

Develop Homes Communities



BlueCHP Limited

Developing the Future of Affordable Housing

Annual Report 2011

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BlueCHP Limited was founded to increase the range of affordable housing options to the community housing sector.

By focusing on our core skills of property development and asset management, BlueCHP can offer innovative housing development programs and solutions that improve the supply of affordable housing.

Our focus on development and supply means we can concentrate on finding effective, creative and environmentally sustainable solutions. We are committed to building new projects and developing new communities to enhance the social environment for people needing affordable housing.

Everyone is entitled to a place they can call home.

Chairperson's Report



Growing a company is never a straight or easy path. The hopes and aspirations that mark its birth may take longer to come to fruition or life's events can present

obstacles that require a company to re-evaluate its direction, adapt to stay on track or even change course.

In 2007–2008 some 445,000 lower income households that are renting privately are experiencing 'housing stress'. We know that with the economic conditions of the past three years, demand for housing continues to outstrip supply.

For BlueCHP the past year has been one of celebration as the Company has continued to deliver on its vision of creating quality housing for its clients. It has also been a year of reflection and reassessment of its future direction. The challenges have come from both external and internal sources. With changes in government stimulus mechanisms, our community housing Members continue to assess the opportunities that the revolution in the provision of community housing over the past four years means for their organisations.

Revolutions by their very nature create periods of uncertainty while a new operating environment becomes clear. It is easy to assume that the revolution will bring the same benefits to all parties and that, in the long-term, those differences will be solved with the aim of maximising housing supply. The reality is that all community housing providers find themselves in a substantially different operating environment from that of 2008. A measure of good corporate health is the ability to

understand those differences and to actively look for ways to respond and evolve.

The continued rise in demand for housing has not abated as the National Housing Supply Council April 2010 State of Supply Report notes. In 2007–2008 some 445,000 lower income households that are renting privately are experiencing 'housing stress'. We know that with the economic conditions of the past three years, demand for housing continues to outstrip supply. Helping to alleviate this social need remains the fundamental goal for BlueCHP.

2011 Year of Change

2011 has been characterised by leadership change; project development challenges; innovation in property portfolio management; and continued partnership with Members, suppliers and our financial supporters.

We have built strong relationships with government to understand better their challenges and their issues, so we can help them shape the future of community housing in this state.

Our commitment to building quality housing reflects our belief that the not-for-profit community housing sector is the natural leader in the development and construction of affordable housing projects in Australia. We have campaigned hard across all levels of government to be part of the revolution in the provision of community housing. We have built strong relationships with government to understand better their challenges and their issues, so we can help them shape the future of community housing in this state.



Leveraging the strength of its founding Members has enabled BlueCHP to create a strong portfolio of properties. Since BlueCHP was created in 2008, we have grown our property portfolio to 739 properties with 480 tenanted as at 30 June 2011. This was achieved despite the re-emergence of economic instability that marked 2007/08. The economic situation has caused us to have a good long look at our business model, adopt a low-risk strategy, and fine tune some of our assumptions and operational processes. This reassessment has allowed us to approach 2012 and beyond with greater confidence in our ability to make a real difference and to have a strong pipeline of new building projects.

We thank our Members, our partners, and our funders for their continued support and trust in the potential of BlueCHP as the developer of quality community housing. The past year has seen us continue to build on the foundations that we established in our first years of operation. We look forward to consolidating this growth to meeting our clients' needs.

Financial Results

The concise financial accounts show a Company that has continued to prosper despite the current economic environment. After allowing for fair value property adjustments, BlueCHP's profit increased to \$26.84m (2010: profit \$13.25m) reflecting the addition of 135 new properties from the Nation Building Stimulus Plan (NBESP).

Revenues for the year were \$33.54m reflecting grant funding, increases in rental revenue, and contribution of assets in kind from the NBESP. From this BlueCHP recorded a profit before fair value adjustments and before donation of the NBESP property of \$0.44m (2010: profit \$1.08m). The decline in profit was primarily due to a reduction in development management fees of \$0.96m (2011: \$0.40m, 2010: \$1.36m); a result of fewer properties being purchased and developed during the

year (2011: \$8.3m, 2010: \$44.7m). While the large number of properties delivered in 2010 resulted in an increase in 2011 of both rental and NRAS grant revenues, these were substantially offset by increased interest and property expenses.

The Board

It has been a challenging year and I am grateful for the enthusiastic support from all of my fellow Directors. With BlueCHP's lean organisational model, the Board has taken on many roles to support management. Their ability to give so willingly of their time to BlueCHP has meant we have continued to build a strong partnership between the Board and Brian Murnane and his team. The guidance and experience of the Board and its sub-committees have been greatly appreciated.

The Board has continued to invest many hours in building strong governance principles and processes.

Governance in all its forms remains the Board's central role. The challenges of growing a company in a sector that is itself undergoing major changes are sometimes enormous. Yesterday's strategies and responses are no longer appropriate. We recognise that our frameworks need constant review to ensure that as BlueCHP grows it has appropriate checks and balances in place. The Board has continued to invest many hours in building strong governance principles and processes.

Our People

We farewelled Tim Gavan and welcomed Brian Murnane to the position of CEO in March. Brian's previous roles with Argyle Community Housing and St Vincent de Paul and his understanding of the sector and our client base made him a

Chairperson's Report

natural choice to guide BlueCHP through its next stages of growth. We were also glad to have Janelle Goulding move into the newly created role of Head of Property Services with total responsibility for all property activities. Janelle has been ably assisted by Marilyn Irwin and Marcelo Steimbeisser. Alongside them has been Mark Highfield in his role as CFO and Company Secretary, supported by Esther Schaffer and Lyn White in their respective administration roles.

