

# Brisbane Housing Company Limited

ABN 75 101 263 834

## Financial Report for the Year Ended 30 June 2013

### DIRECTORS' REPORT

Your directors present this financial report on Brisbane Housing Company Limited consolidated entity ("group") for the financial year ended 30 June 2013.

#### Incorporation

Brisbane Housing Company is a not for profit legal entity incorporated in Australia as a company limited by shares.

#### Directors

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

John McAuliffe  
Janice Williams (Resigned 30 June 2013)  
John Gallimore  
Ann Langley (Deceased 11 December 2012)  
Kenneth Gough (Resigned 17 July 2012)  
Geoff Woolcock  
Stuart Gregory  
Eloise Atkinson  
Benjamin Foster  
Les Jones (Appointed 18 July 2012)  
Julia Heckenberg (Appointed 9 August 2013)

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"><li>– Independent Chair</li><li>– LFAPI, FAIB, ACTCB, MAICD</li><li>– Director since 2002</li><li>– Chair of the Property Committee, Member of the Tenancy Management Committee, Member of the Finance Committee, Member of the Audit &amp; Risk Committee. Director nominated by the State Government and Brisbane City Council</li></ul>
Janice Williams	<ul style="list-style-type: none"><li>– Director</li><li>– B.Soc Wk (Hons)</li><li>– Director since 2002 (Resigned 30 June 2013)</li><li>– Member of the Property Committee. Director nominated by the State Government</li></ul>
John Gallimore	<ul style="list-style-type: none"><li>– Director</li><li>– BA, LLB (Hons), FANZCN, MAICD</li><li>– Director since 2002</li><li>– Member of the Property Committee, Member of the Audit &amp; Risk Committee. Director nominated by the State Government</li></ul>
Ann Langley	<ul style="list-style-type: none"><li>– Director</li><li>– M.Bac (Melb), Grad Cert Social Science (Housing Management and Policy)</li><li>– Director since 2002 (Deceased 11 December 2012)</li><li>– Member of Tenancy Management Committee, Director nominated by Community Shareholders</li></ul>

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Kenneth Gough	<ul style="list-style-type: none"><li>– Director</li><li>– M.Bac (Melb), Grad Cert Social Science (Housing Management and Policy)</li><li>– Director since 2002 (Resigned 17 July 2012)</li><li>– Chair of the Audit &amp; Risk Committee, Member of Finance Committee. Director nominated by Community Shareholders</li></ul>
Geoff Woolcock	<ul style="list-style-type: none"><li>– Director</li><li>– BA Hons 1 (UQ) PhD (La Trobe)</li><li>– Director appointed 2009</li><li>– Member of Tenancy Management Committee, Director nominated by Community Shareholders</li></ul>
Stuart Gregory	<ul style="list-style-type: none"><li>– Director</li><li>– B.Comm (Hons), CPA, MAICD</li><li>– Director since 2005</li><li>– Chair of Finance Committee, Member of Audit &amp; Risk Committee, Director of BHC Development Services Pty Ltd, Director nominated by Brisbane City Council</li></ul>
Eloise Atkinson	<ul style="list-style-type: none"><li>– Director</li><li>– B. Des St., B.Arch, AIA</li><li>– Director since 2007</li><li>– Chair of the Tenancy Management Committee, Member of Property Committee, Director nominated by Community Shareholders</li></ul>
Ben Foster	<ul style="list-style-type: none"><li>– Director</li><li>– B. App Science., Dip Fac Mgt, AAIQS</li><li>– Director since 2010</li><li>– Member of Property Committee, Director nominated by Community Shareholders</li></ul>
Les Jones	<ul style="list-style-type: none"><li>– Director</li><li>– B.Com and Admin Victoria University Of Wgtn N.Z, CA, MAICD</li><li>– Director since 18 July 2012</li><li>– Chair of the Audit &amp; Risk Committee, Member of Finance Committee. Director nominated by Community Shareholders</li></ul>
Julia Heckenberg	<ul style="list-style-type: none"><li>– Director</li><li>– Dip of Teaching (TAFE)</li><li>– Director since 9 August 2013</li><li>– Member of the Tenancy Committee, Director appointed by the Board of Directors to a casual vacancy</li></ul>

