




**BlueCHP**Limited  
AFFORDABLE HOUSING—FOUNDATION FOR LIFE

CELEBRATING 10 YEARS - AFFORDABLE HOUSING SPECIALISTS



# AFFORDABLE HOUSING

## A FOUNDATION FOR LIFE

2018 ANNUAL REPORT

[www.bluechp.com.au](http://www.bluechp.com.au)

At BlueCHP we want **everyone** to have an  
**affordable home** and passionately believe this  
is the best way to **support any family**

We know we **make a difference** to people's  
lives, **the community** and **the nation** by  
**building more affordable housing**

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*BlueCHP is proud to provide housing for 1,413 people*

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## CHAIRMAN'S REPORT

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BlueCHP celebrates its 10-year anniversary this year coinciding with the opening of our flagship project, The Gardens in Campbelltown. In its 10 years the Company has delivered over 1,700 homes fulfilling on its promise of getting more families into housing they can afford. We are proud to make a difference to people's lives, the community, and the nation by building more affordable homes.

### FINANCIAL PERFORMANCE

The financial position of the business at year-end is again strong with the year producing a Surplus before fair value adjustments of \$12,911,968 (2017: \$8,158,068), Surplus before tax (including revaluation adjustments) of \$31,843,783 (2017: \$23,794,474) and Total Assets of \$320,781,597 (2017: \$316,488,032).

### MATTERS SUBSEQUENT

In late September 2018 Home4Life Limited, a joint venture between BlueCHP and Compass Housing, reached financial close on the landmark Hunter Residence Program which will transform the lives of 345 people living with a disability. Acquisition of the land from NSW Department of Family and Community Services, together with the construction of new specialist dwellings, is being financed with an innovative structure from Lighthouse Infrastructure which provides long-term certainty to the project. This is an outstanding example of how community housing providers can cooperate and work with institutional investors to deliver creative solutions.

**In 10 years, BlueCHP has delivered  
over 1,700 homes fulfilling on its  
promise of getting more families into  
housing they can afford**



## **FUTURE OUTLOOK**

Availability of long-term capital and funding to this important sector has long been a challenge to community housing providers. The National Housing Finance and Investment Corporation is now a reality and BlueCHP continues to be actively engaged with this important Federal Government initiative. This, together with renewed interest from private sector investors and financiers, augers well to fund the continued demand for social and affordable housing. There are of course limits on the capacity, and appropriateness, of community housing providers leveraging their balance sheets. Capital within the sector will still constrain the ability to meet demand for additional affordable housing given limited rental streams supporting our enterprises.

## **BOARD MATTERS**

I was elected Chairman at last year's AGM succeeding Terry Downing in the role. BlueCHP is indebted to Terry for his five years with the Company. Terry's stewardship in introducing important governance changes to the Company has given us a strong platform from which to continue our strong growth trajectory. It is a privilege to work with a high quality Board of directors all of whom give enthusiastically of their time and expertise. I thank my fellow directors for their support and contribution throughout the year. Finally, BlueCHP has a dedicated and hardworking group of employees who, with the support and leadership of the CEO, are to be congratulated for their significant effort in delivering another sound result.

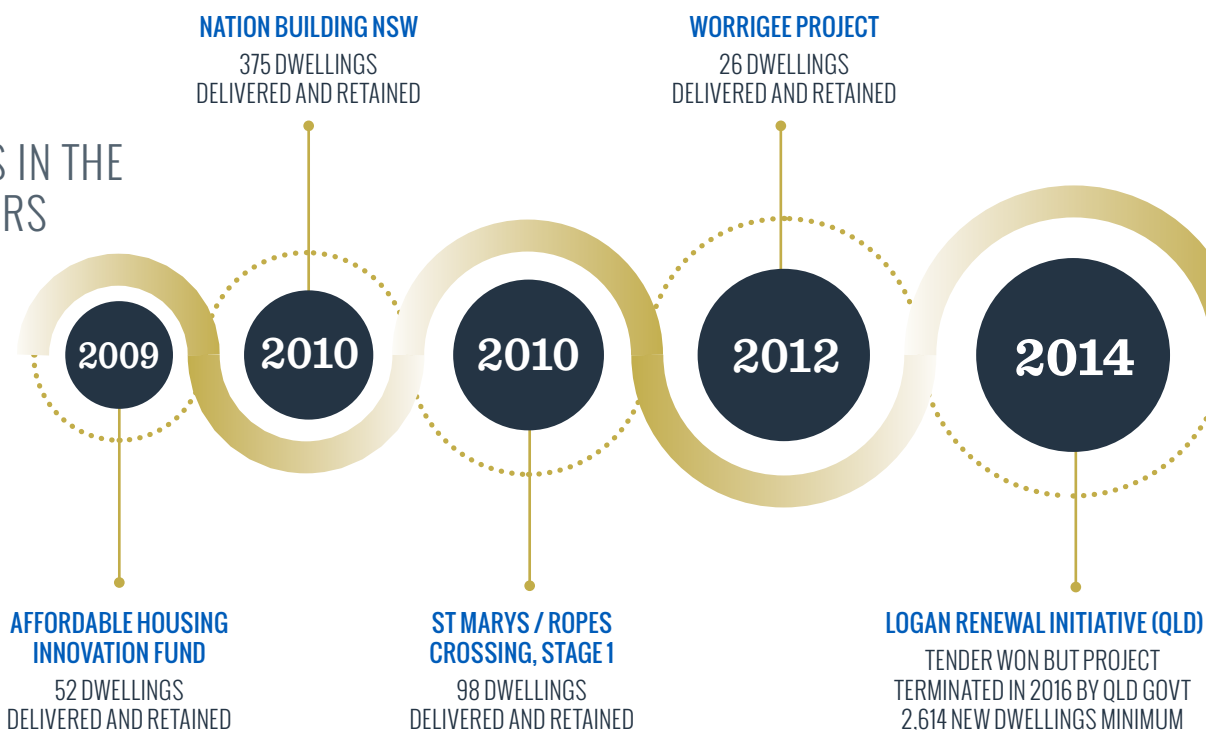
A stylized, handwritten signature in dark ink, consisting of a large, sweeping 'C' followed by a smaller, more intricate mark.

