



annual report **2012**



The mission of BlueCHP is acquiring, developing and growing sustainable affordable housing for its members.

BlueCHP also provides services that will assist its members and other community housing organisations to deliver responsive housing services to their clients.

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BlueCHP Limited

Suite 3A, 12 O'Sullivan Road
Leumeah NSW 2560

t 02 4621 8600

f 02 4620 0165

office@bluechp.com.au

www.bluechp.com.au

BlueCHP history and affiliations

The BlueCHP Group was established by five of the largest community housing organisations in New South Wales (Members) in 2007. It supports the aims of Members by developing and acquiring affordable housing opportunities for them to manage for the benefit of people experiencing housing stress, including key workers and those at risk of homelessness within our community.

Members include:

- Argyle Community Housing Ltd (Argyle) www.argylehousing.com.au
- Hume Community Housing Association Company Ltd (Hume) www.humecha.com.au
- Southern Cross Community Housing Ltd (Southern Cross) www.scch.org.au
- Wentworth Community Housing Ltd (Wentworth) www.wentworth.org.au
- Women's Housing Company Ltd (Women's) www.womenshousingcompany.org.au

BlueCHP

BlueCHP was established to take advantage of the significant changes taking place in the community and affordable housing sectors. It has developed significant expertise in the National Rental Affordability Scheme (NRAS), i.e. applications and usage, raising debt and other capital to take advantage of new forms of stimulus and activities in the market.

The Members realised that they could benefit from establishing a company that possessed the financial and professional resources to tender for government funding, purchase development sites and complete developments or negotiate the purchase of multiple dwellings in one transaction. At the time of establishment, government tendering requirements meant that none of the five members were able to obtain housing development funding or stock transfers in their own right.

BlueCHP is not involved in tenancy allocation or management. All properties within the BlueCHP portfolio are head leased to members for them to manage.

As a public benevolent institution (PBI) and registered charity, BlueCHP is exempt from a range of taxes and duties (payroll tax, stamp duty and land tax) and receives concessional treatment for fringe benefit tax (FBT) and goods and services tax (GST). These exemptions enable us to be more competitive in the property development market, providing significant cost saving advantages to our members.



BlueCHP was established, by its five members, to take advantage of the significant changes taking place in the community and affordable housing sectors.

BlueCHP affiliations



NSW Federation of Housing Associations is the peak industry body for housing associations in NSW. Growing to be a representative voice for housing associations, they are a provider of a wide range of good practice advice and resources, a facilitator of the ongoing development of the sector and the leading provider of social housing training in Australia. The Federation is a Registered Training Organisation and delivers training through the Centre for Training in Social Housing.

www.communityhousing.org.au



PowerHousing Australia (PHA) and its Members exist to mobilise resources for the NFP Housing Sector to grow the supply of affordable housing across Australia.

We work together to:

- Stretch limited resources to increase the supply of affordable housing in Australia
- Achieve national impact while retaining local accountability
- Foster non-profit innovation, entrepreneurship, and sustainability

We bring together the nation's most creative housing non-profits in a ground-breaking business alliance and we create lines of business for our members. PHA is a member organisation of the International Housing Partnership (IHP), a confederation of not for profit housing organisations in Australia, Canada, the UK and the USA. PHA will also host the 2013 IHP Leadership Exchange, to be held in Sydney from 30 September to 4 October, 2013.

www.powerhousingaustralia.com.au



Australians for Affordable Housing is a coalition of national housing, welfare and community sector organisations, established to highlight the problem of housing affordability in Australia. All Australians should be able to secure housing that they can afford. Yet currently one in ten Australian households are in housing stress, paying more than 30% of their income in housing costs. Paying too much for housing makes it harder for people to pay for the other basics, like food, clothes, transport and healthcare.

Australians for Affordable Housing is calling on both federal and state governments to make the changes required to make housing more affordable. They believe that the goal of government housing policy should be to ensure that all Australian households can access affordable housing and that government action needs to be coordinated to deliver that goal.

www.housingstressed.org.au



GAIL SADLER
Chairperson

chairperson's report

It is with a great deal of satisfaction that I report that BlueCHP continues to make a life-changing difference to many hundreds of families across the Sydney metropolitan area, to the Blue Mountains in the west, through to Wollondilly and Nowra in the south.

It is not BlueCHP's role to provide the day-to-day services that our Members (Argyle, Hume, Southern Cross, Wentworth and Women's Housing) deliver so capably but rather as the developer and asset manager, to provide innovative development solutions that improve the supply of housing for our members and their clients.

The affordable housing sector has undergone such a fundamental operational shift over the past five years making it often difficult to grasp the depth of that change. Changes such as the transfer of titles to the community housing sector, substantive state and federal government initiatives and support from mainstream banks have created opportunities for sustained transformation – there is a real sense that these changes deliver a better way of managing Australia's housing needs. However, the underlying issues are very much the same and housing affordability is a deep-seated structural problem that cannot be fixed overnight.

The often-reported lacklustre residential housing market of the past three years is not just an issue for those looking to buy or sell it is an issue for every family

and individual with a limited income looking for a place to rent. The lack of new building starts translates into increased demand for rental properties, making rental affordability an even higher hurdle for many people.

While it is easy to be despondent about the sector issues, we should also recognise that the new world has created many thousands of new homes for many thousands of people. We can get so used to looking at the underlying problems that it is easy to forget that each house represents a new start for an individual or a family. It is here that BlueCHP's expanding property portfolio meets that need – the additional dwellings BlueCHP developed or acquired during 2011–12 are, as at 30 June 2012, helping an additional 103 families.

BlueCHP – continuing to lead

In our 2011 report, I discussed the challenges of meeting the diverse needs of our members. It was perhaps to be expected that time and changing market conditions would create differences of opinion in strategy and in services required. However, the fact that BlueCHP has continued to exceed its housing under management forecasts demonstrates that the

underlying business case that led to the foundation of BlueCHP as an independent developer of affordable housing remains valid.

In the beginning the structure of BlueCHP gave banks the confidence to back its development and management capabilities. Now our balance sheet gives us the ability to negotiate better terms and conditions for future developments.

Our recently approved flagship project at Macarthur Gardens will be a sector-pioneering mix of private residences and affordable rental options. This \$20 million project – being 74 apartments – requires an organisation that has the depth of management expertise to conceive, develop and deliver as well as the balance sheet to attract the necessary funding to make it happen.

