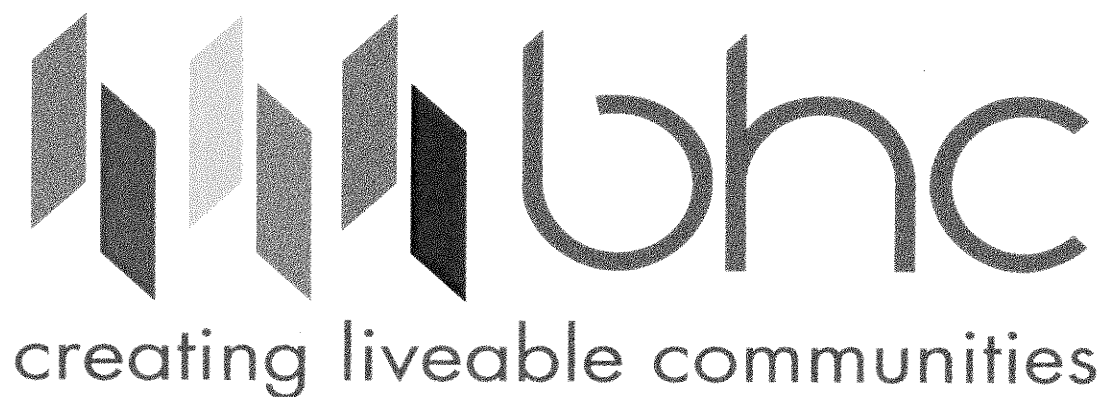


Brisbane Housing Company Limited
ABN 75 101 263 834

Financial Report

For the period 1 July 2016 to 30 June 2017



Brisbane Housing Company Limited
ABN 75 101 263 834

Contents

	Page
Directors' Report	3
Auditor's Independence Declaration	7
Statement of Profit or Loss and Other Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Statement of Cash Flows	11
Notes to the Financial Statements	12
Directors' Declaration	25
Auditor's Report	26

Brisbane Housing Company Limited

ABN 75 101 263 834

Financial Report for the Year Ended 30 June 2017

DIRECTORS' REPORT

Your directors present this financial report on Brisbane Housing Company Limited consolidated entity ("group") for the financial year ended 30 June 2017.

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:

Eloise Atkinson
John Gallimore
Geoff Woolcock
Stuart Gregory
Benjamin Foster
Les Jones
Julia Heckenberg
Stacey Ross
Kirsty Smith

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	<ul style="list-style-type: none">– Independent Chair (Appointed 20 July 2016)– Director since 2007– B. Des St., B.Arch, AIA, GAICD– Member of the Property Committee, Member of the Tenancy 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
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
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

Brisbane Housing Company Limited

ABN 75 101 263 834

Ben Foster	<ul style="list-style-type: none">- Director since 2010- B. App Science., Dip Fac Mgt, AAIQS- Chair of the 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)- Chair of the Tenancy Management Committee, Director nominated by Community Shareholders
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- Director nominated by Community Shareholders

Company Secretaries

The following persons held the position of joint 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), Graduate of the Australian Institute of Company Directors. Stephen Honan has worked for Brisbane Housing Company Limited for the past 6.5 years performing project management and governance roles. Stephen Honan was appointed Company Secretary on 2 December 2014.

Peter Garrone, Bachelor of Commerce and Bachelor of Laws (University of Qld), Chartered Accountant (Australia). Peter Garrone has worked for Brisbane Housing Company Limited since March 2017 performing financial and company secretarial roles. Peter Garrone was appointed Company Secretary on 19 April 2017.

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 \$8,329,478 (2016: \$4,624,569). 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.

Review of Operations

The BHC Group ("BHC") continued to increase the supply of affordable rental accommodation through the year with the completion of a development in Lutwyche which provided an additional 60 units.

BHC's development pipeline was enhanced with the acquisition of a development site in Sherwood which is to be used as an independent living unit project for Seniors.

During the year, BHC received a AA- credit rating from Standard and Poors, becoming Australia's first provider of its kind to receive a credit rating. The credit rating will assist BHC in accessing the appropriate funding to further its strategy of providing additional affordable housing.

Brisbane Housing Company Limited

ABN 75 101 263 834

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

BHC purchased land in Thornhill St, Springwood for \$1.54M on the 21 August 2017.

Future Developments, Prospects and Business Strategies

BHC 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 BHC to supplement Government grants and surpluses as a means to finance future development and growth projects. BHC will continue to seek funds from all levels of Government, to maximise its ability to meet the increasing demand for affordable housing. BHC is also investigating alternative methods to raise private sector funding to finance the ongoing development and project pipeline and the AA- credit rating from Standard and Poors will assist with this process.

