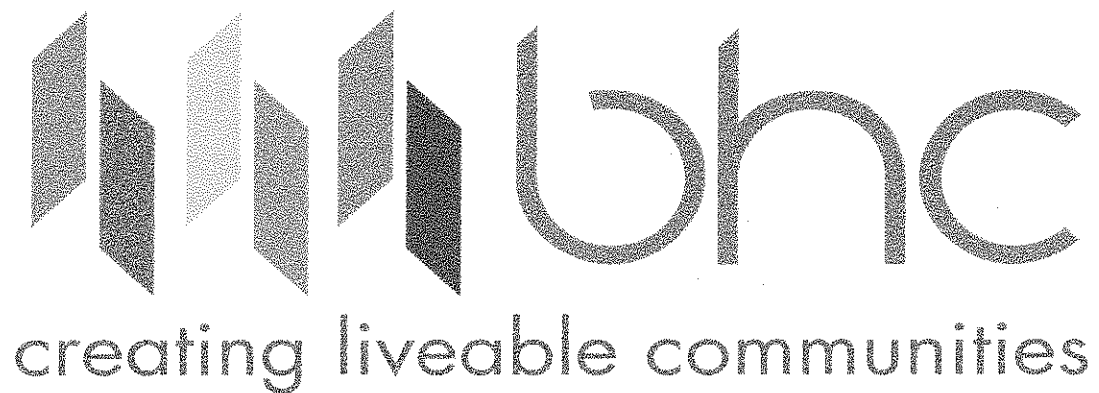


Brisbane Housing Company Limited

ABN 75 101 263 834

Financial Report

For the period 1 July 2013 to 30 June 2014



Brisbane Housing Company Limited
ABN 75 101 263 834

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Brisbane Housing Company Limited

ABN 75 101 263 834

Financial Report for the Year Ended 30 June 2014

DIRECTORS' REPORT

Your directors present this financial report on Brisbane Housing Company Limited consolidated entity ("group") for the financial year ended 30 June 2014.

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
John Gallimore
Geoff Woolcock
Stuart Gregory
Eloise Atkinson
Benjamin Foster
Les Jones
Julia Heckenberg (Appointed 9 August 2013)
Brian Stewart (Appointed 4 December 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">– Independent Chair– LFAP, FAIB, ACTCB, MAICD– Director since 2002– Chair of the Property Committee, Member of the Tenancy Management Committee, Member of the Finance Committee, Member of the Audit & Risk Committee. Director of Catalyst Affordable Housing Ltd, Director nominated by the State Government and Brisbane City Council
John Gallimore	<ul style="list-style-type: none">– Director– BA, LLB (Hons), FANZCN, MAICD– Director since 2002– 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– BA Hons 1 (UQ) PhD (La Trobe)– Director appointed 2009– Member of Tenancy Management Committee, Director nominated by Community Shareholders
Stuart Gregory	<ul style="list-style-type: none">– Director– B.Comm (Hons), FCPA, MAICD– Director since 2005– 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

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Eloise Atkinson	<ul style="list-style-type: none">- Director- B. Des St., B.Arch, AIA- Director since 2007- Chair of the Tenancy Management Committee, Member of Property Committee, Director nominated by Community Shareholders
Ben Foster	<ul style="list-style-type: none">- Director- B. App Science., Dip Fac Mgt, AAIQS- Director since 2010- Member of Property Committee, Director nominated by Community Shareholders
Les Jones	<ul style="list-style-type: none">- Director- B.Com and Admin Victoria University Of Wgtn N.Z, CA, MAICD- Director since 18 July 2012- Chair of the Audit & Risk Committee, Member of Finance Committee. Director nominated by Community Shareholders
Julia Heckenberg	<ul style="list-style-type: none">- Director- Dip of Teaching (TAFE)- Director since 9 August 2013- Member of the Tenancy Management Committee, Director nominated by Community Shareholders
Brian Stewart	<ul style="list-style-type: none">- Director- Cert T, MBA, Barrister at Law, FDIA- Director since 4 December 2013- Member of Property Committee, Director of Catalyst Affordable Housing Ltd, nominated by the State Government

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 5.8 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 7.25 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 in Queensland.

Operating Results

The comprehensive income of the consolidated group amounted to \$19,592,922 (2013: \$27,735,162). 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 NRAS management fees, with sale of stock to the market declining for the period as a result of the end of the NBSHI building programme.