The team's cohesion is a testament to Brian's management skills and their commitment to our goal of being the natural choice in the provision of quality affordable housing to the community housing sector. The Board and I acknowledge the team's contribution to the success of BlueCHP and thank them for their continued input to the growth of the organisation.

The Next Twelve Months

There will be little time to rest in the coming 12 months as at least 240 properties from the NBESP will be added to our already strong portfolio. The additional properties with the property developments underway or in planning should contribute to another profitable year for BlueCHP.

We are not tenancy managers—our focus is on providing the housing stock that will bring a sense of home for our client's customers.

Our charter is to develop, build and manage quality housing for community housing associations so that we can assist those low and moderate income households secure long-term housing. We are not tenancy managers—our focus is on providing the housing stock that will bring a sense of home for our client's customers. Our strength is in our ability to bring deep property development and management expertise to

a sector that is more comfortable with managing tenancies than with the different demands associated with building new houses.

BlueCHP is a collaborative market player. We aim to share our expertise with, and lift the profile of, the community housing sector and to develop a culture of inclusion and growth between BlueCHP, its Members and their client communities.

We recognise that our world and our sector are ever evolving. There is much to celebrate as providers of sustainable community housing. We are proud to be at the forefront of making a substantive difference to the provision of affordable housing in Australia and providing people with a place they can call home.



Gail Sadler
Chairperson



CEO's Report



Taking the helm of any new organisation can be demanding. However, having spent many years at Argyle Community Housing and being a cofounder of BlueCHP, I was

very familiar with the Company. The prospect of being in the position of acquiring and developing sustainable affordable housing for the Members of BlueCHP was particularly appealing. BlueCHP's founding principle is to make a difference and to ensure that the profits that come from building any project are ploughed back into new houses and not lost to corporate dividends.

I want to thank my predecessor, Tim Gavan. As CEO, Tim led the Company through a period of rapid growth; he successfully negotiated our NAB debt facility, purchased Lot 3004 at Campbelltown to give BlueCHP a degree of financial flexibility, achieved the initial Class 1 Registration and established a national profile for BlueCHP.

My first three months in the role of CEO has been one characterised by opportunity—opportunity following a period of rapid growth to refocus the Company on its founding principles; opportunity to provide superior project development, asset management services and advice for BlueCHP Members; opportunity to work with local state and federal governments to assist them to better plan and deliver their building programs; opportunity to explore new funding options for the delivery of more affordable housing.

Our long-term aim is to provide housing that will positively contribute to improving the community and environment for those who live in our homes. We do this by ensuring our projects encompass a broad mixture of dwelling types to meet

the very diverse needs of the people who need our housing. We believe that our building programs will, in time, assist many more families in finding secure affordable housing located close to employment and extended family. These are the ingredients that enable families to move from simply a place live to a place that they can call home.

Our Achievements

The success of the past 12 months cannot be judged in isolation. BlueCHP's success as an organisation is due to the foundations laid in previous years by the Board and the Management team.

In last year's annual report we had been optimistic about the number of properties we would have under management by the end of this financial year. While BlueCHP continued to be successful in tendering for new housing, the transfer from various government schemes was slower than we had anticipated, resulting in BlueCHP not meeting forecasts made last year regarding properties under management.

BlueCHP successfully tendered for 375 NBESP properties. As at 30 June 2011, 66 per cent or 250 properties had been delivered, with BlueCHP receiving title to 135 of these properties. BlueCHP partnered with Hume Community Housing to win the tender to manage the Telopea development. BlueCHP also partnered successfully with Wentworth Community Housing's Rouse Hill redevelopment.

The year also saw BlueCHP achieving registration as a Class 1 Community Housing Provider, joining a group of 11 other organisations to meet the diverse and stringent conditions. The process required BlueCHP to be evaluated on eight different criteria which included asset management, efficient and competitive delivery of community housing projects, and the development of project standards. BlueCHP's success is a testament to the teamwork that is a hallmark of its Board and staff.



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CEO's Report



The Worrigee development for Southern Cross Community Housing has finally started. This development on the outskirts of Nowra began with the building of a frog pond to support the Green and Golden Bell Frog. Overall the Worrigee development has had a troubled beginning; however, with our commitment to community consultation and to the environment, we believe that once it is finished, the concerns of residents will be alleviated.

BlueCHP also successfully applied for 56 dwellings under the National Rental Affordability Scheme for its development at Lot 3004 Macarthur Gardens, Campbelltown. This development will allow us to assist a range of low and moderate income families to secure long-term housing close to all major services.

Behind all of these achievements has been the support of our bankers. Their willingness to take time to understand the affordable, community housing sector has been most welcome. Our ability to deliver new houses and to develop our projects would be severely hampered without the funding they have provided. We look forward to continuing to strengthen our relationship with NAB over the coming years.

A Better Future

The community housing sector has been transformed by the complete rethink by state and federal governments regarding the management and provision of social and affordable housing. BlueCHP is able to produce quality housing at a lower cost by mixing state and federal grants with private finance and rental income. Our cost structure and access to tax benefits allow us to offer our Members a competitive range of housing solutions.

