

Annual Report 2008 - 2009




Contents

Introduction	4
Chairman's Report	6
CEO's Report	7
Company Set-up and model	8
Aims	8
Advantages	8
Capacity of the Board and Staff	10
Company Structure	11
Achievements	12
Development and acquisition progress	13
Major documents	13
Property acquisition by programme	13
Development Overview	14
Company Activities	18
Directors appointments and dates	18
Board sub-committees	18
Audit and Corporate Governance	18
Development	18
Remuneration	19
Executive Officers working group	19
Operating result for first full year.	19
Principal Activities	19
Company Statements	20
Significant changes	20
After balance date events	20
Future developments	20
Environmental issues	20
Dividends	20
Directors benefits	20
Indemnifying Officer or Auditor	20
Proceedings on Behalf of Company	20
Meetings of Directors	21
Financial Statements	22
Auditors Independence Declaration	22
Profit and Loss	24
Financial Performance – by Nature	26
Statement of Financial Position	27
Statement of Changes in Equity	28
Cash Flow Statement	29
Notes to the Financial Statements	31
Directors Declaration	44
Independent Auditors Report	45
Accountants Compilation Report	47

Introduction

“It is anticipated that during the year ended 30 June 2009, the Company will acquire more than 40 dwellings for management by its members at a cost of around \$12,000,000.”

The actual numbers were 443 affordable housing dwellings at over \$70,000,000.



"It is anticipated that during the year ended 30 June 2009, the Company will acquire more than 40 dwellings for management by its members at a cost of around \$12,000,000."

So began the 'Future Developments' section of the previous BlueCHP Annual Report.

As this 2009 Annual report goes to print that number is currently 443 dwellings either purchased and under management or being developed at a cost of over \$70million. Such is the growth in the community housing sector.

BlueCHP Limited is an affordable housing development and property services company. It lies at the forefront of the regeneration of the sector.

This is the first full-year annual report for the company showing it was still very much in establishment and growth mode.

The company greatly appreciates the significant input from its Board, staff, members/stakeholders in Government, its lending institutions and consultants.

More importantly we are proud to be able to make a difference to people's lives through the provision of affordable, high quality, well located and function homes.

The mission of BlueCHP is to support the aims of its member organisations by developing and acquiring affordable housing opportunities for them to manage for the benefit of low to moderate income households



Chairman's Report

After 16 months of operation I am pleased to report that BlueCHP Limited, The Affordable Housing Development Company, is sound, strong, growing and has exceeded the expectations of us all.

BlueCHP was only an exciting concept in the minds of the Executive Officers of our Five Members less than 3 years ago. Through the setting up process to the commencement of business in our own right in July, 2008 and the rapid growth of the organisation since then, the vision of the EOs in bringing their Community Housing Companies together was to achieve the advantages of size to maximize capacity and efficiency in developing low cost and affordable housing while retaining the personal local relationship with tenants and communities which is the strength of community housing.

With the support of programs of the NSW and Commonwealth Departments of Housing to promote innovation in housing affordability, with incentives and economic stimulus measures and stock transfers BlueCHP has grown from nothing to having over 1 000 units of accommodation either occupied, under construction or committed over the next few years at this time.

From our beginnings we have had the benefit of the advice and skills of Affordable Housing Solutions Pty.Ltd. Hal Bissett, David Moeller, Neil Youren and their staff have enabled us to identify opportunities, win tenders and implement projects while we have built up our own organisation. Their efforts on our behalf have been instrumental in our success. I thank them and look forward to working with them into the future.

Our initial staff, Lesley Wyatt and Mario Majarich, our Administration and Development Managers respectively, and later Esther Schaefer our Administration Manager, made all that we have achieved possible by their extraordinary efforts which are appreciated by us all. My sincere thanks to all of you.

In July this year we entered a new phase of our development with the appointment of Tim Gavan as our Chief Executive. Tim's skills, enthusiasm and foresight had immediate effect and he has brought a renewed vibrancy and vision to the company. I am looking forward to working with him over the next few years with great anticipation.

Finally I wish to thank the Board of BlueCHP for their extraordinary input and courage over the life of the Company. With the pace at which funding was being offered to us and the significant responsibilities placed upon the Directors I was privileged to lead such a very hard working group through such an exciting period. I thank Pat Martin, Rae Weston, Gail Sadler, Rhod McGhee and Bill Randolph for their service and support. I also thank Andrew Larkin for his contribution as our First Chairman before retiring due to ill health. The contribution of David Currie through the Audit Committee and of the Member EOs, Brian Murnane, Marg Kaszo, Bobbie Townsend, Nicola Lemon and Nick Sabel has been fundamental to our success and I thank them all.

Professor Randolph has retired from the Board due to his greatly expanded teaching and research roles but I am pleased to announce that he has accepted our invitation to become our First Patron.

If our First year was exciting, this and the future years look even more so and more challenging. As sources of funding change and new opportunities arise BlueCHP will be striving to maintain its position as the leading and most innovative community provider of affordable and social housing stock.

Rod Aistrophe
Chairman.



CEO's Report

Welcome to the new era of community housing. In the last 12 months so much of the world has endured the worst recession since the 1930's, and still does in some parts. It has changed the way in which business is done and will be done for years to come. Activities in Community Housing sector in 2008/09 however, are a neat reminder that every cloud has a silver lining. The growth and escalation of importance of the sector are testaments to the courage, foresight, latent skills and abilities of a sector which had been dormant but ready to act when the opportunity arose. More remarkable, from the perspective of a relative outsider, is the willingness of Government to work with the community associations as well as the private sector development and project management firms to take ultimate advantage of the stimulus opportunity which was presented by Federal and State incentives and funding.

BlueCHIP has been at the forefront of innovation to leverage, negotiate, formulate and lead thought in ways to create a new asset class of property. More importantly BlueCHIP as a growth provider has managed to be the catalyst for the addition of more than 1,000 new dwellings into the community housing sector – new housing for almost 3,000 new clients, more than half of which is high quality, well located and pride-inducing housing. Through a strong culture of social entrepreneurship engendered by a progressive Board and quality consultants the company now has a foundation upon which can be built the future of investment, development and asset management services for our members and clients.

Our short-term future will be governed by some very significant events which will determine the success of the company over the medium and long term. These are:

- achieving registration;
- managing the handover of Nation Building Economic Stimulus Plan transfers;
- taking advantage of the growth available through the third component of NRAS 3; and
- employing staff dedicated to high commitment and high performance.

It's the last point which will ensure the success of this company. To date the success has been due to the superb commitment of a Board who not only have worked on the business but has had to work in the business. The Board along with committed staff and a significant contribution by members' leaders and staff have given an incoming inaugural CEO confidence to plan for the future on solid foundations. The BlueCHIP philosophy of providing talented staff with the means to reach their potential, to be the best version of themselves they can, will enable it to succeed in achieving the milestones ahead.

Our view of success is to have established ourselves as the natural choice for industry partners and employees; through a culture of social entrepreneurship, maximise the availability of affordable housing for the many who need it; have a reputation for excellence, built on our core values of leadership, innovation, sustainability, integrity, quality and passion; to be financially self-sustaining; to constantly strive to ensure members, clients and stakeholders are served to enable them to be heroes in the eyes of their clients and to only ever develop or invest in projects that we ourselves would live in.

The unique model BlueCHIP has set up with its members will enable it to take greater advantage of opportunities for growth over the coming years. BlueCHIP benefits from the input of 123 member employees in 15 offices and who manage 5,100 properties housing over 12,000 clients. Regular interaction at all levels of BlueCHIP and its members will ensure we meet the challenge of pooling the knowledge (industry and local), experience and dedication to produce the best quality housing product in the best locations designed to meet the immediate and long term needs of our communities. Much work continues to be done to ensure on-going alignment of members' and BlueCHIP's needs and no less importantly the needs and requirements of our Government stakeholders. Growing a company from a seed concept is no mean task but it also enables us to learn from the mistakes and achievements of the past, to enable us to select the best people from both the public and private sector as well as the "Third Sector" in not-for-profit areas.

Most refreshing is the interaction and dedication not just of Government partners in community housing but also that of other community housing associations, providers and related parties at all levels. While there is competition, a free-flow of information, support, advice in a collaborative approach to learning and addressing new issues and challenges in the new world is very encouraging and not evident elsewhere. The common purpose is the underlying reason, but also the leadership of our peak bodies sustains this collaborative environment.

