale

Property held for sale is valued at the lower of cost and net realisable value on a unit by unit basis.

Cost includes construction cost, borrowing and holding costs until practical completion. Borrowing and holding costs incurred after practical completion are expensed to the Statement of Profit or Loss and Other Comprehensive income. Net realisable value is the estimated market value less costs to sell.

Brisbane Housing Company Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

d. **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.

e. **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, less subsequent depreciation for buildings.

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 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%
Buildings – Plant & Equipment	7 – 12%
Office Equipment	20%
Computer Equipment	33%
Motor Vehicles	20%

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.

Brisbane Housing Company Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

f. Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

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

g. 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 1e 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.

h. 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.

i. 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.

j. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

k. 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.

l. Contributions

Brisbane Housing Company Limited receives non-reciprocal contributions from the government and other parties for no cost or a nominal cost. These contributions are recognised at the fair value on the date of acquisition at which time an asset is taken up in the Statement of Financial Position and revenue in the Statement of Profit or Loss and Other Comprehensive Income.

Brisbane Housing Company Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

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 4 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

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Impairment

At each reporting date, the company assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

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 including market for sale properties

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. Fair value less costs to sell in assessing recoverable amounts incorporate a number of key estimates.

Key judgments — Provision for impairment of Receivables

Included in trade and other receivables at 30 June 2016 is an amount receivable from rental tenants charged by Brisbane Housing Company Limited during the current financial year amounting to \$246,964. Brisbane Housing Company Limited provides for doubtful debts when arrears exceed 60 days, and a provision for impairment has been made for \$147,367 at 30 June 2016. While debtor balances older than 7 days are outside initial trading terms, Directors recognise that these amounts are generally recoverable and as such not provided for.

Key estimates — Plant and Equipment – Buildings

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

Brisbane Housing Company Limited

ABN 75 101 263 834

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

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

Refer to Note 8 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.

NOTE 2: REVENUE

		Consolidated Group	
		2016	2015
		\$	\$
Revenue from grants			
– Grants – Social Housing	a	3,192,643	4,864,895
– Grants – National Rental Affordability Scheme		833,493	434,605
		<u>4,026,136</u>	<u>5,299,500</u>
Other revenue			
– interest received		663,696	952,450
– other revenue		798,546	707,390
		<u>1,462,242</u>	<u>1,659,840</u>

a) Included in the Social Housing Grants is a Land Grant of \$2.8M from the QLD Government.

NOTE 3: EXPENSES

		Consolidated Group	
		2016	2015
		\$	\$
Expenses			
Gains/(Losses) on disposal of assets		-	(44)
Impairment of property held for sale		399,929	321,596
Finance costs:			
– External		117,331	558,742
Bad and doubtful debts		125,438	92,628
Rental expense on operating leases			
– minimum lease payments		227,096	313,052

NOTE 4: CASH AND CASH EQUIVALENTS

		Consolidated Group	
		2016	2015
		\$	\$
Cash at bank and in hand		22,597,351	27,659,232
		<u>22,597,351</u>	<u>27,659,232</u>

The average effective interest rate on short-term bank deposits was 2.23% (2015: 2.00%) these deposits have an average maturity of under 30 days.

Brisbane Housing Company Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 4: CASH AND CASH EQUIVALENTS (CONT)

	Consolidated Group	
	2016	2015
	\$	\$

Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows:

Cash and cash equivalents	22,597,351	27,659,232
---------------------------	------------	------------

NOTE 5: TRADE AND OTHER RECEIVABLES

	Note	Consolidated Group	
		2016	2015
		\$	\$
CURRENT			
Rental receivables	5a	246,964	179,541
Other receivables		171,236	199,587
		418,200	379,128
Provision for impairment of receivables		(147,367)	(109,232)
		270,833	269,896

a. Refer to note 1(r) for analysis details on past due receivables.