**Craig Lee**  
Chairman

## 10-YEARS OF OPERATIONS

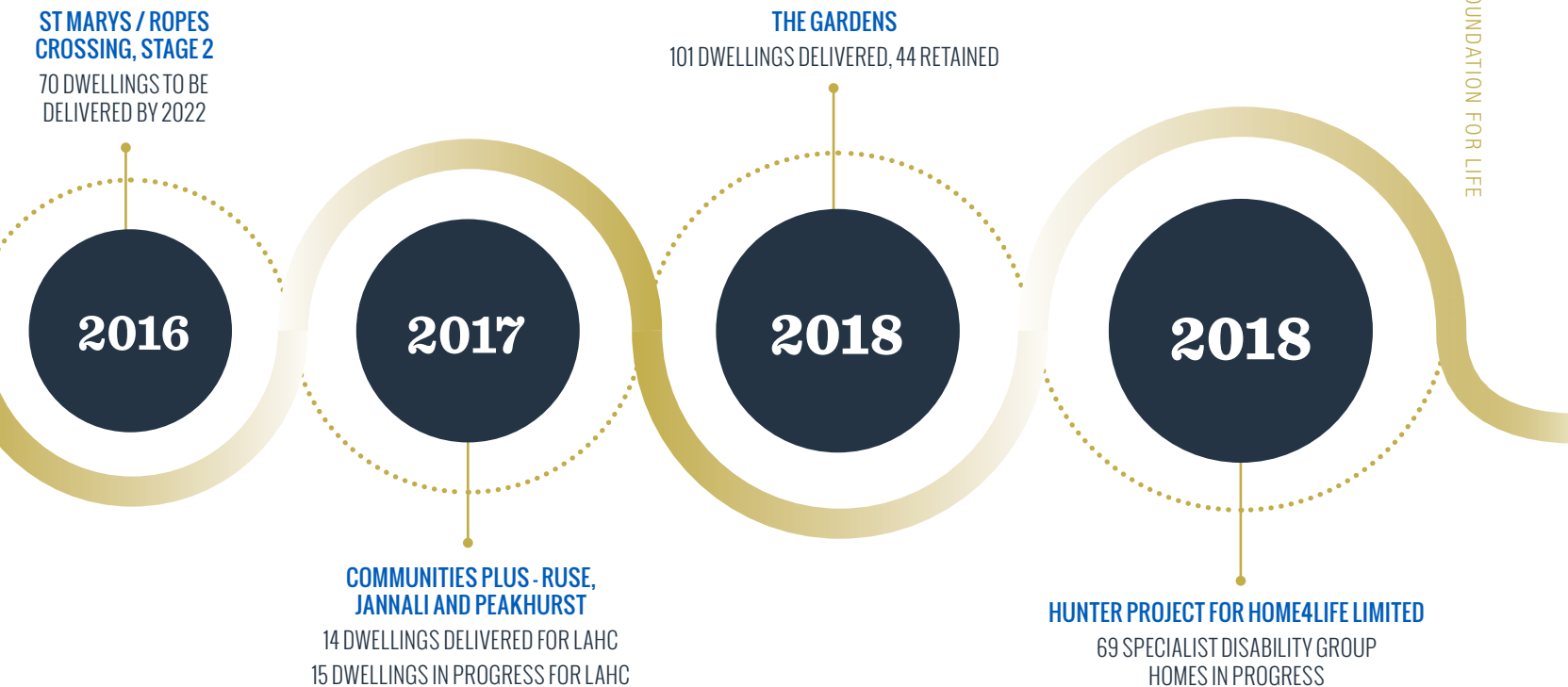
This year BlueCHP Limited celebrates 10 years of operations; it has grown from small beginnings. Originally established by five community housing providers to increase the supply of social and affordable housing BlueCHP moved to an independent governance model in 2016. Over the 10 years it has delivered over 1,700 dwellings and retained over 700 dwellings worth more than \$300 million.

### HIGHLIGHTS IN THE LAST 10-YEARS



This impressive growth has been due to a dedicated staff in driving innovation in the CHP sector and building the sector as a whole. I want to thank the current team and those who have been involved in the company over the past 10 years in seeing this vision realised.

We currently have over 1,413 people living in our properties, with 278 homes provided to single women and a further 128 to single women with children. Homes provided for indigenous people totaled 77.



## YEAR IN NUMBERS



# 1700

TOTAL NUMBER OF  
AFFORDABLE HOMES  
DELIVERED BY BLUECHP



# 6.25%

INCREASE IN DWELLINGS IN 2018

# 1413

PEOPLE LIVING IN  
OUR PROPERTIES

# 278

HOMES PROVIDED  
TO SINGLE WOMEN



# 77

HOMES  
PROVIDED TO  
INDIGENOUS  
PEOPLE

# 128

SINGLE WOMEN  
WITH CHILDREN  
LIVING IN OUR  
HOMES

SOCIAL BENEFIT TO  
THE COMMUNITY IS

# \$4M





## AWARDS AND RECOGNITION

It was wonderful for BlueCHP to be recognised by the Chamber of Commerce regional awards for The Gardens winning in the following categories:



### EXCELLENCE IN SOCIAL ENTERPRISE

The award was for the contribution BlueCHP makes to the local regional community with affordable housing and homelessness assistance



### EXCELLENCE IN INNOVATION

This was in recognition of the innovative The Gardens cross laminated timber development



### OUTSTANDING BUSINESS LEADER

In recognition of the CEO's leadership of BlueCHP and impact on the local community



## CEO REPORT

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### NEW PARTNER PROJECTS

I am particularly proud of the BlueCHP's association with Disability Services Australia ('DSA') here in New South Wales. We have come together to provide two new homes built for people who need extra support to live independently. DSA will provide the life skills support transitioning residents from full-time care to greater independence. The initial project is for 10 years.