The Group has commenced construction on two new developments in Brisbane to deliver a further 109 units of affordable housing, as well as two developments in Gladstone.

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Significant Changes in State of Affairs

The Company has submitted its application to be a Tier 1 provider under the new National Regulatory Scheme for Community Housing Providers. The Registrar's office has conducted its initial review and it is anticipated that registration will be granted by the end of the calendar year.

The integration of Catalyst Affordable Housing Ltd and BHC Development Services Pty Ltd was delayed as a result of the uncertainty around Charities law and is anticipated to be resolved in 2014/15.

After Balance Date Events

Catalyst Affordable Housing Limited entered into a fixed price construction contract to deliver two affordable housing project in Gladstone at a total cost of \$11.064Million. Construction is anticipated to complete by 30 June 2015.

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 continue to seek funds from all levels of Government, to maximise its ability to meet the increasing demand for affordable housing.

The group is currently investigating opportunities associated with public housing management in Queensland and the National Disability Insurance Scheme

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

	Committee Meetings									
	Directors' Meetings		Audit Committee		Finance Committee		Property Committee		Tenancy Management Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
John McAuliffe	12	12	7	7	10	9	10	9	9	8
John Gallimore	12	11	7	6			10	9		
Geoff Woolcock	12	11							9	9
Stuart Gregory	12	11	7	7	10	10				
Eloise Atkinson	12	11					10	9	9	9
Ben Foster	12	12					10	8		
Les Jones	12	11	7	7	10	10				
Julia Heckenberg	11	8							8	8
Brian Stewart	7	7					5	4		

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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 \$531 for each director.

Proceedings on Behalf of the Entity

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

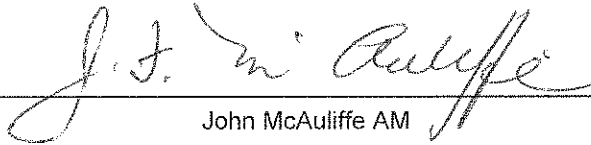
The entity was not a party to any such proceedings during the year.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under s 60-40 of the Australian Charities and Not-for-Profits Commission Act 2012' is set out on page 5.

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

Director

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

John McAuliffe AM

Dated this 17th day of September 2014



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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 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M S Bell
Partner - Audit & Assurance

Brisbane, 17 September 2014

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Brisbane Housing Company Limited

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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated Group	
		2014	2013
		\$	\$
Revenue from government grants	2	9,593,277	4,638,294
Revenue from property sales		28,125,405	32,354,380
Revenue from rent		13,964,399	13,202,979
Gain on acquisition	3	-	13,752,215
Other revenue	2	1,991,557	1,302,392
Total Revenue		<u>53,674,638</u>	<u>65,250,260</u>
Employee benefits expense		3,033,808	3,108,223
Depreciation and amortisation		6,041,450	5,633,954
Finance costs		1,071,889	275,830
Cost of property sales		27,299,821	33,021,425
Impairment of property held for sale		236,571	1,508,234
Property expenses		5,303,222	5,824,466
Professional Fees		239,661	594,097
Administration expenses		1,402,028	1,257,262
Other expenses		1,136,643	384,834
Total Expenses		<u>45,765,093</u>	<u>51,608,325</u>
Surplus before income tax		7,909,545	13,641,935
Income tax expense		-	-
Surplus after income tax		<u>7,909,545</u>	<u>13,641,935</u>
Other comprehensive income:			
Gains/(Losses) on property revaluation		11,683,377	14,093,227
Other comprehensive income, net of income tax		11,683,377	14,093,227
Total comprehensive income for the year		<u>19,592,922</u>	<u>27,735,162</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 2014