We are constantly reviewing the way we work with our Members and business partners to establish BlueCHP as the leading quality housing developer of choice. Through competitive tendering we have won extensive funding from federal and

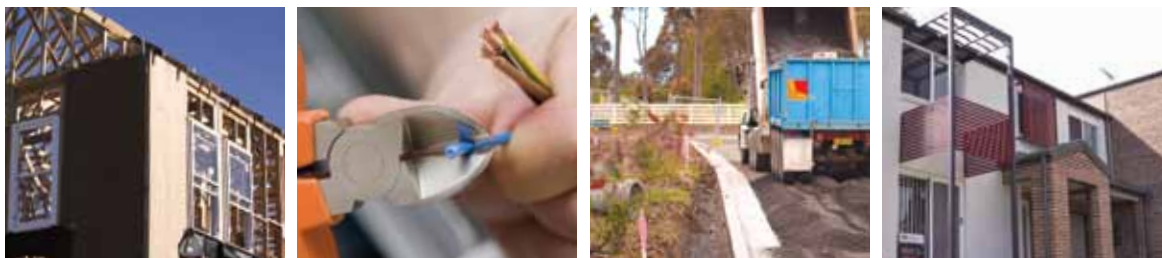
state governments. This funding has been used to purchase the range of housing assets mentioned above.

Affordable Housing

One of the challenges we have is overcoming public perceptions of affordable housing. There are many misconceptions about what affordable housing looks like. One common misconception is that affordable means 'low cost' and yet there is no difference in building standards between affordable housing and any other housing classification. Regardless of the cost of construction there is no special set of building codes that applies only to community and affordable housing construction. Affordable housing looks like any other housing and is built to the same standards.

Affordability in our world refers to the rent and/or purchase price charged to the tenant rather than the cost of building and development. Households with low to moderate incomes pay a fixed percentage of their income in rent or mortgage payments. This approach means that the fees charged never exceed the benchmark rates of common affordability. It also allows people who need to live in a particular area (key workers such as police, teachers, nurses) to have rents/repayments set at levels that may be significantly lower than the general market.

However, these affordable dwellings are rarely built in isolation. Our other challenge is to create a mixture of incomes within a project—having those more able to afford higher rents to cross-subsidise low income households so that the development project remains viable financially and fundable from banks and governments. So while affordable housing refers to the rent or purchase cost, the ability to make a project viable comes down to the ability of BlueCHP, as project manager, to achieve construction efficiencies that might not be so easily obtainable from the private sector—making it easier to meet affordability targets.



Developing our Business Model

As the community housing sector has settled into a new way of doing business, there has been better acceptance within the sector of BlueCHP's business model and strategy. There is a recognition developing that a group structure offers considerable advantages for the efficient delivery of affordable housing.

The BlueCHP group structure represents the best approach to managing the significant risks associated with the rapid growth in the delivery of affordable housing. First, it creates a specialist housing development agency in which to contain development risk while allowing each of the Members to remain focused on their core business of providing the highest standard of tenancy and property management to their tenants. Second, because the resources committed to development projects are spread across five agencies, we are able to extract maximum growth without undermining the financial viability of any one of the Members.

Board and Staff

I want to express my thanks and appreciation to the Directors for their support, strategic guidance and governance through a period of rapid growth and change for BlueCHP. Thanks also to the Chief Executive Officers of the Member organisations for their substantial contribution of skills and expertise. Their combined effort enables BlueCHP to fulfil its mission.

Our small team of highly skilled and professional staff have excelled when faced with the demands of the day-to-day management of a rapidly growing Company. Their work is very much appreciated.

Our Goals for 2012

The next year offers continued growth and more opportunities. Specific goals include achieving second round registration, finding new offices to cater for our future growth and completing the transfer of properties from this year's NBESP tender.

Our objective is to create a Company with the ability to make a substantive contribution to the reduction of housing stress in Australia. We recognise that there is much work to be done before we can realistically say we have achieved this. That is why we will continue to develop and strengthen the relationships we have with our Members, suppliers, and funders.

Brian Murnane
Acting CEO

Property Services Review



The past financial year saw BlueCHP's property division continue to grow at a fast pace. The rapid transfer of properties and the multiple issues this raised for our Members created many opportunities for the Company to demonstrate its property and asset management expertise. BlueCHP was founded to be the developer and asset manager of choice for five community housing associations and it has been an exciting time working with our founders to deliver quality housing.

However, as with any form of strong growth, there have been challenges. Escalation in the demand for BlueCHP's services following the successful tendering of a number of major property projects called for rethinking the structure of our Property Development Division and Asset Management Division. Following Alex Pontello's move to Argyle Community Housing, we combined these two divisions under the stewardship of Janelle Goulding. With her 30 years experience in property development and project management, she was the ideal choice. Together with Marcelo Steimbeisser and Marilyn Irwin, Janelle has built a strong team—a team that is expected to grow further in the coming year with the demands of increasing workloads.

The merging of the two divisions allows Janelle and her team to holistically manage each project. By bringing long-term asset focus to projects, BlueCHP can ensure its Members will have properties within their portfolios that meet the ever changing requirements of their clients and families. Our focus is on housing design and quality that offers flexibility, sustainability and excellent living standards.

With multiple diverse projects underway, well-grounded management systems are essential if BlueCHP is to ensure that the strategic and operational objectives of its Members are met. These projects demand flexible thinking, outstanding planning abilities, and superior project management skills. When we

meet our Members' objectives efficiently and effectively, we cement our role as the natural leader for providing high-quality housing—be it social, community or affordable.

Our Property Services Division, asset practices and decisions are primarily guided by our Members and clients. We work with them so that our projects are delivered within budget, meet social objectives and undergo appropriate life-cycle and cost benefit analyses.