NOTE 6: PROPERTY HELD FOR SALE

	Note	Consolidated Group	
		2016	2015
		\$	\$
CURRENT			
Residential	6a	-	1,633,048
Commercial	6a	1,386,241	1,441,894
		1,386,241	3,074,942

a) Residential and commercial property held for sale is carried at the lower of cost or fair value refer to note 1c for details

NOTE 7: OTHER CURRENT ASSETS

	Consolidated Group	
	2016	2015
	\$	\$
CURRENT		
Prepayments	397,247	456,796
Other receivables	1,084,272	3,050,055
Loan receivable	-	1,100,000
Interest receivable	122,823	-
GST receivable	78,946	264,660
Advances and deposits	376,325	96,469
Total other assets	2,059,613	4,967,980

Brisbane Housing Company Limited
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

The group's land and buildings were revalued as at 30 June 2016 by independent valuers and director valuations. 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. Director valuations were made taking into account independent valuations, their knowledge of the group's assets and the current market.

Independent valuation services have been provided by MPS Valuers. AASB 124 - Related Party Transactions notes that a related party includes a close member of the family of key management personnel; as such MPS Valuers are included as a related party of the group. The valuations have been referred to as independent despite this relationship as the directors have determined that the valuations have been conducted in accordance with international valuation standards.

	Note	Consolidated Group	
		2016	2015
		\$	\$
LAND AND BUILDINGS			
Freehold land at:			
– directors' valuation		55,017,000	47,642,048
– Independent valuation		23,535,000	23,525,000
– Impairment provision	8a	(344,276)	-
Total Land		<u>78,207,724</u>	<u>71,167,048</u>

- a) An impairment provision of \$344,276 has been recorded relating to the sale to the Multiple Sclerosis Society of Queensland which is a portion of the \$2.8M land grant received from the QLD Government and recorded at full value in Revenue (see Note 2 Revenue).

Buildings at:			
– directors' valuation		137,757,320	114,959,879
– Independent valuation		56,348,660	73,975,000
Total Buildings		<u>194,105,980</u>	<u>188,934,879</u>
Total Land and Buildings		<u>272,313,704</u>	<u>260,101,927</u>

PLANT AND EQUIPMENT

Plant and equipment

At cost		20,442,350	19,558,019
Accumulated depreciation		(10,327,550)	(8,710,926)
		<u>10,114,800</u>	<u>10,847,093</u>

Office Equipment

At cost		1,198,218	1,161,846
Accumulated depreciation		(430,912)	(1,022,347)
		<u>767,306</u>	<u>139,499</u>
Total Plant and Equipment		<u>10,882,106</u>	<u>10,986,592</u>

CAPITAL WORK IN PROGRESS

Work in Progress

At cost	8a	<u>10,254,807</u>	<u>8,318,218</u>
Total Property Plant and Equipment		<u>293,450,617</u>	<u>279,406,737</u>

Brisbane Housing Company Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 8: 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	Buildings	Office Equipment	Plant & Equipment	Work in Progress	Total
	\$	\$	\$	\$	\$	\$
Consolidated Group:						
Balance at 30 June 2015	71,167,048	188,934,879	139,499	10,847,093	8,318,218	279,406,737
Additions	4,800,000	50,146	800,423	218,903	11,128,822	16,998,294
Disposals	-	-	-	(29,061)	(29,118)	(58,179)
Impairment provision	(344,276)	-	-	-	-	(344,276)
Transfer - P&E	-	8,106,258	-	752,767	(8,861,440)	(2,415)
Transfer – Held for Sale	69,523	595,816	-	-	(301,675)	363,664
Revaluation increments	2,515,429	1,264,704	-	-	-	3,780,133
Depreciation expense	-	(4,845,823)	(172,616)	(1,674,902)	-	(6,693,341)
Balance at 30 June 2016	78,207,724	194,105,980	767,306	10,114,800	10,254,807	293,450,617

NOTE 9: INTANGIBLE ASSETS

	Consolidated Group	
	2016	2015
	\$	\$
Software		
Cost	317,299	317,299
Accumulated amortisation	(317,299)	(278,939)
Net Carrying Value	-	38,360
Management rights		
Cost	288,637	288,636
Accumulated amortisation	(115,455)	(86,591)
Net Carrying Value	173,182	202,045
Net intangibles	173,182	240,405

a. Movements in Carrying Amounts

Movement in the carrying amounts for each class of intangibles between the beginning and the end of the current financial year

	Software	Management Rights	Total
	\$	\$	\$
Consolidated Group:			
Balance at 30 June 2015	38,360	202,045	240,405
Additions	-	-	-
Amortisation expense	(38,360)	(28,863)	(67,223)
Balance at 30 June 2016	-	173,182	173,182

