



AFFORDABLE HOUSING

A FOUNDATION FOR LIFE

2017 ANNUAL REPORT

www.bluechp.com.au



BlueCHP is a **specialist developer** of affordable housing.

Using our not for profit status, strong balance sheet and expertise to **deliver** more **affordable housing**.

BLUECHP HAS DELIVERED MORE THAN

1,600

AFFORDABLE HOUSING DWELLINGS

THE GARDENS DEVELOPMENT RECEIVED
A COMMENDATION IN 2017

UDIA AWARDS

BLUECHP HAS RETAINED 685 DWELLINGS,
WORTH MORE THAN

\$305 MILLION

THE GARDENS PROJECT IS A LANDMARK
ACHIEVEMENT FOR BLUECHP HAVING DELIVERED

101 APARTMENTS

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CHAIRMAN'S REPORT

Over the last year BlueCHP has continued its core business activity of developing more affordable housing with The Gardens development coming to a completion, with ownership of 44 units being retained, and the ongoing building of dwellings at Ropes Crossing.

Whilst we continue to deliver new housing the challenges of meeting the demand for affordable housing remains undiminished.

FINANCIAL PERFORMANCE

The financial position of the business at year-end is strong with the year producing a Surplus before fair value adjustments of \$8,158,068 (2016: \$2,071,795), Surplus before tax (including revaluation adjustments) of \$23,794,474 (2016: \$26,643,510) and Total Assets of \$316,488,032.

FUTURE OUTLOOK

Long term funding for development continues to be one of the key challenges facing BlueCHP and the community housing sector in general. Although the Federal Government announced the creation of a bond aggregation vehicle in the May 2017 budget, details of fund size, duration and costs are still to be announced. There have also been some tentative signs from the superannuation industry that funding may become available from that source.

Combined with the challenges of securing finance, the income support provided through the National Rental Affordability Scheme will commence to decline from 2018, adding further pressure to the ability to service significant amounts of debt.

Unfortunately Government housing policy in many parts of Australia still remains uncertain and inconsistent. In States where community housing providers play an important role, demands for additional services from the limited rental revenue stream continue to be made. There are concerning signs on the horizon as to the sector's ability to deliver all that is expected from it.

**Over the last year, BlueCHP
has continued its core business
activity of developing more
affordable housing.**

TERRY DOWNING



BOARD CHANGES

The 2017 Annual General Meeting will see my time as a director of BlueCHP come to an end. The last five years has seen the company grow to independence from its founding members and establish itself as an important contributor within the community housing sector.

It has been a privilege to serve on the board and receive the support and contribution of directors over the past five years. The contribution and commitment of the executives and staff have been an integral part in delivering the success to date.

I believe the company under the stewardship of the current board will continue to prosper and wish all associated with it success in the future.

Terry Downing
Chairman

A handwritten signature in black ink, appearing to read 'Terry Downing', with a large, stylized flourish at the end.

CEO REPORT

The past year has been challenging, however, the year has had a number of successes. The completion of The Gardens project for 101 apartments is a landmark achievement for BlueCHP. It is a particularly proud moment for the business in leading the building industry with construction of the largest residential timber building in Australasia. BlueCHP has the strong belief that cross laminated timber (CLT) has a positive future in Australia. The company has been recognised with a number of awards with respect to this project. It will retain 44 affordable housing apartments for long term rental.

BlueCHP and Compass Housing Services Co Ltd set up a joint venture company Home4Life Limited following the award of the Hunter Residence Program for the construction of up to 78 group homes throughout Australia, to provide 390 High Support beds. Commencement of the project is dependent on raising finance from the capital and debt markets.

BlueCHP continues with the Ropes Crossing affordable housing program and has commenced the final parcel of Stage 1 and as a result, will have delivered 98 homes with 307 beds and will embark on Stage 2 in the coming year. Stage 2 is projected to deliver 70 homes over the next 4 years.