Our Skills

As project and development managers, BlueCHP can pull together the right consultants for each project. Having worked with the best over the years, we can harness that experience when selecting our teams so that our projects benefit from their combined expertise and knowledge. Moreover, our consultants are selected through a competitive tendering process to ensure the best fit for a given project. These consultants understand the challenges of building social/community/affordable housing and they have a proven commitment to providing the best overall outcomes using innovative housing solutions.

Having planners, architects, builders and surveyors who are familiar with the affordable housing ethos is often underrated. Their ground-up experience means that when we are planning projects we know what questions to ask and how to bring a commercial focus to the projects under review.

Working with BlueCHP not only means access to commercial property development practices such as due diligence, feasibility studies, and planning and construction management, it also means working with a development management company that understands and specialises in the needs and requirements of the affordable housing sector.

The BlueCHP Property Service team is receiving an increasing number of invitations to address, advise and conduct workshops for industry and government organisations. Our years of hands-on experience and professional skills give us deep insight into development benchmarking, project control and management, and how to create the necessary internal infrastructure to cope with competing demands.

The state government recognises that urban renewal projects need to harness the forward thinking of the affordable housing sector. Increasingly, community housing associations and organisations such as BlueCHP are being consulted about major urban renewal projects. No longer is it an acceptable building practice to cram as many dwellings as possible onto a block of land; consideration is now been given to the addition of neighbourhood facilities, open spaces, parks and other community friendly amenities. This integrated thinking for urban renewal is leading to better social outcomes and demonstrates that governments are acknowledging the contribution affordable housing developers like BlueCHP bring to such projects.

Our Projects

Many of our challenges lie in the public's perception of affordable housing. This perception is often brought about by a lack of understanding of what drives the sector and why it is an essential part of social and community planning. We expect to see greater reforms within the next few years as the community in general becomes more aware of the issues facing families in housing distress. The NSW planning system is currently under review. However, the representations that have been made by the sector as a whole lead us to believe that the changes mooted will result in good outcomes for BlueCHP providers.

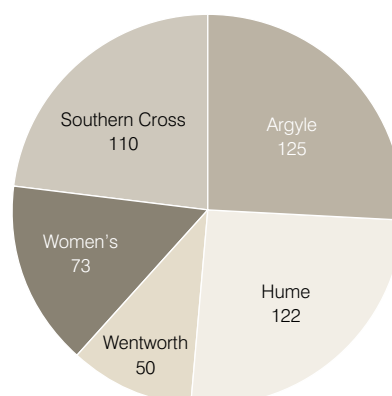
We are expecting our 79-unit Campbelltown development to be one of the projects that start this process. This development will be the first multi-storey mixed use development undertaken by BlueCHP. BlueCHP owns the land, giving us the ability to implement some outstanding innovative floor plans and designs for these residences.

We will continue with our project at Ropes Crossing. BlueCHP has already completed five dwellings that have been handed over to Wentworth Housing, with another four due for completion in November 2011. This is a long-term project for BlueCHP with over 70 homes to be constructed over the next three years. Funding has come from the Australian Housing Innovation Fund.

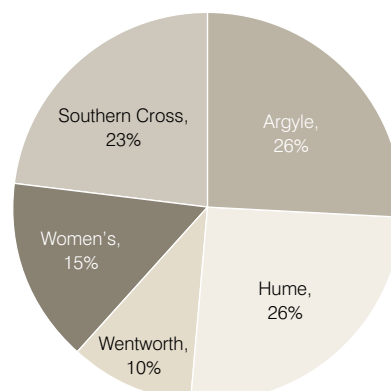
Another project currently under construction is in Worrigee on the outskirts of Nowra. This project has presented significant challenges for BlueCHP, having been the subject of a Land and Environment Court hearing for which we received a favourable outcome. The project consists of 26 dwellings with a further five dwellings being constructed in North Nowra to meet the initial yield requirements.

Our strengths and skills in property development, together with our knowledge of the requirements of our Members and tenants will see BlueCHP work as the Development Manager on some large scale regeneration and redevelopment projects in the next few years—leading the way in affordable housing solutions.

No. Properties per Member



Properties per Member as a % of total



The Board



Gail Sadler | Chairperson (non-executive)

B.Bus. MAICD

Experience: Extensive experience in the areas of business development and financial management serving as a senior executive in large private sector international companies specialising in mergers and acquisitions and corporate restructures. Member of Wentworth Board since 2007.

Special Responsibilities: Gail is a member of the Corporate Governance Committee and Remuneration Committee.



Dr Rae Weston | Director (non-executive) and Deputy Chairperson

B.Com (Hons), B.Juris., LLB., PhD. (Monash)

Experience: Professor of Banking New Zealand 1983–1990, Professor of Management MGSM 1990–2007, Director of Housing Corporation of New Zealand, member of Women's Housing Company Board since 2008.

Special Responsibilities: Rae is the Chairperson of the Finance & Audit Committee and a member of the Corporate Governance Committee and the Remuneration Committee.



Rod Aistrophe | Director (non-executive)

CPEng., B.Tech., MIE Aust., GAICD

Experience: A Consulting Civil Engineer with significant experience in contract and project management and building construction, Rod has given seven years service to the Argyle Community Housing Board.

Special Responsibilities: Rod is the Chairperson of the Development Committee and was BlueCHP's Chairperson for its initial 18 months.



John Penkaitis | Director (non-executive)

B.Ec, CA, DipFS

Experience: John was a Chartered Accountant, Registered Company Auditor and Financial Planner. He was in public practice as a Chartered Accountant for over 35 years. Board member of Southern Cross Community Housing since 2002 and Treasurer since 2007.