In Queensland our colleagues continue to develop BlueCHP's business in light of the very unfavourable environment for the community housing sector. They have focused their business development in sectors outside community housing. This includes seniors housing options, disability housing and key worker accommodation. That said we are still working with the Queensland Government to bring further innovation to the sector through a proposed shared equity scheme.

Taking the lead from our Queensland colleagues, we will expand our development services operation into new market segments, this will enable the company to weather the inconsistency of government policy and provide further revenue opportunities to meet our core mission.





## CEO REPORT

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### SUCCESSFUL TENANTING

The year has seen the successful tenanting of The Gardens, Campbelltown and an additional 22 properties delivered at Ropes Crossing. It was a privilege to have the Treasurer now Prime Minister, Scott Morrison, officially open The Gardens as he is a great advocate for the sector. Total properties delivered this year are 123 with 66 being retained.

### TENANCY AND MAINTENANCE MANAGEMENT SERVICES

During the year, we ran a successful tender for the provision of tenancy and maintenance management services which was won by Compass Housing Services Co Ltd ('Compass'). The quality of submissions provided by tenderers was very high. BlueCHP has now exited tenancy management services to focus on its core strengths of property development.

### INVESTMENT IN HOUSING

As we mentioned last year, we are concluding Stage 1 of Ropes Crossing, NSW and commencing Stage 2 in the adjoining suburb of Jordan Springs East. The final NSW Land and Housing Corporation development management contract at Peakhurst will be completed in December 2018. During the last year we completed four dwellings at Ruse and 10 at Jannali.

The Communities Plus projects for Lane Cove and Liverpool are progressing although a little more slowly than anticipated, due to finalising finance and investigating new building technologies to deliver a more competitive product.

The Hunter Residence Program in New South Wales has taken much more time to conclude due to the National Disability Insurance Scheme's ('NDIS') uncertainties







The mission of  
BlueCHP is to focus  
on our belief that we  
want everyone to have  
an affordable home

## CEO REPORT

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and complexities which made the financing difficult to obtain. Owing to this, the original contract could not be concluded and it was subsequently terminated by the NSW Government in 2018. In 2018 the Government restructured the project and invited BlueCHP to retender. This meant some changes to the number and configuration of group homes to be delivered. We have been successful in this bid and with our joint venture partner Compass and financier, Lighthouse Infrastructure, we closed the transaction in September 2018. BlueCHP will be constructing 69 group homes throughout NSW. BlueCHP will provide \$3 million of subordinated debt to the Special Purpose Vehicle ('SPV'), Home4Life Limited. This project will make BlueCHP the leading developer of specialist disability accommodation.

### **NATIONAL HOUSING FINANCE AND INVESTMENT CORPORATION**

Over the last year, we worked with Federal Treasury as it created and developed the National Housing Finance and Investment Corporation ('NHFIC'). The legislation was passed in June of this year and we believe it will be a significant 'game changer' for the CHP sector, providing long term government guaranteed financing for periods of up to 20 years. For BlueCHP it provides the opportunity to place long term core debt and enable growth without being subject to the traditional bank financing periods of a maximum of 5 years. The financing also matches with BlueCHP's property portfolio of assets.

As mentioned last year, there is still the gap between rental returns of subsidised rents versus market rent. The NSW IPART report of 2017 highlights that the industry needs government to meet this gap if housing supply is to increase for the cohort of people on very low to low, and moderate incomes. These findings are consistent with reports from across Australia.

## STAFF AND OUTLOOK

In June 2018, Marcelo Steimbeisser our Head of Property Services made a career move and I would like to mention his significant contribution over seven years. He delivered over 300 quality dwellings and introduced the use of Cross Laminated Timber construction for The Gardens development (the largest development in the Southern Hemisphere). We wish Marcelo further successes in his career.

Finally, I wish to thank the support of the new Chairman and the Board of directors over the past year. Success is built on the contribution of both Board and staff to deliver on our mission of providing more affordable housing solutions.



**Charles Northcote**  
Chief Executive Officer

# DEVELOPMENT REPORT

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## NEW SOUTH WALES

### DEVELOPMENTS COMPLETED

The Gardens development in Campbelltown was completed in the 2018 financial year. It was officially opened by the then Federal Treasurer, The Hon Scott Morrison MP, on 23 November 2017. BlueCHP retained 44 apartments as affordable housing with the other 57 dwellings sold to the private market. The apartments are fully occupied.

A further 22 dwellings were completed at Ropes Crossing under the Affordable Housing Program in Stage 1. The design of the last 9 lots generating an additional 18 dwellings is underway with construction completion scheduled in December 2019. BlueCHP has also received 41 lots of the 50 expected as part of the Jordan Springs East development (Stage 2). The design works are currently underway which will produce a further 70 dwellings to the BlueCHP portfolio.

### FEE FOR SERVICE

BlueCHP has also completed government fee for service works on behalf of Land and Housing Corporation (LAHC) as a client-side project manager completing the two (2) sites at Ruse and Jannali early this year with the last site at Peakhurst due for completion in December 2018. All three (3) sites are seniors housing generating a total of 29 apartments. BlueCHP has retained the management rights on behalf LAHC. Being nominated as a preferred Community Housing Provider last year for the Communities Plus Stage 2, BlueCHP is finalising the contracts with FACS to deliver the Lane Cove North and Liverpool sites, to construct 30 apartments and 63 apartments respectively. Both projects are forecast to be delivered in 2020-2021.





## SPECIALIST DISABILITY ACCOMMODATION

During the year BlueCHP has worked tirelessly together with their Home4Life partners to conclude the re-tender for the Hunter Residences Program. This program will deliver up to 69 Specialist Disability Accommodation group homes, mostly in the Hunter Region but spread across NSW. It will replace the three large Hunter residential disability centres for 345 residents. The residents are approved participants under the NDIS and funding for specialist disability accommodation is part of their support package. Completion of the construction phase of the program is forecast to be delivered in 2020. Leveraging our success with this type of development, we have also continued to work within this sector by offering our fee for services to organisations such as Disability Services Australia assisting them with their flagship group home project in Tahmoor, NSW. BlueCHP is acting as their Development Manager and will manage the process from Development Approval up to the delivery of the group home in 2019.