Brisbane Housing Company Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 10: TRADE AND OTHER PAYABLES

	Consolidated Group	
	2016	2015
	\$	\$
CURRENT		
Trade payables	130,636	258,018
Sundry payables and accrued expenses	2,771,292	2,565,071
GST Payable	58,948	78,095
Unearned Income	370,267	758,636
	<u>3,331,143</u>	<u>3,659,820</u>

NOTE 11: PROVISIONS

Consolidated Group

	Short-term Employee Benefits	Long-term Employee Benefits	Total
	\$	\$	\$
Balance at 1 July 2015	178,503	214,820	393,323
Additional provisions	340,467	34,246	374,713
Amounts paid	(353,724)	(16,950)	(370,674)
Balance at 30 June 2016	<u>165,246</u>	<u>232,116</u>	<u>397,362</u>

Analysis of Total Provisions

	Consolidated Group	
	2016	2015
	\$	\$
Current	257,744	278,522
Non-current	<u>139,618</u>	<u>114,801</u>
	<u>397,362</u>	<u>393,323</u>

NOTE 12: CAPITAL AND LEASING COMMITMENTS

a. Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

	Consolidated Group	
	2016	2015
	\$	\$
Payable — minimum lease payments		
— not later than 12 months	219,180	245,899
— between 12 months and 5 years	740,687	902,894
— greater than 5 years	-	41,340
	<u>959,867</u>	<u>1,190,133</u>

The non-cancellable office lease has a 5 year term expiring 31 Aug 2020 and with rent payable monthly in advance. Rental provisions within the lease agreement require the minimum lease payments to be increased by CPI.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 12: CAPITAL AND LEASING COMMITMENTS (CONT)

		Consolidated Group	
		2016	2015
		\$	\$
b.	Capital Expenditure Commitments		
	Capital expenditure commitments contracted for:		
	Capital expenditure projects	5,327,000	1,726,000
		<u>5,327,000</u>	<u>1,726,000</u>
	Payable:		
	– not later than 12 months	5,327,000	1,726,000
	– between 12 months and 5 years	-	-
	– greater than 5 years	-	-
		<u>5,327,000</u>	<u>1,726,000</u>

NOTE 13: 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 2 - 5 years from the commencement of the lease.

No contingent rents were recognised. Future minimum lease rentals are as follows:

		Consolidated Group	
		2016	2015
		\$	\$
	Minimum lease rentals due:		
	– not later than 12 months	202,327	257,703
	– between 12 months and 5 years	158,820	212,252
	– greater than 5 years	-	-
		<u>361,147</u>	<u>469,955</u>

NOTE 14: KEY MANAGEMENT PERSONNEL COMPENSATION

	Short-term Employee Benefits \$	Long-term Employee Benefits \$	Termination Benefits \$	Total \$
2015				
Total compensation	459,178	45,502	76,413	581,093
2016				
Total compensation	561,499	34,254	-	595,753

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 15: SHARE CAPITAL

	Consolidated Group	
	2016	2015
	\$	\$
3 (2015: 3) fully paid Ordinary Shares	3	3
10 (2015: 12) fully paid Community Redeemable Preference Shares	10	12
	<u>13</u>	<u>15</u>

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 one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

During the year two shares were redeemed. West End Family Care Services acting on behalf of QLD Disability Housing Coalition & Community acting on behalf of the New Farm Neighbourhood Centre Inc both redeemed one Community Redeemable Preference Share at \$1 each paid by way of a donation back to BHC on the 6th & 7th of October 2015 respectively

NOTE 16: BORROWINGS

	Note	Consolidated Group	
		2016	2015
		\$	\$
Loan Facilities			
Loan Facilities		30,000,000	30,000,000
Amount utilised		-	-
Amount Available		<u>30,000,000</u>	<u>30,000,000</u>

The loan facilities are summarised as follows:

Commercial bill facility

\$30,000,000 loan facility. The facility is due to expire on 31 Jan 2018. Termination of the agreement can be effected by notice in writing from the Company. The company has not drawn down any funds as at the 30 June 2016. The current variable rate as at 30 June 2016 is 3.41% (2015: 3.45%).

Finance will be available under all facilities provided the group has not breached any borrowing covenants and the required financial ratios are met. At the date of this report the borrowing covenants have been met.