### **Company Secretaries**

The following persons held the position of joint company secretary at the end of the financial year:  
Jason March, Bachelor of Commerce University of Wollongong, a member of CPA Australia. Jason March has worked for Brisbane Housing Company for the past 4.8 years performing financial and company secretarial roles. Jason March was appointed Company Secretary on 22 October 2008.

Samantha Evans, Bachelor of Economics (Honours) James Cook University, Graduate Diploma Housing Investment and Regeneration Nottingham Trent University. Samantha Evans has worked for Brisbane Housing Company for the past 6.25 years, performing operational and company secretarial roles. Samantha Evans was appointed Company Secretary on 18 June 2008.

### **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. On the 21st May 2013 the organisation received support from its Shareholders to extend its geographical boundary from the City of Brisbane to the State of Queensland.

## **Brisbane Housing Company Limited**

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### **Operating Results**

The comprehensive income of the consolidated group amounted to \$27,735,162 (2012: \$25,785,194). No provision for Income tax was established as the company is exempt from income tax and the non-exempt subsidiaries did not have taxable income.

### **Dividends Paid or Recommended**

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

### **Review of Operations**

The Group saw increases in rental income and the sale of stock to the market for the period as a result of the completion of a number of developments funded under the Nation Building Social Housing Initiative. The Group delivered the three remaining developments funded under that initiative, however grant funding for the period declined as a result of the programme winding down. Increased fee income resulting from project management fees for services provided to Catalyst Affordable Housing Ltd and fees related to NRAS management.

### **Significant Changes in State of Affairs**

The Company finalised the remaining fiscal stimulus funded projects during the year and anticipates future development of mixed tenure projects will be funded from a mix of grant, equity and debt. The approval of the Company's shareholders to allow it to operate throughout Queensland has enabled the Company to streamline its structure. This resulted in the Company acquiring 100 % of Catalyst Affordable Housing Limited which currently operates as Gladstone Affordable Housing on the 15th May 2013. Catalyst Affordable Housing Ltd will be used to deliver future mixed tenure developments and dwellings required under the funding agreement with LNG proponents. This new charitable entity will replace the need for BHC Development Services Pty Ltd and any special purpose vehicles.

### **After Balance Date Events**

BHC Nudgee and BHC Richlands were deregistered by ASIC on the 24th July 2013.

### **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 some borrowing by the company to supplement the Government grants and surpluses which provide the major part of its capital funds. The company will be seeking funds from the Federal Government under the NRAS and other affordable housing programs, to maximise its ability to meet the increasing demand for affordable housing. The Company is entering strategic alliances with key developers to provide NRAS management and compliance activities on non group developments. The group is currently investigating opportunities associated with public housing management in Queensland.

### **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, 13 meetings of directors were held. Attendances by each director during the year were as follows:

# Brisbane Housing Company Limited

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	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	13	13	3	3	11	10	9	9	9	8
Janice Williams	13	12					9	9		
John Gallimore	13	12					9	9		
Ann Langley	7	4							4	1
Kenneth Gough	2	2			1	1				
Geoff Woolcock	13	12							9	9
Stuart Gregory	13	13	3	3	11	11				
Eloise Atkinson	13	12					9	9	9	7
Ben Foster	13	13					9	9		
Les Jones	11	11	3	3	10	10				

## 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 \$611 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.

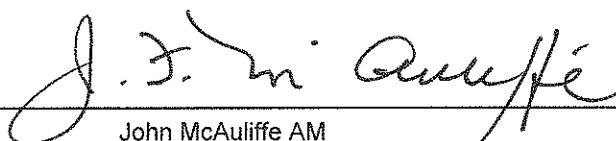
The entity was not a party to any such proceedings during the year.

## Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2013 has been received and can be found on page 5 of the directors' report

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

Director



John McAuliffe AM

Dated this 18th day of September 2013



Grant Thornton Audit Pty Ltd  
ABN 91 130 913 594

Level 18  
145 Ann Street  
Brisbane Queensland 4000  
GPO Box 1008  
Brisbane Queensland 4001

T +61 7 3222 0200  
F +61 7 3222 0444  
E [info@au.gt.com](mailto:info@au.gt.com)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

**Auditor's Independence Declaration  
To the Directors of Brisbane Housing Company Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Brisbane Housing Company Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

A stylized signature of "Grant Thornton" in a cursive script.

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A stylized signature of "M S Bell" in a cursive script.

M S Bell  
Partner - Audit & Assurance

Brisbane, 18 September 2013

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**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013**

	Note	Consolidated Group	
		2013	2012
		\$	\$
Revenue from government grants	2	4,638,294	13,830,457
Revenue from property sales		32,354,380	35,781,710
Revenue from rent		13,202,979	10,592,594
Gain on acquisition	3	13,752,215	-
Other revenue	2	1,302,392	1,146,514
Total Revenue		<u>65,250,260</u>	<u>61,351,275</u>
Employee benefits expense		3,108,223	2,270,893
Depreciation and amortisation		5,633,954	4,368,850
Finance costs		275,830	850,697
Cost of property sales		33,021,425	34,944,668
Impairment of property held for sale		1,508,234	855,699
Property expenses		5,824,466	4,649,295
Professional Fees		594,097	398,090
Administration expenses		1,257,262	991,197
Other expenses		384,834	251,819
Total Expenses		<u>51,608,325</u>	<u>49,581,208</u>
Surplus before income tax		13,641,935	11,770,067
Income tax expense		-	-
Surplus after income tax		<u>13,641,935</u>	<u>11,770,067</u>
Other comprehensive income:			
Gains/(Losses) on property revaluation		14,093,227	14,015,127
Other comprehensive income, net of income tax		14,093,227	14,015,127
Total comprehensive income for the year		<u>27,735,162</u>	<u>25,785,194</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 2013

	Note	Consolidated Group	
		2013	2012
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	21,500,984	5,194,126
Trade and other receivables	6	6,098,513	603,688
Property held for sale	7	37,014,169	36,753,108
Other current assets	8	1,725,954	3,867,327
TOTAL CURRENT ASSETS		66,339,620	46,418,249
NON-CURRENT ASSETS			
Property, plant and equipment	9	240,407,425	248,567,654
Loans to third parties		3,570,017	166,000
Other Receivables	6	-	5,928,971
Intangible assets	10	457,952	453,292
TOTAL NON-CURRENT ASSETS		244,435,394	255,115,917
TOTAL ASSETS		310,775,014	301,534,166
CURRENT LIABILITIES			
Trade and other payables	11	9,159,209	7,739,489
Short-term provisions	12	279,667	228,608
TOTAL CURRENT LIABILITIES		9,438,876	7,968,097
NON-CURRENT LIABILITIES			
Long-term provisions	12	109,655	74,747
Borrowings	17	15,000,000	35,000,000
TOTAL NON-CURRENT LIABILITIES		15,109,655	35,074,747
TOTAL LIABILITIES		24,548,531	43,042,844
NET ASSETS		286,226,483	258,491,322
EQUITY			
Issued capital	16	17	17
Reserves		50,276,400	36,183,174
Retained earnings		235,950,066	222,308,131
TOTAL EQUITY		286,226,483	258,491,322

The accompanying notes form part of these financial statements.