BlueCHIP has grown quickly in a short period as has the community housing sector (although it has been around for much longer). The business world is full of examples of failed companies which grew quickly without a plan for that growth. In some respects the way in which the sector has grown has a flavour of "ready, fire aim!" but the saviour has been the ready supply of dwellings to purchase at historically low prices (the result of a property depression in NSW) and the huge effort in all levels to ensure risk is mitigated, loan to value ratios are manageable and the undeniable reason for us all being here – the massive and unacceptable waiting lists of people seeking affordable housing. For this reason the sector can't grow fast enough. The way BlueCHIP members' employees have accepted this change in their working lives, after a long period of steady as she goes, is heartening, as it's not going to stop in the medium term. The planning process to ensure more sustainable, risk-mitigated, strategic growth which meets the needs of our members, government and other stakeholders needs continual review and refinement in the light of a continuously changing external environment.

Other challenges ahead include taking advantage of the opportunities presented by the new Affordable Rental Housing SEPP; innovative ways to fund growth, the protection of government assets which will be transferred to the sector, maintenance of tax benefits to the sector, an improving general housing market, hopefully falling unemployment, increasing interest rates, ongoing homelessness and indigenous housing needs and developing and improving schemes to purchase low cost housing (an exit strategy) to name a few.

BlueCHIP is ideally placed to take on these challenges. Its strength is in the experience and size of its membership, its great local knowledge, ability to provide more housing to other organisations through its development and asset management and other services which will be brought on-line. It is here to serve its members and other stakeholders and to assist them in meeting their goals in whatever way it can. We greatly look forward to the challenge of the new era.

Tim Gavan
Chief Executive Officer

Company Set-up and Model

BlueCHP Limited was established in November 2007 as a Public Company Limited by Guarantee. BlueCHP is also a Charity, a PBI, and is registered with the Office of Community Housing as a Community Housing Provider.

Its members are five of the largest Community Housing Associations in the State:

- Argyle Community Housing Ltd – Serving Campbelltown, Camden, Wollondilly, Wingecarribee, Goulburn, Queanbeyan, Yass, Northern Illawarra, Wagga Wagga and parts of the Riverina
- Hume Community Housing Association Co Ltd covering Liverpool, Fairfield, Holroyd, and parts of Parramatta, Bankstown, Blacktown and Campbelltown.
- South Coast Community Housing cover the south coast region from Illawarra through to Batemans Bay.
- Wentworth Community Housing Ltd, covering Blacktown, Penrith, Richmond Windsor and the Blue Mountains
- The Women's Housing Company that provides housing to single women through the whole Sydney metropolitan area.

Our members manage over 5,000 properties under numerous different programs, but the largest program being the Community Housing Leasing Program through Community Housing Division.

Each member nominates a director to serve as a director on the BlueCHP Board.

A members' Agreement was drawn up as a contribution from Mallesons Stephenson and Jacques, and this document drives the relationship required for the success of BlueCHP.

It is a condition of membership of BlueCHP that they hold current Registration as a Community Housing Provider.

Originally, BlueCHP engaged the services of Affordable Housing Solutions to assist us with our tender writing, sourcing the

finance, and the establishment as a property developer. We are in the process of acquiring these abilities in-house, but still enjoy the benefits of a very constructive relationship with them at this time.

Under our model, BlueCHP does not carry out any tenancy allocation or management. All homes are head leased to our members for them to manage. Homes that we have purchased requiring mortgage repayments are leased on a head lease that fits with the program requirements but also allows our members to retain a surplus to cover their needs. For properties leased to us by HNSW, we grant a lease on a peppercorn rent, and our members pay for all the overheads.

Aims of BlueCHP

BlueCHP was set up to be the development arm of the five member organisations. Each member was aware that individually they would not have the resources to employ in-house project management staff, but together there would be the scale to bring this about. The establishment of a new company also acted as a risk management strategy for each organisation going into the property development business.

The mission of BlueCHP is to support the aims of its member organisations by developing and acquiring affordable housing opportunities for them to manage for the benefit of low to moderate income households

Each member contributed an initial \$0.5m of their growth equity to establish a BlueCHP development program, and these funds partially form the equity portion of the tenders we have submitted to date.

Advantages of the BlueCHP Model

All tenancy management remains locally based thus ensuring the continuance of the Community Housing ethos.

Five organisations are available to provide equity.

Each member organisation has four others to call on for support, and with whom they are not in competition. Both Directors and Senior Staff have benefited from having this relationship.

The risk of raising debt finance, and developing properties is shared.

Between the five members we cover a very large part of the State, but it is still feasible to have local contacts with support agencies for our tenants, and Local Councils for other services including provision of land for development.

Our company structure provides a supportive network for all the directors and executive officers of the member organisations.

The BlueCHP model.

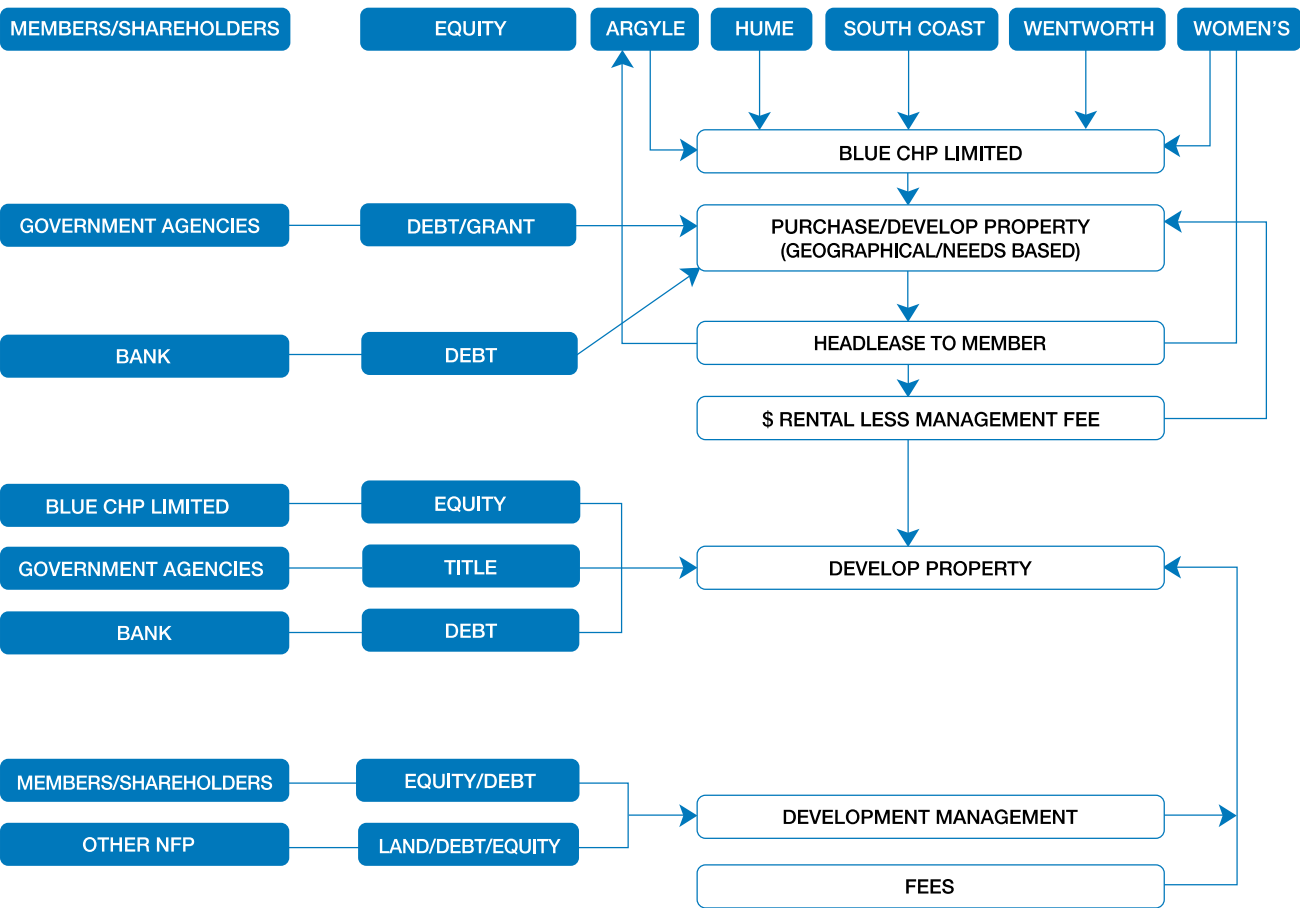
The model below shows the current relationship between member shareholders, the special purpose vehicle company (BlueCHP Limited) and the relationship with its government and financial partner stakeholders.

The model shows funds flowing from member shareholders, government and banks to BlueCHP who develops and invests in property.

A headlease and management agreement with a member enables the proper tenancy management. Rental less a management fee flows back to BlueCHP to maintain current and develop more property.

Future phases of the company will see BlueCHP equity combined with debt raised through title used to develop property.

Other business revenue lines will see development and asset management services provided to members and other not for profit organisations to enable them to produce more affordable housing property.