	Note	Consolidated Group	
		2014	2013
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	43,672,432	21,500,984
Trade and other receivables	6	1,858,047	6,098,513
Property held for sale	7	17,772,573	37,014,169
Other current assets	8	2,559,548	1,725,954
TOTAL CURRENT ASSETS		65,862,600	66,339,620
NON-CURRENT ASSETS			
Property, plant and equipment	9	257,975,338	240,407,425
Loans to third parties		3,536,807	3,570,017
Intangible assets	10	352,991	457,952
TOTAL NON-CURRENT ASSETS		261,865,136	244,435,394
TOTAL ASSETS		327,727,736	310,775,014
CURRENT LIABILITIES			
Trade and other payables	11	6,508,007	9,159,209
Short-term provisions	12	277,673	279,667
Borrowings	17	15,000,000	-
TOTAL CURRENT LIABILITIES		21,785,680	9,438,876
NON-CURRENT LIABILITIES			
Long-term provisions	12	122,653	109,655
Borrowings	17	-	15,000,000
TOTAL NON-CURRENT LIABILITIES		122,653	15,109,655
TOTAL LIABILITIES		21,908,333	24,548,531
NET ASSETS		305,819,403	286,226,483
EQUITY			
Issued capital	16	15	17
Reserves		61,959,777	50,276,400
Retained earnings		243,859,611	235,950,066
TOTAL EQUITY		305,819,403	286,226,483

The accompanying notes form part of these financial statements.

Brisbane Housing Company Limited
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STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2014

	Share Capital Ordinary	Retained Earnings	Asset Revaluation Reserve	Total
Note	\$	\$	\$	\$
Consolidated Group				
Balance at 1 July 2012	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
Balance at 30 June 2013	17	235,950,066	50,276,400	286,226,483
Total comprehensive income for the year	-	7,909,545	11,683,377	19,592,922
Share Redemption	(2)	-	-	(2)
Balance at 30 June 2014	15	243,859,611	61,959,777	305,819,403

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 2014

	Note	Consolidated Group
	2014	2013
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Government grants	10,552,605	5,102,123
Payments to suppliers and employees	(15,375,378)	(15,637,846)
Rent & other	15,927,211	17,977,536
Interest received	1,185,974	287,137
Finance Costs	(538,913)	(275,830)
Net cash provided by operating activities	<u>11,751,499</u>	<u>7,453,121</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(11,693,687)	(8,945,364)
Payments for property development	(11,761,288)	(10,983,630)
Gain on Acquisition	-	12,096,050
Interest Paid	(204,058)	(1,592,192)
Purchase of intangibles	(8,600)	(101,991)
Proceeds from property sales	34,054,374	38,581,595
Net cash used in investing activities	<u>10,386,741</u>	<u>29,054,468</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	-
Repayment of borrowings	(2)	(20,000,000)
Loans to Third Parties	33,210	(200,731)
Net cash provided by (used in) financing activities	<u>33,208</u>	<u>(20,200,731)</u>
Net increase in cash held	22,171,448	16,306,858
Cash and cash equivalents at beginning of financial year	21,500,984	5,194,126
Cash and cash equivalents at end of financial year	5	<u><u>43,672,432</u></u>
		<u><u>21,500,984</u></u>

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 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Preparation

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

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2013. Information on these new standards is presented below.

AASB 13 Fair Value Measurement

AASB 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of AASB 13 is broad and it applies for both financial and non-financial items for which other Australian Accounting Standards require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

AASB 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. The Group has however included as comparative information the AASB 13 disclosures that were required previously by AASB 7 Financial Instruments: Disclosures.

The Group has applied AASB 13 for the first time in the current year, see Notes 9 and 22.

Amendments to AASB 119 Employee Benefits

The 2011 amendments to AASB 119 made a number of changes to the accounting for employee benefits, the most significant relating to defined benefit plans.

These amendments have no impact on the entity.

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, until the specific purpose is met.

Brisbane Housing Company Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

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 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 the revaluation reserve 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.

Brisbane Housing Company Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

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 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 employee superannuation funds and are charged as expenses when incurred.

Brisbane Housing Company Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

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.

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 at 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.

Brisbane Housing Company Limited

ABN 75 101 263 834

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

r. Financial Instruments (Cont)

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.

Key judgments — Provision for impairment of Receivables

Included in trade and other receivables at 30 June 2014 is an amount receivable from rental tenants charged by Brisbane Housing Company Limited during the current financial year amounting to \$211,500. Brisbane Housing Company Limited provides for doubtful debts when arrears exceed 60 days, and a provision for impairment has been made for \$87,786 at 30 June 2014. 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	
		2014	2013
		\$	\$
Revenue from grants			
– Grants – Social Housing		9,210,337	4,051,667
– Grants – National Rental Affordability Scheme		382,940	586,627
		<u>9,593,277</u>	<u>4,638,294</u>
Other revenue			
– interest received		1,185,975	287,137
– other revenue		805,582	1,015,255
		<u>1,991,557</u>	<u>1,302,392</u>

NOTE 3: ACQUISITION OF CATALYST AFFORDABLE HOUSING LTD IN 2013

Catalyst Affordable Housing's contribution to the Group results

On the 15 May 2013 the Company became the sole member of Catalyst Affordable Housing Ltd. On consolidation of Catalyst Affordable Housing Ltd into the Company's Financial Statements, a gain on acquisition of \$13,752,215 was recognised in the 2012/13 financial year.

