

Brisbane Housing Company Limited
ABN 75 101 263 834

Financial Report

For the period 1 July 2018 to 30 June 2019



Brisbane Housing Company Limited
ABN 75 101 263 834

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Brisbane Housing Company Limited
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Financial Report for the Year Ended 30 June 2019

DIRECTORS' REPORT

Your directors present this financial report on Brisbane Housing Company Limited consolidated entity ("Group") for the financial year ended 30 June 2019.

Incorporation

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

Directors

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

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

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

Information on Directors

- | | |
|-----------------|--|
| Eloise Atkinson | <ul style="list-style-type: none">- Independent Chair (Appointed 20 July 2016)- Director since 2007- B. Des St., B.Arch, AIA, GAICD- Member of Property Committee, Member of Tenancy Management Committee, Member of Finance Committee, Member of Audit & Risk Committee- Director nominated by the State Government and Brisbane City Council |
| John Gallimore | <ul style="list-style-type: none">- Director since 2002- BA, LLB (Hons), FANZCN, MAICD- Member of Property Committee, Member of the Audit & Risk Committee- Director nominated by the State Government |
| Geoff Woolcock | <ul style="list-style-type: none">- Director appointed 2009- BA Hons 1 (UQ) PhD (La Trobe)- Member of Tenancy Management Committee- Director nominated by Community Shareholders |
| Stuart Gregory | <ul style="list-style-type: none">- Director since 2005- B.Comm (Hons), FCPA, MAICD- Chair of Finance Committee, Member of Audit & Risk Committee- Director of BHC Development Services Pty Ltd- Director nominated by Brisbane City Council |

Brisbane Housing Company Limited

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Directors Report continued

- | | |
|------------------|---|
| Ben Foster | <ul style="list-style-type: none">- Director since 2010- B. App Science., Dip Fac Mgt, AAIQS- Chair of Property Committee- Director nominated by Community Shareholders |
| Les Jones | <ul style="list-style-type: none">- Director since 2012- B.Com and Admin Victoria University Of Wgtn N.Z, CA, MAICD- Chair of Audit & Risk Committee, Member of Finance Committee- Director nominated by Community Shareholders |
| Julia Heckenberg | <ul style="list-style-type: none">- Director since 2013- Dip of Teaching (TAFE)- Chair of Tenancy Management Committee- Director nominated by Community Shareholders- Director of Catalyst Affordable Housing Limited (appointed 27 April 2018) |
| Stacey Ross | <ul style="list-style-type: none">- Director since 2016- BHS, DipComDevel, DipComServ, DipYthWork- Secretary and Director for Logan Women's Health & Wellbeing Centre Ltd- Member of Tenancy Management Committee- Director nominated by the State Government |
| Kirsty Smith | <ul style="list-style-type: none">- Director since 2016- B.Com & Grad.Dip Property Economics (Development Major)- Member of Property Committee- Director nominated by Community Shareholders |

Company Secretary

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

Principal Activities

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

Operating Results

The comprehensive income of the Group amounted to \$12,281,417 (2018: \$7,834,992). No provision for Income tax was established as Brisbane Housing Company Limited is exempt from income tax and the non-exempt subsidiaries have carried forward losses.

Dividends Paid or Recommended

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

Review of Operations

The Group continued to provide affordable housing during the financial year. The Group completed construction on two developments which provided 45 new units of accommodation in total. Construction commenced on a third project which is expected to be completed by the end of calendar 2019.

A new real estate agency business (Elevate Residential) was established during the year and commenced trading in July 2018 and provides property management services (rentals and sales) for owners.

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

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Directors Report continued

Significant Changes in State of Affairs

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

After Balance Date Events

Other than disclosed below, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

In July 2019, the Group signed a funding agreement with the Queensland State Government to enable development of a new 32 unit affordable housing development.