Capacity of the Board, and staff.

BlueCHP has five directors who are nominated by the five member organisations. Our constitution allows for two additional directors who can be co-opted onto the board to complete the required set of skills. Capacity of current board members:



Rod Aistrop - Chairman
CP.Eng., B.Tech., MIE Aust., GAICD.

A Practicing Civil Engineer with high level experience in handling contracts Rod has given 5 years service to the Argyle Community Housing Board, and the past year with BlueCHP.



Pat Martin
B.ed, Diploma in Migrant Education OAM JP.

Retired teacher and management consultant, 25 years in Community Management, 15 years on the Board of Hume Community Housing, past president of the Federation of Housing Associations, and the past year with BlueCHP.



Gail Sadler
Bbus. MAICD

Extensive experience in the areas of business development and financial management serving as a senior executive in large private sector international companies. Member of Wentworth Board.



Prof. Rae Weston
B.Com (Hons), B.Juris., LLB., PhD. (Monash)

Professor of Banking New Zealand 1983-1990, Professor of Management 1990-2007, Director of Housing Corporation of New Zealand



Rhod McGhee

Retired Solicitor specialising in contract law, committee member of South Coast Community Housing for 11 years, currently their President, also serving as a board member on the Shoalhaven Retirement Village Board.



Prof. Bill Randolph
B.Sc.(Hons), Geography, Ph.D

Associate Dean (Research) UNSW Built Environment. Chair, Community Housing Advisory Board

The Executive Officers of the five members offer structured input to the running of the organisation. They are:

Brian Murnane

25 years in Community Housing, and served on CHAC, CHAB, Director of Churches Community Housing, ex National President of St Vincent de Paul Society.

Bobbie Townsend

BA in Community Management, Dip in Community Organisations, Grad Certificate in Housing Management and Policy, MAHI, 20 years in Community Housing.

Marg Kaszo

Diploma in Social Sciences in Housing Management and Policy, Diploma in Business, 17 years in Community housing. 8 years on board of NSW Federation of Housing Associations including president, Vice President and Treasurer.

Nick Sabel

15 years in Community Housing, past 2 years as President of NSW Federation of Housing Associations.

Nicola Lemon

Worked in housing in UK before joining Hume Community Housing in 2008. Board member of The NSW Federation of Housing Associations.

Current Staff of BlueCHP

Tim Gavan - Chief Executive Officer

Associate Diploma in Business (Valuation), Fellow Australian Property Institute. Former General Manager NSW and Vic at Austcorp developer of 12 mixed use projects. MD of LandMark White Valuers in NSW. Board of Advisors Property Industry Foundation. Former Chairman Commercial Committee of the Property Council of Australia (PCA) and former Board member of PCA.

Lesley Wyatt - Executive Officer Members Services

24 years in Community Housing as EO of Hume Community Housing Assoc, 4 years on Board of The Federation of Housing Association, foundation board member of Australasian Housing Institution.

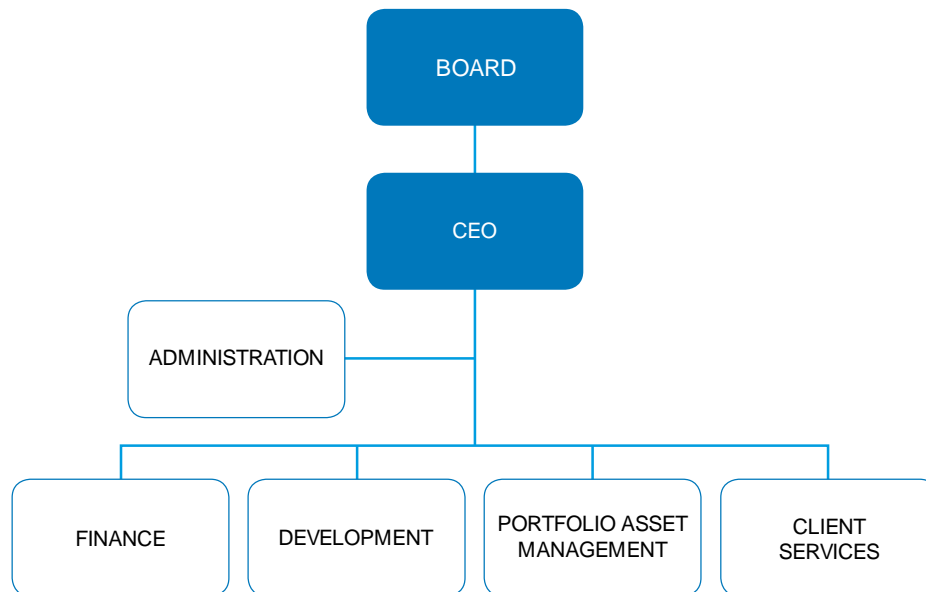
Mario Majorich - Development Manager, Architect and Executive Officer Property

14 years working for the Department of Housing, 7 years Land use and Regional Planning (STATE), 4 years Local Government, and 12 years as private consultant. 4 years in Community Housing.

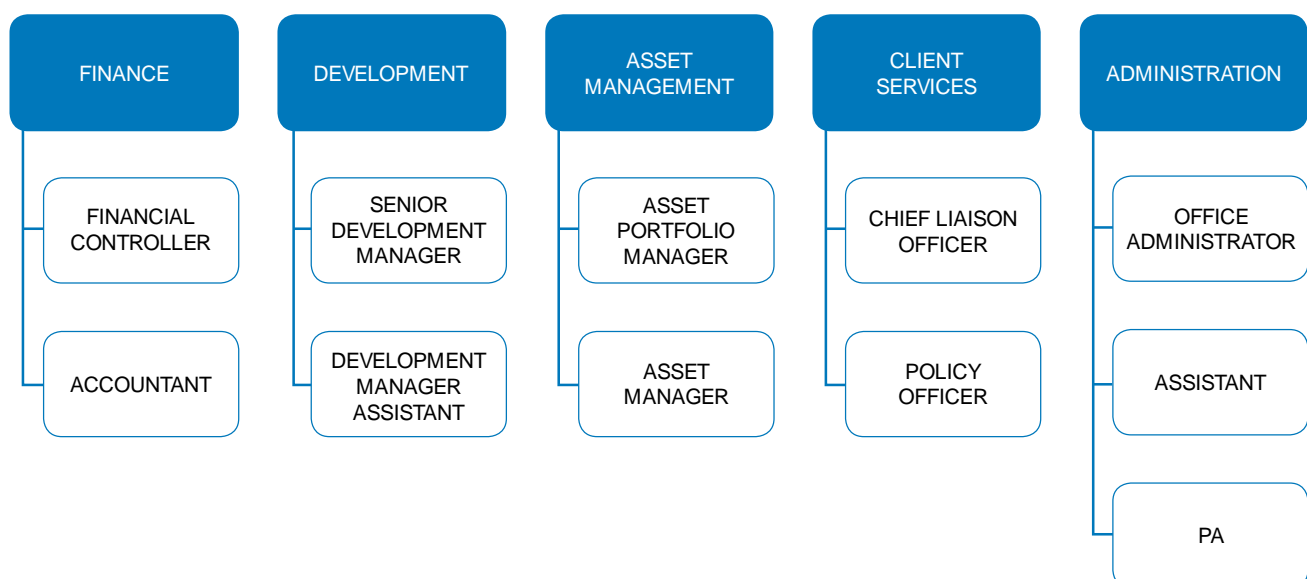
Esther Schaeffer - Office Administrator

With over 10 years experience in the sector, Esther joined the BlueCHP team in February 2009 bringing with her the skills gained from working for Argyle Community Housing from July 1998 as the bookkeeper and transferring later to being a client service officer. BlueCHP benefits from her experience and understanding of the work of our members as well as excellent IT skills and bookkeeping.