Brisbane Housing Company Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 4: EXPENSES

	Note	Consolidated Group	
		2014	2013
		\$	\$
Expenses			
Gains/(Losses) on disposal of assets		(17,045)	(37,620)
Impairment of property held for sale		236,571	1,508,234
Finance costs:			
– External		1,071,889	275,830
Bad and doubtful debts		74,334	46,640
Rental expense on operating leases			
– minimum lease payments		310,674	302,840

NOTE 5: CASH AND CASH EQUIVALENTS

	Note	Consolidated Group	
		2014	2013
		\$	\$
Cash at bank and in hand		43,672,432	21,500,984
		<u>43,672,432</u>	<u>21,500,984</u>

	Note	Consolidated Group	
		2014	2013
		\$	\$

The average effective interest rate on short-term bank deposits was 2.51% (2013: 1.31%) 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	43,672,432	21,500,984
---------------------------	------------	------------

NOTE 6: TRADE AND OTHER RECEIVABLES

	Note	Consolidated Group	
		2014	2013
		\$	\$
CURRENT			
Rental receivables	6a	211,500	144,002
Other receivables	6b	1,734,333	6,031,119
		<u>1,945,833</u>	<u>6,175,121</u>
Provision for impairment of receivables		(87,786)	(76,608)
		<u>1,858,047</u>	<u>6,098,513</u>

- a. Refer to note 1(r) for analysis details on past due receivables.
- b. Other Receivables includes an amount owing of \$760,665 as at balance date from the Uniting Church Property Trust (Qld) in relation to costs associated with the completion of the Bowen Tce development. As part of the development agreement Uniting Church Property Trust (Qld) has supplied a bank guarantee to the value of \$3.25Million.

Brisbane Housing Company Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 7: PROPERTY HELD FOR SALE

	Note	Consolidated Group	
		2014	2013
		\$	\$
CURRENT			
Residential	7a	10,108,360	34,706,739
Commercial	7a	7,664,213	2,307,430
		<u>17,772,573</u>	<u>37,014,169</u>

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

During the year an impairment expense of \$236,571 (2013: \$1,508,234) associated with properties held for sale was recorded in the Statement of Comprehensive Income.

NOTE 8: OTHER ASSETS

	Note	Consolidated Group	
		2014	2013
		\$	\$
CURRENT			
Prepayments		520,386	543,311
Other Receivables		554,852	733,441
GST Receivable		1,363,538	405,618
Advances and Deposits		120,772	43,584
Total Other Assets		<u>2,559,548</u>	<u>1,725,954</u>

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

The group's land and buildings were revalued as at 30 June 2014 by independent valuers and director valuations. Valuations were made on the basis of open market value with consideration being given to the reduced rental charged on the properties, reflecting the mission of the group. The revaluation increment was credited to the asset revaluation reserve in shareholders' equity during the year. Director valuations were made taking into account independent valuations, their knowledge of the group's assets and the current market.

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

	Note	Consolidated Group	
		2014	2013
		\$	\$
LAND AND BUILDINGS			
Freehold land at:			
– directors' valuation		37,940,400	37,462,048
– Independent valuation		27,780,000	18,940,000
Total Land		<u>65,720,400</u>	<u>56,402,048</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 9: PROPERTY, PLANT AND EQUIPMENT (CONT)

Buildings at:

– directors' valuation	99,139,458	117,103,035
– Independent valuation	71,541,611	52,253,580
Less accumulated depreciation	-	-
Total Buildings	170,681,069	169,356,615
Total Land and Buildings	236,401,469	225,758,663

PLANT AND EQUIPMENT

Plant and equipment

At cost	17,713,752	17,471,174
Accumulated depreciation	(7,182,649)	(5,747,189)
	10,531,103	11,723,985

Office Equipment

At cost	1,135,828	1,116,070
Accumulated depreciation	(796,826)	(633,854)
	339,002	482,216
Total Plant and Equipment	10,870,105	12,206,201