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## Statement of changes in equity for year ended 30 June 2013

	Share Capital Ordinary	Retained Earnings	Asset Revaluation Reserve	Total
Note	\$	\$	\$	\$
<b>Consolidated Group</b>				
<b>Balance at 1 July 2011</b>	17	210,538,064	22,168,047	232,706,128
Total comprehensive income for the year	-	11,770,067	14,015,127	25,785,194
<b>Balance at 30 June 2012</b>	17	222,308,131	36,183,174	258,491,322
Total comprehensive income for the year	-	13,641,935	14,093,226	27,735,161
<b>Balance at 30 June 2013</b>	17	235,950,066	50,276,400	286,226,483

The accompanying notes form part of these financial statements.



# Brisbane Housing Company Limited

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## STATEMENT OF CASHFLOWS FOR YEAR ENDED 30 JUNE 2013

	Note	Consolidated Group	
		2013	2012
		\$	\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Government grants		5,102,123	15,213,502
Payments to suppliers and employees		(15,637,846)	(9,837,710)
Rent & other		17,977,536	9,030,562
Interest received		287,137	56,626
Finance Costs		(275,830)	(737,541)
Net cash provided by operating activities		<b>7,453,121</b>	<b>13,725,439</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(8,945,364)	(8,973,047)
Payments for property development		(10,983,630)	(61,769,277)
Gain on Acquisition		12,096,050	-
Interest Paid		(1,592,192)	(1,424,606)
Purchase of intangibles		(101,991)	(388,621)
Proceeds from property sales		38,581,595	38,027,930
Net cash used in investing activities		<b>29,054,468</b>	<b>(34,527,621)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		-	30,000,000
Repayment of borrowings		(20,000,000)	(10,000,000)
Loans to Third Parties		(200,731)	(166,000)
Net cash provided by (used in) financing activities		<b>(20,200,731)</b>	<b>19,834,000</b>
Net increase in cash held		16,306,858	(968,182)
Cash and cash equivalents at beginning of financial year		5,194,126	6,162,308
Cash and cash equivalents at end of financial year		<b>21,500,984</b>	<b>5,194,126</b>

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The accompanying notes form part of these financial statements.

# **Brisbane Housing Company Limited**

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## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

### **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 Corporations Act 2001.

#### **Adoption of AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendment to Australian Accounting Standards arising from Reduced Disclosure Requirements**

Brisbane Housing Company Ltd and controlled entities have elected to early adopt the pronouncements AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2011-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements to the annual reporting period beginning 1 January 2011.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### **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 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.

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.

# Brisbane Housing Company Limited

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Revenue from property sales is recognised in the Statement of 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 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.

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 fair value reserves directly in equity; all other decreases are charged to the Statement of 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:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Buildings	2.5%
Buildings – Plant & Equipment	7 – 12%

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

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 Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

#### 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 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 on the assets 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 assets 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 cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

Contributions are made by the entity to an employee superannuation fund 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 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.

## Brisbane Housing Company Limited

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

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 Cashflows 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 value or a nominal value. These contributions are recognised at the fair value on the date of acquisition upon which time an asset is taken up in the Statement of Financial Position and revenue in the Statement of Comprehensive Income.

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 their useful lives of 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 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.

# Brisbane Housing Company Limited

ABN 75 101 263 834

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

#### r. Critical Accounting Estimates and Judgments (Cont)

##### *Key judgments — Provision for impairment of Receivables*

Included in trade and other receivables at 30 June 2013 is an amount receivable from rental tenants charged by Brisbane Housing Company Limited during the current financial year amounting to \$144,002. Brisbane Housing Company Limited provides for doubtful debts when arrears exceed 60 days, and a provision for impairment has been made for \$76,608 at 30 June 2013. 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 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 9 which highlights key estimates in relation to the valuation of land and buildings.