Future Developments, Prospects and Business Strategies

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

Environmental Issues

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

Options

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

Meetings of Directors

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

Committee Meetings

	Directors' Meetings		Audit Committee		Finance Committee		Property Committee		Tenancy Management Committee	
	A	B	A	B	A	B	A	B	A	B
Eloise Atkinson	11	11	5	4	11	9	11	10	5	4
John Gallimore	11	9	5	3			11	10		
Geoff Woolcock	11	10							5	5
Stuart Gregory	11	11	5	5	11	11				
Ben Foster	11	11					11	10		
Les Jones	11	9	5	5	11	9				
Julia Heckenberg	11	11							5	5
Stacey Ross*	11	9							5	2
Kirsty Smith	11	10					11	10		

A = Number of Directors eligible to attend

B = Number of Directors in attendance.

* Stacey Ross had an approved 3 month absence from meetings during the financial year.

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Directors Report continued

Indemnifying Officers

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

Proceedings on Behalf of the Entity

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

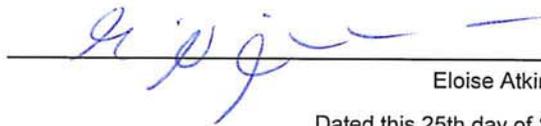
None of the Group entities were party to any such proceedings during the year.

Auditor's Independence Declaration

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

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

Chairperson



Eloise Atkinson

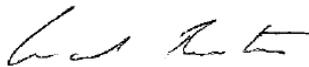
Dated this 25th day of September 2019

Grant Thornton Audit Pty Ltd
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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 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd
Chartered Accountants



S G Hancox
Partner - Audit & Assurance

Brisbane, 25 September 2019

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Brisbane Housing Company Limited
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated Group	
		2019	2018
		\$	\$
Revenue from rent		16,888,809	16,259,779
Revenue from government grants		6,988,374	4,172,309
Other revenue		1,194,663	1,143,162
Total Revenue	2	25,071,846	21,575,250
Property expenses		8,429,226	7,855,541
Employee benefits expense		3,902,628	3,182,559
Depreciation and amortisation		7,153,144	7,200,002
Finance costs		120,595	145,263
Professional fees		355,937	325,953
Administration expenses		1,054,037	1,020,262
Other expenses		662,781	252,172
Total Expenses		21,678,348	19,981,752
Surplus before income tax		3,393,498	1,593,498
Income tax expense		-	-
Surplus after income tax		3,393,498	1,593,498
Other comprehensive income:			
Gains/(Losses) on property revaluation		8,887,919	6,241,494
Other comprehensive income, net of income tax		8,887,919	6,241,494
Total comprehensive income for the year		12,281,417	7,834,992

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 2019

	Note	Consolidated Group	
		2019	2018
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	16,150,127	27,664,212
Trade and other receivables	5	254,170	281,210
Loans to third parties	6	26,920	26,560
Other current assets	7	1,535,715	1,341,823
TOTAL CURRENT ASSETS		17,966,932	29,313,805
NON-CURRENT ASSETS			
Property, plant and equipment	8	319,751,404	305,762,862
Work in progress	9	9,864,942	4,676,127
Investment properties	10	1,386,241	1,386,241
Loans to third parties	6	207,387	231,567
Intangible assets	11	86,591	115,455
TOTAL NON-CURRENT ASSETS		331,296,565	312,172,252
TOTAL ASSETS		349,263,497	341,486,057
CURRENT LIABILITIES			
Trade and other payables	12	3,625,268	8,375,180
Current provisions	13	558,285	305,071
TOTAL CURRENT LIABILITIES		4,183,553	8,680,251
NON-CURRENT LIABILITIES			
Non-current provisions	13	117,561	124,840
TOTAL NON-CURRENT LIABILITIES		117,561	124,840
TOTAL LIABILITIES		4,301,114	8,805,091
NET ASSETS		344,962,383	332,680,966
EQUITY			
Issued capital	17	11	11
Reserves		97,339,179	88,451,260
Retained earnings		247,623,193	244,229,695
TOTAL EQUITY		344,962,383	332,680,966

The accompanying notes form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2019

	Note	Share Capital \$	Retained Earnings \$	Asset Revaluation Reserve \$	Total \$
Consolidated Group					
Balance at 1 July 2017		13	242,636,197	82,209,766	324,845,976
Total comprehensive income for the year		-	1,593,498	6,241,494	7,834,992
Share Redemption	17	(2)	-	-	(2)
Balance at 30 June 2018		11	244,229,695	88,451,260	332,680,966
Total comprehensive income for the year		-	3,393,498	8,887,919	12,281,417
Share Redemption	17	-	-	-	-
Balance at 30 June 2019		11	247,623,193	97,339,179	344,962,383

The accompanying notes form part of these financial statements.