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, 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	5	5	11	10	11	10	6	4
John Gallimore	11	10	5	5			11	11		
Geoff Woolcock	11	9	3	2					6	6
Stuart Gregory	11	11	5	5	11	11				
Ben Foster	11	11					11	11		
Les Jones	11	11	5	5	11	10				
Julia Heckenberg	11	11							6	6
Stacey Ross	11	9							6	5
Kirsty Smith	10	10					10	9		

A = Number of Directors eligible to attend

B = Number of Directors in attendance.

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 \$1,043 for each director.

Brisbane Housing Company Limited

ABN 75 101 263 834

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.

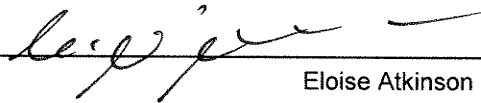
The entity was not a party to any such proceedings during the year.

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 20th day of September 2017



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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 2017, 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 be "G. Thornton", written over a horizontal line.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in black ink, appearing to be "S G Hancox", written over a horizontal line.

S G Hancox
Partner - Audit & Assurance

Brisbane, 20 September 2017

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Brisbane Housing Company Limited

ABN 75 101 263 834

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated Group	
		2017	2016
		\$	\$
Revenue from rent		15,234,433	14,954,891
Revenue from government grants	2	1,030,954	4,026,136
Revenue from property sales		3,858,630	1,219,508
Other revenue	2	1,191,853	1,462,242
Total Revenue		21,315,870	21,662,777
Property expenses		6,935,348	6,818,496
Employee benefits expense		3,876,171	3,746,405
Depreciation and amortisation		7,021,870	6,760,564
Finance costs		143,803	117,331
Cost of property sales		4,080,665	1,432,168
Impairment of property held for sale		-	399,929
Professional fees		464,769	498,017
Administration expenses		991,004	946,279
Other expenses		134,205	99,153
Total Expenses		23,647,836	20,818,342
Surplus before income tax		(2,331,966)	844,435
Income tax expense		-	-
Surplus after income tax		(2,331,966)	844,435
Other comprehensive income:			
Gains/(Losses) on property revaluation		10,661,444	3,780,134
Other comprehensive income, net of income tax		10,661,444	3,780,134
Total comprehensive income for the year		8,329,478	4,624,569

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 2017

	Note	Consolidated Group	
		2017	2016
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	28,137,425	22,597,351
Trade and other receivables	5	288,962	270,833
Property held for sale	6	-	1,386,241
Other current assets	7	1,256,416	2,059,613
TOTAL CURRENT ASSETS		29,682,803	26,314,038
NON-CURRENT ASSETS			
Property, plant and equipment	8	303,591,455	293,450,617
Investment Properties	9	1,386,241	-
Loans to third parties		283,537	307,166
Intangible assets	10	144,318	173,182
TOTAL NON-CURRENT ASSETS		305,405,551	293,930,965
TOTAL ASSETS		335,088,354	320,245,003
CURRENT LIABILITIES			
Trade and other payables	11	9,769,855	3,331,143
Current provisions	12	363,550	257,744
TOTAL CURRENT LIABILITIES		10,133,405	3,588,887
NON-CURRENT LIABILITIES			
Non-current provisions	13	108,973	139,618
TOTAL NON-CURRENT LIABILITIES		108,973	139,618
TOTAL LIABILITIES		10,242,378	3,728,505
NET ASSETS		324,845,976	316,516,498
EQUITY			
Issued capital	16	13	13
Reserves		82,209,766	71,548,322
Retained earnings		242,636,197	244,968,163
TOTAL EQUITY		324,845,976	316,516,498

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 2017

		Share Capital	Retained Earnings	Asset Revaluation Reserve	Total
	Note	\$	\$	\$	\$
Consolidated Group					
Balance at 1 July 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		(2)	-	-	(2)
Balance at 30 June 2016		13	244,968,163	71,548,322	316,516,498
Total comprehensive income for the year		-	(2,331,966)	10,661,444	8,329,478
Share Redemption	15	-	-	-	-
Balance at 30 June 2017		13	242,636,197	82,209,766	324,845,976

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 2017

	Note	Consolidated Group
	2017	2016
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Rent & other	16,675,657	15,936,307
Payments to suppliers and employees	(13,280,876)	(10,464,077)
Government grants	9,528,729	689,473
Interest received	341,917	663,696
Finance Costs	(143,803)	(117,331)
Net cash provided by operating activities	13,121,624	6,708,068
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(11,463,810)	(14,108,172)
Interest paid	-	-
Proceeds from property sales	3,858,630	1,219,508
Net cash used in investing activities	(7,605,180)	(12,888,664)
CASH FLOW FROM FINANCING ACTIVITIES		
Loans from Third Parties	23,630	1,118,715
Net cash provided by (used in) financing activities	23,630	1,118,715
Net increase in cash held	5,540,074	(5,061,881)
Cash and cash equivalents at beginning of financial year	22,597,351	27,659,232
Cash and cash equivalents at end of financial year	4 28,137,425	22,597,351

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 2017

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.

