



2016 **ANNUAL**
REPORT

MAKING A DIFFERENCE TO PEOPLE'S LIVES

www.bluechp.com.au



**Specialist developer
of affordable housing**

**BlueCHP uses its not
for profit status, strong
balance sheet and asset
management expertise
to increase the supply
of affordable housing.**



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TACKLING THE UNPRECEDENTED DEMAND FOR AFFORDABLE HOUSING



CHAIRMAN'S REPORT

The past year has seen a number of changes occur to BlueCHP's business environment. BlueCHP restructured its governance arrangements; The Queensland Government cancelled the Logan Renewal Initiative; The Gardens project commenced and the Company tendered for a number of new opportunities consistent with our business strategy.

Our results continue to demonstrate our strategy is appropriate to deliver our purpose of growing the supply of affordable housing.

Governance changes

BlueCHP and the founding Members agreed to changes to the governance arrangements that had been in place since BlueCHP's establishment in 2008. This resulted in amendments to the BlueCHP Constitution, termination of the existing Members' Agreement and the exit of Hume Community Housing Association Company Limited and Women's Housing Company Ltd as members. Consequently six independent directors with extensive skills and experience in property development, construction, town planning, finance, state and federal government housing policy, and affordable housing have been appointed.

Financial performance

The financial position of the business continues to strengthen with the year producing a Surplus before fair value adjustments of \$2,071,795 (2015: \$9,465,454), Surplus before tax (including revaluation adjustments) of \$26,643,510 (2015: \$27,173,386) and Total Assets of \$266,837,611.

Demand for affordable housing throughout Australia continues at unprecedented levels.

TERRY DOWNING

Future outlook

Despite the disappointment of the Queensland Government's surprise decision to terminate the Logan Renewal Initiative contract after 3 years of extensive planning and preparation, BlueCHP remains committed to Queensland.

The demand for affordable housing throughout Australia continues at unprecedented levels from multiple segments of society – essential workers, older Australians, single women, people with a disability and people with lower incomes. BlueCHP's strength, expertise and experience will enable it to participate in addressing the needs of many of these people, either alone or in partnership with other like-minded organisations.

Government housing policy still remains

unclear in many parts of Australia. However it appears clear that in most states, government will look to the community housing sector to play a greater role in tackling the affordable housing demand. As this process develops, the need to balance government probity requirements with the available resources of the not for profit community housing sector is essential, to ensure scarce resources are not diverted from the primary task of delivering more affordable housing.

Board changes

I wish to thank Ms Leanne Hillman, Mr Tony Conides and Mr Cameron Lamb for their contribution and support as directors over many years. Their stewardship has enabled BlueCHP to be in its current position and able to face the future with confidence.

Conclusion

I would like to thank all BlueCHP employees for their ongoing commitment and contribution and look forward to the new directors building upon the Company's history to deliver further success.

Terry Downing
Chairman



2016

STRONG FOUNDATIONS
FOR FURTHER GROWTH

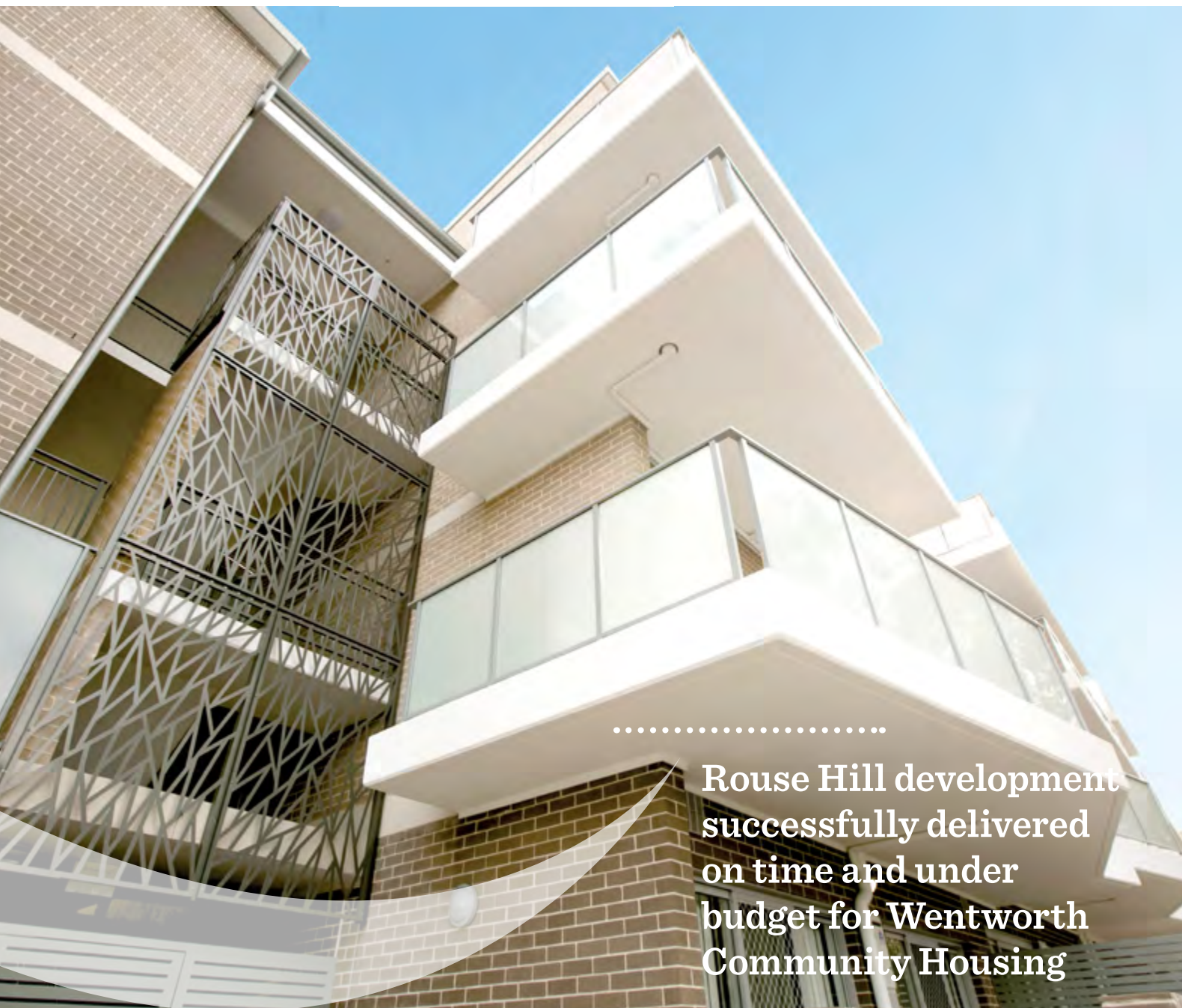
Successfully delivered
The Springwood
Group Home and
Rouse Hill development
for Wentworth
Community Housing

Building is underway
on The Gardens
project delivering
101 apartments

35 new dwellings
for Lupin Avenue
Fairfield expected
in 2018 - 19

Tier 1 Community
Housing Provider
and not for profit
property development
specialist

Ropes Crossing
Stage 2 - estimated
delivery of another
70 dwellings



.....