It has not been an easy time, with some parts of the Campbelltown community originally being quite unsettled by the concepts BlueCHP was proposing. Our ability to dedicate resources to dealing with community perceptions and to meet with a range of community stakeholders is paying dividends with the development application receiving final development approval.

As we have continued to engage with the community over the past three years, we have seen a change in community attitudes. Gone are the “wrecking” the neighbourhood fears; instead BlueCHP is being supported by the community and told that “these developments are logical building projects for Campbelltown and are needed by local residents”.

The continued growth of BlueCHP – measured by returns to our Members in terms of number of dwellings available for tenancy, long-term sustainable income streams and a strong balance sheet – is achievable. Our challenge is to manage the competing demands of the marketplace, government policy and the almost overwhelming need for affordable housing and our Members view of their world and their opportunities for growth.

Our emphasis on relationship building with developers, governments and various community stakeholders continues to deliver benefits for our projects on behalf of our Members. Investing in these relationships may not eliminate problems but it does mean we can identify issues early and address them before they become major hurdles.



We have continued to engage with the community over the past three years seeing a change in community attitudes toward our work.

BlueCHP's ability to deliver affordable community dwellings is predicated on the continued support of a wide range of stakeholders.



Financial results

BlueCHP reported another strong increase in both revenues and profits. Total revenue of \$7.3 million for the 2012 financial year is up 25% on the previous year's underlying revenue total (excluding donations) of \$5.8 million. This reflects BlueCHP's steadily growing property portfolio. The increase in revenues also reflects the increase in net profit prior to fair value adjustments and donations to \$1.05 million – up 139% from \$0.44 million in the previous financial year.

One of the biggest challenges BlueCHP faced over the year was the delay in the transfer of properties in addition

to the transfer of title associated with the Nation Building Economic Stimulus Program (NBESP). These delays flow on to all aspects of our operating forecasts and asset leverage planning, impacting our cash flow and restricting our ability to invest proactively in the growth of BlueCHP. Nevertheless, as a testament to BlueCHP's internal business and fiscal controls, we achieved the net profit that was forecast at the beginning of the financial year.

Stakeholders

BlueCHP's ability to deliver affordable community dwellings is predicated on the continued support of a

wide range of stakeholders. Our stakeholders are both valued sounding boards for our projects and supporters when creating new sector-changing projects such as Macarthur Gardens. In the early days, when the Federal and State Governments changed the way they funded community housing, the NAB was perhaps the first financial institution to understand what BlueCHP could achieve. They have been our partners for over four years and have been integral to our success to date. Essential to the growth of the community and affordable housing sector in NSW has been the role of the Community Housing Division and the Centre for Affordable Housing. They are essential partners for BlueCHP and indeed for all community housing organisations as we work to deliver the best housing solutions for people in need.

Our Members must also be thanked for their continued commitment to our joint goal of increasing the range of affordable housing options in the community housing sector. Collectively we are building new projects and developing new communities that enhance the social environment for those who need affordable housing.

The board and staff

Importantly, all we have achieved would not have been possible without the passion and dedication of both the BlueCHP Board and staff. As a Board, our role is to assist Brian Murnane and our staff manage the many competing demands placed on them – from tender deadlines, to development applications, to moving office, to prioritising asset management needs, as well as the important day-to-day liaison with Members. The challenges our staff face are many and their unfailing cheerfulness is testimony to the strong, supportive culture that Brian has nurtured.

Midway through 2012 Janelle Goulding, who has headed up the Property Services Division and worked for BlueCHP since its very early days, was offered the role of CEO at City West Housing. While we were sad to see her go, the opportunity for her to head-up her own organisation is a tremendous recognition of her deep knowledge of the community housing sector. Janelle left behind processes and procedures that have allowed us to continue managing our various projects seamlessly. Marcelo Steimbeisser, having worked closely with

Janelle since he joined BlueCHP in March 2011, has been appointed to head-up the Property Services Division.

I thank my fellow Directors for their continued support, their unflagging enthusiasm and their time dedicated in guiding the growth of BlueCHP. Insights gained from their work in the community housing sector have been invaluable as we continue to rework BlueCHP's strategic direction and business model.

Knowing that I have a Board that operates with a shared set of values and with a collectively agreed view of what BlueCHP can and should achieve, has made my role as Chair substantially easier. The Board is committed to maintaining high corporate governance standards and this year it approved the implementation of the CompliSpace technology platform. This software provides the framework for our Risk and Compliance Programs and allows the Board to successfully monitor and control BlueCHP's organisational performance.

The coming year

The St. Marys project continues to move ahead with 22 dwellings developed and constructed by BlueCHP and commenced in June. This project has now commenced handover to Wentworth. With the approval of the Macarthur Gardens project, the focus in 2013 will be on getting this project fully underway. We will also have another 16 stimulus properties transferred to us. With more than nine major projects in the pipeline, the competing demands of time and resources will need to be carefully managed.

Never has the need for an integrated affordable housing development company been more necessary. At BlueCHP we are proud to contribute to the long-term sustainability and operational affordability of the sector by developing housing that broadens the options for Australians on low to moderate incomes. Only by developing projects that increase the diversity of housing options and being sensitive to the needs of those who live locally, can we truly tackle the issue of housing affordability and create well-balanced integrated communities.



Gail Sadler
Chairperson



BRIAN MURNANE
Chief Executive Officer

ceo's report

The past twelve months have been a period of significant change and growth for BlueCHP.

We have started a number of major projects that, on completion, will deliver many more affordable dwellings across the southern and western suburbs of Sydney. 2012 was also a year of balancing short-term goals – finding new offices, with medium term goals – construction of 22 dwellings at Ropes Crossing, with the longer-term goal - building of 74 units at Macarthur Gardens.

BlueCHP's core business function is to source, purchase and develop dwellings which we lease to our Members to manage. This business model delivers additional affordable community housing that benefits families and individuals with low to moderate incomes. Central to delivery of this housing is our attention to the long-term planning objectives of our Members. We also ensure that the housing supplied is viable financially.

As at 30 June 2012, BlueCHP's rental income property portfolio consisted of 603 capital and leasehold dwellings. BlueCHP's property portfolio is currently spread over 16 local government areas – Bankstown, Blacktown, Blue Mountains, Camden, Campbelltown, Eurobodalla, Fairfield, Goulburn, Liverpool, Parramatta, Penrith, Queanbeyan, Shoalhaven, Wingecarribee, Wollondilly and Wollongong. There are 53 freestanding houses and 550 units, villas, or townhouses across 41 Nation Building Economic Stimulus Program (NBESP) complexes. In addition to these 603 properties, the NSW Government is still to transfer the title of 240 NBESP properties. We fully expect these titles to be transferred progressively over the next six to nine months.