##### *Key estimates — Work In Progress*

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

### NOTE 2: REVENUE

	Note	Consolidated Group
	2013	2012
	\$	\$
Revenue from government grants		
– Grants – Nation Building Social Housing Initiative	4,051,667	13,425,225
– Grants – National Rental Affordability Scheme	586,627	405,232
	4,638,294	13,830,457
Other revenue		
– interest received	287,137	56,626
– other revenue	1,015,255	1,089,888
	1,302,392	1,146,514

### NOTE 3: ACQUISITION OF CATALYST AFFORDABLE HOUSING LTD IN 2013

On 15th May 2013, the Group acquired at nil cost a 100% control in Catalyst Affordable Housing Ltd.

#### Recognised amounts of identifiable net assets

Property, plant and equipment	1,557,883
Land	1,928,048
ULDA loan	3,200,000
Total Non-Current Assets	6,685,931
Cash and cash equivalents	12,096,050
Other current assets	3,286
Total current assets	12,099,336
Trade and other payables	(33,052)

# Brisbane Housing Company Limited

ABN 75 101 263 834

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 3: ACQUISITION OF CATALYST AFFORDABLE HOUSING LTD IN 2013 (CONT)

Unearned income	(5,000,000)
Total Current Liabilities	(5,033,052)
Identifiable net assets	<u>13,752,215</u>

### Catalyst Affordable Housing's contribution to the Group results

Catalyst Affordable Housing incurred a loss of \$39,026 for the 1.5 months from 15 May 2013 to the reporting date. If Catalyst had been acquired on 1 July 2012, revenue of the Group would have been \$58million, and surplus for the year would have increased by \$5.5million.

### NOTE 4: EXPENSES

	Note	Consolidated Group	
		2013	2012
		\$	\$
<b>Expenses</b>			
Gains/(Losses) on disposal of assets		(37,620)	(81)
Impairment of property held for sale		1,508,234	855,699
Finance costs:			
— External		275,830	850,697
Bad and doubtful debts:		46,640	18,698
Rental expense on operating leases			
— minimum lease payments		302,840	177,351

### NOTE 5: CASH AND CASH EQUIVALENTS

	Note	Consolidated Group	
		2013	2012
		\$	\$
Cash at bank and in hand		21,500,984	5,194,126
		<u>21,500,984</u>	<u>5,194,126</u>

	Note	Consolidated Group	
		2013	2012
		\$	\$

The average effective interest rate on short-term bank deposits was 1.31% (2012: 0.36%) these deposits have an average maturity of 30 days.

### 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>21,500,984</u>	<u>5,194,126</u>
---------------------------	-------------------	------------------

# Brisbane Housing Company Limited

ABN 75 101 263 834

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 6: TRADE AND OTHER RECEIVABLES

	Note	Consolidated Group	
		2013	2012
		\$	\$
<b>CURRENT</b>			
Rental receivables	6a	144,002	183,413
Other receivables	6b	6,031,119	493,427
		6,175,121	676,840
Provision for impairment of receivables		(76,608)	(73,152)
		6,098,513	603,688
<b>NON CURRENT</b>			
Other Receivables	6b	-	5,928,971
		-	5,928,971

- a. Refer to note 1(q) for analysis details on past due receivables.
- b. Other Receivables include the final instalment of \$5.9million under the contract for sale for the Church St site with Mosaic Apartments Pty Ltd trustee for Mosaic Apartment Unit Trust. The final instalment is due on the 15th October 2013

### NOTE 7: PROPERTY HELD FOR SALE

	Note	Consolidated Group	
		2013	2012
		\$	\$
<b>CURRENT</b>			
Residential	7a	34,706,739	30,745,729
Commercial	7a	2,307,430	6,007,379
		37,014,169	36,753,108

- 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 8: OTHER ASSETS

	Note	Consolidated Group	
		2013	2012
		\$	\$
<b>CURRENT</b>			
Prepayments		543,311	830,182
Other Receivable		733,441	45,012
Grants Receivable		-	1,218,384
GST Receivable		405,618	1,570,624
Advance and Deposits		43,584	203,125
Total Other Assets		1,725,954	3,867,327