Special Responsibilities: John is a member of the Corporate Governance Committee.



Tony Conides | Director (non-executive)

JP, AREI

Experience: Licensed and accredited Strata and Property Manager. Running his own real estate and strata management company for over 35 years, Tony also provides consultancy services on matters of strata and property management to solicitors and others. Member of Hume Board since 2006 and current President.

Special Responsibilities: Tony is a member of the Development Committee.



Our People



Brian Murnane | Chief Executive Officer

Brian has over 25 years experience in the community housing sector. From founding Macarthur Community Tenancy in 1983 through its evolution into Argyle Community Housing, Brian has been at the forefront of the development in this sector. While at Argyle he was responsible for the successful tender and transfer of over 1,000 properties. Brian has also had a distinguished voluntary career with the St Vincent de Paul Society culminating as President and Australian delegate to the SVdP International Council (Paris) in 1991. Brian is a member of the SVdP NSW Social Justice Committee and the NSW Government's Community Housing Advisory Committee and is also a board member of Churches Community Housing.



Janelle Goulding | Head of Property Services

Janelle has 30 years experience in the property development industry and brings to BlueCHP major project experience ranging from high-rise residential development to master-planned housing estates. Janelle was former General Manager of AVJennings NSW and has held senior roles in the Defence Housing Authority, Multiplex and Delfin Lend Lease. Before joining BlueCHP Janelle worked on the Nation Building and Jobs Plan at Housing NSW. Janelle has a Bachelor of Housing and is completing her MBA and is a member of the Housing Industry Association and the Urban Development Institute of Australia.



Mark Highfield | Financial Controller and Company Secretary

Mark has a Bachelor of Economics and is a Chartered Accountant. In 2010 Mark joined BlueCHP after recent experience as Financial Controller with Leighton Properties. Prior to that Mark spent ten years working in the not-for-profit sector including five years at St Marys Rugby League Club. Mark has also gained considerable experience as a Chartered Accountant, starting his career as an auditor for Ernst & Young and then broadening his expertise with other chartered accounting firms.



Esther Schaeffer | Bookkeeper/Compliance

With over 14 years experience in the housing sector, Esther joined BlueCHP in February 2009. She brought with her skills gained from working for Argyle Community Housing—initially as their bookkeeper and later as a client service officer. Before working in the housing sector, Esther spent eighteen years working as a bookkeeper for an independent suburban pharmacy. BlueCHP benefits from her experience and understanding of the work of our members as well as her excellent IT and bookkeeping skills.



Marcelo Steimbeisser | Development Manager

Marcelo began his career at Fairfield Council while attending university. In 1994, he joined Lean and Hayward as project engineer/manager where he spent the following seven years in this capacity at various engineering practices. Marcelo completed his Bachelor of Engineering in 1995. In 2001, Marcelo joined Norwest Limited as project manager on the Norwest Business Park and then became development manager for organisations such as Landcom, Anglican Retirement Villages and Stockland. Marcelo joined BlueCHP in March 2011.



Marilyn Irwin | Property Manager

Marilyn completed her BA Communications in 2005 and began working at Defence Housing Australia that same year. In 2010 Marilyn left Defence Housing Australia and commenced working as the Property Manager for BlueCHP where she continues in that role. In addition to her duties as Property Manager however, Marilyn also uses her well-honed communication skills to perform other roles such as write 'good news' articles and complete National Rental Affordability Scheme applications.



Lyn White | Administration Officer

Lyn has been working at BlueCHP for the past two years. Prior to this she spent 16 years working in the manufacturing/production industry before making the change to real estate and then moving into the role of customer relations officer at a property development company. Lyn having begun her career as a personal assistant before moving into customer relations, has now come full circle into the position of Administration Officer at BlueCHP.

Corporate Governance Statement

The BlueCHP board is committed to maintaining high governance standards. A description of BlueCHP's main corporate governance practices is set out in this corporate governance statement.

Board Responsibilities

The Board is responsible for the corporate governance of BlueCHP.

The principal 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 the strategic direction of BlueCHP, and providing strategic advice to management;
- overseeing BlueCHP senior management and operations;
- providing input into, and approving, the corporate strategy and performance objectives developed by management;
- reviewing and ratifying systems of governance, risk management, and internal compliance and control as well as codes of conduct and legal compliance to ensure appropriate compliance frameworks and controls are in place;
- approving budgets and monitoring progress against those budgets, and establishing and reporting on financial and non-financial key performance indicators; and
- ensuring executive remuneration is appropriate and consistent with guidance provided by the Board's Remuneration Committee.

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 Board has established the following committees that meet on a regular basis to provide compliance oversight of BlueCHP's operations:

- Corporate Governance Committee
- Finance and Audit Committee
- Development Committee
- Remuneration Committee

Board Composition

BlueCHP's Constitution provides that the minimum number of directors is three and the maximum number of directors is nine. There are currently 5 Directors, one nominated by each of the five member organisations. The Board has a broad range of necessary skills, knowledge and experience to govern BlueCHP and understand the markets and challenges BlueCHP faces. As at the date of this Annual Report, the Board composition (with details of the professional background of each director) is outlined in the Directors' Report.



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

The concise 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 Company as the full financial report.

A copy of the Company's 2011 Annual Financial Report, including the independent audit report, is available to all members upon request.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2011

Your Directors present this report on BlueCHP Limited for the year ended 30 June 2011.