The company has successfully engaged with the NSW Land and Housing (LAHC) to manage three developments for seniors aged 55 years and older (29 dwellings). Additionally, it has been named preferred proponent for two Communities Plus projects (100 dwellings).

The last Federal budget has recognised the importance of housing particularly issues of affordability but also the need for a long-term affordable rental sector.

CHARLES NORTHCOTE CEO, BlueCHP

**BlueCHP set to
deliver 98 homes
providing 307 beds
at Ropes Crossing as
Stage 1 of this project
is completed**



Over the reporting period the company delivered 11 new dwellings, all affordable housing. BlueCHP provides the equivalent of \$3.8 million worth of rental subsidies for tenants each year from its current portfolio.

INVESTMENT IN HOUSING

Over the past 5 years there has been very little in terms of major Government investment in housing since the cancellation of the National Rental Affordable Scheme (NRAS). BlueCHP believes that housing should be treated in the same manner as other types of infrastructure – such as road, rail and purchase of defence assets. Most State Government efforts over the past few years have been small in tackling such a major issue that affects the nation's overall productivity and future prosperity.

The last Federal budget has recognised the importance of housing particularly issues of affordability but also the need for a long-term affordable rental sector. The Federal Government also noted the importance of long-term debt financing that is required to support the sector.

BlueCHP contributed to the Federal Treasury Affordable Housing Working Group and was delighted with the Budget announcement of the bond debt aggregation vehicle. We also note that this has been supported from both sides of the political spectrum. We recognise this is one part of the equation to increase affordable housing supply – namely financing.

The second part is the Rent/Yield gap, which makes it difficult for community housing providers (CHPs) to compete in the market for land sites to build housing. The yield gap results in CHPs having to take a higher level of risk on pre-sales to fund that long-term yield gap. This gap can be covered through either capital subsidy, land grant or rental top up to market rent. This was illustrated very well in the NSW IPART report (July 2017) on the sector, noting that \$955m was required to meet the gap on existing housing, both public and CHP. Should the NSW State Government cover this gap, it is possible to reduce the current 60,000 waiting list within 5 years. As a nation, we have all the constituent elements, state and federal land, and aged public housing portfolios in need of renewal.

Delivered

THE GARDENS PROJECT



101 NEW APARTMENTS

New build

Home4Life



390 HIGH SUPPORT BEDS

Affordable

ROPES CROSSING STAGES 1 AND 2



168 DWELLINGS

New build

SENIORS HOUSING DEVELOPMENT



29 DWELLINGS FOR LAHC

Pipeline

2 COMMUNITY PLUS PROJECTS



100 NEW DWELLINGS



BlueCHP believes that housing should be treated in the same manner as other types of infrastructure

Putting this together with a funding subsidy (covering the yield gap) and long-term financing (Bond Aggregator) a long-term sustainable industry would deliver significant housing infrastructure.

Not only was BlueCHP represented at the Canadian International Housing Partnership conference in Oct 2016; it continues to play an active role in the broader representative bodies, Community Housing Industry Association (CHIA), PowerHousing and has also joined the local Campbelltown Chamber of Commerce.

I wish to thank the new board for their contribution and support over the past year. They had little time to settle in with the cancellation of the Logan Renewal Initiative noted in last year's CEO report. The benefits of a skills-based board have been clear from the enhanced performance of the company over the past year.

STAFF

The results achieved are testament to staff working at BlueCHP. Over the past year we have seen a lot of change as some staff have gone on to different roles. The company has taken the opportunity to upskill further with employment of a Chief Operating Officer, Peter Brown, and another development manager, Andrew Sidhom, to lead the Hunter Residence project.

OUTLOOK

The slowing of property price increases over the last year is unlikely to bring any further improvement on housing affordability. The strong growth in immigration will gradually soak up any short-term supply surpluses. It is more likely that we will see a jump in rental rates. The rental market has become very expensive for anyone on a pension. The average 1 bedroom rent in Campbelltown NSW is 74% of a single weekly aged pension, allied with the 20% rise in electricity prices means that the low wage and pension dependent people are going to suffer. The failure of all State Governments to address the issue in a bold way will give rise to significant costs in health and welfare in the future. We remain positive that Governments will address the affordable rental market.