**Rouse Hill development
successfully delivered
on time and under
budget for Wentworth
Community Housing**

ADAPTING CHANGING GROWING



CEO REPORT

BlueCHP has continued to evolve and consolidate our solid business strategy becoming a dynamic business that has laid strong foundations for further growth. The business' financial operating metrics have continued to improve, enhancing the balance sheet strength of the business.

The past year

The Gardens project with 101 apartments, commenced in early 2016, the financing was supported by Bank Australia with a \$32m project finance facility. The project leads the apartment market in terms of building technology using cross laminated timber (CLT) from Austria and will be completed in the current financial year. BlueCHP will retain 44 apartments meeting all its Nation Building leverage commitments 5 years ahead of schedule.

The successful continued implementation of the St Marys ADI (Ropes Crossing) project has resulted in BlueCHP winning Stage 2 of the Ropes Crossing project. This amounts to 50 further lots with an estimated yield of 70 dwellings.

BlueCHP purchased a site in Lupin Avenue

Fairfield, adjacent to two of our current properties in Lupin Avenue, which will take advantage of the development uplift with the new zoning for the Fairfield LGA. We would expect to construct up to 35 dwellings commencing in 2018-19.

We have completed Fee for Service projects over the past year, a group home in Springwood and a 28 mixed use apartment property at Rouse Hill for Wentworth Community Housing and have generated further advisory work with YFS in Queensland and Common Equity in New South Wales. BlueCHP will commence portfolio advisory work with the Aboriginal Housing Office in New South Wales.

The benefits our new IT system has started to flow through with improved benchmarking of tenancy and property

TOP 3 BENCHMARKS FOR BCL



management services. Benchmarking of Tier 1 CHP's data in 2015 rated BlueCHP 7th out of the top 19 CHPs in NSW, which is testament to the great work of our service providers. There is still further room for improvement, however our asset and property management team deliver great outcomes for our business.

We have updated our branding as we embark on the new era of growth and service provision to the social and affordable housing market.

The NSW market has continued to evolve with the Government's Future Directions program, particularly the Communities Plus program run by Land and Housing Corporation. BlueCHP has to date participated in a number of tenders and at the time of writing we await the outcome.

On 20 July 2016 the Queensland Labor

Government notified Logan City Community Housing Limited, the joint venture company between Compass Housing Limited and BlueCHP Limited, that it had decided to terminate the Logan Renewal Initiative after three years of extensive planning and preparation. BlueCHP had commenced the first stage of construction of 146 dwellings. Compensation for costs is currently being sought from the Queensland government. The financial impact to BlueCHP will slow the company's ability to grow its delivery of affordable housing in Queensland as we wait for the publication on the new 10 year Housing Strategy from the Government. BlueCHP was contracted to construct a minimum of 2600 dwellings over 20 years.

BlueCHP remains committed to Queensland and will redeploy its team to other projects.



CURRENT PROJECTS



Ropes Crossing

St Marys ADI (Ropes Crossing) progress continues for the delivery of Stage 1. Parcel 2 to be completed by December 2016 and the commencement of Parcel 3, BlueCHP has negotiated with Lend Lease the final 9 lots to be transferred as part of Parcel 4. This will now complete our obligation on Stage 1B, delivering a total of 90 dwellings from 69 blocks of land by December 2018.

NSW Government has awarded BlueCHP Stage 2 which is positive recognition of the excellence in design and innovation delivered by the company, details are outlined in the development report.





The Gardens - Macarthur

This project, as noted earlier, is a leader in Australia with the adoption of CLT, which has created considerable interest in the building community. The benefits from this construction methodology are becoming apparent with speed of build, clean building site and reduced labour inputs. Pre-sales have been very strong and at the time of writing there are only 4 units unsold out of 57. Completion is expected mid-2017. This is a signature project for BlueCHP and signifies the capability and capacity of the development team in delivering a significant sized project and will enable us to look for further opportunities of this magnitude.



WORKING IN THE SECTOR

BlueCHP has been very active in the sector over the past year particularly with respect to working with NSW Federation of Housing, participating in numerous forums to pursue the case for more involvement in the sector of the renewal and increasing number of social and affordable homes.

We have lead on behalf of PowerHousing Australia the Debt Aggregation strategy in association with Price Waterhouse Coopers. The need for longer dated funding is important when building long life assets. Together with the work we have done with the Federal Government, through the Affordable Housing Working Group, we hope will lead to some support from the Federal Government on this key aspect of providing long dated finance for the sector.

Staff

As BlueCHP continues to expand its housing portfolio, our team continues to grow with it. Our development team has expanded with the addition of Glenn Amanonce, Development Manager in Queensland and new finance team members Lanvy Nguyen as Assistant Accountant and Anna Cole as Revenue Officer. Jozef Sirec, Asset Manager, returned to us after 3 months in WA. Sarah Donovan was appointed General Manager, Governance and Risk and very ably led the governance restructure process.

I would like to thank all BlueCHP staff in 2015-16 for their ongoing dedication and professionalism. Their efforts are genuinely valued and appreciated.

Future outlook

Operating in the current political environment, where we have suffered from a lack of leadership, we have seen some positive changes in New South Wales and South Australia. There is, however, a lack of Federal leadership and as yet nothing indicating any change. For people on the eastern seaboard of Australia the reduction in housing affordability continues to increase. The impact is noticeable that it is now impossible in Sydney for someone earning \$80,000 to consider purchasing a home, perhaps even more telling is that middle income Australia will not be able to provide affordable housing to our children!