Directors

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

Gail Sadler		
Rae Weston		
Rod Aistrope		
Robert Ashford	(Resigned	27/08/2010)
John Penkaitis	(Appointed	27/08/2010)
Patricia Martin	(Resigned	25/11/2010)
Tony Conides	(Appointed	25/11/2010)

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

Company Secretary

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

Mark Highfield

Financial Controller and Company Secretary.

Qualifications

B.Ec, CA

Experience

Mark has over 10 years experience in the not for profit sector and 3 years in the property sector including experience with a public company property developer.

Objectives

The Company aims to assist its Members in the fulfilment of their goals by providing 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 provide development management services to the Members to develop their own projects.

Strategy for Achieving Objectives

BlueCHP will seek development opportunities through joint ventures, public private partnerships, broad acre land development, urban renewal projects and work with Members to redevelop their existing assets.

Principal Activities

The principal activity of the Company during the financial year was the securing of finance and/or government grants to purchase and/or construct dwellings that are then leased to its Member organisations to manage as social or affordable housing.

No significant changes in the nature of the Company's activity occurred during the financial year other than receipt of 135 dwellings under the Nation Building Stimulus Plan. The value of these properties amounted to \$32,500,000 which has been accounted for as a contribution in kind.

Operating Results

The Company achieved a profit before fair value adjustments and before donation of property from the Nation Building Economic Stimulus program of \$445,385 (2010: profit of \$1,080,965). After allowing for fair value adjustments, the profit of the Company amounted to \$26,840,898 (2010: profit \$13,256,007).

Review of Operations

A review of the operations of the Company during the financial year indicated that grant funding and increase in rental revenue and contribution of assets in kind under the Nation Building Stimulus Plan led to an increase in revenue of \$33,542,711. There was a loss on revaluation of investment property of \$6,188,654 which reduced profit.

Performance Measurement and Significant Changes in State of Affairs

Board and Management have internal operational KPIs to assist in assessing performance. These are reassessed at least annually to maintain currency and relevance. These KPIs include prompt handover of new properties to Members, performance to budget, and timely development of new business.

During the financial year the Company achieved some significant milestones:

1. Negotiated for an extension of its initial facility agreement with the NAB to \$36.28 million.
2. Purchased property costing \$8.3 million.
3. Received a vested interest in 375 dwellings under the Nation Building Economic Stimulus Program and of these, received title to 135 dwellings.

Significant After Balance Date Events

On 25 August 2011, the Company entered into an agreement with New South Wales Land and Housing Corporation (NSWLHC) for a loan facility of \$22.0 million comprising funding to assist with the costs of constructing dwellings on 69 vacant lots and funding for purchases of these lots and one existing affordable dwelling from the NSWLHC. These lots are located in the Ropes Crossing development area.

On 23 September 2011, the Company repaid the \$750,000 loan from Member and associated interest.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2011

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

Future Developments - Short and Long Term Objectives of the Company

The Company received title to 135 properties as part of the Nation Building Economic Stimulus Program (NBESP). The development process of taking advantage of those Nation Building leveraged funds has commenced and it is expected that title will be received for a further 240 properties in future.

Commencement of the major project of Lot 3004 at Macarthur Gardens will also take place. This two-stage, medium density, mixed-use site will be designed, configured and built to become a mixed-tenure (affordable housing and for profit apartments) development which will be at the forefront of new affordable housing development in Australia.

Information on Directors

Gail Sadler

Chairperson (non-executive).

Qualifications

BBus. MAICD.

Experience

Extensive experience in the areas of business development and financial management serving as a senior executive in large private sector international companies specialising in mergers and acquisitions and corporate restructures. Member of Wentworth Board since 2007.

Special Responsibilities

Gail is a member of the Corporate Governance Committee and Remuneration Committee.

Dr Rae Weston

Director (non-executive) and Deputy Chairperson.

Qualifications

B.Com (Hons), B.Juris., LLB., PhD. (Monash).

Experience

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

Corporation of New Zealand, member of Women's Housing Company board since 2008.

Special Responsibilities

Rae is the Chair of the Finance & Audit Committee and a member of the Corporate Governance Committee and the Remuneration Committee.

Rod Aistrophe

Director (non-executive).

Qualifications

CP.Eng., B.Tech, MIE Aust., GAICD.

Experience

A Consulting Civil Engineer with significant experience in contract and project management and building construction, Rod has given 7 years service to the Argyle Community Housing Board.

Special Responsibilities

Rod is the Chairman of the Development Committee and was BlueCHP's Chairman for its initial 18 months.

Patricia Martin

Director (non-executive).

Qualifications

B.Ed, Diploma in Migrant Education OAM JP.

Experience

Retired teacher and management consultant, 26 years in Community Management, 16 years on the Board of Hume Community Housing, past president of the Federation of Housing Associations, and the past two years with BlueCHP.

Special Responsibilities

Patricia was the Chair of the Corporate Governance Committee.

Robert Ashford

Director (non-executive).

Experience

Has held senior executive roles in several travel organisations, recruiter Morgan & Banks and the Australian Human Resources Institute, Board member of Southern Cross Community Housing since 2006.

Special Responsibilities

Robert was a member of the Development Committee.

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2011**

John Penkaitis

Director (non-executive).

Qualifications

B.Ec, CA, DipFS.

Experience

John was a Chartered Accountant, Registered Company Auditor and Financial Planner. He was in Public Practice as a Chartered accountant for over 35 years. Board member of Southern Cross Community Housing since 2002 and Treasurer since 2007.

Special Responsibilities

John is a member of the Corporate Governance Committee.

Tony Conides

Director (non-executive).