Brisbane Housing Company Limited

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STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2019

	Note	Consolidated Group	
		2019	2018
		\$	\$
CASH FLOW FROM OPERATING ACTIVITIES			
Rent & other income		17,668,555	16,919,829
Payments to suppliers and employees		(13,982,108)	(13,287,641)
Government grants		1,681,223	1,377,901
Interest received		471,586	558,629
Finance costs		(34,000)	(88,537)
Net cash provided by operating activities		5,805,256	5,480,181
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(467,714)	(760,237)
Purchase of motor vehicle		-	(72,945)
Payments for work in progress		(16,875,447)	(5,174,301)
Proceeds from sale of fixed assets		-	28,679
Net cash used in investing activities		(17,343,161)	(5,978,804)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans from third parties		23,820	25,410
Net cash provided by/(used in) financing activities		23,820	25,410
Net increase/(decrease) in cash held		(11,514,085)	(473,213)
Cash and cash equivalents at beginning of financial year		27,664,212	28,137,425
Cash and cash equivalents at end of financial year	4	16,150,127	27,664,212

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 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

1.1 Basis of Preparation

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards 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.

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

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period.

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement and makes major changes to the previous guidance, classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets. The main impact this will have on the consolidated financial statements is a change to the methodology for the calculation of the provision for bad debts (now provision for expected credit loss) in measuring the fair value of trade receivables.

There has been no material impact on current, prior or future periods arising from the first time application of AASB 9. Pursuant to AASB 9 transitional clauses, comparatives have not been restated.

1.3 Summary of accounting policies

a. Principles of Consolidation

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

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

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

b. Revenue

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

1.3 Summary of accounting policies continued

b. Revenue continued

Rental income is recognised in accordance with tenancy agreements.

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

c. Property Held For Sale

Property held for sale is valued at the lower of cost and net realisable value on a unit by unit basis. Cost includes construction cost, borrowing and holding costs until practical completion. Borrowing and holding costs incurred after practical completion are expensed to the Statement of Profit or Loss and Other Comprehensive income. Net realisable value is the estimated market value less costs to sell.

d. Construction Contracts and Work in Progress

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

e. Property, Plant and Equipment

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

Property

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

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

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

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

Plant and Equipment

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

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

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

Brisbane Housing Company Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

1.3 Summary of accounting policies continued

e. Property, Plant and Equipment continued

Depreciation

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

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

Class of Fixed Asset	Depreciation Rate
Buildings	2.5%
Plant & Equipment	7 – 25%
Office Equipment	10 - 50%
Motor Vehicles	20%
Leasehold Improvements	20 - 33%

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

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

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

f. Investment Properties

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

Investment properties are recognised at fair value, based on periodic, but at least triennial, valuations by external independent valuers, or director's valuations. Investment properties are not depreciated.

g. Leases

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

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

h. Impairment of Assets

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

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

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

Brisbane Housing Company Limited
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

1.3 Summary of accounting policies continued

i. Employee Benefits

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

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

j. Borrowing Costs

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

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

k. Cash and Cash Equivalents

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

l. Goods and Services Tax (GST)

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

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

m. Contributions

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

n. Income Tax

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

o. Intangibles

Software

Software is recorded at cost. Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses. Software is currently amortised over 4 years.

Management Rights

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

p. Provisions

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

q. Comparative Figures

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

Brisbane Housing Company Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

1.3 Summary of accounting policies continued

r. Financial Instruments

Recognition, Initial Measurement and Derecognition

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

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

Classification and Subsequent Measurement of Financial Assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified in to the following categories upon initial recognition:

- Amortised cost
- Fair value through profit and loss (FVPL)
- Equity instruments at fair value through other comprehensive income (FVOCI)

Classifications are determined by both:

- The Group's business model for managing the financial asset
- The contractual cash flow characteristics of the financial asset

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

Subsequent Measurement of Financial Assets

(i) Financial Assets at Amortised Cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL);

- They are held within a business model whose objective is to hold the financial assets and collect contractual cash flows
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Impairment of Financial Assets

AASB 9's impairment requirements use more forward looking information to recognise expected credit losses (the "expected credit losses" model) (ECL). Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss. The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach, a distinction is made between:

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

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

Brisbane Housing Company Limited

ABN 75 101 263 834

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

1.3 Summary of accounting policies continued

r. Financial Instruments continued

Trade and Other Receivables

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

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

Included in trade and other receivables at 30 June 2019 is an amount receivable from rental tenants charged by Brisbane Housing Company Limited during the current financial year amounting to \$339,760 and a provision for impairment has been made for \$228,319.