Finally, as the Chair mentioned he is stepping down after 5 years. I personally want to thank him for his support and leadership through this period of significant change and he leaves with company asset growth from \$122m to \$316m.



A handwritten signature in black ink that reads "Charles Northcote".

Charles Northcote
Chief Executive Officer



**The results achieved
are testament to staff
working at BlueCHP ...**

THE GARDENS

NEW CAMPBELLTOWN DEVELOPMENT DELIVERED

The Gardens development at Campbelltown, NSW has been leading our development program. It is Australia's largest cross laminate (CLT) project and the first in New South Wales.

The development consists of three towers delivering 101 apartments (one, two and three bedrooms) utilising 3,000 m3 of high precision designed CLT. The CLT was shipped from Austria and the high quality panels simplified construction.

That has afforded BlueCHP a faster and less expensive build when compared against a conventional concrete and steel structure.

The buildings provide an environmentally friendly living experience that is softer and a good insulator of heat that stabilises temperatures reducing heating and cooling usage.





CROWN GROUP
AWARDS FOR
EXCELLENCE
DINNER

Commendation Award in the 2017 UDA NSW Awards for Excellence received by Marcelo Steimbeisser, BlueCHP Head of Development and BlueCHP CEO Charles Northcote



PROJECT MILESTONES

Construction commenced in February 2016 with the project achieving several milestones along the way:

1st



JUNE 2016

FIRST TIMBER PANEL INSTALLED

2nd



FEBRUARY 2017

LAST TIMBER PANEL INSTALLED

3rd



AUGUST 2017

HANDOVER OF TOWERS A & B

4th



SEPTEMBER 2017

HANDOVER OF TOWER C



Tenants have been steadily occupying the residence as of mid-September 2017 enjoying the luxury and opportunities this development has to offer.

The project has received several accolades over the year by winning the Affordable Housing Institute (AHI) best Affordable Housing Development and receiving a Commendation from the Urban Development Industry Association (UDIA).

This project has placed BlueCHP at the forefront of construction innovation. The project has also been the headline at several conferences and site tours throughout the year. We would like to thank Strongbuild Commercial for all their efforts and dedication in delivering this significant project over the last 15 months.

There will be an official opening in November 2017.

BLUECHP DEVELOPMENTS

The past year has been another busy and successful year for BlueCHP delivering dwellings, winning tenders, improving our property management processes and continuing fee for service in the sector.

UPCOMING BLUECHP PROJECTS

BlueCHP has also continued to deliver more housing in Ropes Crossing under the Affordable Housing program – Stage 1B. In Parcel 3 a further 26 dwellings have been approved to commence construction. In June 2017, BlueCHP also received the last 49 lots from Lend Lease as part of Parcel 4. To date the following has been achieved:

PARCEL	No. LOT	No. DWELLINGS	STATUS
Stage 1A	5	7	Completed
Stage 1B			
Parcel 1	28	32	Completed
Parcel 2	10	15	Completed
Parcel 3	23	26	10 under construction
Parcel 4	9	18	18 to be designed
TOTAL	75	98	28 dwellings outstanding

Stage 1
98 NEW DWELLINGS



At this stage we are on target to complete Stage 1B of the program by June 2019.

Due to the success of the Ropes Crossing delivery program, in July 2017, The Department of Family & Community Services (FACS) appointed BlueCHP as the successful community housing provider (CHP) to deliver additional affordable housing in the Jordan Springs East development (Stage 2). From a further 50 lots, we are targeting to add 70 dwellings to the portfolio.

During the year BlueCHP won 3 projects from LAHC as part of the Community Housing Provider Pilot Program. Construction of the 29 dwellings for seniors is progressing well with the first project to be ready for occupation by mid-January 2018. BlueCHP will retain the management rights for these properties on behalf of LAHC.