Company Structure



Division Structure



Achievements

In just twenty months we have brought five organisations together to:

- Incorporate as a Public Company Limited by Guarantee
- Gain Charity Status, PBI and DGR status
- Agree to the terms of a Members Agreement
- Gain Temporary Registration as a Community Housing Provider from the Office of Community Housing (CHD)
- Gain Growth Status from the Office of Community Housing
- Successfully tendered under the Affordable Housing Innovations Fund (AHIF) for \$6.4m to purchase 40 homes.
- Purchased 40 properties using the AHIF funds.
- Successful tender under National Rental Affordability Scheme (NRAS) for 52 NRI's to extend the AHIF properties to 52 properties.
- Successful tender under NRAS for 242 NRI's against a portfolio of identified properties.
- Successful tender under Social Housing Growth Funds Round 1 (SHGF) for 50% funds to purchase 107 properties that were also approved for NRAS within the 242 NRI's.
- Successfully tender under SHGF Round 2 for a further 72 dwellings that will also have NRI's attached to them.
- Successful tender St Marys ADI Site to build 8 properties on 5 blocks to be purchased, and then develop a further 67 sites (over 120 dwellings) that are transferred to us for affordable housing at the rate of 3 blocks for every 100 sold through Phase 1, and then we have the option to continue into Phase 2.
- We have been offered a total of 143 properties under the Community Housing Acquisition Program (CHAP) as a growth provider. This number had been reduced to 79 dwellings due to HNSW rehousing tenants to enable the development under National Building Stimulus to take place.
- We are receiving offers of housing under the Nation Building Stimulus program for NSW, and await the EOI requirements for permanent allocations of these homes.
- We have tendered to build 100 dwellings under the Nation Building Stimulus program for the ACT, and have been awarded funds to develop 45 dwellings, in anticipation that we will apply for further NRI's on these properties to erect further properties in the ACT.
- As a growth provider we have been offered 461 Property Transfer Program dwellings in the Blue Mountains area.
- Negotiated a Commercial Loan through the National Australia Bank for \$25m to pay out the AHIF loan, and fund the purchases for SHGF and St Marys.
- Discussing joint ventures with other not for profit and large developers.

Property Development/ Acquisition Progress

The following table sets out the details of acquisitions by program, and the rate that these homes are being made available to tenants. Broadly under AHIF we have spot purchased, 24 homes and constructed and constructed 28, with 14 still under construction. Under SHGF 1 we have spot purchased all 107 dwellings, and to date have handed over 47 with the balance due to settle in the next 2 or 3 weeks.

Major Documents that Underpin the BlueCHP Model

1. Memorandum of Understanding: that the Ave members all signed to enable the organisation to move forward to incorporation.
2. Constitution: the Constitution of the company.
3. Members' Agreement: this document sits beside the Constitution and sets out how members nominate a member each to the Board, and the level of their initial interest free loan to BlueCHP to start the Development etc, and which has now superseded the Memorandum of Understanding.
4. Commercial Lease: this document has been designed for our needs to lease properties to our members to be subsequently sub-let to their applicants/tenants.
5. Management Agreement: this document sits beside the Lease and sets out how the properties will be managed, systems, procedures and requirements, and quality management control.

Property acquisition by programme

Programs tendered for – approved and awaiting approval as at 30 June 2009

Properties agreed or proposed / properties available for occupation										
Project Status Time frame	Members equity	Govt funding	Loan	Argyle properties	Hume Properties	S/Coast Properties	Wentworth properties	Women's properties	Total Properties	Tenancy Type
AHIF/NRAS Approved By June 2010	\$1.727m	\$6.4m Plus 52 NRI's	\$8.703m BoQ	12/8	8/8	12/0	8/1	12/12	52/29	Affordable
CHLP Growth 08/09	Nil	Title one day	Nil	CP 25/5	CP 9/9	CP 18/14	CP 12/0	CP 15/0	CP 79/28	PH eligible ICAS
St Marys Stage 1 (5 lots) 2015	\$0.258m	\$1.813m + \$0.200m seed funds	\$0.517m	Nil	Nil	Nil	7/0	1/0	8/0	Affordable
St Marys Stage 2 (69 lots) Mar 2009	\$3.841m	\$6.187m + 69 lots @ \$15.342m	\$12.565m	Nil	Nil	Nil	106/0	19/0	125/0	Affordable
SHGF No 1 July 2009	\$1.608m	\$16.081m + 107 NRI's	\$14.473m	Nil	46/23	Nil	36/0	25/22	107/45	50% AH 50% PH
SHGF No 2 July 2010	\$1.547m	\$19.361m plus 135 NRI's	\$17.807m	0/0	15/0	36/0	9/0	12/0	72/0	50% AH 50% PH
Property Transfer Prog	Nil	Title one day	Nil				451/0		451/0	PH
Nation Bld Stimulus ACT	Nil	30m		100/0					100/0	50% AH 50% PH
Nation Bld Stimulus NSW	Nil	Transfer of title	Nil at this stage but commitment	6/0	1/0				7/0	
Total	\$8.981m	\$100.384m	\$85.205m	143/13	79/40	66/14	629/1	94/34	1001/102	

Note: Rows in blue are approved programs.

Development Overview



1. Hampton Street Fairfield

The purchase of 8 townhouses at Fairfield was the first acquisition under the Affordable Housing Innovation Fund (AHIF) for which grant funds were initially awarded to BlueCHP Limited.

A number of other projects were shortlisted to be acquired under this funding allocation, however as this one had just been completed and became ready for occupation by early November 2008, negotiations were entered into acquisition. As it met the locational and cost criteria under the program, the property was exchanged and settlement was completed by the end of December 2009.

A strata plan has been approved, however as the project is wholly managed, there is no need for levies to be imposed nor meetings required. In the long term, there is the option of being able to sell individual units.

The development consists of 8 three bedroom townhouses (6 in two storeys and 2 of single storeys). Being well located to the Fairfield Shopping Centre and Railway station and the many facilities within the Fairfield CBD, it has been well received by the tenants. Access to some large industrial estates is convenient from this location.



2. West Terrace Bankstown

BlueCHP's portfolio in this multi-level apartment building is 8 two bedroom units. Each have an internal area of and 23 sqm on the balcony. The units are all of the same design internally. These are spread over 4 levels. The location is opposite the railway line and within some 250 metres of the railway station entrance. It is also close to the major amenities and facilities of the Bankstown CBD. The Centro regional shopping centre is close by accessed via an underpass at the entrance to the building.

The building has full security access to the basement car park and the entry lobby and has video intercom operated control. Each unit has a large and private balcony accessed to both the bedroom and the lounge room. All have split-system reverse cycle air conditioning. Each unit has a bathroom plus an en-suite to the main bedroom.



3. St Marys Red Gum

The "Red Gum" estate close to the St Marys shopping centre was initiated as joint venture project by Landcom (owners of the land) and Cosmopolitan Constructions (dwelling design and construction).

The estate consists of some 40 houses in a comprehensively planned and landscaped setting. Some are attached as either duplexes or triplexes but all have "torrens title" ownership. All dwellings had pre development approval as part of the whole estate, and thus did not require a process of initial land purchase, calling of building tenders and application for development approval which avoided delays.

All dwellings are of two storey construction and complement each other in the materials and colours used.

A total of eight dwellings have been either procured or contracted as house-land packages and completed since January. Most have 4 bedrooms with bathroom and en-suite whilst 1 has 3 beds + study and one with 2 beds + study.



4. Park Central

The inclusion of 4 dwellings within the Park Central precinct represents an extremely valuable asset for the affordable and community housing sector.

The two 3-bed and two 4-bed single storey cottages are well located within a few minutes walk to a major regional centre, railway station, hospital and close to the University of Western Sydney.

The 3 bedroom dwellings have an internal area of 123 sqm and 4 bedroom dwellings have 137 sqm of living area and large backyards. All have 2 secure garages.

In an area made up largely of well sought after and “top-of-the range” housing, these dwellings provide good, well located and accessible accommodation with potential for attractive capital appreciation which has already been realised.



5. Macarthur Gardens

As a contrast to Park Central, these four single level free-standing dwellings provide an alternative “affordable” opportunity for rental accommodation within very close proximity to the Macarthur Regional Shopping Centre.

These are similarly within walking distance to the railway station and the University of Western Sydney. The setting within Macarthur Gardens is more open and landscaped and opposite a small attractive recreational park.



6. Peppermint Grove Worrigeen Nowra

Twelve (12) detached cottages have are being built within the Peppermint Grove Estate at Worrigeen 5 minutes drive from Nowra.

All dwellings have 4 bedrooms and two garages and have an internal floor area of at least 150 sqm. The garages accommodate two cars and have an internal area of 33 sqm.

The dwellings are spread throughout the generally owner occupied estate and the design of the dwellings aims to complement and reflect the character and scale of the existing subdivision.



7. Aristida Crescent Mount Annan

The accommodation mix at Mount Annan consists of two bedroom houses (plus study) and two self-contained studio apartments.

The houses are well located near a neighbourhood centre comprising of some shops, café and a child care centre. A landscaped park and a walkway to a local primary school is easily accessible.

Each 4 bedroom house has a living area of 187 sqm, a verandah of 17 sqm, whilst the studio apartment has an area of some 40 sqm over the two car garage.

Reverse cycle air conditioning units are installed in the bedrooms and living areas of the large houses, whilst split-system units are installed in the separate apartment.



8. Briens Rd Northmead

BlueCHP has purchased some 25 units in a unit complex at Brien's Road, Northmead as part of the Social Housing Growth Fund (SHGF). A further 4 units have been acquired under the Affordable Housing Innovation Fund (AHIF). 50% of these form part of an "affordable" housing program, the remainder being managed under a "social" housing program.