Classification and Measurement of Financial Liabilities

The Group's financial liabilities include trade and other payables and a bank facility (not drawn down as at 30 June 2019). Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs, unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated as FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

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

Financial Instruments (for the comparative period 30 June 2018)

The following represents the accounting treatment of financial assets with respect to the comparative financial year.

Recognition

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

Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in value of the instrument is considered to determine whether an impairment has arisen.

Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

s. Critical Accounting Estimates and Judgments

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

Key estimates - Impairment

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

1.3 Summary of accounting policies continued

s. Critical Accounting Estimates and Judgments continued

Key estimates - Plant and Equipment

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

Key estimates - Land & Buildings at valuation

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

Refer to Note 8 which highlights key estimates in relation to the valuation of land and buildings.

Key estimates - Work In Progress

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

Brisbane Housing Company Limited
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 2: REVENUE

	Consolidated Group	
	2019	2018
	\$	\$
(a) Revenue from rent		
– Residential rent (incl service charges)	15,418,203	15,011,698
– Commercial rent	310,027	186,788
– Recovery of tenant damage	346,838	302,970
– Caretaking income	683,686	661,711
– Other property related revenue	130,055	96,612
	16,888,809	16,259,779
(b) Revenue from grants		
– Grants – Affordable Housing	5,896,249	3,094,967
– Grants – National Rental Affordability Scheme	1,092,125	1,077,342
	6,988,374	4,172,309
(c) Other revenue		
– Management fees	612,306	607,973
– Management fees relating to Elevate Residential	76,006	-
– Interest received	456,281	468,244
– other revenue	50,070	66,945
	1,194,663	1,143,162
Total Revenue	25,071,846	21,575,250

NOTE 3: EXPENSES

	Consolidated Group	
	2019	2018
	\$	\$
Expenses		
Finance costs:		
– External	120,595	145,263
Bad and doubtful debts	105,817	192,122
Rental expense on operating leases		
– minimum lease payments	174,915	164,572
Expenses relating to Elevate Residential	168,585	-
Sales and marketing expenses relating to Arbor Sherwood	549,098	150,000

Brisbane Housing Company Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 4: CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2019	2018
	\$	\$
Cash at bank	850,127	1,544,212
Short term deposits with original maturity < 3 months	5,800,000	12,420,000
Short term deposits with original maturity 3-6 months	9,500,000	13,700,000
	16,150,127	27,664,212

The average effective interest on cash and term deposits was 2.40% (2018: 2.36%).

The Company has secured bank guarantees in favour of lessors of properties occupied by the Company to a total value of \$142,120 (2018: \$142,120). The limit of the bank guarantee facility is \$142,120 (2018:142,120).

NOTE 5: TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2019	2018
	\$	\$
CURRENT		
Residential receivables	339,760	293,801
Commercial receivables	142,729	225,876
	482,489	519,677
Provision for expected credit losses	(228,319)	(238,467)
	254,170	281,210

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

NOTE 6: LOANS TO THIRD PARTIES

	Consolidated Group	
	2019	2018
	\$	\$
Current	26,920	26,560
Non current	207,387	231,567
	234,307	258,127

Loans to third parties are interest free with the balance payable after 10 years.

NOTE 7: OTHER CURRENT ASSETS

	Consolidated Group	
	2019	2018
	\$	\$
CURRENT		
Prepayments	661,014	606,027
Accrued income	289,963	292,769
Interest receivable	87,626	52,468
GST receivable	298,012	177,133
Advances and deposits	199,100	213,426
Total other assets	1,535,715	1,341,823

Brisbane Housing Company Limited
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

The group's land and buildings were revalued as at 30 June 2019 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.