Property services

Our team handled well the receipt and delivery of the NBESP properties despite the properties being transferred with strict allocation and occupancy deadlines. Moreover, the geographic spread of our portfolio adds a layer of resourcing challenges. The Board and I acknowledge the dedication of our staff and the cooperation of Members in ensuring the smooth hand-over and allocation of tenants to these properties.

Over the past year, we completed the acquisition of eight dwellings under Social Housing Growth Fund 2 and commenced construction of the first of 27 dwellings at Ropes Crossing under the Housing Affordability Fund. This activity was made possible with funding from Federal and State Governments and the continuing guidance from the Centre for Affordable Housing, whom we thank for their assistance.

Asset management

Throughout the year the Assets division successfully provided our Members with support and advice to manage BlueCHP properties. With each Member having differing maintenance and hand-over policies and procedures, it is critical to have each property managed in accordance with those agreed standards.

Maintenance of our assets is split between those issues that need immediate attention and those that are a standard part of a building's natural life cycle. In 2012, besides a significant increase in the number of responsive maintenance issues, BlueCHP also needed to undertake fairly extensive works to maintain building standards across its portfolio. The outcome was the recognition that, to provide what we deem as acceptable Member services, BlueCHP needed to review its asset management plans.

The new plans identify and forecast the timing of planned maintenance works as well as provide BlueCHP with more cost-effective solutions for day-to-day maintenance tasks. Good forecasting and scheduling is essential as most of the acquired properties have either approached or passed their project defects liability date. Failure by BlueCHP to address these maintenance issues could increase our liability which in turn would affect BlueCHP's financial performance.

BlueCHP has seized every opportunity to improve its



Work continues on this BlueCHP development that, once complete, will be sublet for management to our members so that they can provide the community with affordable housing.

maintenance service. In 2012, we streamlined for our Members our approach to maintenance management. The Asset Team has worked industriously to meet the goals set by our Members. Although each Member has their own standards and expectations, BlueCHP processes have the necessary flexibility and reliability to meet each of their expectations.

Project updates

The continued scarcity of investment in mainstream residential housing combined with increased competition driving operating margins down has seen substantive delays in some of our projects. These difficult operating conditions also meant a reworking of some projects regarding the original underlying assumptions about costs and structure. However, restructuring can work in our favour. One of our projects in Campbelltown was for nine dwellings yielding 14 bedrooms but, with the withdrawal of the developer, we had the opportunity to rethink our options. The outcome was the purchase, in different locations, of eight properties delivering 22 bedrooms and thereby creating a higher yield and a substantially better demographic mix for the Campbelltown area.

Macarthur Gardens

The Macarthur Gardens, Campbelltown project is our flagship development. Purchased in 2010, this site is owned solely by BlueCHP and will be the first major NSW affordable housing project developed by a community housing provider without the need for any government capital funding.

We have structured the development so that the debt we require to complete the project is secured by both the Macarthur Gardens project and the titles and income streams from our 375 vested stimulus properties. The funding is structured so that at completion of the development, BlueCHP will have no debt. The sale of 75% of the development to private investors also achieves BlueCHP's social goal of creating integrated affordable housing.

This funding model will underpin BlueCHP's growth in the coming years. It is a sustainable process which allows BlueCHP to repeatedly use the social income from the 375 vested properties and the affordable income from the newly built projects to leverage additional property development.

The Regional Planning Panel approved the Macarthur Gardens' plans in October 2012. This approval was on the back of a substantive change in community attitudes to the project. The early objections reflected many building issues that are part and parcel of any major project – traffic congestion, property values,

housing density. Our ability to demonstrate that BlueCHP had taken all of these into consideration and that we were prepared to work with planning authorities and local council has created a supportive community.

St Marys

The St Marys project has progressed substantially in the past twelve months. In March 2009, BlueCHP was awarded the Centre of Affordable Housing project to deliver up to 90 dwellings. Since then this project has undergone a number of substantive changes; however, the construction of the first group of 22 dwellings has commenced. All the slabs were poured by the end of June and subject to weather, the goal is to have these properties available by December 2012.

Airds Bradbury

In May 2012 BlueCHP, Argyle Community Housing and Hume Community Housing partnered with Australand to submit an Expression of Interest for the Airds Bradbury redevelopment project being managed by the Department of Finance and the Department of Family and Community Services. The aim is to transform the existing Public Housing Estate into a place where people with different incomes and social backgrounds will choose to live.

The objectives are to maintain the overall amount of social housing, match the final bedroom mix to meet demographic trends and demands, disperse the social housing across the Estate and deliver private housing that can be marketed without significant discounting relative to private housing in the surrounding areas. The NSW Government is expected to announce the outcome of the Expression of Interest in December 2012.

Managing our Growth

With the continued growth of BlueCHP comes the challenge of managing our expansion while meeting the needs of our Members. Given our projects may take many years to be fully realised and that there can be substantive delays in the planning process and the transfer of properties from the various government schemes, our business plans need to have the flexibility to cope with a broad range of scenarios. The Board and Management team have continued to review both internal



The dedication of our staff and cooperation of members ensures the smooth handover of properties.

operational processes and to meet the expectations of our Members. Additionally, we have used 2012 to further review BlueCHP's 2016 Strategic Plan.

While we flagged our intention to move to new offices nearly two years ago, various issues needed to be resolved before we could do so. The new 400 square metres we now have in Leumeah will more than adequately cover our needs for the foreseeable future. Now that we have the appropriate space, we can start hiring additional staff to meet the needs of our projects and Members.

Board and Staff

Growing a business is demanding on so many levels. Without the commitment, support and vision of the Board and staff of BlueCHP my role would be almost impossible. Our success is very much predicated on everyone having a common vision and a belief in BlueCHP's ability to make a substantial difference in the providing affordable housing.

The Board, in particular our Chair Gail Sadler, has made significant contributions during the year – often far in excess of what might be expected. Their continued guidance and friendship has allowed us to work collaboratively to solve the numerous issues that

arise from a growing organisation.

My thanks go to everyone who has contributed to BlueCHP's success in 2012; what we achieve is not done in isolation. We can only be successful if we build the right relationships with our Members, stakeholders and the communities where our tenants live.