Qualifications

JP, AREI

Experience

Licensed and accredited Strata and Property Manager. Running his own Real Estate and Strata Management Company for over 35 years, Tony also provides consultancy services on matters of strata and property management to solicitors and others. Member of Hume Board since 2006 and current President.

Special Responsibilities

Tony is a member of the Development Committee.

Meetings of Directors

During the financial year, 21 meetings of Directors (including committees of Directors) were held. Attendances by each Director were as follows:

	Directors' Meetings		Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Gail Sadler	12	11	6	6
Dr Rae Weston	12	12	9	9
Rod Aistrophe	12	12	4	4
Patricia Martin	6	5	-	-
Robert Ashford	3	1	-	-
John Penkaitis	9	9	1	1
Tony Conides	6	5	1	1

Committee meetings include Development, Remuneration, Finance & Audit, and Governance.

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 2011 the number of Members was 5.

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



Rae Weston

Director



Gail Sadler

Chairperson

20 October 2011

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	\$	\$
Operating revenue	5,789,772	4,747,061
Donation of property (NBESP)	32,500,000	-
Interest income	48,363	81,269
Total income	38,338,135	4,828,330
Employee benefits expense	(931,366)	(767,349)
Depreciation and amortisation expense	(18,954)	(11,632)
Finance costs	(2,439,789)	(1,425,499)
Property operating expense	(973,391)	(391,538)
Consultants expense	(383,341)	(728,916)
Administration expense	(645,909)	(422,431)
Profit / (loss) before fair value adjustments and income tax	32,945,385	1,080,965
(Loss) / gain on revaluation of investment property	(6,188,654)	12,454,814
Gain / (loss) on derivative financial instruments	84,167	(279,772)
Profit before income tax	26,840,898	13,256,007
Income tax expense	-	-
Profit for the year	26,840,898	13,256,007
Other comprehensive income	-	-
Total comprehensive income for the year	26,840,898	13,256,007

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	2011	2010
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	3,483,824	1,116,207
Trade and other receivables	1,511,298	613,612
Other current assets	417,328	98,028
TOTAL CURRENT ASSETS	5,412,450	1,827,847
NON-CURRENT ASSETS		
Property, plant & equipment	55,459	61,760
Investment properties	104,373,047	69,744,742
Other non-current assets	30,324	93,726
TOTAL NON-CURRENT ASSETS	104,458,830	69,900,228
TOTAL ASSETS	109,871,280	71,728,075
CURRENT LIABILITIES		
Trade and other payables	1,075,859	700,193
Short-term borrowings	776,102	1,092,447
Derivative financial instruments	195,604	279,772
Deferred grants	747,843	741,278
Other current liabilities	1,916,133	109,574
Short-term provisions	68,636	50,535
TOTAL CURRENT LIABILITIES	4,780,177	2,973,799
NON-CURRENT LIABILITIES		
Long-term borrowings	34,362,183	27,586,129
Deferred grants	30,966,621	28,246,865
Long-term provisions	463	344
TOTAL NON-CURRENT LIABILITIES	65,329,267	55,833,338
TOTAL LIABILITIES	70,109,444	58,807,137
NET ASSETS	39,761,836	12,920,938
EQUITY		
Retained earnings	39,761,836	12,920,938
TOTAL EQUITY	39,761,836	12,920,938

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	Retained earnings/ (accumulated losses) \$	Total \$
Balance at 1 July 2009	(335,069)	(335,069)
Total other comprehensive income for the year	13,256,007	13,256,007
Balance as at 30 June 2010	12,920,938	12,920,938
Total other comprehensive income for the year	26,840,898	26,840,898
Balance as at 30 June 2011	39,761,836	39,761,836

The above Statement of Changes in Equity should be read in conjunction with the attached notes.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipt of grants - National Rental Affordability Scheme Incentives	1,309,494	651,433
Receipts from customers and GST on deferred grants	3,553,872	6,044,939
Payments to suppliers and employees	(3,244,838)	(4,717,889)
Interest received	48,362	81,269
Finance costs paid	(2,311,526)	(1,154,267)
Net cash generated from /(used in) operating activities	(644,636)	905,485
CASH FLOW FROM INVESTING ACTIVITIES		
Payment for property, plant and equipment	(35,706)	(52,931)
Proceeds from disposal of property, plant and equipment	17,273	-
Payment for investment property	(8,316,959)	(44,745,927)
Net cash used in investing activities	(8,335,392)	(44,798,858)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings		
- Members	375,000	1,125,000
- Others	6,855,909	24,100,000
Repayment of borrowings		
- Others	(1,145,000)	(4,399,600)
Receipts of grants (Blue Mountains PTP upgrade funding)	1,813,774	-
Receipt of grants (income deferred)	3,447,962	23,251,126
Net cash flow generated from financing activities	11,347,645	44,076,526
Net increase in cash held	2,367,617	183,153
Cash and cash equivalents at beginning of the financial year	1,116,207	933,054
Cash and cash equivalents at the end of the financial year	3,483,824	1,116,207

The above Statement of Cash Flows should be read in conjunction with the attached notes.

DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED 30 JUNE 2011

Statement of Comprehensive Income

The Company's total revenue has increased by \$33,509,805 since the prior year, fair value adjustments have decreased by \$18,279,529 and expenses have increased by \$1,645,385 resulting in a net profit before tax of \$26,840,898 compared to a net profit of \$13,256,007 for the previous year.