### NOTE 9: PROPERTY, PLANT AND EQUIPMENT

The group's land and buildings were revalued as at 30 June 2013 by independent valuers and director valuations. Valuations were made on the basis of open market value with consideration being given to the under-rented nature of the properties, reflecting the mission of the group. The revaluation increment was



# Brisbane Housing Company Limited

ABN 75 101 263 834

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

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	
		2013	2012
		\$	\$
<b>LAND AND BUILDINGS</b>			
Freehold land at:			
— directors' valuation		37,462,048	43,997,933
— Independent valuation		18,940,000	11,985,000
Total Land		56,402,048	55,982,933
Buildings at:			
— directors' valuation		117,103,035	101,607,814
— Independent valuation		52,253,580	44,799,013
Less accumulated depreciation		-	-
Total Buildings		169,356,615	146,406,827
Total Land and Buildings		225,758,663	202,389,760
<b>PLANT AND EQUIPMENT</b>			
Plant and equipment			
At cost		17,471,174	16,463,550
Accumulated depreciation		(5,747,189)	(4,358,098)
		11,723,985	12,105,452
Office Equipment			
At cost		1,116,070	762,009
Accumulated depreciation		(633,854)	(487,894)
		482,216	274,115
Total Plant and Equipment		12,206,201	12,379,567
<b>CAPITAL WORK IN PROGRESS</b>			
Work in Progress			
At cost		2,442,561	33,798,327
Total Plant and Equipment		240,407,425	248,567,654

# Brisbane Housing Company Limited

ABN 75 101 263 834

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

**a. Movements in Carrying Amounts**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Freehold Land	Buildings	Office Equipment	Plant & Equipment	Work in Progress	Total
	\$	\$	\$	\$	\$	\$
<b>Consolidated Group:</b>						
Balance at 30 June 2012	55,982,933	146,406,827	274,115	12,105,452	33,798,327	248,567,654
Additions	-	17,089,571	390,915	1,075,314	10,573,837	29,129,637
Disposals	-	-	-	(37,620)	-	(37,620)
Additions through Business Combinations	1,928,048	-	805	-	1,632,607	3,561,460
Transfer - P&E	-	-	-	-	(17,608,562)	(17,608,562)
Transfer – Held for Sale	(5,808,099)	-	-	-	(25,953,648)	(31,761,747)
Revaluation increments	4,299,166	9,794,060	-	-	-	14,093,226
Depreciation expense	-	(3,933,843)	(183,619)	(1,419,161)	-	(5,536,623)
Balance at 30 June 2013	56,402,048	169,356,615	482,216	11,723,985	2,442,561	240,407,425

### NOTE 10: INTANGIBLE ASSETS

	Note	Consolidated Group	
		2013	2012
		\$	\$
Software			
Cost		307,852	205,861
Accumulated amortisation		(109,673)	(41,205)
Net Carrying Value		198,179	164,656
Management rights		288,636	288,636
Accumulated amortisation		(28,863)	-
Net Carrying Value		259,773	288,636
Net intangibles		457,952	453,292

**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	Intangibles	Total
	\$	\$	\$
<b>Consolidated Group:</b>			
Balance at 30 June 2012	164,656	288,636	453,292
Additions	101,991	-	101,991
Amortisation expense	(68,467)	(28,864)	(97,331)
Balance at 30 June 2013	198,180	259,772	457,952

# Brisbane Housing Company Limited

ABN 75 101 263 834

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 11: TRADE AND OTHER PAYABLES

	Note	Consolidated Group	
		2013	2012
		\$	\$
CURRENT			
Trade payables		147,361	278,418
Sundry payables and accrued expenses		2,685,893	4,633,890
GST Payable		900,062	2,415,484
Unearned Income		5,425,893	411,697
		<u>9,159,209</u>	<u>7,739,489</u>