Making a difference

The insights and lessons of the past five years provide the foundations for BlueCHP's continued success. Residential developments are only successful if they create successful communities. Our focus for 2013 is to continue to create more opportunities for a range of individuals and families to find a home.

In order to do this, we must continue to build partnerships with all levels of governments, communities and Member organisations. We must also continue to be innovative in our thinking so we can maximise the use of our balance sheet and revenues to alleviate where we can the issues associated with housing affordability.

Brian Murnane
CEO



property services review

Building a sustainable portfolio

BlueCHP's property portfolio continues to be derived from a number of sources including BlueCHP equity, bank funding, a range of government grants, contributions and/or transfer programs.

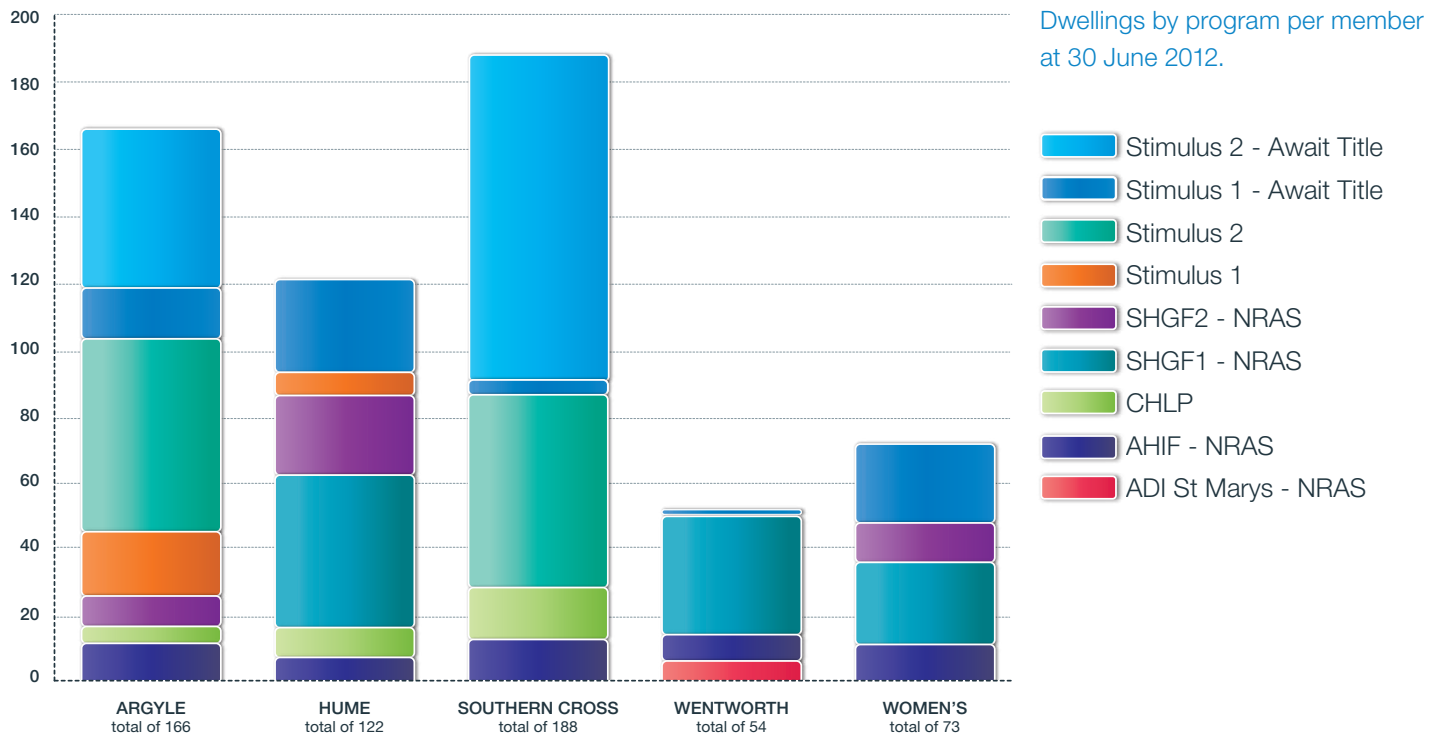
The chart shows the diversity of programs and grants under which BlueCHP and its Members have acquired the dwellings.

At the end of the 2012 financial year, BlueCHP's property portfolio consisted of 603 rental income producing dwellings. Of these dwellings, BlueCHP had the title to 363 properties with the titles of the remaining 240 properties from the National Building and Economic Stimulus Program delayed due to transfer issues.

While BlueCHP can earn income from the 603 dwellings, we cannot include the 240 delayed transfers in our property portfolio market valuations and in our Loan to Value Ratio calculations. While we expect to complete the transfer of the 240 by June 2013, we have not been able to maximise our financial position in the meantime.