The units are generally either of 1 bed or 1 bed plus study configuration and are scattered throughout the development providing a good 'salt and pepper' mix of tenants and unit owners.

The floor areas range from 49 sqm (1 bedroom), 64 sqm (1 bed plus study) to 79 sqm for the two bed units. All have balconies of at least 14 sqm to 18 sqm at the higher levels. The ground floor balconies are some 46 sqm at the Briens Rd frontage whilst 3 have very large rear yards of 74 to 98 sqm.

All units have secure access from the entrance lobby and at the basement level garage.

These units are 100 metres from a local neighbourhood centre at Kliens Road at the corner with Briens Road. Apart from an IGA and Aldi Supermarkets providing essential convenience facilities, there is a good variety of specialty shopping.

Public buses run along Windsor Rd and Briens Road through to Parramatta and to the Westmead Hospital precinct which includes the Children's Hospital, Cumberland Hospital and Ronald McDonald House. This provides excellent accessibility to a large City Centre as well the opportunity to work or visit a major hospital.

All in all, these properties form a valuable part of BlueCHP's portfolio in securing good quality affordable housing in a locations of high need.



9. Howard Avenue Northmead

The apartment complex at Howard Avenue, Northmead consists of 23, 2 bedroom units.

Although subdivided into a strata plan, this will not be registered as the whole building will be managed by BlueCHP's member housing association.

Each unit has an area of approximately 85 sqm and includes a bathroom and en-suite to the main bedroom.

The street has a quiet emphasis and is well located (some 100m walk to the Klien and Briens Roads shopping centres. Secure basement parking is available to all units.



10. Stanley Street Bankstown

This building is well located in Bankstown and accommodates 23 apartments, 22 x 2 bedrooms and 1 x 3 bedroom.

Vehicular access is from Raymond street via a basement car park. The units are all strata managed as part of a larger body corporate. Units range from 75-95 sqm with balconies ranging from 8-23 sqm plus a large rooftop terrace.



11. Rodgers Street Kingswood

Some 36 units comprise this comprehensively planned town house and apartment project having frontages to Orth Street (18 units) and to Rodgers Street (18 units).

12 units have 3 beds whilst 24 have 2 beds.

Parking is available in an underground secure car park with access from Orth Street and Rodgers Streets for each half of the complex.

The complex is subdivided into various buildings which comprise a range of dwelling from townhouse to unit and areas from 81-116sqm and balconies/courtyards ranging from 9-43sqm. A basement car park and good access to ground floor units directly from the basement and good street access rounds of this well located development which is due for settlement in October/November and will be managed by Wentworth Community Housing. As an example the process has been very collaborative with both the member, Wentworth as well as BlueCHP and the builder combining to ensure the quality and presentation as well as configuration is designed and constructed to meet the demand.



12. Ropes Crossing St Marys

Ropes Crossing has been the name applied to the first (the Eastern Precinct) major stage of the St Marys ADI (Australian Defence Industries) site. This precinct consists of a village centre and local primary school to which some 3 neighbourhoods provide a catchment population. The design and siting of dwellings within Ropes Crossing is vetted through a process of approval through DelÃn Lend Lease prior to lodgement with Blacktown Council for DA approval and construction certificate.

BlueCHP has been successful in being awarded a tender through Housing NSW to provide housing within this first stage of the ADI project. Funds are being provided (together with BlueCHP equity and loans) to assist in purchasing land and building housing over the next 7 years.

As part of this agreement, BlueCHP has acquired 5 lots within Ropes Crossing, a newly developing residential project near St Marys. On two of these lots within the neighbourhood of "Barinya", duplexes will be constructed resulting in a 3 bedroom dwelling of 155 sqm and a 2 bedroom dwelling of 133 sqm to each lot. These are corner lots and vehicular access will be separately provided from each street.

BlueCHP has acquired the land and is contracting 3 dwellings on three lots close to the village centre, within the neighbourhood of "Aurora". These will be attached single storey dwellings of 3 bedrooms each having living areas of 94 to 100 sq and each with two garages of 36 sqm accessed from a rear lane.

As well, the developer DelÃn Lend Lease (DLL) is to provide for "affordable housing", some 3% of all lots are to be made available to a community/affordable housing provider in accord with the release and registration of lots within each stage.

A completed house has already been made available as part of this process, whilst two further lots are being provided for design and development on later stages.

Again a good collaboration between Housing NSW, DLL, the consultant AHS and BlueCHP has ensured a rigorous examination of the proposed dwellings and land will result in a fine quality product.

Company Activities

Your directors present this report on the company for the financial year ended 30 June 2009.

Directors

The names of the directors in office at any time during or since the end of the year are:

	Appointed	Resigned
Rodney David Trevor Aistrophe	27 June 2008	
Patricia June Martin	27 June 2008	
Rhoderick Gavin McGhee	27 June 2008	
Gail Anne Sadler	27 June 2008	
Caryl Rae Weston	08 August 2008	
Andrew Michael Larkin	27 June 2008	06 February 2009
Robyn Townsend	22 November 2007	03 October 2008
Margaret Anne Kaszo	22 November 2007	16 July 2008
William Geoffrey Randolph	3 April 2009	

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Board Sub-committees

The Board has established three official sub-committees that consider issues and make recommendations to the Board for resolution, unless otherwise authorised by the Board for specific decisions. The Board also recognises the Executive Officers Working Group and its recommendations.

Audit and Corporate Governance Sub-committee

The Audit and Corporate Governance Sub-Committee has the responsibility of examining all legal documents required for obtaining loans and the purchase and lease of properties, financial statements and cash flows. Membership Agreements and Policies involved with the governance of the Company are also constantly under review. Membership: Patricia Martin (Chair and Director). Rae Weston (Director). David Currie, Nicola Lemon, and Nick Sabel.

Development Sub-committee

The Development Sub-Committee approves properties for purchase or development ensuring that the properties are appropriate according to strategy funding guidelines, location, are being purchased at or below valuation and meet housing need. Membership: Rod Aistrophe (Chairman and Director). Gail Sadler (Director). Brian Murnane. Marg Kaszo, Bobbie Townsend.

Remunerations Sub-committee

The Remunerations Sub-Committee meets to review director and executive staff recruitment and staff salaries. Membership: Gail Sadler (Director) and Rae Weston (Director).

Executive Officers Working Group

The Executive Officers of the 16 Member Companies and the executive staff of the Company meet as the Executive Officers Working Group to develop operating protocols and responses to changes in the operating environment including funding, regulatory and tenancy issues and make recommendations to the Board. Membership: Lesley Wyatt (Chair), Marg Kaszo, Nicola Lemon, Nick Sabel, Bobbie Townsend and Brian Murnane.

Operating Result

The company is a not for profit company. The net deficit for the year amounted to (\$282,568.92).

The company is exempt from income tax.

Principal Activities

The company is established to secure finance and/or government grants to purchase and/or construct dwellings that were appropriate for its member organisations to manage as social or affordable housing.

The Company aims to assist its members in the fulfilment of their goals to provide affordable housing opportunities for households on low to moderate incomes experiencing housing stress.

Having secured Registration as a Community Housing Provider, and Growth Status from the NSW Government, the Company was well placed to pursue its principle aim of increasing the supply of affordable housing for households on low to moderate incomes experiencing housing stress.



Planning with members

Company Statements

Significant Changes in the State of Affairs

The Company commenced trading in the current financial year. In July 2008 the Company's tender for funds under the Affordable Housing Innovations Fund (AHIF) had been successful and a grant of \$6.4m had become available. To deliver the AHIF program the Company negotiated an \$8.7million loan from the Bank of Queensland, received funds from Government of \$6.4million, contributed \$1.7million of its own equity, and then gained National Rental Affordability Scheme funds to build 52 dwellings, of which 21 were occupied as at 30th June, 2009. During the year the Company successfully tendered to deliver 179 homes under the Social Housing Growth Funds Program, and 132 homes on the St Marys ADI site at Ropes Crossing.

After Balance Date Events

Financial documents have been exchanged for a \$25million debt facility with National Australia Bank to refinance a loan from the Bank of Queensland and add debt funds for new purchases under current and future projects.

Future Developments

BlueCHP expects to be able to benefit from the forthcoming expressions of interest programme for dwellings constructed under the Nation Building Stimulus Plan (NBSP).

Further, dwellings developed from debt raised secured by NBSP properties will be used to develop more property in demand locations to be managed by members.

BlueCHP expects to be able to benefit from all three components of the National Rental Assistance Scheme No 3 (NRAS3). Planning to ensure high quality management and dwellings are grown from the seeds sown by NBSP.

Further, other sources of income derived by using BlueCHP expertise in development, asset management and finance and future plans to add further value to members and other not for profit organisations will be developed which will see BlueCHP stand strong as an affordable housing company supplying finance, development, asset management and other services to the industry.