### NOTE 12: PROVISIONS

#### Consolidated Group

	Short-term Employee Benefits	Long-term Employee Benefits	Total
	\$	\$	\$
Balance at 1 July 2012	228,608	74,747	303,355
Additional provisions	321,484	34,908	356,392
Amounts paid	(270,425)	-	(270,425)
Balance at 30 June 2013	<u>279,667</u>	<u>109,655</u>	<u>389,322</u>

#### Analysis of Total Provisions

	Consolidated Group	
	2013	2012
	\$	\$
Current	279,667	228,608
Non-current	<u>109,655</u>	<u>74,747</u>
	<u>389,322</u>	<u>303,355</u>

### NOTE 13: CAPITAL AND LEASING COMMITMENTS

	Note	Consolidated Group	
		2013	2012
		\$	\$
a. Operating Lease Commitments			
Non-cancellable operating leases contracted for but not capitalised in the financial statements			
Payable — minimum lease payments			
— not later than 12 months		200,866	326,944
— between 12 months and 5 years		184,183	398,900
— greater than 5 years		-	-
		<u>385,049</u>	<u>725,844</u>

# Brisbane Housing Company Limited

ABN 75 101 263 834

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 13: CAPITAL AND LEASING COMMITMENTS (CONT)

The property lease is a non-cancellable lease with a 5 year term expiring 31 Aug 2015, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased by the lower of CPI or 4% per annum. BHCL is a party to an assignment of an existing lease for additional space with a remaining lease term of 3.5 months as at the 30 June 2013. BHCL is currently negotiating with the landlords agent to renew the lease on a co-terminus basis with the primary lease.

	Note	Consolidated Group	
		2013	2012
		\$	\$
<b>b. Capital Expenditure Commitments</b>			
Capital expenditure commitments contracted for:			
Capital expenditure projects		2,900,000	6,701,225
		<u>2,900,000</u>	<u>6,701,225</u>
Payable:			
– not later than 12 months		2,900,000	6,701,225
– between 12 months and 5 years		-	-
– greater than 5 years		-	-
		<u>2,900,000</u>	<u>6,701,225</u>

### 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:

	Note	Consolidated Group	
		2013	2012
		\$	\$
Minimum lease payments due:			
– not later than 12 months		232,401	244,856
– between 12 months and 5 years		295,905	411,392
– greater than 5 years		-	0
		<u>528,306</u>	<u>656,248</u>

# Brisbane Housing Company Limited

ABN 75 101 263 834

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 15: KEY MANAGEMENT PERSONNEL COMPENSATION

	Short-term Employee Benefits \$	Long-term Employee Benefits \$	Total \$
<b>2013</b>			
Total compensation	642,063	51,657	693,720
<b>2012</b>			
Total compensation	600,662	65,063	665,725

### NOTE 16: SHARE CAPITAL

	Consolidated Group	
	2013 \$	2012 \$
3 (2012: 3) fully paid Ordinary Shares	3	3
14 (2012: 14) fully paid Community Redeemable Preference Shares	14	14
	17	17

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.

### NOTE 17: BORROWINGS

	Note	Consolidated Group	
		2013 \$	2012 \$
<b>Loan Facilities</b>			
Loan Facilities		50,000,000	50,000,000
Amount utilised		(15,000,000)	(35,000,000)
		35,000,000	15,000,000

The major facilities are summarised as follows:

#### Commercial bill facility

\$50,000,000 loan facility. The facility is due to expire on 31 Dec 2014. Termination of the agreement can be effected by notice in writing from BHCL. BHCL has drawn 1 commercial bill with a maturity of 90 days. The current variable rate as at 28 June 2013 is 2.81% (2012: 4.33%).

As part of BHCL risk management strategy BHCL has entered into a 3 year fixed interest rate swap at 4.35% for a face value of \$15million. The swap is set to mature on 22 December 2014, with \$15million in commercial bills having been aligned to the quarterly reset of the swap.

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 9.