	Consolidated Group	
	2019	2018
	\$	\$
Freehold land at:		
– Directors' valuation	63,654,128	61,124,528
– Independent valuation	27,135,000	28,475,000
Total Land	90,789,128	89,599,528

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

Buildings at:		
– Directors' valuation	151,325,389	132,043,060
– Independent valuation	70,012,314	75,045,389
Total Buildings	221,337,703	207,088,449

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

Plant and equipment		
At cost	22,325,212	21,932,761
Accumulated depreciation	(15,005,486)	(13,303,179)
	7,319,726	8,629,582
Office Equipment		
At cost	348,611	330,641
Accumulated depreciation	(301,697)	(311,550)
	46,914	19,091
Leasehold Improvements		
At cost	766,724	766,724
Accumulated depreciation	(556,115)	(403,306)
	210,609	363,418
Motor Vehicles		
At cost	166,087	166,087
Accumulated depreciation	(118,763)	(103,293)
	47,324	62,794
Total Property, Plant and Equipment	319,751,404	305,762,862

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 8: PROPERTY, PLANT AND EQUIPMENT (CONT)

a. Movements in Carrying Amounts

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

	Freehold Land	Buildings	Plant & Equipment	Office Equipment	Leasehold Improvements	Motor Vehicles	Total
	\$	\$	\$	\$	\$	\$	\$
Consolidated Group:							
Balance at 30 June 2018	89,599,528	207,088,449	8,629,582	19,091	363,418	62,794	305,762,862
Additions	-	11,751,905	431,195	48,247	-	-	12,231,347
Disposals	-	-	(6,444)	-	-	-	(6,444)
Transfers	-	-	-	-	-	-	-
Revaluation increments / (decrements)	1,189,600	7,698,320	-	-	-	-	8,887,920
Depreciation expense	-	(5,200,971)	(1,734,607)	(20,424)	(152,809)	(15,470)	(7,124,281)
Balance at 30 June 2019	90,789,128	221,337,703	7,319,726	46,914	210,609	47,324	319,751,404

Brisbane Housing Company Limited
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 9: WORK IN PROGRESS

	Consolidated Group	
	2019	2018
	\$	\$
Work in Progress		
At cost	9,864,942	4,676,127
Movements in Work in Progress		
Balance at 30 June 2018	4,676,127	
Additions	16,898,400	
Transfer to property, plant and equipment	(11,709,585)	
Balance at 30 June 2019	9,864,942	

As a 30 June 2019 there is a 52 unit development at Hood Street, Sherwood undergoing construction which will be an affordable retirement village. During the year the 10 unit development at Glenalva Tce, Enoggera and the 35 unit development at Thornhill St, Springwood were successfully completed and tenanted.

NOTE 10: INVESTMENT PROPERTIES

	Consolidated Group	
	2019	2018
	\$	\$
NON-CURRENT		
Commercial	1,386,241	1,386,241
	1,386,241	1,386,241

Commercial properties are carried at fair value in accordance with Note 1(f).

NOTE 11: INTANGIBLE ASSETS

	Consolidated Group	
	2019	2018
	\$	\$
Software		
Cost	-	317,299
Accumulated amortisation	-	(317,299)
Net Carrying Value	-	-

The historical software balances which related to implementation and development of the Group's financial system were derecognised in FY19 due to lack of relevance.

Management rights	288,636	288,636
Accumulated amortisation	(202,045)	(173,181)
Net Carrying Value	86,591	115,455
Net intangibles	86,591	115,455

Brisbane Housing Company Limited
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 11: INTANGIBLE ASSETS continued

Movements in Carrying Amounts

	Software \$	Management Rights \$	Total \$
Movement in the carrying amounts for each class of intangibles between the beginning and the end of the current financial year			
Consolidated Group:			
Balance at 30 June 2018	-	115,455	115,455
Amortisation expense	-	(28,864)	(28,864)
Balance at 30 June 2019	-	86,591	86,591