The loan facilities are secured by mortgages over a significant proportion of the land and buildings documented in note 8.

NOTE 17: PARENT ENTITY INFORMATION

Information relating to Brisbane Housing Company Ltd - excluding subsidiaries ('the parent entity')

	2016	2015
	\$	\$
Statement of Financial Position		
Current Assets	27,700,347	33,750,617
Total Assets	320,531,976	315,491,050
Current Liabilities	3,680,851	2,680,136
Total Liabilities	<u>3,808,253</u>	<u>2,787,836</u>
Total Equity	<u>316,723,723</u>	<u>312,703,214</u>

Brisbane Housing Company Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 17: PARENT ENTITY INFORMATION (CONT)

	2016 \$	2015 \$
Statement of Profit or Loss and Other Comprehensive Income		
Surplus for the year	1,014,559	585,332
Less: Impairment loss recorded on investment in Catalyst Affordable Housing Limited	(5,453,557)	-
Other Comprehensive Income	8,459,508	9,886,727
Total Comprehensive Income	4,020,510	10,472,059

The Parent Entity has \$5.26M capital commitments in relation to building improvements (2015: \$Nil)

The Parent Entity has not entered into a deed of cross guarantee nor are there any contingent liabilities at the year end.

NOTE 18: CONTINGENT LIABILITIES

As a condition of the funding received under the funding agreement with the State Government, for the Bothwell St project, the company was required to construct 57 social housing units. The State Government contributed the land currently valued at \$2.02million and cash of \$7.47million. 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 Government and is to reduce by 2.5% per annum.

NOTE 19: AFTER BALANCE DATE EVENTS

BHC has purchased a development site in Hood Street Sherwood for \$3.7M. Settlement occurred on the 12th August 2016.

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

The financial report was authorised for issue on 21 September 2016 by the Board of Directors.

NOTE 20: RELATED PARTY TRANSACTIONS

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

- a. During the year the company paid MPS Valuers \$47,878 for valuation services, where a director was related to the principal of the firm.
- a. During the year the company paid Azurium Pty Ltd \$37,125 for valuation services, where a director was related to the principal of the firm.
- b. During the year the company received \$42,120 in rent from Multicap Ltd for 6 boarding rooms at the Hartop Lane property, where two directors were also directors of the company.

NOTE 21: FAIR VALUE MEASUREMENT

The following table shows the non-financial assets measured at fair value on a recurring basis at 30 June 2016

	\$'000
Property Plant and Equipment	
Land & Buildings - Independent Valuation	\$79,884
Land & Buildings - Directors' Valuation	\$192,774

Fair value of the land & buildings - independent valuation, is estimated based on appraisals performed by independent, professionally qualified property valuers. Fair value of land and buildings - directors' valuations are estimated based on the average percentage increase of the independent valuations.

The land and buildings were revalued on 10 June 2016. The land and buildings were previously re-valued in May 2015.

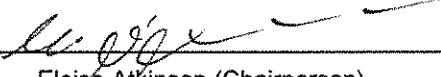
Brisbane Housing Company Limited
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DIRECTORS' DECLARATION

The directors of the entity declare that:

1. The consolidated financial statements and notes, as set out on pages 8 to 23, are in accordance with the Australian Charities and Not-for-Profits Commission Act 2012 and:
 - a. comply with Accounting Standards reduced disclosure requirements (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 2016 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 21st day of September 2016

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Independent Auditor's Report
To the Members of Brisbane Housing Company Limited

We have audited the accompanying financial report of Brisbane Housing Company Limited (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the Australian Charities and Not-for-profits Commission Act 2012. The Directors' responsibility also includes 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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

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In making those risk assessments, the auditor considers internal control relevant to the Group's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

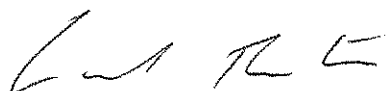
Independence

In conducting our audit, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board and the Australian Charities and Not-for-profits Commission Act 2012.

Auditor's opinion

In our opinion the financial report of Brisbane Housing Company Limited is in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:

- a giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards- Reduced Disclosure Requirements and the Australian Charities and Not-for-profits Commission Regulation 2013.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Simon Hancox
Partner - Audit & Assurance

Brisbane, 21 September 2016