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

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 July 2016. There was no material effect on the financial statements of Brisbane Housing Company Limited as a result of the adoption of these standards.

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 Unearned Income (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.

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.

Brisbane Housing Company Limited

ABN 75 101 263 834

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

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 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%
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.

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. Assets are not depreciated.

Brisbane Housing Company Limited

ABN 75 101 263 834

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

g. 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.

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 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.

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 banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

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.

m. 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

ABN 75 101 263 834

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

n. **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.

o. **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.

p. **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.

q. **Comparative Figures**

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

r. **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 assesses 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.

s. **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 2017 is an amount receivable from rental tenants charged by Brisbane Housing Company Limited during the current financial year amounting to \$364,458. Brisbane Housing Company Limited provides for doubtful debts when arrears exceed 60 days, and a provision for impairment has been made for \$249,154 at 30 June 2017. 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.

Brisbane Housing Company Limited

ABN 75 101 263 834

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

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 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 BHC 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 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	
		2017	2016
		\$	\$
Revenue from grants			
– Grants – Social Housing		15,000	3,192,643
– Grants – National Rental Affordability Scheme		1,015,954	833,493
		<u>1,030,954</u>	<u>4,026,136</u>
Other revenue			
– interest received		341,917	663,696
– other revenue		849,936	798,546
		<u>1,191,853</u>	<u>1,462,242</u>

NOTE 3: EXPENSES

		Consolidated Group	
		2017	2016
		\$	\$
Expenses			
Impairment of property held for sale		-	399,929
Finance costs:			
– External		143,803	117,331
Bad and doubtful debts		207,019	125,438
Rental expense on operating leases			
– minimum lease payments		156,462	227,096

Brisbane Housing Company Limited

ABN 75 101 263 834

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 4: CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2017	2016
	\$	\$
Cash at bank and in hand	28,137,425	22,597,351
	<u>28,137,425</u>	<u>22,597,351</u>

The average effective interest rate on short-term bank deposits was 2.11% (2016: 2.23%) these deposits have an average maturity of under 40 days.

	Consolidated Group	
	2017	2016
	\$	\$

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	<u>28,137,425</u>	<u>22,597,351</u>
---------------------------	-------------------	-------------------

NOTE 5: TRADE AND OTHER RECEIVABLES

	Note	Consolidated Group	
		2017	2016
		\$	\$
CURRENT			
Rental receivables	5a	364,458	246,964
Other receivables		<u>173,658</u>	<u>171,236</u>
		538,116	418,200
Provision for impairment of receivables		<u>(249,154)</u>	<u>(147,367)</u>
		<u>288,962</u>	<u>270,833</u>

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

NOTE 6: PROPERTY HELD FOR SALE

	Note	Consolidated Group	
		2017	2016
		\$	\$
CURRENT			
Commercial	6a	<u>-</u>	<u>1,386,241</u>
		<u>-</u>	<u>1,386,241</u>

a) During the year these properties were reclassified as Investment Properties. See Note 10 for details.

Brisbane Housing Company Limited

ABN 75 101 263 834

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 7: OTHER CURRENT ASSETS

	Consolidated Group	
	2017	2016
	\$	\$
CURRENT		
Prepayments	438,127	397,247
Other receivables	472,438	1,084,272
Interest receivable	104,578	122,823
GST receivable	25,925	78,946
Advances and deposits	215,348	376,325
Total other assets	1,256,416	2,059,613

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

The group's land and buildings were revalued as at 30 June 2017 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 Azurium Real Estate.

