

bluechp

ANNUAL
REPORT
2022

AFFORDABLE
SOCIAL
DISABILITY
BUILD-TO-RENT
HOUSING



“ Having stable housing tenure is your foundation for life. BlueCHP seeks to make a difference to people’s lives by providing housing choices to disadvantaged Australians.

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CHAIR'S REPORT

BlueCHP 's objective of *a future where every Australian has access to a home they can afford* drives everything we do. In these times of high inflation, tight rental markets, and record high building costs delivering on this objective has never been more important.

I am delighted that we have been able to continue to develop and invest in new social, affordable and disability housing. This is despite the ongoing challenges of the pandemic with its associated supply and labour disruptions, and some difficult weather conditions throughout the year.

The year ended 30 June 2022 saw our Net Assets increase from \$276.42 million (FY21) to \$338.97 million (FY22), a significant uplift. Our healthy balance sheet supports our aspirations for further significant growth, including continued expansion in Victoria and Queensland.

Our ability to further expand can be accelerated through partnerships with institutional investors. The appeal to these investors is not just financial but through a shared commitment to social impact and ESG factors. An overview of our reporting on Environmental, Social and Governance parameters can be found in our ESG Impact Summary in the pages of this annual report.

CHAIR'S REPORT

Like many businesses we have seen a higher level of staff turnover and challenges in recruiting additional team members. The Board is very mindful of the pressure this puts on our existing team and expresses its appreciation for the hard work and dedication of all of our employees. It is certainly an honour to work with a high calibre group of people.

I also thank my fellow Directors for the energy, expertise and time they give to the Company. We all look forward to another successful year with yet more projects coming out of the ground.



A stylized, handwritten signature in black ink, consisting of a large, sweeping 'C' followed by a smaller 'L'.

Craig Lee
Chairman

OUR YEAR IN NUMBERS

2,016
PEOPLE WERE HOUSED IN PROPERTIES WE OWN AND MANAGE THIS YEAR

|

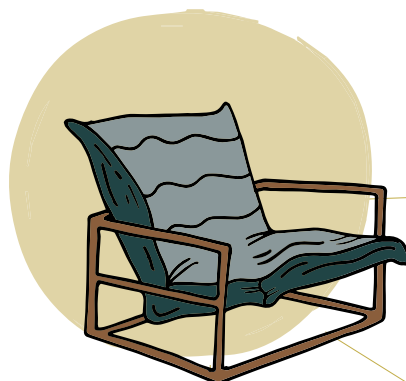
136
SINGLE WOMEN WITH CHILDREN LIVING IN OUR HOMES

|

297
PEOPLE LIVING WITH A DISABILITY IN OUR HOMES

|

107
HOMES PROVIDED TO INDIGENOUS PEOPLE



\$7.15
MILLION

SOCIAL BENEFIT TO THE COMMUNITY
FY2022

\$339
MILLION

TOTAL NET ASSETS OWNED BY BLUECHP

312
DWELLINGS

ADDED TO OUR PIPELINE IN THE PAST 12 MONTHS (SOCIAL AND AFFORDABLE)



BY 2026 3,250

PEOPLE TO LIVE IN SOCIAL AND AFFORDABLE HOMES DELIVERED BY BLUECHP

CEO'S REPORT

As I wrote this report last year, I noted it was a COVID-19 gap year. This year has seen BlueCHP continue to face a number of key challenges, including:

- Staff turnover
- COVID-19 lockdowns
- Building and land cost escalations
- Interest rate increases

At the beginning of the financial year, we saw the imposition of the longest lockdown in New South Wales, and in January, the Omicron outbreak curtailed staff movements for some time.

As an organisation, we continued to invest heavily in our staff and won the VoiceProject Best Workplace 2021 award, which recognises organisations that have achieved exceptional levels of employee engagement and satisfaction.

As any CEO would acknowledge, managing through this time has been both challenging and rewarding. Of particular note has been my EA, Fiona Tunnicliffe's work coordinating activities with staff during the lockdown. Fiona has now been promoted to the role of Senior Asset and Tenancy Manager.

The after-effects of COVID-19 have resulted in significant staff turnover within our organisation. This has been due to various factors, including moving interstate and pursuing new job and life opportunities. It should be noted that senior management has remained unchanged.

CEO'S REPORT



Jimmy Le and the Songbird team working together in Belinda's new Specialist Disability Accommodation (SDA) home.