We, as an organisation, have examined ways to grow the business as demand for affordable housing is significant. As part of this we have set ourselves a 10 year \$1bn challenge to grow our assets owned or under our management. This challenge is



The need for longer dated funding is important when building long life assets.

CHARLES NORTHCOTE CEO, BlueCHP

achievable subject to raising enough capital utilising our existing resources. Principally there are three main ways that BlueCHP can grow its revenue:

- **DEPLOYMENT OF THE BALANCE SHEET:** Utilising current assets for recycling and participating in other property developments through the use of project financing which results in increased housing or generation of profit for reinvestment.
- **FEE FOR SERVICE:** Generation of fees for the provision of services – this covers consulting and full turn-key solutions.
- **JOINT VENTURES/PARTNERSHIPS:** The opportunity of JVs is in the combination of skills and the ability to raise additional capital without the constraints of BlueCHP's existing balance sheet.

We have invested in a small dynamic team of staff who have considerable experience to meet the challenge and adapt to the changes in government policy throughout the electoral cycles. At the current time we see the best long term opportunities from growth in New South Wales, Queensland, Victoria and South Australia.

Conclusion

I would like to extend my gratitude to past BlueCHP Board of Directors who retired with the change in governance arrangements and would also like to welcome the new Board Directors. I would also like to express my appreciation to all our partners, supporters and stakeholders for the support BlueCHP has received over what has been a dynamic and successful year. I wish to commend my staff for continuing to strive to build a better organisation that can continue to meet the expectations of the community in general. I look forward to continuing the great work that we have accomplished in 2016 as a solid platform for growth for the future.

Charles Northcote
Chief Executive Officer



YEAR OF DELIVERY



PROPERTY SERVICES REPORT

FY15-FY16 has been another successful year for BlueCHP delivering new homes, improving our property management processes and continuing fee for service in the sector.

BlueCHP projects

Construction tenders were received for The Gardens development, with Strongbuild Commercial nominated as the preferred contractor for the construction of the 101 apartments. Engagement of the design documentation was the first phase of the construction program, until such time BlueCHP met the bank's requirements of meeting pre-sales of 57 apartments sold to the public. The 56 NRAS incentives have been allocated to specific units in the project, and BlueCHP will now retain 44 units in total, in order to meet our vesting commitment for the NSW Government.

Construction commenced in February 2016, with an anticipated completion date of July 2017. Bank Australia approved the construction facility for the project

and sales of the apartments have been selling consistently at approximately 4 apartments per month, exceeding market expectation. The development has been out-performing all apartment developments in Campbelltown. The project has been progressing well with little delays to the program.

BlueCHP has also been very active completing our current obligation in Ropes Crossing, finishing the outstanding 24 dwellings that commenced FY 2015, as well as receiving a further 23 lots as part of Parcel 3 transfer to BlueCHP in July 2015. The new lots will produce an additional 26 dwellings to our portfolio. Furthermore, we have negotiated with Lend Lease the last 9 lots to be transferred to BlueCHP as part of Parcel 4. We expect this transfer to occur in December 2016, which will generate a

further 18 dwellings to our portfolio

NSW Land and Housing Corporation (LAHC), has been issuing project and development management tenders to the housing sector, for the delivery of social housing. BlueCHP has successfully won 3 projects (total of 30 dwellings) to project manage and deliver on behalf of LAHC.

BlueCHP has also expanded on our fee for services operations by combining with other not for profit housing providers.

Asset Team

The Asset team has been busy restructuring the department to independently handle all processing of work orders and invoicing. As a result, we have seen significant efficiency gains by reducing risk, streamlining work flow and managing accountability. There has been a strong focus around improving system outputs. We now have a robust management system that has seen successful processing, audit and analysis of almost 3,000 maintenance orders annually. We are able to provide accurate data to the finance department and better manage monthly activities. The system has been developed to satisfy service delivery needs to tenants occupying BlueCHP properties. We have been extremely busy negotiating directly with builders and project managing remedial works on significant building defects. All pre-existing defects are now deemed closed. The next challenge is to implement a work order delivery portal available to all service providers. The goal is to further simplify the work order process, contractor invoicing and live tracking of work tasks. Once this is implemented, the double handling of tasks between the service providers will be eliminated and become paperless by 2016-2017.

BlueCHP in Queensland

With the disappointment of the Queensland Government decision to terminate the Logan Renewal Initiative, this has driven the organisation to pursue opportunities in Queensland without government assistance.

We have actively sourced partnerships with private developers (such as Lend Lease etc), housing providers and also looked at securing private deals in an attempt to deliver affordable housing in South East Queensland.

Personnel Update

In the past 12 months we have had departures and new recruits strengthen the development team.

In November 2015, Felicity Johnson resigned from her position as Development Manager. Glenn Amanonce (local from the Macarthur Region) joined our organisation as the new Development Manager, to deliver The Gardens and also source new opportunities for the business.

We have also recruited George Giannes as the new Project Manager, assisting Darren Mew in driving the organisation in sourcing opportunities in Queensland.

We welcomed Jozef Sirec back to the organisation as Asset Manager after a 3 month sabbatical.

Marcelo Steimbeisser
Head of Property Services



FEE FOR SERVICE

Our fee for service operations have also been very successful in completing The Springwood Group Home and Rouse Hill developments for Wentworth Community Housing. Both projects were delivered on time and under budget.

The success of these projects resulted in new relationships being created within the sector with the following providers;

- **COMMON EQUITY (CE):** we are assisting CE in undertaking the due diligence analysis in the sourcing of sites within Cabramatta region to accommodate over 55's accommodation for the Vietnamese Community, as well as completing an acquisition of a site in Croydon that can deliver a Boarding house for their clientele.
- **CHURCH GROUPS:** two local church groups have approached BlueCHP to assist them in establishing a masterplan for their sites that will service their growth for the next 20 years.
- **ABORIGINAL HOUSING OFFICE:** AHO has asked BlueCHP to provide a fee for service for evaluating their portfolio and establish a pipeline of growth, in delivering aboriginal housing in Sydney metro.
- **COMMUNITIES PLUS:** we have also been successful with the delivery of 3 projects for NSW LAHC, totalling 30 dwellings that we will manage upon completion.
- **COMING FROM THE SUCCESSFUL TENDER BID FOR THE LOGAN RENEWAL INITIATIVE,** a joint venture arrangement with Compass Housing, a tender has been submitted for the development of 78 Group Homes across NSW as part of the NDIS Initiative program.