NOTE 12: TRADE AND OTHER PAYABLES

	Consolidated Group	
	2019 \$	2018 \$
CURRENT		
Trade payables and accruals	2,133,413	1,585,989
GST payable	17,544	18,594
Unearned grant income	191,355	5,448,444
Other unearned income	349,725	408,001
Other payables	933,231	914,152
	<u>3,625,268</u>	<u>8,375,180</u>

NOTE 13: PROVISIONS

	Consolidated Group	
	2019 \$	2018 \$
Current	558,285	305,071
Non-current	117,561	124,840
	<u>675,846</u>	<u>429,911</u>

Analysis of Total Provisions	Short-term Employee Benefits \$	Long-term Employee Benefits \$	Other \$	Total \$
	Consolidated Group			
Balance at 1 July 2018	204,752	225,159	-	429,911
Additional provisions	374,786	44,770	173,000	592,556
Amounts paid	(332,588)	(14,033)	-	(346,621)
Balance at 30 June 2019	<u>246,950</u>	<u>255,896</u>	<u>173,000</u>	<u>675,846</u>

Brisbane Housing Company Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 14: CAPITAL AND LEASING COMMITMENTS

a. **Operating Lease Commitments**

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

	Consolidated Group	
	2019	2018
	\$	\$
Payable — minimum lease payments		
– not later than 12 months	212,630	174,508
– between 12 months and 5 years	42,434	210,639
– greater than 5 years	-	-
	255,064	385,147

The non-cancellable office lease has a 5 year term expiring 31 Aug 2020 with an option to renew for a further 5 years. Rental provisions within the lease agreement require the minimum lease payments to be increased by CPI.

	Consolidated Group	
	2019	2018
	\$	\$
b. Capital Expenditure Commitments		
Capital expenditure commitments contracted for:		
Capital expenditure projects	6,871,000	7,319,000
	6,871,000	7,319,000
Payable:		
– not later than 12 months	6,871,000	7,319,000
– between 12 months and 5 years	-	-
– greater than 5 years	-	-
	6,871,000	7,319,000

NOTE 15: OPERATING LEASES AS LESSOR

The Group leases out commercial space retained in its developments on an operating lease basis. The lease contracts are all non-cancellable ranging from 2 - 5 years from the commencement of the lease. No contingent rents were recognised. Future minimum lease rentals are as follows:

	Consolidated Group	
	2019	2018
	\$	\$
Minimum lease rentals due:		
– not later than 12 months	245,017	247,078
– between 12 months and 5 years	269,520	514,397
– greater than 5 years	-	-
	514,537	761,475

Brisbane Housing Company Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 16: KEY MANAGEMENT PERSONNEL COMPENSATION

The Group's key management personnel consisted of the Chief Executive Officer, the Deputy Chief Executive Officer/Chief Operating Officer, Chief Financial Officer and Directors. Total compensation paid to key management personnel during the financial year amounted to \$1,095,980 (2018: \$846,373).

NOTE 17: SHARE CAPITAL

	Consolidated Group	
	2019	2018
	\$	\$
3 (2018: 3) fully paid Ordinary Shares	3	3
8 (2018: 8) fully paid Community Redeemable Preference Shares	8	8
	<u>11</u>	<u>11</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 vote when a poll is called, otherwise each shareholder has one vote on a show of hands. During the year, the Company redeemed two Community Redeemable Preference Shares at the request of the relevant shareholders.

NOTE 18: BORROWINGS

	Consolidated Group	
	2019	2018
	\$	\$
Loan facilities		
Loan facilities	10,000,000	10,000,000
Amount utilised	-	-
Amount available	<u>10,000,000</u>	<u>10,000,000</u>

At 30 June 2019 the Group has access to a \$10m revolving loan facility. The facility is due to expire on 31 January 2021. Termination of the agreement can be effected by notice in writing. No funds were drawn down as at 30 June 2019.

Finance will be available under the facility provided the Group has not breached any borrowing covenants and the required financial ratios are met. At the date of this report the borrowing covenants have been met. The loan facilities are secured by mortgages over a number of the land and buildings classified as Property, Plant and Equipment in note 8.