**Glenn Amanonce**  
Senior Development  
Manager (NSW)

Responsible for acquisition and management of all the developments in NSW.



**Pau-Lahi Ha'angana**  
Development Manager  
(NSW)

Responsible for the delivery of current development projects and assessment of future developments in NSW.

## DEVELOPMENT REPORT

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### QUEENSLAND

#### OUTLOOK

In 2018 BlueCHP Queensland celebrates the fourth year of operations. The year was characterised by an expansion in the range of projects under consideration and growth in professional services provided across the South East region of the State.

During this time, BlueCHP participated in cumulative competitive tenders exceeding \$210 million in capital value, including continuing engagement with the Queensland Government and partnerships with like-minded not for profits and commercial developers.

An intentional community proposal with Wesley Mission QLD and Logan Women's Health and Wellbeing Centre in Logan is poised to help young single mothers to achieve independence and pathways to employment.

Over 40 seniors will be offered the opportunity to co-design their new dwellings in Brisbane's north, while emergent shared equity partnerships offer the potential for moderate income households to enter the housing market.

#### PROPERTY ADVISORY SERVICES

The value of BlueCHP's property advisory services has been recognised through engagements by allied not for profits, including commissions to devise property redevelopment scenarios, feasibility assessments and customer engagement strategies.



Members of Burnie Brae's board and staff review the plans of the proposed seniors housing project with BlueCHP QLD project manager George Giannes.

## NEW AFFORDABLE HOUSING OPPORTUNITIES

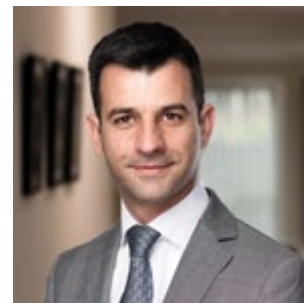
Emerging affordable housing opportunities for seniors, key workers, people living with disabilities and others experiencing housing pressure underpin new business growth opportunities.

This includes continuing engagement with state and local government and industry partners in the commercial and not for profit sectors, in addition to BlueCHP led developments in Queensland.



**Darren Mew**  
Senior Development  
Manager (QLD)

Responsible for managing all aspects of the Queensland office including engagement with government, industry and the community.



**George Giannes**  
Project Manager (QLD)

Responsible for the development management functions including feasibility analysis, operational finance modeling, acquisitions, development design and project management of construction in QLD.

## ASSET MANAGEMENT REPORT

In 2018 BlueCHP made a number of strong and strategic decisions to help provide a clear direction in how our assets are managed over the medium term. With our focus firmly on the provision of more quality affordable housing to the market, the Asset team has provided the platform for growth in the following areas:

- Developing a Strategic Management Plan for the management of assets,
- Embarking on an asset-recycling program to change the BlueCHP asset mix,
- Completing the successful tender process of 335 properties,
- Building new partnerships with organisations to accelerate change in our community.

The strategic management plan includes three main drivers: realisation of portfolio to enhance asset effectiveness, implement cost management / productivity strategies to increase efficiency, and optimise our rentals to increase our revenues.

BlueCHP is embarking on implementing an asset-recycling program to eliminate high-cost assets, change the asset mix and use the funds generated to build more affordable housing in the greater Sydney metropolitan area.

During the year, BlueCHP ran a successful tender for

the provision of tenancy management and property management services. All nine participants were of an excellent standard, with the successful tenderer being Compass Housing Services Co Ltd ('Compass'). As at 1st July 2018, Compass started to manage 335 properties with great gains already in tenant satisfaction and cost efficiencies. This has enabled BlueCHP to direct more resources into our core business activities.



**James Campbell-Bruce**  
Senior Asset and Tenancy  
Manager

Responsible for the Asset portfolio including upgrades and recycling. Also responsible for Service Provider performance in tenancy management.





Dwellings used in the Disability Services Australia Independent Living Program.

## INDEPENDENT LIVING

Since his mother passed away, Faber who is 57, has been living in Liverpool Hospital. His mother had been his full time carer, however after she passed away in 2014 he has struggled to look after himself. He has an intellectual disability from a traumatic brain injury and his health deteriorated without his mother's care. Late in 2017 he was admitted to Liverpool Hospital until suitable long term accommodation and care could be found. To help Faber and people like him, BlueCHP has partnered with Disability Services Australia to create a new model of independent living.

Two new homes have been built at Ropes Crossing and mentors will work with residents on a daily basis to create a routine and help people develop new friendships.

The aim is for residents to learn practical life skills so they are able to become more independent. Each new home will house four people, with the first providing full time support and the second, when people are ready, providing a safe place where residents can live more



independently. The project fulfills BlueCHP's mission of providing more affordable housing. BlueCHP knows it makes a difference to people's lives, the community and the nation by building more affordable homes. The project was developed without the assistance of government and given the demand for this type of housing, BlueCHP is seeking grant funding to extend the program.

The new homes are part of BlueCHP's broader program of work at Ropes Crossing, which will see a total of 168 affordable homes delivered. BlueCHP would like to thank Disability Services Australia, which is a social enterprise supporting 2,000 people with a disability, for their commitment to the program and for helping people like Faber live active lives in the community.

## GOVERNMENT RELATIONS

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Through the CEO and External Relations Manager, BlueCHP works with government, advocating for policy reforms to increase the supply of affordable housing.

Simon Schwab, BlueCHP's External Relations Manager, who previously worked as the Senior Advisor to the Minister for Family and Community Services in NSW, leads BlueCHP's advocacy.

BlueCHP worked closely with the Federal Government to ensure it understood the needs of Community Housing Providers as it established the National Housing Finance and Investment Corporation (NHFIC).

BlueCHP continues to work with the NSW Government promoting the view that coordination of state government policy with the NHFIC provides the best opportunity to reform the sector and increasing affordable housing supply.