Environmental Issues

Other than Environmental regulations managed by Local Government pertaining to residential properties, the Company's operations are not regulated by any environmental regulation under the Commonwealth or State or Territory.

Dividends

No dividends were declared or paid since the start of the financial year and no recommendation for payment of dividends has been made as the company's constitution excludes any such payment.

Directors Benefits

No director has received or has become entitled to receive, during or since the financial year, a benefit because of a contract made by the company or related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest. Directors do receive a small sum as reimbursement of their expenses for travel, printing, etc. on behalf of the Company.

This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the Company's accounts, or the fixed salary or a full-time employee of the Company or related body corporate.

Indemnifying Officer or Auditor

No indemnities have been given or agreed to be given or insurance premiums paid or agreed to be paid, during or since the end of the financial year, to any person who is or has been an officer or auditor of the company. The company does provide Directors and Officers Indemnity Insurance.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Meetings of Directors

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

Director's Meetings		
	Number of eligible to attend	Number attended
Rodney David Trevor Aistrope	12	12
Patricia June Martin	12	9
Rhoderick Gavin McGhee	12	9
Gail Anne Sadler	12	12
Caryl Rae Weston	11	10
Andrew Michael Larkin	6	2
Robyn Townsend	3	2
Margaret Anne Kaszo	4	2
William Geoffrey Randolph	1	1



BlueCHP Staff (from left: Tim Gavan, Lesley Wyatt, Ester Schaeffer, and Mario Majarich)

Financial Statements

Blue CHP Limited
ABN 78 128 582 383
Directors' Report


Auditors Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 has been included.

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



Patricia June Martin
Director



Rodney David Trevor Aistrop
Director

Dated: 21 SEP 09



Auditor's Independence Declaration to the Directors of Blue CHP Limited

In relation to our audit of the financial report of Blue CHP Limited for the year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

FMO PARTNERS

Warwick Anthony Fitzpatrick

Campbelltown

22 September 2009

Warwick A Fitzpatrick CPA
Ronald H Malaffey FCPA, CFP®
Craig Odewahn B.TAX

ABN 27 655 659 297
"The Terraces" 1/1 Iolanthe St Campbelltown
P.O. Box 565 Campbelltown 2560
t: +61 2 4625 9411
f: +61 2 4628 7449
e: accounts@accountcorp.com.au

Blue CHP Limited
ABN 78 128 582 383
Detailed Profit and Loss Statement
For the year ended 30 June 2009

	2009 \$	2008 \$
Income		
Administration Income		
Affordable Housing Solutions (AHS) Reimbursement	162,714.86	
Department of Families, Housing, Community Services and Indigenous Affairs (DFSCA) Income	24,000.00	
	186,714.86	
Interest received	30,483.37	
Revaluation of Invest Prop to fair value	645,158.29	
Property Running Income		
Department of Families, Housing, Community Services and Indigenous Affairs (FACSIA) Income	12,697.37	
Property Insurance Reimbursed	3,951.16	
Rents Received	39,265.02	
Water Usage Reimbursed	123.42	
	56,036.97	
Total income	918,393.49	
Expenses		
Administration Expenses		
Planning	636.00	
Tenders	16,500.00	
Accounting & Auditing	30,931.00	
Advertising and Promotion	6,511.59	
Bank Service Charges	24,290.36	
Board Meeting Expenses	18,321.29	
Computer Expenses	5,806.91	
Entertainment Expense	2,641.05	
Equipment Rental	3,040.00	
Filing Fees	310.00	
Insurance	2,391.90	
Interest Finance Charges	155.62	
Legal Costs	2,831.23	
Management Fees	25.55	
Miscellaneous	26.34	
Motor Vehicle - Fuel	629.11	
Motor Vehicle - Insurance	676.70	
RTA - E-Toll	461.83	

The accompanying notes form part of these financial statements.

Blue CHP Limited
ABN 78 128 582 383
Detailed Profit and Loss Statement
For the year ended 30 June 2009

	2009 \$	2008 \$
Office Set-Up	15,149.00	
Postage and Delivery	462.27	
Printing and Reproduction	12,088.26	
Rent	9,090.92	
Software Expense	732.70	
Stationery and Office Supplies	4,214.74	
Subscriptions and Dues	2,380.88	
Telephone	2,069.32	
Training - Staff	2,284.08	
Travel Expenses	3,202.66	
	<u>167,861.31</u>	
Audit fees		2,500.00
Depreciation	3,875.00	
Employment Charges		
Workers Compensation	663.91	
Bookkeeping Expense	1,274.30	
Superannuation	16,227.66	
Wages	172,948.87	
Other	6,985.84	
	<u>198,100.58</u>	
Employee Entitlements	4,362.07	
Property Operating Expenses		
Building Repairs	98.18	
Consultants Fees	723,292.51	50,000.00
Grounds Maintenance	1,780.91	
Insurance - Property	8,375.18	
Interest	28,139.53	
Legal Fees	4,336.00	
Licenses and Permits	732.00	
Other	3,244.50	
Rates	16,911.88	
Utilities	530.03	
Valuation	39,322.73	
	<u>826,763.45</u>	<u>50,000.00</u>
Total expenses	<u>1,200,962.41</u>	<u>52,500.00</u>
Profit (Loss) from Ordinary Activities before income tax	<u>(282,568.92)</u>	<u>(52,500.00)</u>

The accompanying notes form part of these financial statements.

Blue CHP Limited
ABN 78 128 582 383
Statement of Financial Performance - by Nature
For the year ended 30 June 2009

	Note	2009 \$	2008 \$
Classification of Expenses by Nature			
Revenues from ordinary activities	2	918,393.49	
Depreciation and amortisation expenses	3	(3,875.00)	
Other expenses from ordinary activities		<u>(1,197,087.41)</u>	<u>(52,500.00)</u>
Profit (loss) from ordinary activities	2	(282,568.92)	(52,500.00)
 Net profit (loss) attributable to members of the company			
		<u>(282,568.92)</u>	<u>(52,500.00)</u>
 Total changes in equity other than those resulting from transactions with owners as owners			
		<u>(282,568.92)</u>	<u>(52,500.00)</u>
 Opening retained profits			
		(52,500.00)	
Net profit (loss) attributable to members of the company		<u>(282,568.92)</u>	<u>(52,500.00)</u>
Closing retained profits		<u>(335,068.92)</u>	<u>(52,500.00)</u>

The accompanying notes form part of these financial statements.

Blue CHP Limited
ABN 78 128 582 383
Statement of Financial Position As At 30 June 2009

	Note	2009 \$	2008 \$
Current Assets			
Cash assets	4	933,053.75	
Receivables	5	182,776.17	
Current tax assets	6	390,128.14	5,250.00
Other	7	327,812.17	
Total Current Assets		1,833,770.23	5,250.00
Non-Current Assets			
Property, plant and equipment	8	4,518,758.66	
Investment Property	9	8,045,703.65	
Total Non-Current Assets		12,564,462.31	
Total Assets		14,398,232.54	5,250.00
Current Liabilities			
Payables	10	91,358.02	57,750.00
Financial liabilities	11	3,900,268.67	
Provisions	12	16,624.77	
Total Current Liabilities		4,008,251.46	57,750.00
Non-Current Liabilities			
Financial liabilities	11	6,400,000.00	
Total Non-Current Liabilities		6,400,000.00	
Total Liabilities		10,408,251.46	57,750.00
Net Assets		3,989,981.08	(52,500.00)
Equity			
Contributed equity	13	4,325,050.00	
Retained profits / (Accumulated losses)		(335,068.92)	(52,500.00)
Total Equity		3,989,981.08	(52,500.00)

The accompanying notes form part of these financial statements.

Blue CHP Limited
ABN 78 128 582 383
Statement of Changes in Equity
For the year ended 30 June 2009

	Members Equity	Retained Earnings	Total
Balance at 1 July 2008	0	-52,500.00	-52,500.00
Contributed Members' Equity	4,325,050.00		4,325,050.00
Net Loss attributable to members		-282,568.92	-282,568.92
Balance at 30 June 2009	4,325,050.00	-335,068.92	3,989,981.08

The accompanying notes form part of these financial statements.