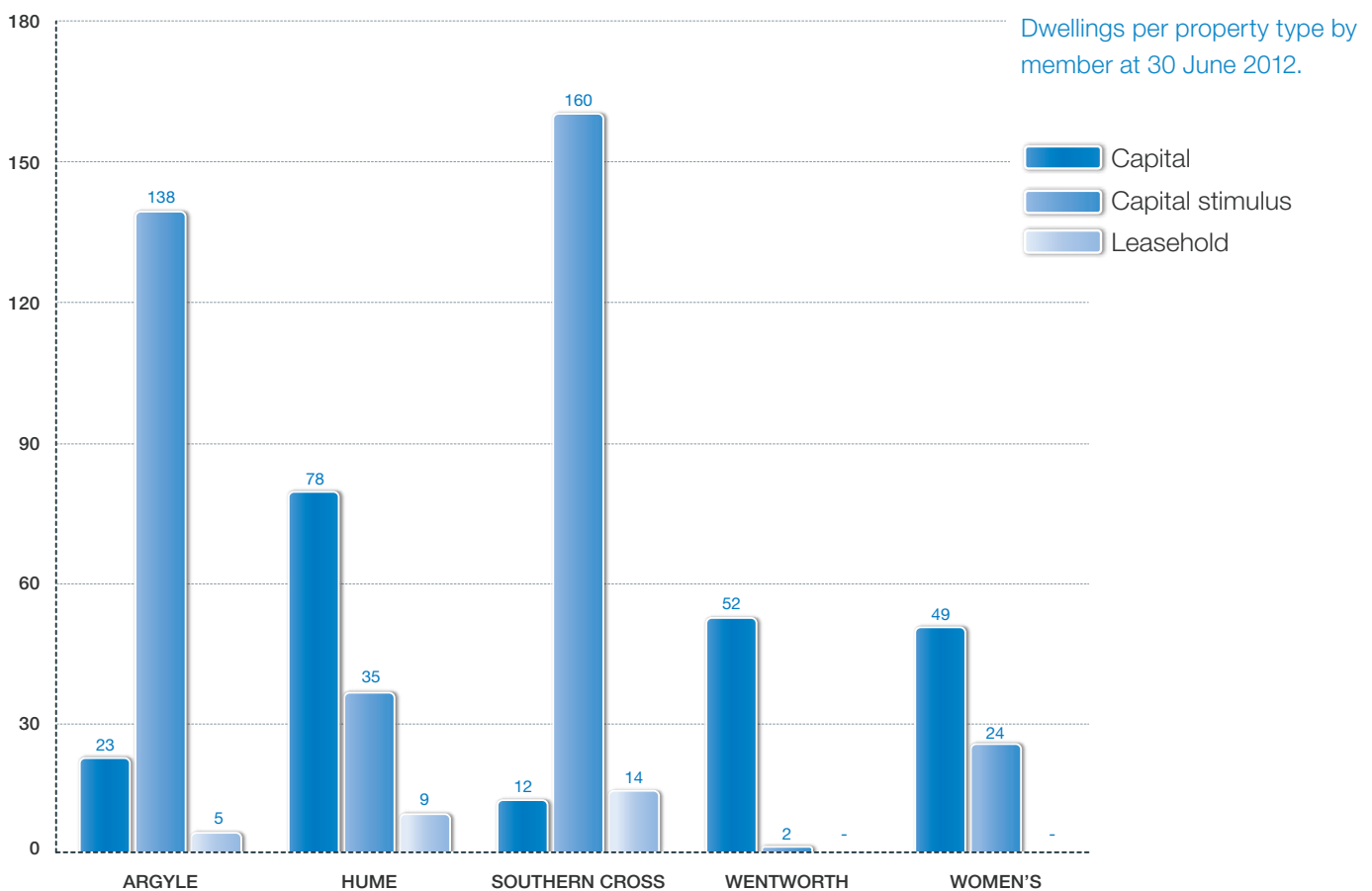
Properties in our portfolio fall into three categories:

- **Capital** properties which are owned by BlueCHP
- **Leasehold** properties leased by BlueCHP from Housing NSW and in turn sub-leased to a Member
- **Capital Stimulus** properties from a Stimulus Program but title is yet to be transferred



It is the aim of BlueCHP to allocate properties as equally as possible to each of its Members. However due to the conditional nature of the various government programs and grants it has not always been possible to achieve equality in the short-term. The following

graph shows our portfolio of dwellings by property type by Member allocation. As transfer issues are resolved, we expect to see a substantial reduction in the dwellings categorised as Capital Stimulus.

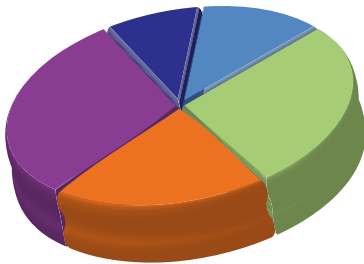




we have extensive experience in
program governance and direction
to ensure successful delivery of an
organisation's capital investment.

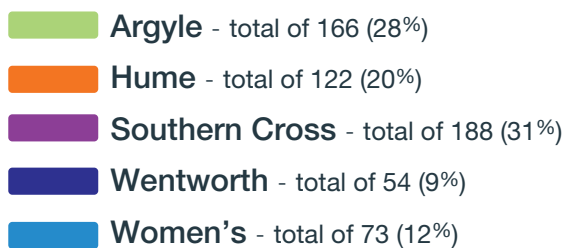
Member properties

BlueCHP's Members manage the tenancies of the 603 dwellings. These new tenancies from various programs and grants now represent a substantial part of each Member's own portfolio of dwellings.

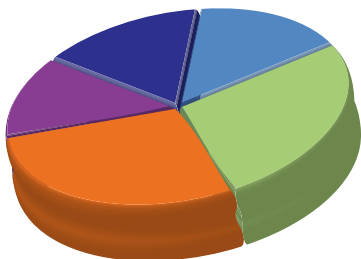


Dwellings tenancy managed per member at 30 June 2012

total number of dwellings **603**



The following graph shows the estimated value of those properties by member. The pie chart only includes the estimated value of the properties where BlueCHP has title – 351 properties.



Estimated market value of dwellings at 30 June 2012

total estimated market value
\$114,380,000



Future Growth

BlueCHP has an existing pipeline of development projects which are forecast to deliver approximately 189 dwellings by June 2016. The projects are:

Worrigeer Project for Southern Cross

26 dwellings by June 2013

St Marys Project

89 dwellings by December 2015
(includes 22 units to be delivered by the December 2012)

Macarthur Gardens

74 dwellings by June 2016

Each of these projects will be funded by a combination of BlueCHP equity, Member Contributions, Housing NSW grants and bank debt supported by BlueCHP's recently negotiated banking facilities.

The Board and Management take a conservative approach to calculating its future growth. To this end, there are a number of other projects in the pipeline but are too early in the process to include them in our future growth projections.

BlueCHP board members

as at June 2012



GAIL SADLER

Chairperson
BBus. MAICD

Gail Sadler has extensive experience in the areas of business development and financial management serving as a senior executive in large private sector international companies. Member of Wentworth Board since 2007.

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



Dr RAE WESTON

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

Dr Rae Weston, 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 for the last 4 years.

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



ROD AISTROPE

Director
CPENG., B.TECH, FIE AUST., GAICD

Rod Aistrophe is a practising Civil Engineer with high level experience in handling contracts. Rod has given 8 years service to the Argyle Community Housing Board and the past 4½ years with BlueCHP.

Special responsibilities - Rod is the Chair of the Asset Management and Development Committee.



TONY CONIDES

Director
JP AREI

Tony Conides is a fully licensed and accredited Strata and Property Manager, Tony has been running his own Real Estate and Strata Management Company since 1976. He is the Chairman of the Board of Hume Community Housing and has been a Director since December 2006. He joined the BlueCHP Board in November 2010.

Special responsibilities - Tony is a member of the Asset Management and Development Committee.