More recently, BlueCHP has started working with the Queensland Government to understand its priorities and to share lessons from elsewhere in Australia.



**Simon Schwab**  
External Relations Manager

Responsible for engagement with government with a view to understanding and influencing policies affecting BlueCHP.

## BLUECHP CORPORATE MODEL

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*Over the past year, 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 tenanting.
- ... **PORTFOLIO ASSESSMENT:** reviewing government, not for profit and private holders' land and housing portfolios with a view to providing options for improving utilisation and best use under current or future property zoning plans.
- ... **PROPERTY DEVELOPMENT FINANCIAL ASSESSMENTS:** feasibility studies on individual or portfolio developments.

## BLUECHP CORPORATE MODEL

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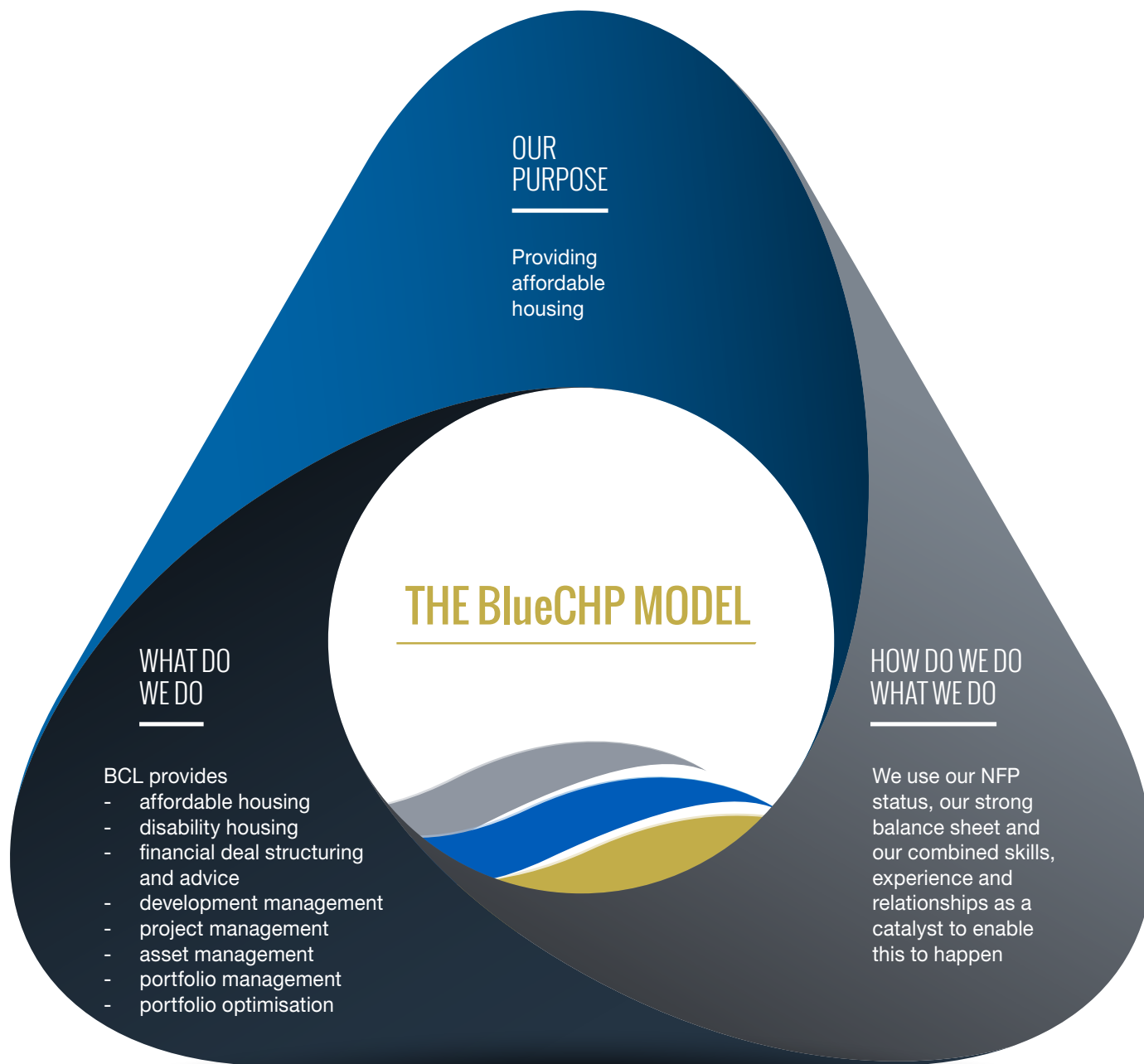
- ... **TRANSACTION DESIGN** - using our financial and property development expertise, we provide advice on transaction design structures for complex transactions.
- ... **LARGE SCALE URBAN RENEWAL** - the company has large scale urban renewal experience working with state governments bringing together 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, Lendlease and tenancy manager Compass. 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 its 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.





## BOARD OF DIRECTORS

FULL DETAILS OF THE CURRENT BLUECHP LIMITED BOARD ARE LISTED ON PAGE 32



### CRAIG LEE

Chairman

#### Qualifications

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

#### Special responsibilities

New Business Opportunities Committee and Remuneration Committee



### PETER BEER

Vice Chairman

#### Qualifications

AAIHS, ADTCP

#### Special responsibilities

Audit, Risk & Governance Committee and Remuneration Committee



### CLAIRE DAVIS

Director

#### Qualifications

BA (Hons) Accy, FCA, GAICD, GradCertExecLead

#### Special responsibilities

Audit, Risk & Governance Committee



### ROBERT ELVY

Director

#### Qualifications

BScEng, BComAccy, FIEAust, FCPA, FAICD, FGIA

#### Special responsibilities

Audit, Risk & Governance Committee and New Business Opportunities Committee



**VANESSA MORSCHEL**

Director

**Qualifications**

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

**Special responsibilities**

New Business  
Opportunities Committee



**STEPHEN QUILL**

Director

**Qualifications**

BE (Civil)

**Special responsibilities**

New Business  
Opportunities Committee



**TONY WATERS**

Director

**Qualifications**

BASocSc

**Special responsibilities**

Audit, Risk & Governance  
Committee and  
Remuneration Committee

## CORPORATE GOVERNANCE

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### Board composition

The BlueCHP Board structure was renewed in late July 2016 to combine good corporate governance oversight and a value adding skills based approach. The new director selection process strategically matched BlueCHP's future directions and growth to a specific mix of skills and experience. The company provides opportunities for director development so that directors are able to continue to perform their role. The Board composition is currently seven non-executive directors. Information on the directors is set out in the Directors' Report.