BlueCHP has also achieved success with project tenders. We have been nominated as preferred CHP within the Communities Plus program. BlueCHP has won two projects at Lane Cove North and Liverpool, NSW, to construct 30 units and 70 units respectively on the sites. We are currently negotiating the terms of the engagement project deed with LAHC. We have also been shortlisted as a preferred tenderer in the Communities Plus Stage 3 tender.



BlueCHP IN QUEENSLAND

The Queensland team has also been very active in sourcing opportunities within the South East region of the state. We have been shortlisted by the Queensland Government in the Better Neighbourhood initiative.

The team has also been working collaboratively with Lend Lease in Queensland, developing proposed small lot products that can be delivered as house and land packages for under \$300,000.

FEE FOR SERVICE

We have continued to work within the sector and offer our services to organisations that do not have a development team within their structure. We have engaged with Common Equity on two projects at Cabramatta and Croydon, NSW.

BlueCHP has evaluated 10 sites for the Aboriginal Housing Office that can potentially deliver 40 dwellings for the Aboriginal community on the Central Coast and in Sydney and Wollongong. In addition, some church based organisations have approached us for assistance.

The Queensland team has been working extensively with Burnie Brae on a retirement village master plan and it has collaborated across the Community Housing Sector providing expert property advisory services.

ASSET TEAM

Over the past year, the Asset Team has introduced system improvements and applications for the company and our service providers that have resulted in savings to the portfolio.

The Asset Team has been busy restructuring the department to handle independently all processing of work orders and invoicing. As a result, there have been significant efficiency gains by reducing risk, streamlining workflow and managing accountability. There has been a strong focus around improving system outputs.

We now have a robust management system that has seen successful processing, audit and analysis of almost 3,000 maintenance orders annually.

A handwritten signature in black ink, appearing to read 'M. Steimbeisser'.

Marcelo Steimbeisser
Head of Property Services

**BlueCHP is working
in Queensland to
deliver house and
land packages for
under \$300,000**



BLUECHP CORPORATE MODEL

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

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

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

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

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

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

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

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

OUR PURPOSE

Providing
affordable
housing

THE BlueCHP MODEL

WHAT DO WE DO

BCL provides

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

HOW DO WE DO WHAT WE DO

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

BOARD OF DIRECTORS

Full details of the current BlueCHP Limited board are listed on page 24 of the BlueCHP 2017 Annual Report



Terence Downing
Chairman

Qualifications

B Comm, M Mgmt, CPA,
FAICD, ANZIIIF (Fellow)

Special responsibility

Chairman



Peter Beer
Vice Chairman

Qualifications

AAIHS, ADTCP

Special responsibility

Audit, Risk & Governance
Committee and
Remuneration Committee



Claire Davis
Director

Qualifications

BA (Hons) Accy, FCA,
GAICD, GradCertExecLead

Special responsibility

Audit, Risk & Governance
Committee



Robert Elvy
Director

Qualifications

BScEng, BComAccy,
FIEAust, FCPA, FAICD,
FGIA

Special responsibility

Audit, Risk & Governance
Committee and New
Business Opportunities
Committee



Stephen Quill
Director

Qualifications

BE (Civil)

Special responsibility

New Business
Opportunities Committee



Tony Waters
Director

Qualifications

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

Special responsibility

Audit, Risk & Governance
Committee and
Remuneration Committee



Craig Lee
Director

Qualifications

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

Special responsibility

New Business
Opportunities Committee
and Remuneration
Committee



Vanessa Morschel
Director

Qualifications

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

Special responsibility

New Business
Opportunities Committee

CORPORATE GOVERNANCE

Board composition

At the end of July 2017 the Board composition changed from five to eight directors. At that time Member director representation was extinguished and replaced by non-executive skills-based directors. The new director selection process strategically matched BlueCHP's future directions and next phase of growth to a specific mix of skills and experience. This Board renewal is structured to provide good corporate governance oversight and add value. Information on the directors is set out in the Directors' Report.