The impact of staff turnover has enabled us to realign our resources with the growth in our three core areas of Social, Affordable and Disability Housing.

Our staff continue to represent BlueCHP on industry bodies and provide significant input into policy development on a national basis. Darren Mew is

the President of Q Shelter, and I am on the Board of CHIA (Community Housing Industry Association) New South Wales and Chair of the PowerHousing Association Community of Practice on Disability. We are also represented on the City of Sydney and the Western Sydney Leadership Dialogue as we proactively make a case for more affordable housing.

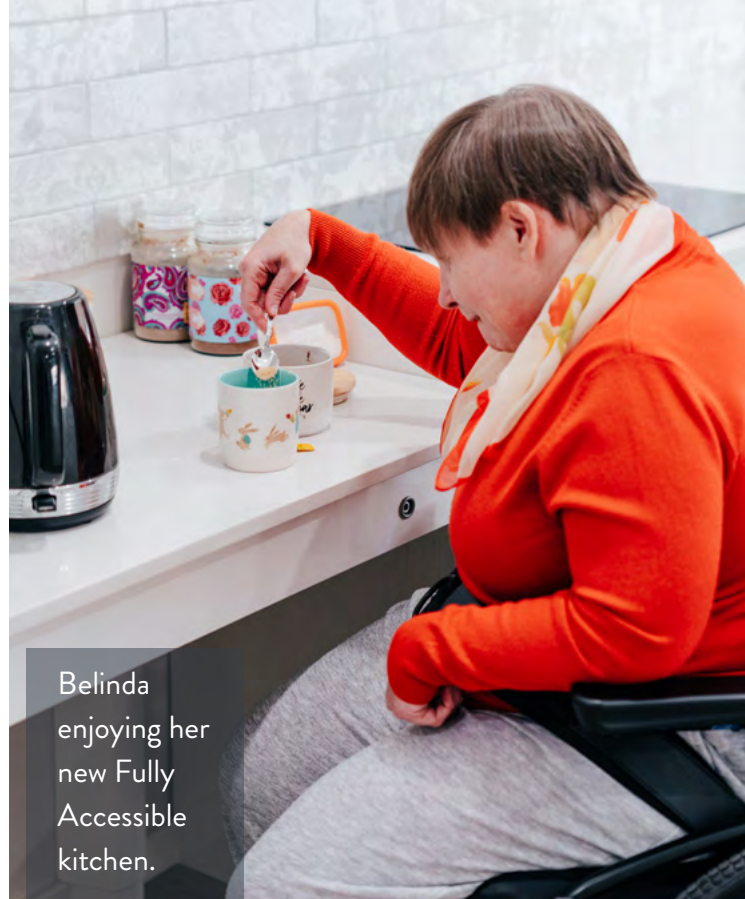
CEO'S REPORT

STRATEGY OVERVIEW

In our strategy review in late 2021, we reset our objectives to focus on the number of people we help rather than just the number of dwellings we provide. We affirmed our purpose, *a future where every Australian has access to a home they can afford*. This is underpinned by our Just Cause document.

As a Community Housing Provider, our strategic intent is to provide housing for vulnerable Australians. The current national shortfall for Social and Affordable Housing is 651,200 households[†] and for qualifying Specialist Disability Accommodation (SDA), it is 24,000 clients.*

BlueCHP's objectives for 2026 are to provide housing for 3,250 Social/Affordable clients, 1,250 SDA clients, off a current base of 2,016 and 298 clients respectively. With respect to interstate expansion from NSW, we are targeting the provision of 400 dwellings in Queensland and Victoria for Social and Affordable Housing by 2026. For Disability Housing, we are targeting representation in NSW, QLD, ACT, VIC, TAS and SA.



Belinda enjoying her new Fully Accessible kitchen.

SOCIAL AND AFFORDABLE HOUSING

current shortfall

651,200
households in need[†]

BlueCHP objectives

3,250
clients provided for by 2026

SPECIALIST DISABILITY ACCOMMODATION (SDA)

current shortfall

24,000
clients in need*

BlueCHP objectives

1,250
clients provided for by 2026

[†] Source: UNSW and USYD * Source: NDIA

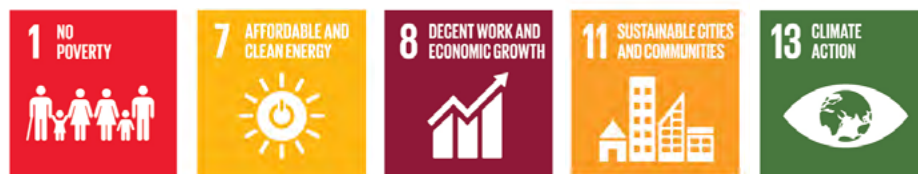
CEO'S REPORT

SUSTAINABILITY

SUSTAINABILITY = ESG

BlueCHP's impact on the community is aligned to multiple UN Sustainability Goals including:

- 1 – No Poverty
- 7 – Affordable and Clean Energy
- 8 – Decent Work and Economic Growth
- 11 – Sustainable Cities and Communities
- 13 – Climate Action



Broadly speaking, some of the positive impacts we make on society include:

- Rental subsidies amounting to circa \$7 million
- Reduced electricity costs through solar enabled projects
- Enabling the provision of 30,000 meals through We Are Community, Macarthur region
- Adoption of BIAX pods to eliminate polystyrene use in foundation slabs

“ We incorporate ESG impacts as part of the overall Board investment decision-making process.

CEO'S REPORT

MARKETING AND BRANDING

During the last financial year BlueCHP, through the work of our Marketing Manager Jessica Ford, has launched new branding for BlueCHP as we seek to capitalise on our name recognition and consolidate disparate branding across the business. As noted in the Disability section, we are now both a business-to-consumer (B2C) and business-to-business (B2B) facing organisation and this led us to more formally address this. Customers value our brand for our strength, honesty and commitment to solving difficult problems.



CEO'S REPORT

DEVELOPMENT REPORT

QUEENSLAND

38 units completed

42 units to be completed early 2023

191 dwellings in the pipeline

SOCIAL AND AFFORDABLE HOUSING

The Queensland business performed strongly with 38 units completed and another 42 completing in early 2023. Further success with tenders has resulted in the pipeline increasing to 191 dwellings projected to house more than 500 people in total. The initial goal was to achieve 400 dwellings over the next five years, and that objective is well on its way to being met.

As part of the New South Wales Communities Plus projects, we are recycling some of our poorer-performing properties and we divested a further 30 dwellings of our existing portfolio during the financial year. The timing of sales has benefited marginally from the strong property market, though apartment sales have not experienced the same growth as houses.

The impact of construction costs and prolonged wet weather on the delivery of our Communities Plus projects, led to delays exceeding 12 months. With market conditions simultaneously coalescing adversely, it has been one of the most challenging times in BlueCHP's history.

CEO'S REPORT

Ongoing lockdowns made it challenging to meet our objective of expanding our operations into Victoria; however, BlueCHP participated in the Victorian Big Housing Build tenders, a \$5.3 billion investment in social and affordable housing, delivering over 12,000 new dwellings throughout metropolitan and regional Victoria. We were also recently awarded our first contract to build 26 homes at Bacchus Marsh as part of the Regional Housing Round. In the recent Mental Health Round we have won a further 95 dwellings to date.

The NSW Government has had little interest in investing in Social and Affordable Housing, and the adverse market conditions make the economics difficult. BlueCHP is working with several investors to explore the Build-to-Rent market to take advantage of corporate structure and transaction expertise, and I remain hopeful that we will secure investment in FY24.

NEW SOUTH WALES

12 dwellings completed

104 dwellings to be completed FY23/24

4 dwellings in pipeline

VICTORIA

awarded contract at Bacchus Marsh 26

\$5.3 billion investment

Victorian Big Housing Build

95 further dwellings won

CEO'S REPORT

DISABILITY HOUSING

In Queensland, the completion of the 10-apartment facility in Tavistock Street, Oxley, Brisbane, has been very successful, particularly in light of the NDIA policy changes effectively halting funding for single-apartment applicants. The team have achieved 90% occupancy, which is an outstanding result considering these difficulties.

In New South Wales, we completed the Boolaroo High Physical Support home, which is now fully tenanted.

Across our operations, the market penetration and sourcing of clients have been very successful, proof that our client-led approach (our seven-step 'Guide You Home' process) is valid. However, our frustration due to the impact of rising land prices, build costs and interest rates have significantly hampered our ability to deliver viable projects to meet financier benchmark returns, which will slow

our market growth.

The National Disability Insurance Agency (NDIA) review of the SDA Price Guide is critical to adjust funding to current conditions, otherwise, there will be a lack of SDA housing builds. BlueCHP is working with industry partners to provide a comprehensive submission to the NDIA.