.....
working together to
make a difference
to people's lives



BUILDING THE GARDENS

The most innovative affordable housing development in Australia.

With tenders received and assessed, Strongbuild Commercial submitted a competitive tender that will make The Gardens, the most innovative affordable housing development in Australia.

The development is the first Cross Laminated Timber (CLT) project in NSW and the largest CLT residential development in Australia. The CLT panels have been manufactured and imported from Austria.

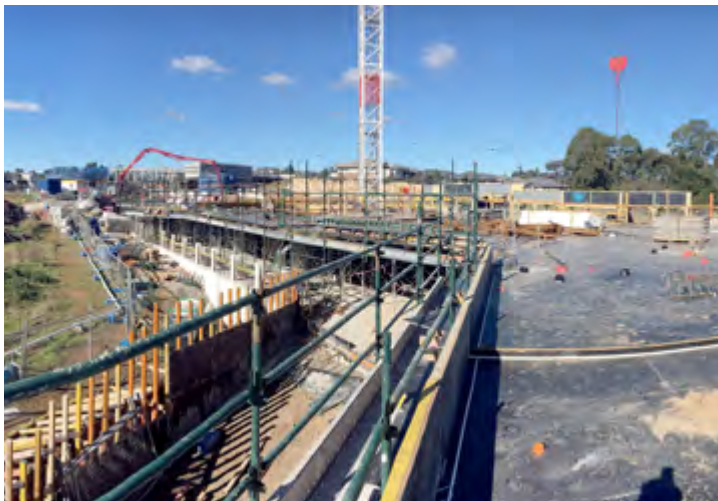
We have also engaged the services of Harcourts Real Estate, to sell apartments to the private market.

Retaining 44 NRAS apartments, we sourced other investors to purchase the remaining 12 affordable housing dwellings.





The project has been out selling all apartment developments in Campbelltown, with only 4 units remaining to be sold before practical completion June 2017.



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**Construction innovation ...
the Gardens development is
the first Cross Laminated
Timber (CLT) project in NSW**



BlueCHIP CEO Charles Northcote with Cheryl - a mother of 3 who lives in a house built by BlueCHIP at Ropes Crossing.

BLUECHIP LIMITED IS HERE TO STAY

BlueCHIP has a strong relationship with the builder panel consisting of Fowler Homes, Jandson Homes and Lily Homes to continue delivering more affordable housing in Ropes Crossing/Jordan Springs East as part of the agreement with NSW Land and Housing Corporation (LAHC).

In Stage 1 BlueCHIP will deliver a total of 90 dwellings from 69 blocks of land by December 2018. With a steady delivery program, PARCEL 1 and 2 will be completed by December 2016. PARCEL 3 commenced in May 2016. BlueCHIP has negotiated with Lend Lease the transfer of all 9 lots in PARCEL 4.





New partnership

During 2016, BlueCHP and Disability Services Australia (DSA) created a new partnership in Ropes Crossing establishing a mentoring program, where youths will be given the life skills to live independently.

BlueCHP has committed to building two adjacent houses from PARCEL 3 - one 5 bedroom and one 4 bedroom to implement this program.

The success of Stage 1 delivery, resulted in LAHC

nominating BlueCHP for the delivery of Stage 2, which is a further 50 lots from Jordan Springs East, which is estimated to deliver a further 75 dwellings to BlueCHP's portfolio. The first housing will be available by December 2018 and construction ongoing for the following 3 years.

BlueCHP estimates to deliver a total of 168 dwellings (estimated value over \$100m) of diverse housing ranging between 1 bedroom to 5 bedroom accommodation by 2021.

BLUECHP CORPORATE MODEL

Over the past year, with the anticipation of the change in governance arrangements, BlueCHP has reviewed the range of services and the deployment of its balance sheet.

BlueCHP has refined its capability statement and marketing materials to enhance its message to potential partners and customers. The triangle illustrates the core of the business to provide affordable housing on a long term sustainable basis for both retention on the balance sheet of BlueCHP and to other not for profit providers.

The company's not for profit status does provide some tax and stamp duty advantages along with its deductible gift recipient status. Utilising these advantages we are able to provide affordable housing. The company will focus on the provision of property development services that will include:

- **PROPERTY DEVELOPMENT:** assessing sites for development and taking them through development application approval to construction and commissioning for tenancing.
- **PORTFOLIO ASSESSMENT:** reviewing government, not for profit and private holders land and housing portfolios providing advice on improving utilisation and best use options under current or future property zoning plans.
- **PROPERTY DEVELOPMENT FINANCIAL ASSESSMENTS:** feasibility studies on individual or portfolio developments
- **TRANSACTION DESIGN** - using the financial and property development expertise, we provide advice on transaction design structures for complex transactions.

- **LARGE SCALE URBAN RENEWAL** - the company has large scale urban renewal experience working with state governments bringing together multiple partners

BlueCHP operates uniquely in the community housing sector with the focus on property development and continues to expand its team of specialists. The ability to outsource tenancy arrangements enables the company to source the bespoke services whilst achieving value for money. Governments are placing greater burdens on the partnerships of tenancy and support provider to bring more specialist packages for high needs clients and this over time requires a higher degree of investment.

Likewise in the property development segment it requires a degree of specialisation and BlueCHP is also able to bridge the gap in objectives from government, not for profit and the private sector - this is best illustrated with the partnership at Ropes Crossing with NSW Government, Lend Lease and tenancy manager Wentworth Community Housing. BlueCHP staff bring significant public and private market property development and asset portfolio management expertise.

Over the next 10 years BlueCHP has developed a strategy for growth seeking to realise existing opportunities within it's own portfolio and opportunities to develop more projects on a partnership basis with investors. In addition the advent of the National Disability Insurance Scheme provides new opportunities for growth.