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

Board committees

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

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

Governance principles

Throughout the 2017 financial year, BlueCHP's governance arrangements were consistent with the ASX Corporate Governance Principles and Recommendations (3rd edition).

Board responsibilities

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

The Board carries out this role primarily by:

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

- Overseeing the integrity of the entity’s accounting and corporate reporting systems, including internal and external audit;
- Ensuring that the entity has in place an appropriate risk management framework and setting the risk appetite within which the board expects management to operate;
- Ensuring the company meets regulatory compliance;
- Approving the entity’s remuneration framework; and
- Evaluating and monitoring the performance of the Board and the CEO.

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

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

DIRECTORS’ REPORT AND SUMMARY FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2017

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

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

A copy of the Company’s 2017 Annual Financial Report, including the independent audit report, is available upon request.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2017

The Directors present this report on BlueCHP Limited (the 'Company') and its controlled entities (the Group) for the year ended 30 June 2017.

.....

... 1 Appointed 1 August 2016

... 2 Appointed Alternate Director for Robert Vine 24 June 2016

... 3 Resigned 29 July 2016

Directors

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

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

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

Objectives

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

Strategy for achieving objectives

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

Principal activities

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

Over the past year the Group delivered 11 dwellings with a further 157 under construction.

Significant after balance date events

On 3 November 2017, the \$55m loan facility with Bank of Australia was renewed for a further term of five years, expiring November 2022.

No other matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2017

INFORMATION ON DIRECTORS

Terence Downing

Chairman, Non-executive Director

- **Qualifications** B Comm, M Mgmt, CPA, FAICD, ANZIIF (Fellow)
- **Experience** Extensive experience as a non-executive director with current and prior roles in the public, private and not-for-profit sectors. Over 35 years' experience in the financial services sector in Australia and Asia as a director, senior executive and consultant. Terry was appointed Chairman of Argyle Community Housing Ltd on 1 July 2017 and has been a director since April 2012.
- **Special responsibilities** Chairman

Peter Beer

Vice Chairman, Non-executive Director

- **Qualifications** AAIHS, ADTCP
- **Experience** Peter is a qualified Building Surveyor, Town Planner and Health Surveyor. Predominantly involved with local government, his experience also includes interstate community and planning agreements. Councillor of Snowy Monaro Regional Council. Chairman of the Monaro Housing Taskforce. Peter is a director of Southern Cross Community Housing Ltd.
- **Special responsibilities** Chairman of both the Audit, Risk & Governance Committee and Remuneration Committee

Claire Davis

Non-executive Director

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

Robert Elvy

Non-executive Director

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

Craig Lee

Non-executive Director

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

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2017

Vanessa Morschel

Non-executive Director

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

Stephen Quill

Non-executive Director

- **Qualifications** BE (Civil)
- **Experience** Steve has had a successful 35 year career at a senior level in the development and construction of major projects around Australia. Steve has held senior executive roles with Sydney Harbour Foreshore Authority, Stockland Property Group, AMP Capital Investors and Lend Lease. Prior to his appointment to the BlueCHP board he was a strategic development advisor to the Group.
- **Special responsibilities** Chairman of the New Business Opportunities Committee

Tony Waters

Non-executive Director

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

Meetings of Directors

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

	Directors' Meetings		Committee Meetings	
	<i>Number eligible to attend</i>	<i>Number attended</i>	<i>Number eligible to attend</i>	<i>Number attended</i>
Terence Downing ⁴	8	8	6	6
Peter Beer	8	8	5	5
Claire Davis	7	7	4	4
Robert Elvy	7	7	6	6
Craig Lee	7	6	3	2
Vanessa Morschel	7	7	2	2
Stephen Quill	8	8	2	2
Tony Waters	7	6	5	5

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

.....
⁴ Attendance at committees of the board optional as ex-officio member.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2017

Company Secretary

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

Charles Northcote

Chief Executive Officer

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

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

Sarah Donovan

General Manager, Governance & Risk


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

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

Members' Guarantee

The Company is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the entity is wound up, the constitution states that each Member is required to contribute a maximum of \$10 towards meeting any outstanding and obligations of the Company. At 30 June 2017 the number of members was 3.