There are significant issues confronting the industry, as all legacy stock needs to be replaced, and without appropriate funding, clients will live in very poor conditions. The Royal Commission into Disability Services is yet to hand down its findings but the public hearings have shown that we as an industry have a lot of work to do.

Whilst we have significant hurdles ahead of us, BlueCHP remains one of the leaders in delivering this type of housing. Our finance partners, For Purpose Investment Partners and National Housing Finance and Investment Corporation (NHFIC), have provided a \$40 million initial tranche facility, which, subject to the NDIA Price Guide review, we will fully utilise over the next two years with projects in the pipeline.

CEO'S REPORT

The impact of COVID-19 has continued to challenge the local homeless charity, We Are Community, whom we support and our employees assist, particularly in cooking meals and providing packaged food goods. This year, we also gifted a Hyundai refrigerated van for the transport of food. We provided a monthly contribution toward food purchased and the lease of the Airds Community Centre which forms the base for operations. The number of meals now delivered is running at a rate of 30,000 per annum, which is making a substantial difference to the local Macarthur region. We are proud of our association with We Are Community and firmly believe that whilst we operate nationally, we should always look after our local community.

Finally, I would like to thank the Board and staff for all their support through what has been an exceptionally challenging and productive year.



A handwritten signature in black ink that reads "Charles Northcote". The signature is fluid and cursive, with a long, sweeping underline.

Charles Northcote
Chief Executive Officer

SUSTAINABILITY



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

BlueCHP recognises environmental, social and governance (ESG) reporting as an important emerging global initiative to track and drive positive impacts for our communities and stakeholders, including attracting finance from lenders whose investment mandates increasingly support ESG outcomes.

BlueCHP welcomes the work of the Community Housing Industry Association (CHIA) to develop an ‘ESG Reporting Standard for Australian Community Housing’ to position Australia as the second country after the UK (2020) to introduce a common national ESG Framework for the sector.

Every day BlueCHP is making a difference to people’s lives across Australia. We are working toward a future where every Australian has access to a home they can afford.

We gratefully acknowledge the support of all our partners and stakeholders who, collectively with BlueCHP, have contributed to the significant positive impacts we have achieved.

SUSTAINABILITY

ESG IMPACT SUMMARY

	ENVIRONMENTAL	SOCIAL	GOVERNANCE
AREAS OF FOCUS	<ul style="list-style-type: none"> Resilient design Improved access to housing Energy efficiency, construction and operations 	<ul style="list-style-type: none"> Doubling of persons housed 2021 to 2026 Sustaining tenancies Community health and well-being 	<ul style="list-style-type: none"> Sustainable business growth Employee engagement / Culture Financial performance / Governance / Compliance / Risk / Reputation

	ENVIRONMENTAL	SOCIAL	GOVERNANCE
BENEFITS	<ul style="list-style-type: none"> Community / Residents / Stakeholders Environment Climate 	<ul style="list-style-type: none"> Community / Residents / Stakeholders Government CHPs 	<ul style="list-style-type: none"> Staff and consultants Stakeholders Future residents / Communities

SUSTAINABILITY

ALIGNMENT TO UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

	ENVIRONMENTAL	SOCIAL	GOVERNANCE
BLUECHP PRIORITY GOALS	#7 Affordable and Green Energy #13 Climate Action	# 1 No Poverty #11 Sustainable Cities and Communities	#8 Decent Work and Economic Growth



SUSTAINABILITY

ESG IMPACT SUMMARY

	ENVIRONMENTAL	SOCIAL	GOVERNANCE
HIGHLIGHTS	465 Social homes	2,016 total Social, Affordable and Disability tenants	>\$500 million assets under management
	333 Affordable homes	83% Overall customer satisfaction >99% Occupancy rate social and affordable	Permanent offices in two states
	343 SDA client places	Social benefit to the community was \$7.15 million FY22	EOI and project activity across four states and one territory
	Active in four states and 26 Local Government areas	Six CHPs engaged in the management of our portfolio	24 team members
			Voice Project 'Best Workplace' Award 2021

DEVELOPMENT REPORT

This year presented numerous challenges, including the continuation of COVID-19, inflationary impacts on construction costs and lending rates, as well as supply chain disruption and material shortages across the globe. Substantial risk mitigation measures, including building partner selection, remain a hallmark of BlueCHP's processes, resulting in reduced impacts of these disruptions on BlueCHP's development operations.