OUR PURPOSE

Providing
affordable
housing

THE BlueCHP MODEL

WHAT DO WE DO

BCL provides

- affordable housing
- disability housing
- financial deal structuring
and advice
- development management
- project management
- asset management
- portfolio management
- portfolio optimisation

HOW DO WE DO WHAT WE DO

We use our NFP
status, our strong
balance sheet and
our combined skills,
experience and
relationships as a
catalyst to enable
this to happen

BOARD OF DIRECTORS

Full details of the current BlueCHP Limited board are listed on page 32 of the BlueCHP 2016 Annual Report



Terence Downing
Chairman

- **Qualifications**
- B Comm, M Mgmt, CPA, FAICD, ANZIIF (Fellow)
- **Special responsibility**
- Chairman



Peter Beer
Vice Chairman

- **Qualifications**
- AAIHS, ADTCP
- **Special responsibility**
- Audit, Risk & Governance Committee and Remuneration Committee



Claire Davis
Director

- **Qualifications**
- BA (Hons) Accy, FCA, GAICD, GradCertExecLead
- **Special responsibility**
- Audit, Risk & Governance Committee



Robert Elvy
Director

- **Qualifications**
- BScEng, BComAccy, FIEAust, FCPA, FAICD, FGIA
- **Special responsibility**
- Audit, Risk & Governance Committee and New Business Opportunities Committee

Qualifications
BE (Civil)

Special responsibility
New Business Opportunities Committee

Stephen Quill
Director



Qualifications
BASocSc (majors Econ & Law), CertCom Acct Procedures, DipAICD

Special responsibility
Audit, Risk & Governance Committee and Remuneration Committee

Tony Waters
Director



Qualifications
BEcon, BA (Asian Studies), MBus (Banking & Finance), GAICD

Special responsibility
New Business Opportunities Committee and Remuneration Committee

Craig Lee
Director



Qualifications
BA BusLaw & Human Geography, AdvDip Property Valuation, MSocSc, DipMgt, MAICD

Special responsibility
New Business Opportunities Committee

Vanessa Morschel
Director



CORPORATE GOVERNANCE

Board composition

At the end of July 2016 the Board composition changed from five to eight directors. At that time Member director representation was extinguished and replaced by non-executive skills-based directors. The new director selection process strategically matched BlueCHP's future directions and next phase of growth to a specific mix of skills and experience. This Board renewal is structured to provide good corporate governance oversight and add value. Information on the directors is set out in the Directors' Report.

The new Constitution retained the requirement that the minimum number of directors is three and maximum nine.

Board committees

To help it carry out its responsibilities the Board has established the following committees:

- Audit, Risk and Governance Committee
- New Business Opportunities Committee
- Remuneration Committee

Governance principles

Throughout the 2016 financial year, BlueCHP's governance arrangements were consistent with the ASX Corporate Governance Principles and Recommendations (3rd edition).

Board responsibilities

The Board is responsible for the corporate governance of BlueCHP. The principle role of the Board is to ensure the long term prosperity of BlueCHP by setting broad strategies and policies and ensuring that they are effectively implemented by management.

The Board carries out this role primarily by:

- Setting and approving the overall strategic direction;
- Overseeing management's implementation of the entity's strategic objectives and its performance generally;
- Approving major decisions, major capital expenditure, significant financial decisions and delegations of authority;
- Approving operating budgets and monitoring progress against those budgets, and establishing and measuring financial and non-financial key performance indicators;
- Overseeing the integrity of the entity's accounting and corporate reporting systems, including internal and external audit;



DIRECTORS' REPORT AND SUMMARY FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2016

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- Ensuring that the entity has in place an appropriate risk management framework and setting the risk appetite within which the board expects management to operate;
- Ensuring the company meets regulatory compliance;
- Approving the entity's remuneration framework; and
- Evaluating and monitoring the performance of the Board and the CEO.

The Board has delegated to senior management responsibility for a number of matters, including:

- Managing BlueCHP's day to day operations in accordance with Board approved authorisations, policies and procedures;
- Developing BlueCHP's annual budget, recommending it to the Board for approval and managing BlueCHP's day to day operations within that budget; and
- Implementing corporate strategy and making recommendations on significant corporate strategic initiatives.

The summary financial statements and other specific disclosures have been derived from BlueCHP Limited's (the Group's) full financial report for the financial year. Other information included in the summary financial statements is consistent with the Company's full financial report.

The summary financial statements do not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

A copy of the Company's 2016 Annual Financial Report, including the independent audit report, is available upon request.



DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

The Directors present this report on BlueCHP Limited (the 'Company') and its controlled entities ('the Group') for the year ended 30 June 2016.

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- ... 1 Appointed Alternate Director for Keith Bryant 22 May 2015; Appointed Director 1 September 2015
 - ... 2 Resigned 1 September 2015
 - ... 3 Appointed 1 April 2016
 - ... 4 Resigned 4 April 2016
 - ... 5 Appointed Alternate Director for Robert Vine 24 June 2016
 - ... 6 Resigned 29 July 2016
 - ... 7 Appointed 1 August 2016

Directors

The names of each person who has been a Director during the year and to the date of this report are:

Terence Downing	Tony Waters ⁷
Peter Beer	Keith Bryant ²
Claire Davis ⁷	Tony Conides ⁴
Robert Elvy ⁷	Susan Holliday ^{5 & 6}
Craig Lee ⁷	Cameron Lamb ^{1 & 6}
Vanessa Morschel ⁷	Leanne Hillman ⁶
Stephen Quill ⁷	Robert Vine ^{3 & 4}

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

Objectives

The Group aims to assist its Members in the fulfillment of their goals to provide affordable housing opportunities for households on very low to moderate incomes experiencing housing stress; including key workers and those at risk of homelessness within our community. Such opportunities can be from BlueCHP providing its own property or providing development management services to the Members to develop their own projects.

Strategy for achieving objectives

BlueCHP will seek development opportunities through its own not for profit status, strong balance sheet and combined skills, experience and relationships. It will also actively enter into joint ventures, public private partnerships, green field developments and urban renewal projects.

Principal activities

The principal activity of the Company during the financial year was to purchase and/or deliver dwellings that are then leased to its member organisations as social or affordable housing which is facilitated by securing of finance and/or government grants.

Over the past year the Group delivered 13 dwellings with a further 123 under construction.

Operating results

The Group achieved a surplus before fair value adjustments of \$2,071,795 (2015: surplus of \$9,465,454). After allowing for fair value adjustments, the surplus of the Group amounted to \$26,643,510 (2015: surplus of \$27,173,386).

Review of operations

A review of the operations of the Group during the financial year indicated that operating revenue has decreased \$6,796,252 predominately due to the decrease in grants received of \$7,014,897. There was a net gain on revaluation of investment property of \$24,571,715 (2015: \$17,707,932).

During the current financial year, there were three significant events that impacted the Group and its financial performance and position.