The Constitution specifies 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 2018 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;
- .... 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.

# DIRECTORS’ REPORT AND SUMMARY FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2018

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 Group’s full financial report.

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

A copy of the Group’s 2018 Annual Financial Report, including the independent audit report, is available to all members upon request.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

DIRECTORS' REPORT AND CONCISE FINANCIAL STATEMENTS ACN 128 582 383

*The Directors present this report on BlueCHP Limited ('BlueCHP') and its controlled entities ('the Group') for the year ended 30 June 2018.*

## Directors

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

Craig Lee <sup>2</sup>

Peter Beer

Claire Davis

Robert Elvy

Vanessa Morschel

Stephen Quill

Tony Waters

Terence Downing <sup>1</sup>

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

..... <sup>1</sup> Resigned as a Director and Chairman 23rd November 2017

..... <sup>2</sup> Appointed Chairman 23rd November 2017

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

DIRECTORS' REPORT AND CONCISE FINANCIAL STATEMENTS ACN 128 582 383

## Objectives

The Group aims 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 other providers of community housing.

## 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 Group during the financial year was to increase the supply of dwellings through construction or life cycle replacement facilitated by securing finance and/or government grants and to maintain a housing asset portfolio that is then leased by service providers as social or affordable housing.

During the year ended 30 June 2018 the Group delivered 123 dwellings with a further 18 under construction.

## Significant after balance date events

BlueCHP Limited holds a 50% membership in Home4Life Limited ('Home4Life') (ABN 64 617 052 383). The other 50% membership of Home4Life is held by Compass Housing Services Co Ltd.

On the 4 September 2018, Home4Life entered into an agreement with the NSW Minister for Multiculturalism and Minister for Disability Services (the 'Department') to deliver Specialist Disability Housing in New South Wales known as the Hunter Residences Program (the 'Program'). The Program is for the construction of approximately 69 group residential homes on sites purchased by the Department which will be transferred to Home4Life. Financial settlement of this agreement occurred on 26 September 2018.

Home4Life has sub-contracted BlueCHP to carry out and complete the design and construction of the housing.

On the 4 September 2018, BlueCHP, as a sponsor of this Program, entered into an agreement to make a \$3,000,000 subordinated interest bearing loan to Home4Life for this program. Financial settlement of this loan occurred on 26 September 2018. No other matters or circumstances have arisen since the end of the financial year that 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.

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

DIRECTORS' REPORT AND CONCISE FINANCIAL STATEMENTS ACN 128 582 383

## INFORMATION ON DIRECTORS

### CRAIG LEE

Non-executive Director

- ... **Qualifications** BEcon, BA (Asian Studies), MBus (Banking & Finance), GAICD
- ... **Experience** Experienced non-executive director. Thirty-year executive career in banking, finance and insurance specialising in major infrastructure projects and complex property-based structured finance transactions across Australia and Asia. Current board roles include the Future Business Council Limited and Assured Guaranty Services (Aust.) Pty Ltd. Prior roles include non-executive Vice Chairman of L J Hooker International Limited.
- ... **Special responsibilities** Chairman, Member of the New Business Opportunities Committee and Remuneration Committee. Member Director representative and Chair of Home4Life Limited

### 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 interstate community and planning agreements. Councillor of Snowy Monaro Regional Council. Chairman of the Monaro Housing Taskforce. Peter is a director of Southern Cross Community Housing Ltd.
- ... **Special responsibilities** Chairman of both the Audit, Risk & Governance Committee and Remuneration Committee



# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

DIRECTORS' REPORT AND CONCISE FINANCIAL STATEMENTS ACN 128 582 383

## 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 include chair and board member, chief finance officer and director corporate services. Claire has also worked in the commercial sector with brands such as Golden Circle and Ernst & Young. Claire now supports executives and senior managers to increase their influence and impact.
- ... **Special responsibilities** Member of the Audit, Risk & Governance Committee

## ROBERT ELVY

Non-executive Director

- ... **Qualifications** BScEng, BComAccy, FIEAust, FCPA, FAICD, FGIA
- ... **Experience** Extensive experience as an executive director and non-executive director in the building and construction, and non-executive director in the finance and government sectors. Currently a director and former CEO of the Cleary Bros Group. Former Deputy Chairman of IMB Bank Limited and former Chairman of Port Kembla Port Corporation.
- ... **Special responsibilities** Member of the Audit, Risk & Governance Committee and New Business Opportunities Committee

## VANESSA MORSCHER

Non-executive Director

- ... **Qualifications** BA BusLaw & Geography, AdvDip Property Valuation, MSocSc, MAICD
- ... **Experience** Vanessa has experience in town planning, real estate valuations and development management with current and prior roles in local councils, private consultancies and private development corporations.
- ... **Special responsibilities** Member of the New Business Opportunities Committee

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

DIRECTORS' REPORT AND CONCISE FINANCIAL STATEMENTS ACN 128 582 383

## 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. Steve has held senior executive roles with Sydney Harbour Foreshore Authority, Stockland Property Group, AMP Capital Investors and Lendlease. Prior to his appointment to the BlueCHP board he was a strategic development advisor to the Group.
- .... **Special responsibilities** Chairman of the New Business Opportunities Committee

## TONY WATERS

Non-executive Director

- .... **Qualifications** BASocSc
- .... **Experience** Extensive public sector involvement in developing and implementing social housing and homelessness policy and programs. Tony retired in 2013 from his role as Deputy Director-General, Housing Services in the Queensland Department of Housing and Public Works. Extensive experience in delivery of large housing construction, redevelopment and maintenance programs.
- .... **Special responsibilities** Member of the Audit, Risk & Governance Committee and Remuneration Committee

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

DIRECTORS' REPORT AND CONCISE FINANCIAL STATEMENTS ACN 128 582 383

**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>
Craig Lee <sup>1</sup>	14	14	5	5
Peter Beer	14	12	8	6
Claire Davis	14	14	7	7
Robert Elvy	14	13	7	7
Vanessa Morschel	14	12	n/a	n/a
Stephen Quill	14	12	n/a	n/a
Tony Waters	14	14	8	8
Terence Downing <sup>1</sup>	7	7	3	2

Committee meetings include Audit, Risk and Governance, New Business Opportunities and Remuneration.