Blue CHP Limited
ABN 78 128 582 383
Cash Flow Statement
For the year ended 30 June 2009

	2009 \$	2008 \$
Cash Flow From Operating Activities		
Receipts from customers	84,250.84	
Payments to Suppliers and employees	(1,593,302.11)	
Interest received	29,965.37	
Net cash provided by (used in) operating activities (note 2)	<u>(1,479,085.90)</u>	
Cash Flow From Investing Activities		
Payments for property, plant and equipment	<u>(11,923,179.02)</u>	
Net cash provided by (used in) investing activities	<u>(11,923,179.02)</u>	
Cash Flow From Financing Activities		
Proceeds from members	4,035,050.00	
Proceeds of borrowings	<u>10,300,268.67</u>	
Net cash provided by (used in) financing activities	<u>14,335,318.67</u>	
Net increase (decrease) in cash held	933,053.75	
Cash at the beginning of the year	<u> </u>	
Cash at the end of the year (note 1)	<u><u>933,053.75</u></u>	

The accompanying notes form part of these financial statements.

Blue CHP Limited
ABN 78 128 582 383
Cash Flow Statement
For the year ended 30 June 2009

2009

2008

Note A. Reconciliation Of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

Blue CHP Limited	735,176.03	
Business Online	390.82	
Bank of Queensland - 20875491	197,476.70	
Cash on hand	10.20	
	<u>933,053.75</u>	<u> </u>

Note B. Reconciliation Of Net Cash Provided By/Used In Operating Activities To Operating Profit After Income Tax

Operating profit after income tax	(282,568.92)	(52,500.00)
Depreciation	3,875.00	
Profit/(Loss) on asset valuation	(645,158.29)	
Changes in assets and liabilities net of effects of purchases and disposals of controlled entities:		
(Increase) decrease in trade and term debtors	(182,776.17)	
(Increase) decrease in prepayments	(25,549.47)	
Increase (decrease) in trade creditors and accruals	52,088.95	
Increase (decrease) in other creditors	(28,930.93)	57,750.00
Increase (decrease) in employee entitlements	4,362.07	
Increase (decrease) in sundry provisions	(374,428.14)	(5,250.00)
Net cash provided by (used in) operating activities	<u>(1,479,085.90)</u>	<u> </u>

The accompanying notes form part of these financial statements.

Blue CHP Limited
ABN 78 128 582 383
Notes to the Financial Statements
For the year ended 30 June 2009

Note 1: Statement of Significant Accounting Policies

This financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers Blue CHP Limited as an individual entity. Blue CHP Limited is a company limited by guarantee, incorporated and domiciled in NSW, Australia.

The financial report of Blue CHP Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The financial report has been prepared on an accrual basis and is based on historical costs modified by the revaluation of selected non-current assets, and the financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

(a) Income Tax

Blue CHP Limited is exempt from income tax.

(b) Property, Plant and Equipment

Each class of property, plant and equipment are carried at cost or fair value less, where applicable, any accumulated depreciation.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic valuations, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

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.

Investment Property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Plant and Equipment

Plant and equipment are measured on the cost basis.

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 asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Blue CHP Limited
ABN 78 128 582 383
Notes to the Financial Statements
For the year ended 30 June 2009

(f) Provisions

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

(g) Cash and Cash Equivalents

Cash and Cash Equivalents includes cash on hand, deposits held at call with banks or financial institutions, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet.

(h) Revenue

Interest revenue is recognised on a proportional basis taking in to account the interest rates applicable to the financial assets.

(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 of sale.

All other borrowing costs are recognised in income in the period in which they are incurred

(j) Goods and Service 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 the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

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

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.

Blue CHP Limited
ABN 78 128 582 383
Notes to the Financial Statements
For the year ended 30 June 2009

	2009	2008
<hr/>		
Note 2: Revenue		
Operating Activities:		
Revenue from services rendered	186,714.86	
Rents	56,036.97	
Interest revenue	30,483.37	
	<u>273,235.20</u>	<u> </u>
Non-Operating Activities:		
Revaluation of Investment Property to Fair Value	645,158.29	
Total Revenue	<u>918,393.49</u>	<u> </u>

Blue CHP Limited
ABN 78 128 582 383
Notes to the Financial Statements
For the year ended 30 June 2009

	2009	2008
Note 3: Profit from Ordinary Activities		
Profit (loss) from ordinary activities before income tax has been determined after:		
Charging as Expense:		
Depreciation of non-current assets:		
- Other	3,875.00	
	<u>3,875.00</u>	
 - Consultants fees	 723,292.51	
	 <u>723,292.51</u>	

Consultants fees primarily relate to payments for securing tenders for the purchase of property.

Note 4: Cash assets

Bank accounts:		
Blue CHP Limited	735,176.03	
Business Online	390.82	
Bank of Queensland - 20875491	197,476.70	
Other cash items:		
Cash on hand	10.20	
	<u>933,053.75</u>	

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	933,053.75	
	<u>933,053.75</u>	

Blue CHP Limited
ABN 78 128 582 383
Notes to the Financial Statements
For the year ended 30 June 2009

	2009	2008
Note 5: Receivables		
Current		
Trade debtors	182,776.17	
	<u>182,776.17</u>	
Note 6: Tax Assets		
Current		
Input tax credit control account	390,128.14	5,250.00
	<u>390,128.14</u>	<u>5,250.00</u>
Note 7: Other Assets		
Current		
Prepayments	25,549.47	
Receivables from members	302,262.70	
	<u>327,812.17</u>	

Blue CHP Limited
ABN 78 128 582 383
Notes to the Financial Statements
For the year ended 30 June 2009

2009

2008

Note 8: Property, Plant and Equipment

Buildings:

- Buildings under Construction	4,498,297.66	
	<u>4,498,297.66</u>	

Office Equipment:

- At cost	4,919.00	
- Less: Accumulated depreciation	<u>(1,190.00)</u>	
	<u>3,729.00</u>	

Motor vehicles:

- At cost	14,770.00	
- Less: Accumulated depreciation	<u>(1,548.00)</u>	
	<u>13,222.00</u>	

Software

- At cost	4,647.00	
- Less: Accumulated depreciation	<u>(1,137.00)</u>	
	<u>3,510.00</u>	
	<u><u>4,518,758.66</u></u>	

Blue CHP Limited
ABN 78 128 582 383
Notes to the Financial Statements
For the year ended 30 June 2009

	2009	2008
Note 8a: Reconciliation of Movements in Property, Plant and Equipment		
Buildings:		
Carrying Amount at the beginning of the financial year		
Constructions	5,991,054.06	
Disposals		
Transfers to investment property	(1,492,756.40)	
Depreciation		
Carrying amount at the end of the financial year	<u>4,498,297.66</u>	
Office Equipment:		
Carrying Amount at the beginning of the financial year		
Additions	4,919.00	
Disposals		
Depreciation	(1,190.00)	
Carrying amount at the end of the financial year	<u>3,729.00</u>	
Motor Vehicles		
Carrying Amount at the beginning of the financial year		
Additions	14,770.00	
Disposals		
Depreciation	(1,548.00)	
Carrying amount at the end of the financial year	<u>13,222.00</u>	
Software		
Carrying Amount at the beginning of the financial year		
Additions	4,647.00	
Disposals		
Depreciation	(1,137.00)	
Carrying amount at the end of the financial year	<u>3,510.00</u>	
	<u>4,518,758.66</u>	

Blue CHP Limited
ABN 78 128 582 383
Notes to the Financial Statements
For the year ended 30 June 2009

2009

2008

Note 9: Investment Property

Balance at beginning of financial year		
Additions	7,400,545.36	
Net gain/ (loss) from fair value adjustments	645,158.29	
Balance at end of financial year	8,045,703.65	

The fair value of investment property at 30 June 2009 has been arrived at on the basis of valuations carried out by independent valuers that are not related to the group. All valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuations, which conform to Australian valuation standards, were arrived at by reference to market evidence of transaction prices for similar properties.

The balance of investment property at 30 June 2009 includes deposits paid on exchange of contracts totalling \$810,704. Settlement had not occurred at 30 June 2009. Payments required upon settlement total approximately \$33 million, to be funded through a combination of government funding and bank finance.

Note 10: Payables

Unsecured:

- Trade creditors	52,088.95	
	52,088.95	

Secured:

- Other Creditors & Accruals	39,269.07	57,750.00
	39,269.07	57,750.00
	91,358.02	57,750.00

Blue CHP Limited
ABN 78 128 582 383
Notes to the Financial Statements
For the year ended 30 June 2009

	2009	2008
Note 11: Financial Liabilities		
Current		
Secured:		
Bank Loans*	3,899,599.60	
	<u>3,899,599.60</u>	
Bank Loans are held with Bank of Queensland and are interest bearing. The weighted average interest rate as at 30 June 2009 is 6.85%. The interest rate is variable.		
Bank of Queensland has a fixed and floating company charge over all present and future rights, property and undertakings of Blue CHP Limited for repayment of the loans.		
Consolidated Credit Card Loans	669.07	
	<u>669.07</u>	
	<u>3,900,268.67</u>	
Non-Current		
Secured:		
- Government funding*	6,400,000.00	
	<u>6,400,000.00</u>	
	<u>6,400,000.00</u>	

* Blue CHP Limited "The Company" entered into an agreement with the New South Wales Land and Housing Corporation "The Corporation" whereby The Corporation agreed to provide a loan facility to The Company to develop affordable housing in New South Wales that is cost effective, replicable and financially sustainable by the project completion date and otherwise manage the security property.