Terence Downing
Director



Robert Elvy
Director



Sydney, 8 November 2017

SUMMARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
Operating revenue	16,773,794	10,483,326
Expenses		
Employee benefits expense	(2,277,456)	(1,529,291)
Depreciation and amortisation expense	(141,398)	(285,803)
Finance costs	(2,029,162)	(2,549,744)
Property operating expense	(3,111,983)	(2,852,501)
Property consultants expense	(68,636)	(70,924)
Administration expense	(987,091)	(1,123,268)
Surplus before fair value adjustments and income tax	8,158,068	2,071,795
Gain on revaluation of investment property	15,636,406	24,571,715
Surplus before income tax	23,794,474	26,643,510
Income tax expense	-	-
Surplus after income tax expense for the year	23,794,474	26,643,510
Other comprehensive income for the year, net of tax	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	23,794,474	26,643,510

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	2017 \$	2016 \$
Current assets		
Cash and cash equivalents	4,397,542	2,598,381
Trade and other receivables	5,356,943	4,237,425
Other current assets	600,342	213,272
Non-current assets classified as held for sale	-	2,688,248
TOTAL CURRENT ASSETS	10,354,827	9,737,326
Non-current assets		
Property, plant & equipment	417,798	531,174
Investment properties	305,715,407	256,569,111
TOTAL NON-CURRENT ASSETS	306,133,205	257,100,285
TOTAL ASSETS	316,488,032	266,837,611

	2017 \$	2016 \$
Current liabilities		
Trade and other payables	5,062,152	2,194,948
Other current liabilities	-	22,653
Employee benefits	92,300	76,410
Borrowings	-	4,032,372
TOTAL CURRENT LIABILITIES	5,154,452	6,326,383
Non-current liabilities		
Employee benefits	31,551	22,908
Borrowings	74,883,689	47,864,454
TOTAL NON-CURRENT LIABILITIES	74,915,240	47,887,362
TOTAL LIABILITIES	80,069,692	54,213,745
NET ASSETS	236,418,340	212,623,866
Equity		
Retained surpluses	236,418,340	212,623,866
TOTAL EQUITY	236,418,340	212,623,866

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Retained surpluses \$	Total equity \$
Balance at 1 July 2015	185,980,356	185,980,356
Surplus after income tax expense for the year	26,643,510	26,643,510
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	26,643,510	26,643,510
Balance as at 30 June 2016	212,623,866	212,623,866
Balance as at 1 July 2016	212,623,866	212,623,866
Surplus after income tax expense for the year	23,794,474	23,794,474
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	23,794,474	23,794,474
Balance as at 30 June 2017	236,418,340	236,418,340

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	8,576,499	7,330,394
Payments to suppliers and employees (inclusive of GST)	(5,828,449)	(4,767,327)
Receipt of grants - National Rental Affordability Scheme ('NRAS') Incentives	2,723,801	2,816,702
Receipt of grants	1,780,837	-
Interest received	8,463	28,502
Finance costs paid	(2,037,076)	(2,144,813)
Net cash from operating activities	5,224,075	3,263,458
Cash flows from investing activities		
Payments on behalf of related parties	(1,323,923)	-
Payment for property, plant and equipment	(28,023)	(79,450)
Payment for investment property	(26,915,163)	(9,203,423)
Payment of borrowing costs capitalised in investment properties	(53,422)	-
Net cash used in investing activities	(28,320,531)	(9,282,873)
Cash flows from financing activities		
Proceeds from borrowings	34,276,105	4,613,322
Payment of transaction costs	(36,364)	-
Repayment of borrowings	(9,344,124)	-
Net cash flow from financing activities	24,895,617	4,613,322
Net increase/(decrease) in cash and cash equivalents	1,799,161	(1,406,093)
Cash and cash equivalents at beginning of the financial year	2,598,381	4,004,474
Cash and cash equivalents at the end of the financial year	4,397,542	2,598,381

DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED 30 JUNE 2017

Summary statement of profit or loss and other comprehensive income

The Company's operating revenue has increased by \$6,290,468 since the prior year, fair value adjustments have decreased by \$8,935,309 and expenses have increased by \$204,195.