CAPITAL WORK IN PROGRESS

Work in Progress

At cost	9a	10,703,764	2,442,561
Total Property Plant and Equipment		257,975,338	240,407,425

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 2013	56,402,048	169,356,615	482,216	11,723,985	2,442,561	240,407,425
Additions	3,104,352	88,992	79,554	295,368	8,261,203	11,829,469
Disposals	-	-	-	(17,045)	-	(17,045)
Revaluation increments	6,214,000	5,469,377	-	-	-	11,683,377
Depreciation expense	-	(4,233,915)	(222,768)	(1,471,205)	-	(5,927,888)
Balance at 30 June 2014	65,720,400	170,681,069	339,002	10,531,103	10,703,764	257,975,338

Brisbane Housing Company Limited
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 10: INTANGIBLE ASSETS

	Note	Consolidated Group	
		2014	2013
		\$	\$
Software			
Cost		316,452	307,852
Accumulated amortisation		(194,370)	(109,673)
Net Carrying Value		122,082	198,179
Management rights		288,636	288,636
Accumulated amortisation		(57,727)	(28,863)
Net Carrying Value		230,909	259,773
Net intangibles		352,991	457,952

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
	\$	\$	\$
Consolidated Group:			
Balance at 30 June 2013	198,180	259,772	457,952
Additions	8,600	-	8,600
Amortisation expense	(84,698)	(28,863)	(113,561)
Balance at 30 June 2014	122,082	230,909	352,991

NOTE 11: TRADE AND OTHER PAYABLES

	Note	Consolidated Group	
		2014	2013
		\$	\$
CURRENT			
Trade payables		2,373,702	147,361
Sundry payables and accrued expenses		2,846,593	2,685,893
GST Payable		653,844	900,062
Unearned Income		633,868	5,425,893
		6,508,007	9,159,209

NOTE 12: PROVISIONS

Consolidated Group

	Short-term Employee Benefits	Long-term Employee Benefits	Total
	\$	\$	\$
Balance at 1 July 2013	279,667	109,655	389,322
Additional provisions	286,663	115,237	401,900
Amounts paid	(377,132)	(13,764)	(390,896)
Balance at 30 June 2014	189,198	211,128	400,326

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 12: PROVISIONS (CONT)

Analysis of Total Provisions

	Consolidated Group	
	2014	2013
	\$	\$
Current	277,673	279,667
Non-current	122,653	109,655
	<u>400,326</u>	<u>389,322</u>

NOTE 13: CAPITAL AND LEASING COMMITMENTS

	Note	Consolidated Group	
		2014	2013
		\$	\$
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	158,038	200,866
—	between 12 months and 5 years	27,259	184,183
—	greater than 5 years	-	-
		<u>185,297</u>	<u>385,049</u>

The Level 1 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 currently negotiating the renewal of the Level 2 lease on a co-terminus basis with the Level 1 lease.

	Note	Consolidated Group	
		2014	2013
		\$	\$
b.	Capital Expenditure Commitments		
	Capital expenditure commitments contracted for:		
	Capital expenditure projects	<u>10,496,902</u>	<u>2,900,000</u>
		<u>10,496,902</u>	<u>2,900,000</u>
	Payable:		
—	not later than 12 months	10,496,902	2,900,000
—	between 12 months and 5 years	-	-
—	greater than 5 years	-	-
		<u>10,496,902</u>	<u>2,900,000</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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	
		2014	2013
		\$	\$
Minimum lease rentals due:			
– not later than 12 months		231,061	232,401
– between 12 months and 5 years		144,394	295,905
– greater than 5 years		-	-
		<u>375,455</u>	<u>528,306</u>

NOTE 15: KEY MANAGEMENT PERSONNEL COMPENSATION

	Short-term Employee Benefits	Long-term Employee Benefits	Total
	\$	\$	\$
2014			
Total compensation	679,200	77,934	757,134
2013			
Total compensation	642,063	51,657	693,720

NOTE 16: SHARE CAPITAL

	Consolidated Group	
	2014	2013
	\$	\$
3 (2013: 3) fully paid Ordinary Shares	3	3
12 (2013: 14) fully paid Community Redeemable Preference Shares	12	14
	<u>15</u>	<u>17</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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 17: BORROWINGS

	Note	Consolidated Group	
		2014	2013
		\$	\$
Loan Facilities			
Loan Facilities		50,000,000	50,000,000
Amount utilised		(15,000,000)	(15,000,000)
		<u>35,000,000</u>	<u>35,000,000</u>

The loan 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 the Company. Discussions to renew the facility have commenced with Westpac and are currently negotiating commercial terms. It is anticipated that terms of the facility will be no less favourable than the existing agreement. The Company has drawn 1 commercial bill with a maturity of 90 days. The current variable rate as at 30 June 2014 is 2.705% (2013: 2.81%).