Individual items that have significantly impacted the 2011 result include:

- Revenue from government grants (NRAS) increased by \$467,482
- Rental revenue increased by \$1,441,869
- Development management fees revenue decreased by \$958,739
- Contribution of properties in kind of \$32,500,000 under the Nation Building Stimulus Plan
- Loss on revaluation of investment properties of \$6,188,654 compared to a gain of \$12,454,814 in prior year

The above 5 items have arisen primarily due to purchase and tenancing of \$8.3m (2010 - \$44.7m) of investment property during the current year as well as drawing down against government funding agreements secured in current and prior years. During the year the Company secured funding agreements worth \$nil (2010 - \$29m) with the Department of Human Services - Housing NSW Division (Housing NSW). In addition title was received to the first 135 dwellings out of a total of 375 which were vested under the Nation Building Economic Stimulus Plan (valued at \$32,500,000).

- An increase in employee benefits expense of \$164,017
- An increase in property operating expense of \$581,853
- An increase in administration expense of \$223,478

The above 3 items have arisen primarily due to the moderate expansion in operations of the Company in the current year as 18 new dwellings were developed.

- Finance costs of \$2,439,789 (2010 - \$1,425,499) resulting from drawdowns against both the existing and new facility agreements with NAB from \$25m to \$36.28m.
- Gain on financial instruments of \$84,167 (2010 - loss of \$279,772) resulting from the adjustment to the market value of interest rate swaps taken out in relation to the NAB loans.

Statement of Financial Position

The Company's net assets have increased by \$26,840,898 since the prior year which has resulted in the Company being in a net asset position of \$39,761,836 at the year end compared to a net asset position of \$12,920,938 in the prior year. This has been achieved through an increase in total assets of \$38,143,205 and an increase in total liabilities of \$11,302,307.

The increase in total assets for the year is mainly attributed to acquisition of investment properties of \$8,316,959 combined with a subsequent downward revaluation on the properties of \$6,188,654 during the current year and contribution to assets in kind of 135 properties valued at \$32,500,000 under the Nation Building Economic Stimulus Plan.

The increase in total liabilities is due to a net increase in bank loans of \$5,960,909, increase in loans from Members of \$375,000 and increase in deferred grants of \$2,726,321 in relation to funding drawdowns from government loan facilities.

Statement of Cash Flows

Operating activities generate a net cash outflow of \$644,636, a decrease of \$1,550,121 when compared to the previous year. This is mainly attributable to the additional rental received in the current year.

Net cash used in investing activities was \$8,335,392 which relate mainly to the acquisition of properties.

Net cash inflow from financing activities of \$11,347,645 is due to borrowings from Members of \$375,000, inflows from new bank loans and facilities in the current year of \$6,855,909 and receipt of \$3,447,962 from grants, all in relation to the additional finance required to purchase the properties. This is netted off by repayments of bank loans of \$895,000 as per agreement. Funds of \$1,813,774 were received under Property Transfer Program for upgrade works.

As a result of these cash flows, the net cash held during the year increased by \$2,367,617 compared to the previous year's increase of \$183,153.

Cash at the end of the financial year therefore amounted to \$3,483,824 compared to last year's balance of \$1,116,207 (increase of 212%).

DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 1: BASIS OF PREPARATION OF THE
CONCISE FINANCIAL STATEMENTS**

The concise financial statements are an extract from the full financial report for the year ended 30 June 2011.

Specific disclosures and other information included in the concise financial statements are derived from and are consistent with the full financial report of BlueCHP Limited. The concise 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 this concise financial report is Australian dollars.

NOTE 2: EVENTS AFTER THE REPORTING PERIOD

- a. On 25 August 2011, the Company entered into an agreement with New South Wales Land and Housing Corporation (NSWLHC) for a loan facility of \$22.0 million comprising of capital funding to assist with the costs of constructing dwellings on 69 vacant lots and additional funding for purchases of these lots and one existing affordable dwelling from the NSWLHC. These lots are located in the Ropes Crossing development area.
- b. On 23 September 2011, the Company repaid the \$750,000 loan from Member and associated interest.
- c. Other than the foregoing no matters or circumstances have arisen since the end of the financial year which has significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

DIRECTOR'S DECLARATION

The Directors of the Company declare that the accompanying concise financial statements of the Company for the financial year ended 30 June 2011:

- a. is an extract from the full financial report for the year ended 30 June 2011 and has been derived from and is consistent with the full financial report of the Company.

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



Rae Weston
Director



Gail Sadler
Chairperson

20 October 2011

Independent Auditor's Report

To the members of BlueCHP Limited

Report on the Concise Financial Statements

The accompanying concise financial statements, which comprises the summary statement of financial position as at 30 June 2011, the summary statement of comprehensive income, summary statement of changes in equity and summary cash flow statement for the year then ended are derived from the audited financial report of BlueCHP Limited for the year ended 30 June 2011. We expressed an unmodified audit opinion on that financial report in our report dated 20 October 2011.

The concise financial statements do not contain all the disclosures required by Australian Accounting Standards - Reduced Disclosure Requirements.

Reading the concise financial information, therefore, is not a substitute for reading the audited financial report of BlueCHP Limited.

Management's Responsibility for the Summary Financial Information

The directors are responsible for the preparation and fair presentation of the concise financial statements

Auditor's Responsibility

Our responsibility is to express an opinion on the concise financial statements based on our procedures which were conducted in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements

Opinion

In our opinion, the concise financial statements derived from the audited financial report of BlueCHP Limited for the year ended 30 June 2011 is a fair summary of the audited financial report.



PKF



Arthur Milner
Partner

Sydney, 20 October 2011

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