..... <sup>1</sup> Attendance at committees of the board optional as ex-officio member

# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

DIRECTORS' REPORT AND CONCISE FINANCIAL STATEMENTS ACN 128 582 383

## 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, MCT(UK), 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 2018 the number of members was 10.



**Craig Lee**  
Director



**Peter Beer**  
Director

Sydney, 25 October 2018

# SUMMARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

DIRECTORS' REPORT AND CONCISE FINANCIAL STATEMENTS ACN 128 582 383

	2018	2017
	\$	\$
Operating revenue	22,319,618	16,773,794
<b>Expenses</b>		
Employee benefits expense	(2,329,958)	(2,277,456)
Depreciation and amortisation expense	(158,862)	(141,398)
Finance costs	(2,545,973)	(2,029,162)
Property operating expense	(3,386,084)	(3,111,983)
Property consultants expense	(32,510)	(68,636)
Administration expense	(954,263)	(987,091)
<b>Surplus before fair value adjustments and income tax</b>	<b>12,911,968</b>	<b>8,158,068</b>
Gain on revaluation of investment property	18,931,815	15,636,406
<b>Surplus before income tax</b>	<b>31,843,783</b>	<b>23,794,474</b>
Income tax expense	-	-
<b>Surplus after income tax expense for the year</b>	<b>31,843,783</b>	<b>23,794,474</b>
Other comprehensive income for the year, net of tax	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>31,843,783</b>	<b>23,794,474</b>

# SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2018

DIRECTORS' REPORT AND CONCISE FINANCIAL STATEMENTS ACN 128 582 383

	2018	2017
	\$	\$
<b>Current assets</b>		
Cash and cash equivalents	749,513	4,397,542
Trade and other receivables	2,990,615	5,356,943
Other current assets	118,072	600,342
<b>TOTAL CURRENT ASSETS</b>	<b>3,858,200</b>	<b>10,354,827</b>
<b>Non-current assets</b>		
Property, plant & equipment	384,418	417,798
Investment properties	316,538,979	305,715,407
<b>TOTAL NON-CURRENT ASSETS</b>	<b>316,923,397</b>	<b>306,133,205</b>
<b>TOTAL ASSETS</b>	<b>320,781,597</b>	<b>316,488,032</b>

# SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2018

DIRECTORS' REPORT AND CONCISE FINANCIAL STATEMENTS ACN 128 582 383

	2018 \$	2017 \$
<b>Current liabilities</b>		
Trade and other payables	1,258,110	5,062,152
Employee benefits	112,744	92,300
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,370,854</b>	<b>5,154,452</b>
<b>Non-current liabilities</b>		
Employee benefits	22,029	31,551
Borrowings	51,126,591	74,883,689
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>51,148,620</b>	<b>74,915,240</b>
<b>TOTAL LIABILITIES</b>	<b>52,519,474</b>	<b>80,069,692</b>
<b>NET ASSETS</b>	<b>268,262,123</b>	<b>236,418,340</b>
<b>Equity</b>		
Retained surpluses	268,262,123	236,418,340
<b>TOTAL EQUITY</b>	<b>268,262,123</b>	<b>236,418,340</b>

# SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

DIRECTORS' REPORT AND CONCISE FINANCIAL STATEMENTS ACN 128 582 383

	Retained surpluses	Total equity
	\$	\$
<b>Balance at 1 July 2016</b>	<b>212,623,866</b>	<b>212,623,866</b>
Surplus after income tax expense for the year	23,794,474	23,794,474
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	23,794,474	23,794,474
<b>Balance as at 30 June 2017</b>	<b>236,418,340</b>	<b>236,418,340</b>
<b>Balance as at 1 July 2017</b>	<b>236,418,340</b>	<b>236,418,340</b>
Surplus after income tax expense for the year	31,843,783	31,843,783
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	31,843,783	31,843,783
<b>Balance as at 30 June 2018</b>	<b>268,262,123</b>	<b>268,262,123</b>



# SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

DIRECTORS' REPORT AND CONCISE FINANCIAL STATEMENTS ACN 128 582 383

A FOUNDATION FOR LIFE

	2018 \$	2017 \$
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	9,079,829	7,845,374
Payments to suppliers and employees (inclusive of GST)	(6,899,004)	(6,723,298)
Receipt of grants - National Rental Affordability Scheme ('NRAS') Incentives	5,396,319	2,723,801
Receipt of grants	-	1,780,837
Interest received	608	8,463
Finance costs paid	(2,053,133)	(2,037,076)
<b>Net cash from operating activities</b>	<b>5,524,619</b>	<b>3,598,101</b>
<b>Cash flows from investing activities</b>		
Payments on behalf of related parties	(554,265)	(1,323,923)
Payment for property, plant and equipment	(123,081)	(28,023)
Proceeds from sale of investment property	23,389,855	-
Payment for investment property	(7,467,691)	(25,289,189)
Payment of borrowing costs capitalised in investment properties	(314,478)	(53,422)
<b>Net cash used in investing activities</b>	<b>14,930,340</b>	<b>(26,694,557)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	2,718,337	34,276,105
Payment of transaction costs	-	(36,364)
Repayment of borrowings	(26,821,325)	(9,344,124)
<b>Net cash flow from financing activities</b>	<b>(24,102,988)</b>	<b>24,895,617</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(3,648,029)</b>	<b>1,799,161</b>
Cash and cash equivalents at beginning of the financial year	4,397,542	2,598,381
<b>Cash and cash equivalents at the end of the financial year</b>	<b>749,513</b>	<b>4,397,542</b>

# DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED 30 JUNE 2018

DIRECTORS' REPORT AND CONCISE FINANCIAL STATEMENTS ACN 128 582 383

## Summary statement of profit or loss and other comprehensive income

The company's operating revenue has increased by \$5,545,824 since the prior year, fair value adjustments have increased by \$3,295,409 and expenses have increased by \$791,924.