	Note	Consolidated Group	
		2017	2016
		\$	\$
LAND AND BUILDINGS			
Freehold land at:			
– Directors' valuation		53,686,128	55,017,000
– Independent valuation		30,930,000	23,535,000
Total Land		84,616,128	78,552,000
Buildings at:			
– Directors' valuation		128,314,172	137,757,320
– Independent valuation		79,998,333	56,348,660
Total Buildings		208,312,505	194,105,980
Total Land and Buildings		292,928,633	272,657,980
PLANT AND EQUIPMENT			
Plant and equipment			
At cost		21,718,515	20,442,350
Accumulated depreciation		(11,740,587)	(10,327,550)
		9,977,928	10,114,800
Office Equipment			
At cost		1,219,684	1,198,218
Accumulated depreciation		(627,849)	(430,912)
		591,835	767,306
Total Plant and Equipment		10,569,763	10,882,106

Brisbane Housing Company Limited
ABN 75 101 263 834

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 8: PROPERTY, PLANT AND EQUIPMENT (CONT)

CAPITAL WORK IN PROGRESS

Work in Progress

At cost	8a	93,059	10,254,807
Total Property Plant and Equipment		303,591,455	293,794,893

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 2016	78,207,724	194,105,980	767,306	10,114,800	10,254,807	293,450,617
Additions	3,717,128	435,530	31,184	936,852	5,521,131	10,641,825
Disposals	-	-	-	(118,760)	-	(118,760)
Transfer - P&E	-	11,403,848	-	796,593	(12,200,441)	-
Transfer – Held for Sale	(359,658)	-	-	-	(3,482,438)	(3,842,096)
Revaluation increments	3,050,934	7,401,941	-	-	-	10,452,875
Depreciation expense	-	(5,034,794)	(206,655)	(1,751,557)	-	(6,993,006)
Balance at 30 June 2017	84,616,128	208,312,505	591,835	9,977,928	93,059	303,591,455

NOTE 9: INVESTMENT PROPERTIES

	Note	Consolidated Group
		2017 2016
		\$ \$
NON-CURRENT		
Commercial	6a	1,386,241 -
		1,386,241 -

a) During the year these properties were reclassified as Investment Properties. See Note 6 for details.

Commercial properties are carried at fair value. Refer to Note 1f for details.

NOTE 10: INTANGIBLE ASSETS

	Consolidated Group
	2017 2016
	\$ \$
Software	
Cost	317,299 317,299
Accumulated amortisation	(317,299) (317,299)
Net Carrying Value	- -

Brisbane Housing Company Limited
ABN 75 101 263 834

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 10: INTANGIBLE ASSETS (CONT)

Management rights	288,636	288,637
Accumulated amortisation	(144,318)	(115,455)
Net Carrying Value	144,318	173,182
Net intangibles	144,318	173,182

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 2016	-	173,182	173,182
Amortisation expense	-	(28,864)	(28,864)
Balance at 30 June 2017	-	144,318	144,318

NOTE 11: TRADE AND OTHER PAYABLES

		Consolidated Group	
		2017	2016
		\$	\$
CURRENT			
Trade payables		280,664	130,636
Sundry payables and accrued expenses		809,388	2,425,207
Managed properties	11a	355,302	346,085
GST Payable		739,859	58,948
Unearned Income	11b	7,584,642	370,267
		9,769,855	3,331,143

11a - Managed properties contains income collected on behalf of other entities/owners. \$69k is attributable to QLD State Government community housing programs.

11b - Unearned Income contains a state government grant of \$7.2m for a project in the Logan City local government area which will be drawn down in accordance with the funding agreement. It is expected that all funds will be earned by the end of the 2019 financial year.

NOTE 12: PROVISIONS

Consolidated Group

	Short-term Employee Benefits	Long-term Employee Benefits	Total
	\$	\$	\$
Balance at 1 July 2016	165,246	232,116	397,362
Additional provisions	352,852	36,874	389,726
Amounts paid	(270,266)	(44,299)	(314,565)
Balance at 30 June 2017	247,832	224,691	472,523

Analysis of Total Provisions

Brisbane Housing Company Limited

ABN 75 101 263 834

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 12: PROVISIONS (CONT)

	Consolidated Group	
	2017	2016
	\$	\$
Current	363,550	257,744
Non-current	108,973	139,618
	472,523	397,362

NOTE 13: CAPITAL AND LEASING COMMITMENTS

a. Operating Lease Commitments

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

	Consolidated Group	
	2017	2016
	\$	\$
Payable — minimum lease payments		
– not later than 12 months	217,755	219,180
– between 12 months and 5 years	496,499	740,687
– greater than 5 years	-	-
	714,254	959,867

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.