BHCL has no standby facilities in place

# Brisbane Housing Company Limited

ABN 75 101 263 834

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 18: PARENT ENTITY INFORMATION

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

	2013 \$	2012 \$
<b>Statement of Financial Position</b>		
Current Assets	54,072,968	52,035,270
Total Assets	305,565,337	302,090,167
Current Liabilities	4,256,321	7,787,620
Total Liabilities	19,323,826	42,826,528
Retained Earnings	<u>286,241,511</u>	<u>259,263,639</u>
<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
Surplus for the year	12,884,645	11,800,536
Other Comprehensive Income	<u>14,093,227</u>	<u>14,015,127</u>
Total Comprehensive Income	<u>26,977,872</u>	<u>25,815,663</u>

### NOTE 19: CONTINGENT LIABILITIES

As a condition of the funding received under the funding agreement with the GLNG Operations Pty Ltd, QGC Pty Ltd and Australia Pacific LNG Pty Ltd, Catalyst Affordable Housing Limited is conditioned to deliver a minimum of 35 dwellings. Projected cost to complete delivery of the minimum number of dwellings by the 31st December 2015 is \$13.8million.

BHCL has entered into a put agreement to purchase 976m2 of commercial space in the Mosaic development for \$5.5million (which includes a \$500,000 fitout contribution) in the event that Mosaic Apartments Pty Ltd trustee for Mosaic Apartment Unit Trust can not sell the commercial space to a third party for a greater amount. BHCL has provided a bank guarantee for 10% of the purchase price. Practical completion is expected for 2nd quarter of 2014.

### NOTE 20: AFTER BALANCE DATE EVENTS

BHC Nudgee and BHC Richlands were deregistered by ASIC on the 24th July 2013.

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 18th September 2013 by the Board of Directors.

### NOTE 21: RELATED PARTY TRANSACTIONS

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

- a. During the year BHCL paid Allens Linklaters \$54,076 for legal services, where a director was a partner in the firm.
- b. During the year BHCL paid MPS Valuers \$88,680 for valuation services, where a director was related to the principal of the firm.
- c. During the year BHCL paid Jane West \$12,146 for services related to an operational review, where the CEO was related to the consultant

**Brisbane Housing Company Limited**

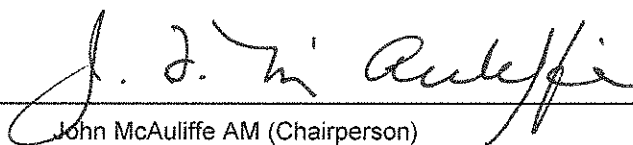
**ABN 75 101 263 834**

**DIRECTORS' DECLARATION**

The directors of the entity declare that:

1. The consolidated financial statements and notes, as set out on pages 6 to 22, are in accordance with the Corporations Act 2001 and:
  - a. comply with Accounting Standards reduced disclosure requirements (including Australian Interpretations) and the Corporations Regulations 2001; and
  - b. give a true and fair view of the financial position as at 30 June 2013 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.

A handwritten signature in black ink, appearing to read 'J. J. McAuliffe', is written over a horizontal line.

John McAuliffe AM (Chairperson)

Dated this 18th day of September 2013

Grant Thornton Audit Pty Ltd  
ABN 91 130 913 594

Level 18  
145 Ann Street  
Brisbane Queensland 4000  
GPO Box 1008  
Brisbane Queensland 4001

T + 61 7 3222 0200  
F + 61 7 3222 0444  
E [info@au.gt.com](mailto:info@au.gt.com)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

## **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 "Company"), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of 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 Company 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 Corporations Act 2001. 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 Company'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 Company'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.

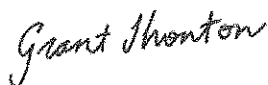
**Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

**Auditor's opinion**

In our opinion:

- a the financial report of Brisbane Housing Company Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards - Reduced Disclosure Requirements and the Corporations Regulations 2001



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



M S Bell  
Partner - Audit & Assurance

Brisbane, 18 September 2013