As part of the Company's risk management strategy, it 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.

NOTE 18: PARENT ENTITY INFORMATION

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

	2014	2013
	\$	\$
Statement of Financial Position		
Current Assets	57,809,045	54,072,968
Total Assets	323,506,775	305,565,337
Current Liabilities	21,163,902	4,256,321
Total Liabilities	21,275,620	19,323,826
Total Equity	<u>302,231,155</u>	<u>286,241,511</u>
Statement of Profit or Loss and Other Comprehensive Income		
Surplus for the year	4,306,268	12,884,645
Other Comprehensive Income	<u>11,683,377</u>	<u>14,093,227</u>
Total Comprehensive Income	<u>15,989,645</u>	<u>26,977,872</u>

The Parent Entity has capital commitments of \$10.5m in relation to building improvements (2013: \$Nil)

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

NOTE 19: CONTINGENT LIABILITIES

As a condition of the funding received under the funding agreement with GLNG Operations Pty Ltd, QGC Pty Ltd and Australia Pacific LNG Pty Ltd, Catalyst Affordable Housing Limited is required to deliver a minimum of 35

Brisbane Housing Company Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 19: CONTINGENT LIABILITIES (CONT)

dwellings in Gladstone. Projected cost to complete delivery of the minimum number of dwellings by the 31st December 2015 is \$13.66million.

As a condition of the funding received under the funding agreement with the State Government, for the Bothwell St project, the company is required to construct 57 social housing units. The State Government contributed the land valued at \$1.95million and cash of up to \$7.5million. 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 the amount provided by the State Government and is to reduce by 2.5% per annum.

NOTE 20: AFTER BALANCE DATE EVENTS

CAHL entered into a fixed price construction contract to deliver the Fisher St and Glenlyon St developments in Gladstone at a total cost of \$11.06Million. Construction is anticipated to complete by 30 June 2015

The company is in the process of obtaining registration as a Tier 1 Provider under the National Regulatory Scheme for Community Housing Providers. It is anticipated that Tier 1 status will be granted by the end of the calendar year.

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 17 September 2014 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.

- a. During the year the company paid MPS Valuers \$93,476 for valuation services, where a director was related to the principal of the firm.
- b. During the year the company paid Jane West \$5,580 for services related to an operational review, where the CEO was related to the consultant.
- c. During the year the company received \$42,120 in rent from Multicap Ltd for 6 boarding rooms at the Hartop Lane property, where two directors were also directors of the company.

NOTE 22: FAIR VALUE MEASUREMENT

The following table shows the non-financial assets measured at fair value on a recurring basis at 30 June 2014

	\$'000
Property Plant and Equipment	
Land & Building - Independent Valuation	\$99,321
Land & Building - Director Valuation	\$137,080

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

The land and buildings were revalued on 23 May 2014. The land and buildings were previously re-valued in May 2013.

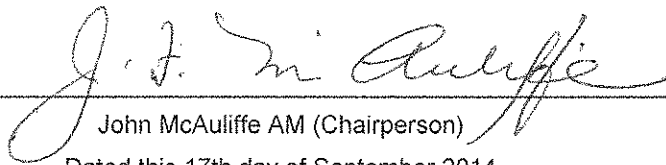
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DIRECTORS' DECLARATION

The directors of the entity declare that:

1. The consolidated financial statements and notes, as set out on pages 8 to 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 2014 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.



John McAuliffe AM (Chairperson)

Dated this 17th day of September 2014



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

We have audited the accompanying financial report of Brisbane Housing Company Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company.

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 Australian Charities and Not-for-profits Commission Act 2012. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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.

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An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's opinion

In our opinion:

- a the financial report of Brisbane Housing Company Limited is in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:
 - i giving a true and fair view of the financial position as at 30 June 2014 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards- Reduced Disclosure Requirements and the Australian Charities and Not-for-profits Commission Regulation 2013.

GRANT THORNTON

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M S Bell
Partner - Audit & Assurance

Brisbane, 17 September 2014