Brisbane Housing Company Limited
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 19: PARENT ENTITY INFORMATION

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

	2019	2018
	\$	\$
Statement of Financial Position		
Current Assets	17,243,010	28,958,189
Total Assets	349,078,566	341,693,099
Current Liabilities	3,997,380	8,886,416
Total Liabilities	4,114,941	9,011,256
Total Equity	344,963,625	332,681,843

	2019	2018
	\$	\$
Statement of Profit or Loss and Other Comprehensive Income		
Surplus for the year	3,574,161	1,689,909
Add: Profit/(loss) recorded on investment in Catalyst Affordable Housing Limited	1,336,186	(1,387,925)
Other Comprehensive Income	7,371,435	7,534,184
Total Comprehensive Income	12,281,782	7,836,168

At 30 June 2019 the Parent Entity has \$6.9m of capital expenditure commitments relating to projects (2018: \$7.3m). The Parent Entity has not entered into a deed of cross guarantee nor are there any contingent liabilities at the year end other than those described in Note 21.

NOTE 20: COMPOSITION OF THE GROUP

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

Name of the Subsidiary	Country of Incorporation and principal place of business	Principal Activity	Proportion of Ownership interests held by the Group	
			2019	2018
BHC Development Services Pty Ltd	Australia	Dormant	100%	100%
Catalyst Affordable Housing Limited	Australia	Developer/Manager of Affordable Housing in Gladstone	100%	100%

NOTE 21: CONTINGENT LIABILITIES

As a condition of the funding received under the funding agreement with the State Government, for the Bothwell St project (Caggara House), the Company was required to construct 57 social housing units. The State Government contributed the land currently valued at \$2.46m and cash of \$7.47m. The State has an option to purchase the development in 2053 and a first right of refusal if the Company sells before that date. the Company may be required to repay the contingent liability to the State in the event of a sale of the property. The contingent liability is a proportion of the value of the property based on the proportion of the total cost which was provided by the State Government and is to reduce by 2.5% per annum.

Brisbane Housing Company Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 22: AFTER BALANCE DATE EVENTS

In July 2019, the Group signed a funding agreement with the Queensland State Government to enable development of a new 32 unit affordable housing development.

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

The financial report was authorised for issue on 25 September 2019 by the Board of Directors.

NOTE 23: RELATED PARTY TRANSACTIONS

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

During the year the Group invoiced \$39,291 excl GST (2018: \$38,291 excl GST) in rent to Multicap Ltd for 6 boarding rooms at Hartopp Lane, Kelvin Grove. One of the Group's directors is also a director at Multicap Ltd.

The Group also made purchases from BuyFruit Pty Ltd for \$2,049 during the financial year (2018: nil). BuyFruit Pty Ltd is related to the Brisbane Markets Limited, of which one of the Group's key management personnel is a director.

NOTE 24: FAIR VALUE MEASUREMENT

The following table shows the non-financial assets measured at fair value on a recurring basis at 30 June 2019:

	\$'000
Property Plant and Equipment	
Land & Buildings - Independent Valuation	\$97,147
Land & Buildings - Directors' Valuation	\$214,979

Fair value of the land & buildings - independent valuation, is estimated based on valuations performed by independent, professionally qualified property valuers. In conducting their valuation, current rents, building operating costs and valuations of comparable properties are taken in to consideration. Fair value of land and buildings - directors' valuations are estimated based on the average percentage increase of the independent valuations.

The land and buildings were revalued on 30 June 2019. The land and buildings were previously revalued in June 2018.

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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 28, 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 2019 and of the performance for the year ended on that date of the company and of the consolidated group.
2. In the directors' opinion there are reasonable grounds to believe that the company and its subsidiaries will be able to pay their debts as and when they become due and payable.

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



Eloise Atkinson (Chairperson)

Dated this 25th day of September 2019

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

Report on the audit of the financial report

Opinion

We have audited the financial report of Brisbane Housing Company Limited (the "Registered Entity") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the Directors' declaration.

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

- a giving a true and fair view of the Registered Entity's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- b complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

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

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We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Registered Entity's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of the Registered Entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the ACNC Act, and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Registered Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Registered Entity or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Registered Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

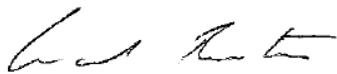
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Registered Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Registered Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Registered Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Grant Thornton Audit Pty Ltd
Chartered Accountants



S G Hancox
Partner - Audit & Assurance

Brisbane, 25 September 2019