The company achieved a surplus before fair value adjustments of \$12,911,968 (2017: surplus of \$8,158,068). After allowing for fair value adjustments, the surplus of the Company amounted to \$31,843,783 (2017: surplus of \$23,794,474). Individual items that have significantly impacted the 2018 result include:

- ... Rental revenue increased by \$958,518;
- ... Grants received increased by \$1,257,254
- ... Property operating expenses increased by \$274,101;
- ... Employee benefits expense increased by \$52,502;
- ... Administration expenses decreased by \$32,828;
- ... Finance costs increased by \$516,811;
- ... Gain on revaluation of investment properties of \$18,931,815 compared to a gain of \$15,636,406 in the prior year.

## Summary statement of financial position

The company's net assets have increased by \$31,843,783 since the prior year which has resulted in the company being in a net asset position of \$268,262,123 at the year end. There has been an increase in total assets of \$4,293,565 offset by a decrease in total liabilities of \$27,550,218.

The increase in total assets for the year is mainly attributed to a net increase in investment properties of \$10,823,572. This net movement in investment properties predominantly relates to land acquisition of \$6,958,170, subsequent expenditure of \$4,394,852 and fair value adjustments of \$18,931,815, less investment property sold during the year totalling \$19,755,188.

The net increase in investment properties is partially offset by a \$6,496,627 decrease in current assets.

The decrease in total liabilities for the year is mainly attributed to repayments of borrowings of \$26,821,325.

# DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED 30 JUNE 2018

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DIRECTORS' REPORT AND CONCISE FINANCIAL STATEMENTS ACN 128 582 383

## Summary statement of cash flows

Operating activities generated a net cash inflow of \$5,524,619, an increase of \$1,926,518 when compared to the previous year.

Net cash inflow from investing activities was \$14,930,340, which predominately relates to \$23,389,855 of net proceeds from the sale of investment property, offset by \$7,467,691 payments for investment property.

Net cash used in financing activities was \$24,102,988 for the current year as a result of repayment of borrowing facilities.

As a result of these cash flows, the net cash held during the year decreased by \$3,648,029 compared to the previous year's increase of \$1,799,161.

Cash at the end of the financial year amounted to \$749,513 compared to last year's balance of \$4,397,542 (a decrease of 83%).

# NOTES TO THE CONSOLIDATED SUMMARY FINANCIAL STATEMENTS AND DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2018

DIRECTORS' REPORT AND CONCISE FINANCIAL STATEMENTS ACN 128 582 383

## 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 2018.

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

BlueCHP Limited holds a 50% membership in Home4Life Limited ('Home4Life') (ABN 64 617 052 383). The other 50% membership of Home4Life is held by Compass Housing Services Co Ltd ('Compass').

On the 4 September 2018, Home4Life entered into an agreement with the NSW Minister for Multiculturalism and Minister for Disability Services (the 'Department') to deliver Specialist Disability Housing in New South Wales known as the Hunter Residences Program (the 'Program'). The Program is for the construction of approximately 69 group residential homes on sites purchased by the Department which will be transferred to Home4Life. Financial settlement of this agreement occurred on 26 September 2018.

Home4Life has sub-contracted BlueCHP to carry out and complete the design and construction of the housing.

On the 4 September 2018, BlueCHP, as a sponsor of this Program, entered into an agreement to make a \$3,000,000 subordinated interest bearing loan to Home4Life for this program. Financial settlement of this loan occurred on 26 September 2018. No other matters or circumstances have arisen since the end of the financial year that 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.

# DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2018

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DIRECTORS' REPORT AND CONCISE FINANCIAL STATEMENTS ACN 128 582 383

## DIRECTORS' DECLARATION

The Directors of the Company declare that the accompanying summary financial statements of the Company for the financial year ended 30 June 2018 are an extract from the full financial report for the year ended 30 June 2018 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.



**Craig Lee**  
Director



**Peter Beer**  
Director

Sydney, 25 October 2018



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## REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

To the members of BlueCHP Limited

### Opinion

The accompanying summary financial statements of BlueCHP Limited, which comprise the summary consolidated statement of financial position as at 30 June 2018, the summary consolidated statements of profit or loss and other comprehensive income, summary consolidated statements of changes in equity and summary consolidated statements of cash flows for the year then ended and related notes, are derived from the audited financial report of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. We expressed an unmodified audit opinion on that financial report in our report dated 25 October 2018.

In our opinion, the summary financial statements for the consolidated entity derived from the audited financial report of BlueCHP Limited for the year ended 30 June 2018 are consistent, in all material respects, with that audited financial report, on the basis described in the accounting policies.

### Summary financial statements

The summary financial statements do not contain all the disclosures required by Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report and the auditor's report thereon.

### Directors' responsibility for the summary financial statements

The Directors' are responsible for the preparation of the summary financial statements in accordance with the basis described in the accounting policies.

### Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material aspects, of the audited financial report based on our procedures, which were conducted in accordance with *Auditing Standard ASA 810 Engagements to Report on Summary Financial Statements*.

### BDO East Coast Partnership

**Arthur Milner**  
Partner

Sydney, 25 October 2018

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.



BlueCHP has identified future opportunities to develop projects in partnership with investors in NSW, QLD, VIC and SA.

We've invested in our small dynamic team of staff to meet these future challenges.



## BlueCHP Limited

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Connect with us **in** **f** **t**

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