JOHN PENKAITIS

Director
B.Ec, CA, DipFS.

John Penkaitis has a Bachelor Degree in Economics, is a Chartered Accountant, Registered Company Auditor and Qualified Financial Planner. He has been 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 and the Finance and Audit Committee.

BlueCHP 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 from Housing NSW. He also had a distinguished voluntary career with the St Vincent de Paul Society (SVdP) 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, the NSW Government's Community Housing Advisory Committee and a board member of Churches Community Housing.



MARK HIGHFIELD

Financial Controller and Company Secretary

Mark has a Bachelor of Economics and is a Chartered Accountant. In 2010 Mark joined BlueCHP after working 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 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.



MARCELO STEIMBEISSER

Head of Property Services

Marcelo has been involved with property development for over 15 years, working with the private sector as consultant, with government agency and not for profit organisation.

His career began as a project engineer/ project manager with Lean and Hayward and moving on to various consultancies in Sydney. He later accepted a role as project manager with Norwest Limited developing the Norwest Business Park. Then joining Landcom where he structured joint venture with the private sector. At Anglican Retirement Villages, Marcelo was involved with land acquisition and masterplanning of retirement villages. He later joined Stockland as a Development Manager before coming to BlueCHP in 2011. During his tenure, Marcelo has been involved with Ropes Crossing project delivery, the Worrigee project and obtained development approval on Lot 3004 Macarthur Gardens. In mid 2012 he was promoted to replace Janelle Goulding who left BlueCHP to take up the role of Chief Executive Officer at City West Housing.



JOZEF SIREC

Assistant Development Manager

Jozef has 12 years' of progressive experience in the property industry. During this time, Jozef has developed a proven track record within a varied property arena spanning from Real Estate Agency Practice, Business Development, Facilities and Building Management and Asset Management within the Community Housing sector. Jozef believes that the key to success is building and maintaining relationships with our stakeholders to which he has a strong commitment. Jozef joined BlueCHP in November 2011 to assist in the delivery of affordable housing to our members and to share his knowledge of Asset Management to ensure sustainability within the sector.



DIEM LEONG

Property Manager

Diem has recently been appointed as Property Manager of BlueCHP's portfolio. As a registered residential property valuer, she brings over 12 year-experience in the property industry covering a wide service spectrum from real estate, project management and residential property development with both private sector and state government. Diem brings a wealth of knowledge from Land and Housing Corporation to establish BlueCHP maintenance program and provided added support to the development team.

Diem replaced Marilyn Irwin who left BlueCHP to take up a role with one of our Members, Argyle Community Housing.



SHOBNA LAL

Accountant

Shobna has brought in 20 years of accounting experience when she joined BlueCHP Limited in April 2012. She has an Advanced Diploma in Accounting from the University of Western Australia in Perth. Shobna was working in Western Australia as an Accountant for a Logistic and Real Estate company whilst doing her studies. She has worked for BOC Gases for 10 years in Fiji. Shobna has gained extensive accounting experience and skills whilst working for companies engaged in manufacturing, wholesale, retail, construction, freight forwarding, auction, construction and engineering.



ESTHER SCHAEFFER

Bookkeeper/Compliance

With over 14 years experience in the Community Housing sector, Esther joined BlueCHP in 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.



LYN WHITE

Administration Officer

Lyn has been working at BlueCHP since late 2009. 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.

A woman with blonde hair and a man with a white beard are leaning over a table, looking at a large map. The man is wearing a dark blue jacket over a plaid shirt. The woman is wearing a dark blue top. They are in an office or community center setting with a white brick wall and a wooden pillar in the background. There are various items on the table, including a roll of paper and some boxes.

providing affordable housing

our success is very much predicated on everyone having a common vision and a belief in BlueCHP's ability to make a substantial difference in the providing affordable housing.

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



The principal role of the board is to ensure the long term prosperity of BlueCHP by setting broad strategies and policies.

- 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
- Asset Management and 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 on pages 18 to 19 of this report.

directors' report and concise financial statements

30 June 2012

BLUECHP LIMITED
ACN 128 582 383

The concise 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 2012 Annual Financial Report, including the independent audit report, is available to all members upon request.

Directors' report

for the year ended 30 June 2012

BlueCHP Limited
ACN 128 582 383

Your Directors present this report on BlueCHP Limited for the year ended 30 June 2012.

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 Aistrophe
John Penkaitis
Tony Conides

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
Qualifications	- B.Ec, CA
Experience	- Mark has over 11 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 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 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.

Operating Results

The company achieved a profit before fair value adjustments and donations of property of \$1,058,323 (2011: profit of \$445,385). After allowing for fair value adjustments, the profit of the Company amounted to \$1,068,001 (2011: profit of \$26,840,898).

Review of Operations

A review of the operations of the Company during the financial year indicated that increase in rental revenue and increase in NRAS grants led to an increase in operating revenue of \$1,456,305. There was no donation of property which reduced total revenue by \$32,500,000 and there was a gain on revaluation of investment property of \$922,195. There was a loss on revaluation of derivative financial instruments of \$912,517 which reduced profit.

Directors' report

for the year ended 30 June 2012

BlueCHP Limited
ACN 128 582 383

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. Entered into an agreement with NSW Land & Housing Corporation (NSWLHC) for a loan facility of \$22.0 million for Stage 1B of the St Marys Affordable Housing project. The purpose of this funding is 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 (known as St Marys Stage 1B).
2. Purchased property costing \$11.0 million.

Significant After Balance Date Events

On 7 December 2012, the company entered into a banking facility agreement with mecu Limited (trading as bankmecu) with a facility limit of \$55 million. This represents an increase of \$19 million over the facility with the previous bank and has been negotiated to refinance the existing facility and to fund the known development pipeline of 189 dwellings over the next 5 years.

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 in the previous financial year 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 three 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.

Directors' report for the year ended 30 June 2012

BlueCHP Limited
ACN 128 582 383

Information on Directors

Gail Sadler

Qualifications

Experience

- Chairperson (non-executive).
- BBus. MAICD.
- 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

Qualifications

Experience

- Director (non-executive) and Deputy Chairperson.
- B.Com (Hons), B.Juris., LLB., PhD. (Monash).
- 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

Qualifications

Experience

- Director (non-executive).
- CP.Eng., B.Tech, FIE Aust., GAICD.
- 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 Asset Management & Development Committee and was BlueCHP's Chairman for its initial 18 months.