	Consolidated Group	
	2017	2016
	\$	\$
b. Capital Expenditure Commitments		
Capital expenditure commitments contracted for:		
Capital expenditure projects	-	5,327,000
	-	5,327,000
Payable:		
– not later than 12 months	-	5,327,000
– between 12 months and 5 years	-	-
– greater than 5 years	-	-
	-	5,327,000

Brisbane Housing Company Limited

ABN 75 101 263 834

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 14: 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	
	2017	2016
	\$	\$
Minimum lease rentals due:		
– not later than 12 months	163,309	202,327
– between 12 months and 5 years	448,931	158,820
– greater than 5 years	-	-
	<u>612,240</u>	<u>361,147</u>

NOTE 15: KEY MANAGEMENT PERSONNEL COMPENSATION

	Short-term Employee Benefits	Long-term Employee Benefits	Termination Benefits	Total
	\$	\$	\$	\$
2016				
Total compensation	948,373	62,948	-	1,011,321
2017				
Total compensation	965,851	34,819	-	1,000,670

For 2017 the Company's key management personnel consisted of the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the Chief Development Officer.

NOTE 16: SHARE CAPITAL

	Consolidated Group	
	2017	2016
	\$	\$
3 (2016: 3) fully paid Ordinary Shares	3	3
10 (2016: 10) fully paid Community Redeemable Preference Shares	10	10
	<u>13</u>	<u>13</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.

Brisbane Housing Company Limited

ABN 75 101 263 834

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 17: BORROWINGS

	Note	Consolidated Group
	2017	2016
	\$	\$
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 2017. The current variable rate as at 30 June 2017 is 3.105% (2016: 3.41%).

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 number of the land and buildings documented in Note 8.

NOTE 18: PARENT ENTITY INFORMATION

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

	2017	2016
	\$	\$
Statement of Financial Position		
Current Assets	30,544,553	27,700,347
Total Assets	334,890,674	320,531,976
Current Liabilities	9,936,025	3,680,851
Total Liabilities	<u>10,044,998</u>	<u>3,808,253</u>
Total Equity	<u>324,845,676</u>	<u>316,723,723</u>
	2017	2016
	\$	\$
Statement of Profit or Loss and Other Comprehensive Income		
Surplus for the year	(4,145,981)	1,014,559
Add: Profit recorded on investment in Catalyst Affordable Housing Limited	756,052	(5,453,557)
Other Comprehensive Income	<u>11,511,882</u>	<u>8,459,508</u>
Total Comprehensive Income	<u>8,121,953</u>	<u>4,020,510</u>

The Parent Entity has \$Nil capital commitments in relation to building improvements (2016: \$5.26M)

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 20.

Brisbane Housing Company Limited

ABN 75 101 263 834

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 19: 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	
			2017	2016
BHC Development Services Pty Ltd	Australia	Project Management	100%	100%
Catalyst Affordable Housing Limited	Australia	Developer/Manager of Affordable Housing in Gladstone	100%	100%

NOTE 20: CONTINGENT LIABILITIES

As a condition of the funding received under the funding agreement with the State Government, for the Bothwell St project (Caggara House), the company was required to construct 57 social housing units. The State Government contributed the land currently valued at \$2.043million 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 21: AFTER BALANCE DATE EVENTS

BHC has purchased a development site in Thornhill St, Springwood for \$1.54M. Settlement occurred on the 21 August 2017.

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 20 September 2017 by the Board of Directors.

NOTE 22: 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 received \$42,742 in rent from Multicap Ltd for 6 boarding rooms at the Hartopp Lane property at Kelvin Grove, where one director was also a director of Multicap Ltd.

NOTE 23: FAIR VALUE MEASUREMENT

The following table shows the non-financial assets measured at fair value on a recurring basis at 30 June 2017

	\$'000
Property Plant and Equipment	
Land & Buildings - Independent Valuation	\$110,928
Land & Buildings - Directors' Valuation	\$182,000

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 30 June 2017. The land and buildings were previously revalued in June 2016.

Brisbane Housing Company Limited

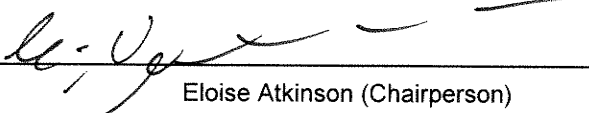
ABN 75 101 263 834

DIRECTORS' DECLARATION

The directors of the entity declare that:

1. The consolidated financial statements and notes, as set out on pages 8 to 24, 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 2017 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 20th day of September 2017



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

Report on the Audit of the Financial Report

Auditor's Opinion

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 2017, and the consolidated statement of profit or loss and 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*, including:

- a giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- b complying with Australian Accounting Standards- Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Auditor's Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

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

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Responsibilities of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements 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.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 audit report.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



We communicate with 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.

A handwritten signature in black ink, appearing to be "G. A. T.", written in a cursive style.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in black ink, appearing to be "S G Hancox", written in a cursive style.

S G Hancox
Partner - Audit & Assurance

Brisbane, 20 September 2017