The Company achieved a surplus before fair value adjustments of \$8,158,068 (2016: surplus of \$2,071,795). After allowing for fair value adjustments, the surplus of the Company amounted to \$23,794,474 (2016: surplus of \$26,643,510).

Individual items that have significantly impacted the 2017 result include:

- Rental revenue increased by \$370,931;
- Grants received increased by \$6,246,186
- Property operating expenses increased by \$259,482;
- Employee benefits expense increased by \$748,165;
- Administration expenses decreased by \$136,176;
- Finance costs increased by \$520,582;
- Gain on revaluation of investment properties of \$15,636,406 compared to a gain of \$24,571,715 in the prior year.

Summary statement of financial position

The Company's net assets have increased by \$23,794,474 since the prior year which has resulted in the company being in a net asset position of \$236,418,340 at the year end. This has been achieved through an increase in total assets of \$49,650,421 offset by an increase in total liabilities of \$25,855,947.

The increase in total assets for the year is mainly attributed to a subsequent development expenditure on investment properties of \$27,671,474 and an upward revaluation on the properties of \$15,636,406 during the current year.

The increase in total liabilities for the year is mainly attributed to additional drawdowns of \$34,276,105 on loan facilities with Bank Australia to fund construction activities, offset by loan repayments of \$9,344,124.

Summary statement of cash flows

Operating activities generated a net cash inflow of \$5,224,075, an increase of \$1,960,617 when compared to the previous year.

Net cash used in investing activities was \$28,320,531 which predominately relates to the acquisition and development of properties.

Net cash inflow from financing activities was \$24,895,617 for the current year as a result of drawing down on borrowing facilities.

As a result of these cash flows, the net cash held during the year increased by \$1,799,161 compared to the previous year's decrease of \$1,406,093.

Cash at the end of the financial year amounted to \$4,397,542 compared to last year's balance of \$2,598,381 (an increase of 69%).

NOTES TO THE CONSOLIDATED SUMMARY FINANCIAL STATEMENTS AND DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 BASIS OF PREPARATION OF THE SUMMARY FINANCIAL STATEMENTS

The summary financial statements are an extract from the full financial report for the year ended 30 June 2017.

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

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

NOTE 2 EVENTS AFTER THE REPORTING PERIOD

On 3 November 2017, the \$55m loan facility with Bank of Australia was renewed for a further term of five years, expiring November 2022.

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 summary financial statements of the Company for the financial year ended 30 June 2017 are an extract from the full financial report for the year ended 30 June 2017 and have been derived from and are consistent with the full financial report of the Company.

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

Terence Downing
Director



Robert Elvy
Director



Sydney, 8 November 2017



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INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENTS

To the members of BlueCHP Limited

Opinion

The summary financial statements, which comprise the summary consolidated statement of financial position as at 30 June 2017, the summary consolidated statement of profit or loss and other comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows for the year then ended and related notes, are derived from the audited financial report of BlueCHP Limited for the year ended 30 June 2017.

In our opinion, the accompanying summary financial statements are consistent, in all material respects with, on the basis described in the accounting policies.

Summary financial statements

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

The summary financial statements and the audited financial report do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial report.

The audited Financial Report and our report thereon

We expressed an unmodified audit opinion on the audited financial report in our report dated 8 November 2017.