There is an agreement with The Corporation that the loan will convert to a grant after 40 years once certain conditions are met.

The loans have been recorded in the financial statements at 30 June 2009 as Non-Current Liabilities and the directors have taken legal advice and are of the opinion that they are loans.

Blue CHP Limited
ABN 78 128 582 383
Notes to the Financial Statements
For the year ended 30 June 2009

	2009	2008
Note 12: Provisions		
Current		
Employee entitlements*	16,624.77	
	<u>16,624.77</u>	
* Aggregate employee entitlements liability	16,624.77	
There were 4 employees at the end of the year		

Note 13: Contributed Capital

Members' Equity	<u>4,325,050.00</u>	
-----------------	---------------------	--

The Members of Blue CHP Limited "The Company" signed a Members' Agreement on 18th August 2008 agreeing to contribute to funding of an unsecured non-interest bearing resubordinated loan. The Board may determine the amounts, timing and type (which may be debt, equity or a combination of both) of any funding sought by "The Company."

The Board has decided that the funding be treated as equity.

Blue CHP Limited
ABN 78 128 582 383
Notes to the Financial Statements
For the year ended 30 June 2009

2009

2008

Note 14: Financial Instruments

The Company's financial instruments consist mainly of deposits with banks, short term investments, accounts receivable and accounts payable.

Risk Management

The Company's risk management policies and objectives are designed to minimise the potential impact of risks.

Financial Risk

The main risks the Company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

Interest Rate Risk

The Company is subject to normal commercial interest rate fluctuations on its bank accounts, loan accounts and other financial instruments. Further material information is included in the relevant notes to the financial statements.

The Company has entered into a loan agreement with embedded derivatives after balance date to reduce any potential interest rate fluctuations. This will effectively fix the interest rate the company will be charged.

Liquidity Risk

The Company manages liquidity risk by monitoring forecast cash flows and ensuring adequate cash reserves are maintained.

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or any other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Note 15: Auditors' Remuneration

Remuneration of the auditor of the company for:

Auditing and reviewing the financial report	7,000.00	2,500.00
Other Services	<u>2,500.00</u>	
	<u>9,500.00</u>	<u>2,500.00</u>

Blue CHP Limited
ABN 78 128 582 383
Notes to the Financial Statements
For the year ended 30 June 2009

2009

2008

Note 16: Capital Commitments

Capital expenditure contracted for at balance date but not provided for in the accounts:

Payable:

No later than 1 year	2,309,967.00	
	<u>2,309,967.00</u>	

Note 17: Lease Commitments

Operating leases receivable:

Substantially all of the property owned and leased by the company is leased to member organisations, who then lease the properties to third party tenants. Most leases are for a term of 3 years.

Future minimum rental revenues under non cancellable

operating residential property leases

No later than 1 year	240,300.36	
Later than 1 year not later than 2 years	246,307.87	
Later than 2 years not later than 5 years	199,324.82	
	<u>685,933.04</u>	

Including leases signed between 1 July 2009 and 31 August 2009

Future minimum rental revenues under non cancellable

operating residential property leases

No later than 1 year	862,420.93	
Later than 1 year not later than 2 years	953,918.26	
Later than 2 years not later than 5 years	980,009.03	
	<u>2,796,348.22</u>	

Blue CHP Limited
ABN 78 128 582 383
Notes to the Financial Statements
For the year ended 30 June 2009

2009

2008

Note 18: Remuneration and Retirement Benefits

Directors Remuneration

No payments were made to directors during the year ended 30 June 2009.

The names of the directors of the company who have held office during the financial year are detailed in the Director's Report.

Note 19: Registered Office & Principal Place of Business

28 Broughton Street, CAMPBELLTOWN, NSW 2560.

Note 20: Events Subsequent to Reporting Date

1. Government funding of \$18,722,107 has been approved and received by Blue CHP Limited since reporting date, primarily to fund property settlements.

2. Financial documents have been exchanged for a \$25 million debt facility with National Australia Bank to refinance a loan from the Bank of Queensland and add debt funds for new purchases under current and future projects.

a. Financial close was achieved on the last day allowable under the facility documentation - 31 August 2009.

b. \$14,527,197.85 was the first drawdown. Funds were expended as follows:

- National Australia Bank fees	106,300.00	
- Minters fees	38,500.00	
- Affordable Housing Solutions fees	237,663.80	
- Patrick Duffy fees	12,782.00	
- Howard Avenue property purchase	7,958,774.93	
- Bank of Queensland payout	6,173,177.12	
	<u>14,527,197.85</u>	<u></u>

Blue CHP Limited
ABN 78 128 682 383
Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations; and
 - (b) give a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date;
2. in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Patricia Juno Martin
Director



Rodney David Trevor Aistropo
Director

Dated: 21 SEP 09



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
BLUE CHIP LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of Blue Chip Limited, which comprises the statement of financial position as at 30 June 2009, and the statement of financial performance, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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. These Auditing Standards require that we 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 judgment, 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 preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Warwick A Fitzpatrick CPA
Ronald H Malefiej FCPA, CFP®
Craig Odewahn B.TAX

ABN 27 653 650 297
The Terraces 1/1 Jolimith St Campbelltown
P.O. Box 395 Campbelltown 2560
t: +61 2 4625 9411
f: +61 2 4628 7449
e: access@accountcorp.com.au



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Blue CHP Limited on 22 September 2009, would be in the same terms if provided to the directors as at the date of this auditor's report.

Basis for Qualified Auditor's Opinion

As discussed in Note 13 to the financial statements, the members signed a Members Agreement on 18 August 2008 agreeing to contribute to funding of an unsecured non-interest bearing resubordinated loan. It is our opinion that based on the terms of the Members Agreement, the amounts contributed by members at 30 June 2009 are debt and not equity. As a result non-current liabilities at 30 June 2009 should be \$10,725,050. Contributed equity at 30 June 2009 should be 0. As a result the net asset/ (liability) position of the company at 30 June 2009 should be \$(335,068.92).

Qualified Auditor's Opinion

In our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph,

- a. the financial report of Blue CHP Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

FMO Partners

Warwick Anthony Fitzpatrick
Partner

Dated in Campbelltown on 22 September 2009

Warwick A Fitzpatrick CPA
Ronald H Maffei FCPA, CFP®
Craig Odewahn B.Tax

ABN 27 655 659 297
"The Terraces" 1/1 Iolanthe St Campbelltown
P.O. Box 305 Campbelltown 2580
t: +61 2 4625 9411
f: +61 2 4628 7449
e: accounts@accountcorp.com.au

Blue CHP Limited
ABN 78 128 582 383
Compilation Report to Blue CHP Limited

On the basis of the information provided by the directors of Blue CHP Limited, we have compiled, in accordance with APES 315: Compilation of Financial Reports, the special purpose financial report of Blue CHP Limited for the period ended 30 June 2009, comprising the attached Statement of Financial Performance and Statement of Financial Position.

The specific purpose for which the special purpose financial report has been prepared is set out in Note 1. The extent to which Australian Accounting Standards and other mandatory professional reporting requirements have or have not been adopted in the preparation of the special purpose financial report is set out in Note 1.

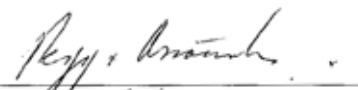
The Directors are solely responsible for the information contained in the special purpose financial report and have determined that the accounting policies used are consistent with the financial reporting requirements of Blue CHP Limited's constitution and are appropriate to meet the needs of the Directors and Members of the company.

Our procedures use accounting expertise to collect, classify and summarise the financial information, which the Directors provided into a financial report. Our procedures do not include verification or validation procedures. No audit or review has been performed and accordingly no assurance is expressed.

To the extent permitted by law, we do not accept liability for any loss or damage which any person, other than the Company, may suffer arising from any negligence on our part. No person should rely on the special purpose financial report without having an audit or review conducted.

The special purpose financial report was prepared for the benefit of the Directors and Members of Blue CHP Limited and the purpose identified above. We do not accept responsibility to any other person for the contents of the special purpose financial report.

Pegg & Associates
Level 5, 1 Elizabeth Plaza
North Sydney NSW


Dated: 21 Sep 2009



Blue CHP Limited

28 Broughton Street
Campbelltown NSW 2560

Phone: (02) 4627 0002
Fax: (02) 4627 0004
ofAce@bluechp.com.au
www.bluechp.com.au

The Affordable Housing Company

- Finance
- Development
- Asset Management
- Services