These were as follows:

1. Construction of The Gardens, Campbelltown project of 101 apartments commenced with earth works in February 2016. Forty-four of these apartments will be retained by the Group all with National Rental Assistance Scheme (NRAS) Incentives. Practical completion is June 2017. The project is currently on schedule and budget.
2. At St Marys ADI (Ropes Crossing) progress continues for the delivery of Stage 1. Parcel 2 is scheduled to be completed by January 2017. Parcel 3 construction has already commenced with completion estimated July 2017. BlueCHP has negotiated with Lend Lease for the transfer of the final 9 lots - Parcel 4. This will now complete our obligation on Stage 1B, delivering a total of 90 dwellings from 69 blocks of land by December 2018.
3. The benefits of the new IT Basix Software operating system have resulted in improved benchmarking of tenancy and property management services.



DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

Significant after balance date events

Since year end the governance restructuring of the Group to unwind its exclusive relationships with its five founding members was completed on 29 July 2016. At that juncture nominee directors resigned, member loans were repaid and agreements terminated. The Group adopted a new Constitution, and six new non-executive skills-based directors joined the Board. The two directors who continued in office are no longer member director representatives. Three members remain - Argyle Community Housing Limited, Southern Cross Community Housing Limited and Wentworth Community Housing Limited.

On 20 July 2016 the QLD Labor Government notified Logan City Community Housing, the joint venture Group between Compass Housing Limited and BlueCHP Limited, that it had decided to terminate the Logan Renewal

Initiative (LRI) after three years of extensive planning and preparation. BlueCHP had commenced the first stage of construction of 146 dwellings. Compensation for costs and lost opportunities is currently being sought from the Queensland Government. The financial impact to BlueCHP will be to slow the Group's ability to grow its delivery of affordable housing in Queensland. BlueCHP was contracted to construct a minimum of 2,600 dwellings over 20 years.

Subsequent to the end of the financial year, the Group finalised a 3 year \$32m construction facility for The Gardens project.

No other matters or circumstances have arisen since the end of the financial year which have 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.

Future developments - short and long term objectives of the group

The business continues to focus on delivering existing development projects (The Gardens and St Marys ADI site). The opportunities coming from the Communities Plus program of the NSW Government and the National Disability Insurance Scheme will provide avenues for growth. We will also continue to provide fee for service to the CHP sector and other non for profit ('NFP') providers. The growth in the NSW economy and demand for housing in the Sydney Metropolitan area will result in planning changes which provide scope for BlueCHP to redevelop its current portfolio.

The impact of the Queensland Governments cancellation of the LRI has resulted in the business reconfiguring its growth strategy for Queensland to focus on affordable housing and provision of services to the NFP sector.

Over the past several years we have experienced a changing policy framework from both Federal and State governments and are very much likely to face this in the future. BlueCHP will continue to build the business on the basis that this is the ongoing operational environment. BlueCHP will continue to grow its operations without a dependency on government grants to provide affordable housing in accordance with its mission. When government opportunities arise we will seek to pursue them based on their merits.



DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

INFORMATION ON DIRECTORS *

Terence Downing

Chairman, Non-executive Director

- **Qualifications** B Comm, M Mgmt, CPA, FAICD, ANZIIF (Fellow)
- **Experience** Extensive experience as a non-executive director with current and prior roles in the public, private and not-for-profit sectors. Over 35 years' experience in the financial services sector in Australia and Asia as a director, senior executive and consultant. Terry has been a Director of Argyle Community Housing Limited since April 2012.
- **Special responsibilities**
Chairman

Peter Beer

Vice Chairman, Non-executive Director

- **Qualifications** AAIHS, ADTCP
- **Experience** Peter is a qualified Building Surveyor, Town Planner and Health Surveyor. Predominantly involved with local government his experience also includes inter-state community and housing policy. Formerly Director of Environmental Services of four councils; Deputy Mayor and a Councilor with Snowy River Shire Council and Chairman of the Monaro Tenancy Scheme. Currently, Chairman of Monaro Housing Taskforce, Member South East and Southern NSW Resource Recovery Group and Member Monaro Local Area Command and Safety Committee. Peter is a director of Southern Cross Community Housing Limited.
- **Special responsibilities** Member of the Audit, Risk & Governance Committee and Remuneration Committee

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**Note: The unabridged Annual Financial Report 2016 contains the Information on former directors*

Claire Davis

Non-executive Director

- **Qualifications** BA (Hons) Accy, FCA, GAICD, GradCertExecLead
- **Experience** Claire brings over 20 years' experience in the not for profit housing sector in both Australia and the UK. Her governance and leadership roles have included chair, chair of finance & audit committee, board member, chief finance officer and director of corporate services. Claire has also worked in the commercial sector from brands such as Golden Circle and Ernst & Young enabling her to blend the best of commercial and not for profit practice. Claire coaches executives and business leaders to leadership excellence and developing high performing teams.
- **Special responsibilities** Member of the Audit, Risk & Governance Committee

Robert Elvy

Non-executive Director

- **Qualifications** BScEng, BComAccy, FIEAust, FCPA, FAICD, FGIA
- **Experience** Bob has board and extensive board committee experience in the building and construction industry, government entities and banking sectors. He brings significant financial, accounting and business management skills. Director and former CEO of Cleary Bros Group, Deputy-Chairman of IMB Limited, Chairman of Illawarra Sports Stadium Limited and a member of Business & Support Committee, Wollongong Legacy. Formerly, chairman of Port Kembla Port Corporation.
- **Special responsibilities** Member of the Audit, Risk & Governance Committee and New Business Opportunities Committee

Craig Lee

Non-executive Director

- **Qualifications** BEcon, BA (Asian Studies), MBus (Banking & Finance), GAICD
- **Experience** An experienced non-executive director. Thirty year executive career in banking, finance and insurance specialising in infrastructure projects, real estate and complex property-based structured finance transactions. A range of leadership roles with major international financial institutions in London, Tokyo, Singapore and Sydney. Current board member of the Future Business Council, Assured Guaranty Services (Australia) Pty Limited, Baragoola Preservation Assoc Inc and University & Schools Club of Sydney Limited. Prior roles include non-executive vice chairman of L J Hooker International Limited.
- **Special responsibilities** Member of the New Business Opportunities Committee and Remuneration Committee



DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

Vanessa Morschel

Non-executive Director

- **Qualifications** BA BusLaw & Human Geography, AdvDip Property Valuation, MSocSc, DipMgt, MAICD
- **Experience** Vanessa has 10 years' experience in town planning, real estate valuations and development management and in depth knowledge of housing affordability. Prior experience has included working for local councils in Wollondilly, The Hills and Camden on strategic planning, development assessments and s.94 Local Development Contributions Plans. Currently working for Greenfields Development Company Pty Limited to deliver Oran Park Town.
- **Special responsibilities** Member of the New Business Opportunities Committee

Stephen Quill

Non-executive Director

- **Qualifications** BE (Civil)
- **Experience** Steve has had a successful 35 year career at a senior level in the development and construction of major projects around Australia. Those projects include the \$350M mixed-use development 'The Village Balgowlah' and visions, options and business cases for the redevelopment of White Bay Power Station, for the first time at no overall cost to government. Steve has held senior executive roles with Sydney Harbour Foreshore Authority, Stockland Property Group, AMP Capital Investors and Lend Lease. Prior to his appointment to the BlueCHP board he was a strategic development advisor to the Group.
- **Special responsibilities** Member of the New Business Opportunities Committee

Tony Waters

Non-executive Director

- **Qualifications** BASocSc (majors Econ & Law), CertCom Acct Procedures, DipAICD
- **Experience** Recently retired from a career spanning more than 40 years in senior roles, half of which involved developing and implementing social housing and homelessness policy and programs. Tony's final role was as Deputy Director-General, Housing Services Queensland Department of Housing and Public Works. There he advanced the role of not-for-profit community housing providers. He has worked successfully with the housing industry to deliver both large and small scale housing maintenance, renewal and construction programs. Formerly a member of a number of government based boards of management.
- **Special responsibilities** Member of the Audit, Risk & Governance Committee and Remuneration Committee

Meetings of Directors

During the financial year meetings of directors and committees of the board held and attendance by each director were as follows:

	Directors' Meetings		Committee Meetings	
	<i>Number eligible to attend</i>	<i>Number attended</i>	<i>Number eligible to attend</i>	<i>Number attended</i>
Terence Downing	11	11	6	5
Peter Beer	11	9	5	5
Leanne Hillman	11	10	6	5
Cameron Lamb	9	8	0	0
Keith Bryant	2	2	1	1
Tony Conides	8	8	0	0
Robert Vine	2	2	0	0
Susan Holliday	1	1	0	0

Committee meetings include Audit, Risk and Governance and Remuneration.



DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

Company Secretary

The following persons held the position of Company Secretary at the end of the financial year:

Charles Northcote

Chief Executive Officer

.... **Qualifications** B.Com Ag Ec, MBA, GAICD

.... **Experience** 30 years of international business experience with listed companies covering sectors – merchant banking, agribusiness, chemicals, mining services and industrial products distribution.

Sarah Donovan

General Manager, Governance & Risk

.... **Qualifications** BA (Hons) BusLaw, FCIS, FGIA

.... **Experience** Governance professional and qualified chartered secretary for over 25 years. Senior executive roles in listed, non-listed entities in transport, venture capital, pharmaceuticals and consumer products.

Members' Guarantee

The Company is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the entity is wound up, the constitution states that each Member is required to contribute a maximum of \$10 towards meeting any outstanding and obligations of the Company. At 30 June 2016 the number of members was 5.

Terence Downing

Director

Peter Beer

Director

Sydney, 28 October 2016

SUMMARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
Operating revenue	10,483,326	17,279,578
Other income	-	7,000
TOTAL REVENUE	10,483,326	17,286,578
Expenses		
Employee benefits expense	(1,529,291)	(1,351,331)
Depreciation and amortisation expense	(285,803)	(108,808)
Finance costs	(2,549,744)	(2,398,598)
Property operating expense	(2,852,501)	(2,875,065)
Property consultants expense	(70,924)	-
Administration expense	(1,123,268)	(1,087,322)
Surplus before fair value adjustments and income tax	2,071,795	9,465,454
Gain on revaluation of investment property	24,571,715	17,707,932
Surplus before income tax	26,643,510	27,173,386
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	26,643,510	27,173,386

The above Summary Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the attached notes.



SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
Current assets		
Cash and cash equivalents	2,598,381	4,004,474
Trade and other receivables	4,237,425	3,931,425
Other current assets	213,272	131,558
Non-current assets classified as held for sale	2,688,248	-
TOTAL CURRENT ASSETS	9,737,326	8,067,457
Non-current assets		
Property, plant & equipment	531,174	737,527
Investment properties	256,569,111	225,482,219
TOTAL NON-CURRENT ASSETS	257,100,285	226,219,746
TOTAL ASSETS	266,837,611	234,287,203

	2016 \$	2015 \$
Current liabilities		
Trade and other payables	2,194,948	1,153,754
Other current liabilities	22,653	93,246
Employee benefits	76,410	108,932
Borrowings	4,032,372	-
TOTAL CURRENT LIABILITIES	6,326,383	1,355,932
Non-current liabilities		
Employee benefits	22,908	52,342
Borrowings	47,864,454	46,898,573
TOTAL NON-CURRENT LIABILITIES	47,887,362	46,950,915
TOTAL LIABILITIES	54,213,745	48,306,847
NET ASSETS	212,623,866	185,980,356
Equity		
Retained surpluses	212,623,866	185,980,356
TOTAL EQUITY	212,623,866	185,980,356

The above Summary Statement of Financial Position should be read in conjunction with the attached notes.



SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Retained surpluses \$	Total equity \$
Balance at 1 July 2014	158,806,970	158,806,970
Surplus after income tax expense for the year	27,173,386	27,173,386
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	27,173,386	27,173,386
Balance as at 30 June 2015	185,980,356	185,980,356
Balance as at 1 July 2015	185,980,356	185,980,356
Surplus after income tax expense for the year	26,643,510	26,643,510
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	26,643,510	26,643,510
Balance as at 30 June 2016	212,623,866	212,623,866

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
Cash flows from operating activities		
Receipt of grants - National Rental Affordability Scheme Incentives	2,816,702	2,257,701
Receipts from customers (inclusive of GST)	7,330,394	9,459,789
Payments to suppliers and employees (inclusive of GST)	(4,767,327)	(6,546,520)
Interest received	28,502	64,556
Finance costs paid	(2,144,813)	(2,236,054)
Net cash from operating activities	3,263,458	2,999,472
Cash flows from investing activities		
Payment for property, plant and equipment	(79,450)	(615,310)
Proceeds from disposal of property, plant and equipment	-	7,000
Payment for investment property	(9,203,423)	(1,919,875)
Net cash used in investing activities	(9,282,873)	(2,528,185)
Cash flows from financing activities		
Proceeds from borrowings	4,613,322	-
Net cash flow from financing activities	4,613,322	-
Net increase/(decrease) in cash and cash equivalents	(1,406,093)	471,287
Cash and cash equivalents at beginning of the financial year	4,004,474	3,533,187
Cash and cash equivalents at the end of the financial year	2,598,381	4,004,474



NOTES TO THE CONSOLIDATED SUMMARY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

Summary Statement of Profit or Loss and Other Comprehensive Income

The company's operating revenue has decreased by \$6,796,252 since the prior year, fair value adjustments have increased by \$6,863,783 and expenses have increased by \$590,407.

The company achieved a surplus before fair value adjustments of \$2,071,795 (2015: surplus of \$9,465,454). After allowing for fair value adjustments, the surplus of the Company amounted to \$26,643,510 (2015: surplus of \$27,173,386). Individual items that have significantly impacted the 2016 result include:

- Rental revenue decreased by \$127,639;
- Grants of land received decreased by \$7,014,897;
- Property operating expenses decreased by \$22,564;
- Employee benefits expense increased by \$177,960;
- Administration expenses increased by \$35,946;
- Finance costs of \$2,549,744 (2015 - \$2,398,598) relating to interest expense for borrowing facilities held;
- Gain on revaluation of investment properties of \$24,571,715 compared to a gain of \$17,707,932 in the prior year.

Summary Statement of Financial Position

The company's net assets have increased by \$26,643,510 since the prior year which has resulted in the company being in a net asset position of \$212,623,866 at the year end. This has been achieved through an increase in total assets of \$32,550,408 offset by an increase in total liabilities of \$5,906,898.

The increase in total assets for the year is mainly attributed to a subsequent upward revaluation on the properties of \$24,571,715 during the current year.

Summary Statement of Cash Flows

Operating activities generated a net cash inflow of \$3,263,458, an increase of \$263,986 when compared to the previous year.

Net cash used in investing activities was \$9,282,873, compared with \$2,528,185 in the prior year, which predominately relates to the acquisition and development of properties.

Net cash inflow from financing activities was \$4,613,322 for the current year as a result of drawing down on existing borrowing facilities (2015: nil).

As a result of these cash flows, the net cash held during the year decreased by \$1,406,093 compared to the previous year's increase of \$471,287.

Cash at the end of the financial year amounted to \$2,598,381 compared to last year's balance of \$4,004,474 (a decrease of 35%).

NOTE 1 BASIS OF PREPARATION OF THE SUMMARY FINANCIAL STATEMENTS

The summary financial statements are an extract from the full financial report for the year ended 30 June 2016.

Specific disclosures and other information included in the summary financial statements are derived from and are consistent with the full financial report of BlueCHP Limited. The summary financial statements cannot be expected to provide as detailed an understanding of the financial performance, financial position and financing and investing activities of BlueCHP Limited as the full financial report.

The presentation currency used in these summary financial statements is Australian dollars.

NOTE 2 EVENTS AFTER THE REPORTING PERIOD

Since year end the governance restructuring of the Group to unwind its exclusive relationships with its five founding members was completed on 29 July 2016. At that juncture nominee directors resigned, member loans were repaid and agreements terminated. The Group adopted a new Constitution, and six new non-executive skills-based directors joined the Board. The two directors who continued in office are no longer member director representatives. Three members remain - Argyle Community Housing Limited,

Southern Cross Community Housing Limited and Wentworth Community Housing Limited.

On 20 July 2016 the QLD Labor Government notified Logan City Community Housing, the joint venture Group between Compass Housing Limited and BlueCHP Limited, that it had decided to terminate the Logan Renewal Initiative (LRI) after three years of extensive planning and preparation. BlueCHP had commenced the first stage of construction of 146 dwellings. Compensation for costs and lost opportunities is currently being sought from the Queensland Government. The financial impact to BlueCHP will be to slow the Group's ability to grow its delivery of affordable housing in Queensland. BlueCHP was contracted to construct a minimum of 2,600 dwellings over 20 years.

Subsequent to the end of the financial year, the Group finalised a 3 year \$32m construction facility for The Gardens project.

No other matters or circumstances have arisen since the end of the financial year which have 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.



NOTES TO THE CONSOLIDATED SUMMARY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

The Directors of the Company declare that the accompanying summary financial statements of the Company for the financial year ended 30 June 2016 are an extract from the full financial report for the year

ended 30 June 2016 and have been derived from and are consistent with the full financial report of the Company.

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

Terence Downing
Director

Peter Beer
Director

Sydney, 28 October 2016

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2016



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INDEPENDENT AUDITOR'S REPORT

To the members of BlueCHP Limited

Report on the Summary Financial Statements

The accompanying summary financial statements, which comprise the summary consolidated statement of financial position as at 30 June 2016, the consolidated summary statement of profit or loss and other comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows for the year then ended and related notes are derived from the audited financial report of BlueCHP Limited for the year ended 30 June 2016. We expressed an unmodified audit opinion on that financial report in our report dated 28 October 2016.

The summary financial statements do not contain all the disclosures required by Australian Accounting Standards - Reduced Disclosure Requirements. Reading the summary financial information, therefore, is not a substitute for reading the audited financial report of BlueCHP Limited.

Directors' Responsibility for the Summary Financial Statements

The Directors are responsible for the preparation and fair presentation of the summary financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*.

Opinion

In our opinion, the summary financial statements derived from the audited financial report of BlueCHP Limited for the year ended 30 June 2016 are a fair summary of that audited financial report.

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'A. Milner', is written over the printed name of the auditor.

Arthur Milner
Partner

Sydney, 28 October 2016

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.



STRATEGY FOR GROWTH IN THE **NEXT 10 YEARS**



Realising existing opportunities within our own portfolio, BlueCHP has identified future opportunities to develop projects in partnership with investors. At the current time, we see the best long term opportunities for growth in New South Wales, Queensland, Victoria and South Australia.

We have invested in our small dynamic team of staff who have considerable experience so we can meet these future challenges.

BlueCHP Limited

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