John Penkaitis

Qualifications

Experience

- Director (non-executive).
- B.Ec, CA, DipFS.
- 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. and the Finance & Audit Committee.

Tony Conides

Qualifications

Experience

- Director (non-executive).
- JP, AREI.
- 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 Asset Management & Development Committee.

Directors' report

for the year ended 30 June 2012

BlueCHP Limited
ACN 128 582 383

Meetings of Directors

During the financial year, 32 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	17	17	4	4
Dr Rae Weston	17	17	12	12
Rod Aistrophe	17	17	3	3
Tony Conides	17	16	3	3
John Penkaitis	17	15	6	4

Committee meetings include Asset Management & Development, Remuneration, Finance & Audit, and Corporate 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 obligations of the Company. At 30 June 2012 the number of Members was 5.

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



Rae Weston
Director



Gail Sadler
Chairperson

Sydney, 19 December 2012

Summary statement of comprehensive income

for the year ended 30 June 2012

BlueCHP Limited
ACN 128 582 383

	2012 \$	2011 \$
Operating revenue	7,246,077	5,789,772
Donation of property (NBESP)	-	32,500,000
Interest income	70,038	48,363
Total income	7,316,115	38,338,135
Employee benefits expense	(983,593)	(931,366)
Depreciation and amortisation expense	(21,053)	(18,954)
Finance costs	(2,842,875)	(2,439,789)
Property operating expense	(1,524,248)	(973,391)
Consultants expense	(225,613)	(383,341)
Administration expense	(660,410)	(645,909)
Profit / (loss) before fair value adjustments and income tax	1,058,323	32,945,385
(Loss)/ gain on revaluation of investment property	922,195	(6,188,654)
Gain/(loss) on derivative financial instruments	(912,517)	84,167
Profit before income tax	1,068,001	26,840,898
Income tax expense	-	-
Profit for the year	1,068,001	26,840,898
Other comprehensive income	-	-
Total comprehensive income for the year	1,068,001	26,840,898

The above Summary Statement of Comprehensive Income should be read in conjunction with the attached notes.

Summary statement of financial position

for the year ended 30 June 2012

BlueCHP Limited
ACN 128 582 383

	Note	2012 \$	2011 \$
CURRENT ASSETS			
Cash and cash equivalents		3,555,202	3,483,824
Trade and other receivables		1,605,609	1,511,298
Other current assets		416,763	417,328
Non-current assets classified as held for sale		650,000	-
TOTAL CURRENT ASSETS		6,227,574	5,412,450
NON-CURRENT ASSETS			
Property, plant & equipment		108,819	55,459
Investment properties		115,707,278	104,373,047
Other non-current assets		9,483	30,324
TOTAL NON-CURRENT ASSETS		115,825,580	104,458,830
TOTAL ASSETS		122,053,154	109,871,280
CURRENT LIABILITIES			
Trade and other payables		1,987,311	1,075,859
Short-term borrowings	1	30,418,187	776,102
Derivative financial instruments		1,108,121	195,604
Deferred grants		755,843	747,843
Other current liabilities		2,988,314	1,916,133
Short-term provisions		81,507	68,636
TOTAL CURRENT LIABILITIES		37,339,283	4,780,177
NON-CURRENT LIABILITIES			
Long-term borrowings		6,720,670	34,362,183
Deferred grants		37,162,218	30,966,621
Long-term provisions		1,146	463
TOTAL NON-CURRENT LIABILITIES		43,884,034	65,329,267
TOTAL LIABILITIES		81,223,317	70,109,444
NET ASSETS		40,829,837	39,761,836
EQUITY			
Retained earnings		40,829,837	39,761,836
TOTAL EQUITY		40,829,837	39,761,836

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

Summary statement of changes in equity

for the year ended 30 June 2012

BlueCHP Limited
ACN 128 582 383

	Retained earnings	Total
	\$	\$
Balance at 1 July 2010	12,920,932	12,920,938
Profit for the year	26,840,898	26,840,898
Other comprehensive income for the year	-	-
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
Profit for the year	1,068,001	1,068,001
Other comprehensive income for the year	-	-
Total other comprehensive income for the year	1,068,001	1,068,001
Balance as at 30 June 2012	40,829,837	40,829,837

Summary statement of cash flow

for the year ended 30 June 2012

BlueCHP Limited
ACN 128 582 383

	2012 \$	2011 \$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipt of grants - National Rental Affordability Scheme Incentives	1,951,793	1,309,494
Receipts from customers and GST on deferred grants	5,524,880	3,553,872
Payments to suppliers and employees	(3,596,275)	(3,244,838)
Interest received	70,038	48,362
Finance costs paid	(2,485,998)	(2,311,526)
Net cash generated from /(used in) operating activities	<u>1,464,438</u>	<u>(644,636)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Payment for property, plant and equipment	(75,864)	(35,706)
Proceeds from disposal of property, plant and equipment	-	17,273
Payment for investment property	(4,480,026)	(8,316,959)
Net cash used in investing activities	<u>(4,555,890)</u>	<u>(8,335,392)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings		
- Members	1,645,620	375,000
- Others	1,139,166	6,855,909
Repayment of borrowings		
- Members	(750,000)	(1,145,000)
- Others	(250,000)	-
Receipt of grants (Blue Mountains PTP upgrade funding)	1,003,499	1,813,774
Receipt of grants (income deferred)	374,545	3,447,962
Net cash flow generated from financing activities	<u>3,162,830</u>	<u>11,347,645</u>
Net increase in cash held	71,378	2,367,617
Cash and cash equivalents at beginning of the financial year	<u>3,483,824</u>	<u>1,116,207</u>
Cash and cash equivalents at the end of the financial year	<u>3,555,202</u>	<u>3,483,824</u>

Discussion and analysis

for the year ended 30 June 2012

BlueCHP Limited
ACN 128 582 383

Summary Statement of Comprehensive Income

The company's total revenue has decreased by \$31,022,020 since the prior year, fair value adjustments have increased by \$6,114,165 and expenses have increased by \$865,042.

The company achieved a profit before fair value adjustments and donations of property of \$1,058,323 (2011: profit of \$445,385). After allowing for fair value adjustments, the profit of the Company amounted to \$1,068,001 (2011: profit of \$26,840,898).

Individual items that have significantly impacted the 2012 result include:

- Revenue from government grants (NRAS) increased by \$520,308
- Rental revenue increased by \$1,090,237
- Development management fees revenue decreased by \$192,011
- Loss on derivative financial instruments of \$912,517 compared to a gain of \$84,167 in prior year.