Directors' responsibility for the summary financial statements

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

Auditor's Responsibility

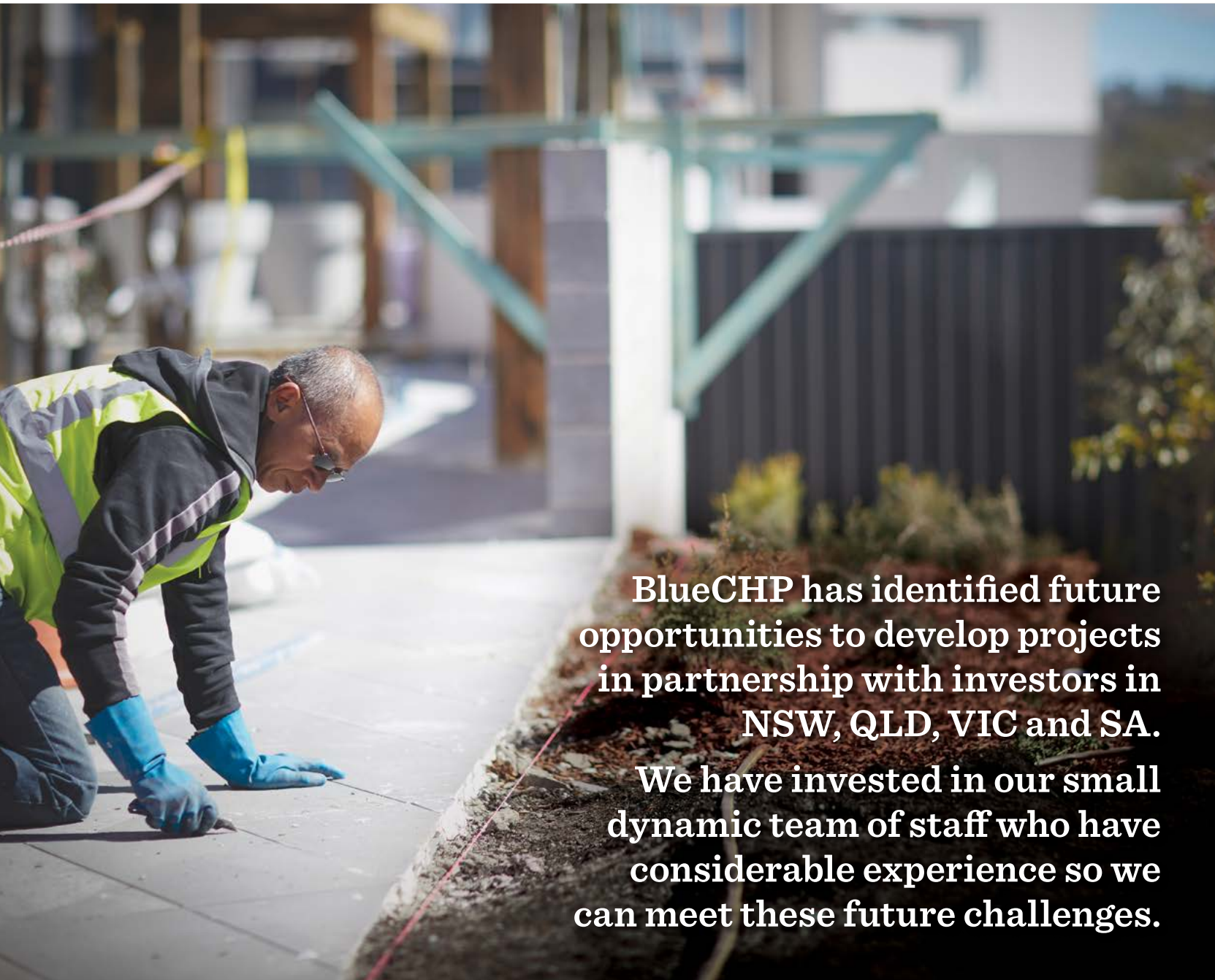
Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial report based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*.

BDO East Coast Partnership

Arthur Milner
Partner

Sydney, 8 November 2017

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



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

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

BlueCHP Limited

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