The above 4 items have arisen primarily due to purchase and tenanting of \$11.0m (2011: \$8.3m) 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 \$22.0m (2011: \$nil) with the Department of Human Services - Housing NSW Division (Housing NSW) (the NSW Land & Housing Corporation).

- An increase in employee benefits expense of \$52,227
- An increase in property operating expense of \$550,857
- An increase in administration expense of \$14,501

The above 3 items have arisen primarily due to the expansion in operations of the company in the current year as 15 new dwellings were developed and 88 dwellings received under the Nation Building Economic Stimulus Program.

- Finance costs of \$2,842,875 (2011: \$2,439,789) resulting from the full year effect of prior year drawdowns against the existing facility agreements.
- Consultants expense of \$225,613 (2011: \$383,341) resulting from lower tendering activity.
- Gain on revaluation of investment properties of \$922,195 compared to a loss of \$6,188,654 in prior year.
- Loss on financial instruments of \$912,517 (2011: gain of \$84,167) resulting from the adjustment to the market value of interest rate swaps taken out in relation to the bank loans.

Summary Statement of Financial Position

The company's net assets have increased by \$1,068,001 since the prior year which has resulted in the company being in a net asset position of \$40,829,837 at the year end. This has been achieved through an increase in total assets of \$12,181,874 and an increase in total liabilities of \$11,113,873.

The increase in total assets for the year is mainly attributed to acquisition of and subsequent expenditure on investment properties of \$11,062,036 combined with a subsequent upward revaluation on the properties of \$922,195 during the current year.

The increase in total liabilities is due to a net increase in bank loans of \$889,166, increase in loans from members of \$1,645,620 and increase in deferred grants of \$6,203,597 in relation to funding drawdowns from government loan facilities.

Discussion and analysis

for the year ended 30 June 2012

BlueCHP Limited
ACN 128 582 383

Summary Statement of Cash Flows

Operating activities generate a net cash inflow of \$1,464,438, a turnaround of \$2,109,074 when compared to the previous year. This is mainly attributable to the additional rental received in the current year and increased NRAS incentive receipts.

Net cash used in investing activities was \$4,555,890 which relate mainly to the acquisition of properties.

Net cash inflow from financing activities of \$3,162,830 is due to borrowings from Members of \$1,645,620, inflows from new bank loans and facilities in the current year of \$1,139,166 and receipt of \$374,545 from grants, all in relation to the additional finance required to purchase the properties. This is netted off by repayments of bank loans of \$250,000 and repayment of member loans of \$750,000. Funds of \$1,003,499 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 \$71,378 compared to the previous year's increase of \$2,367,617.

Cash at the end of the financial year therefore amounted to \$3,555,202 compared to last year's balance of \$3,483,824 (increase of 2%).

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 2012.

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 these concise financial statements is Australian dollars.

Going concern

The Directors have prepared these concise financial statements on the basis that the company is a going concern which assumes continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

On 7 December 2012, the company entered into a banking facility agreement with mecu Limited (trading as bankmecu) with a facility limit of \$55 million. This represents an increase of \$19 million over the facility with the previous bank and has been negotiated to refinance the existing facility and to fund the known development pipeline of 189 dwellings over the next 5 years.

At 30 June 2012 the company had total current liabilities of \$37,339,283 (2011: \$4,780,177) and net current liabilities of \$31,111,709 (2011: net current assets of \$632,273). This increase is due to reclassification of the long term loan facility in place at 30 June 2012 from non-current to current because it was due to expire on 31 December 2012. This reclassification was mandated by Accounting Standard AASB101 *Presentation of Financial Statements* which requires such loans to be disclosed as current liabilities notwithstanding the successful refinancing that occurred subsequent to the end of financial year and prior to signing the accounts.

Had the new long term loan facility described above been in place at 30 June 2012, then both the \$30,450,075 of current borrowings relating to bank borrowings and the \$2,817,273 of other current liabilities re Housing NSW funding would have been refinanced as \$33,267,348 of non-current borrowings with the new bank and this would have resulted in the company having current liabilities of \$4,071,935 and net current assets of \$2,155,639.

Discussion and analysis

for the year ended 30 June 2012

BlueCHP Limited
ACN 128 582 383

NOTE 2: EVENTS AFTER THE REPORTING PERIOD

- a) On 7 December 2012, the company entered into a banking facility agreement with mecu Limited (trading as bankmecu) with a facility limit of \$55 million. This represents an increase of \$19 million over the facility with the previous bank and has been negotiated to refinance the existing facility and to fund the known development pipeline of 189 dwellings over the next 5 years.
- b) 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.

Directors' declaration

The Directors of the Company declare that the accompanying concise financial statements of the Company for the financial year ended 30 June 2012:

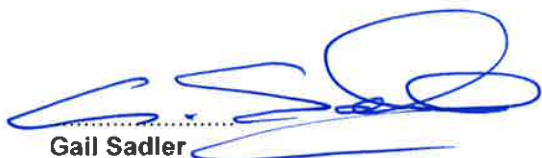
- a) are an extract from the full financial report for the year ended 30 June 2012 and has been derived from and is consistent with the full financial report of the Company.

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

.....
Rae Weston
Director



.....
Gail Sadler
Chairperson



Sydney, 19 December 2012

INDEPENDENT AUDITOR'S REPORT

To the members of BlueCHP Limited

Report on the Concise Financial Statements

The accompanying concise financial statements, which comprise the summary statement of financial position as at 30 June 2012, the summary statement of comprehensive income, summary statement of changes in equity and summary statement of cash flows statement for the year then ended and related notes are derived from the audited financial report of BlueCHP Limited for the year ended 30 June 2012. We expressed an unmodified audit opinion on that financial report in our report dated 19 December 2012.

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.

Directors' Responsibility for the Concise Financial Statements

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 Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*.

Opinion

In our opinion, the concise financial statements derived from the audited financial report of BlueCHP Limited for the year ended 30 June 2012 are a fair summary of that audited financial report.

BDO East Coast Partnership



Arthur Milner
Partner

Sydney, 19 December 2012





BlueCHP Limited
Developing the Future of Affordable Housing

Suite 3A, 12 O'Sullivan Road
Leumeah NSW 2560

t 02 4621 8600

f 02 4620 0165

office@[bluechp.com.au](mailto:office@bluechp.com.au)

www.bluechp.com.au