The expansion of BlueCHP into other states has necessitated the formation of a National Development team headed by Glenn Amanonce and Darren Mew, with George Giannes given a national role in the development of larger scale projects. The SDA business has been centralised into Sydney providing national coverage and deepening core expertise. SDA developments are complex and require detailed knowledge to deliver quality client outcomes.

AFFORDABLE & SOCIAL HOUSING

The impact in New South Wales has seen delays in our Liverpool and Lane Cove projects, however they are now progressing and expect to both be completed early calendar year 2024.

During the year, as part of the Argyle Consortium, BlueCHP worked with Land and Housing Corporation to complete the initial master planning for the renewal of Tolland at Wagga Wagga. The next stage includes raising capital to complete this project which will happen over a 10 year period.



DEVELOPMENT REPORT

“Projects like these are a **collaboration of experience**. BlueCHP, having already delivered over 2,000 community and disability homes, came to us with the **experience, financial modelling and understood the journey from beginning to end**. It made us feel all the more secure in the project and the end result – homes for Australians needing an accessible, safe and affordable roof over their heads.”

– **Jack Hutchinson**

Director, Hutchinson Builders, August 2022

Projects at Lutwyche and Windsor in Brisbane’s inner north, in partnership with the QLD State Government and NHFIC, are delivering 80 social housing apartments with completion of Lutwyche in October 2022 and Windsor in February 2023.

During the past 12 months BlueCHP has had notable successes in winning additional projects for its social and affordable pipeline. In Queensland under the Quickstarts and Queensland Housing Investment Growth Initiative (QHIGI) programs, we have successfully added a further 191 dwellings to the pipeline. This progress is significant and demonstrates BlueCHP’s strong commitment to Queensland and working collaboratively with the QLD State Government.

Over the past year BlueCHP has participated in the Big Housing Build in Victoria run by Housing Victoria. We have had initial success in the Regional Round winning 26 dwellings and in the Mental Health Round we have won 95 dwellings at this stage. We continue to submit tenders for further developments.

BlueCHP’s short term goals for both Queensland and Victoria are to achieve 400 dwellings in each state respectively as we view this as the minimum size to achieve financial viability. Based on BlueCHP’s history this is a platform for long-term growth.

DEVELOPMENT REPORT

DISABILITY HOUSING

As noted earlier, the impact of supply disruptions has slowed growth in our disability business.

SDA developments in New South Wales have also been slower than anticipated. This is mainly due to planning delays beyond BlueCHP's control and all are now in the construction phase.

The Home4Life joint venture saw BlueCHP complete the construction of the last home resulting in 115 registered SDA dwellings providing 330 High Physical Support and Robust places for NDIS participants.

In Queensland, we welcomed our first SDA tenants to our custom designed housing at Oxley in Brisbane's inner west, where 10 apartments adjoin the Oxley Village Centre. Residents and carers have been impressed with the quality and features of the project. At the time of writing, the building is 90% occupied, with the expectation that it will be fully tenanted in early 2023.

We are working on further developments in Victoria and South Australia.



DISABILITY FOCUS

GROWTH FOR THE FUTURE

Our disability business is a core focus for the future of BlueCHP. Our remit to have homes for 1,250 clients is looking stronger than ever as we have worked to build relationships with service providers, allied health professionals and participants.

We have strengthened our client acquisition capabilities by developing and growing our business-to-consumer (B2C) and business-to-business (B2B) distribution channels and achieved our strategic priority to partner with up to six care providers to explore Specialist Disability Accommodation (SDA) opportunities within their client base.

Our strategic priority to grow our support coordinator database to at least 1,000 was achieved in September 2022 by providing support coordinators with free education, including webinars, on a variety of NDIS related topics, to ensure they utilised their NDIS funding and to assist in achieving their clients' NDIS goals. By year's end, four webinars had been conducted, with FY21-22 figures showing 1,325 webinar registrations.

We have also invested heavily in our systems, people, processes and procedures to improve the delivery of our specialist disability accommodation. This is the foundation of our 'Guide You Home' initiative, BlueCHP's participant-led seven-step process (developed by Michelle Northcote) to build long-term homes for NDIS participants. The Guide You Home initiative is a component of our disability offering providing choice and control for Australia's most vulnerable. Guide You Home helps to identify those in need of a home giving our clients a choice of where and with whom they want to live. We listen to client needs to design a SDA compliant home suited to their individual needs, drawing from their lived experience, and combine this with our expertise to build a home that supports them in the long term.

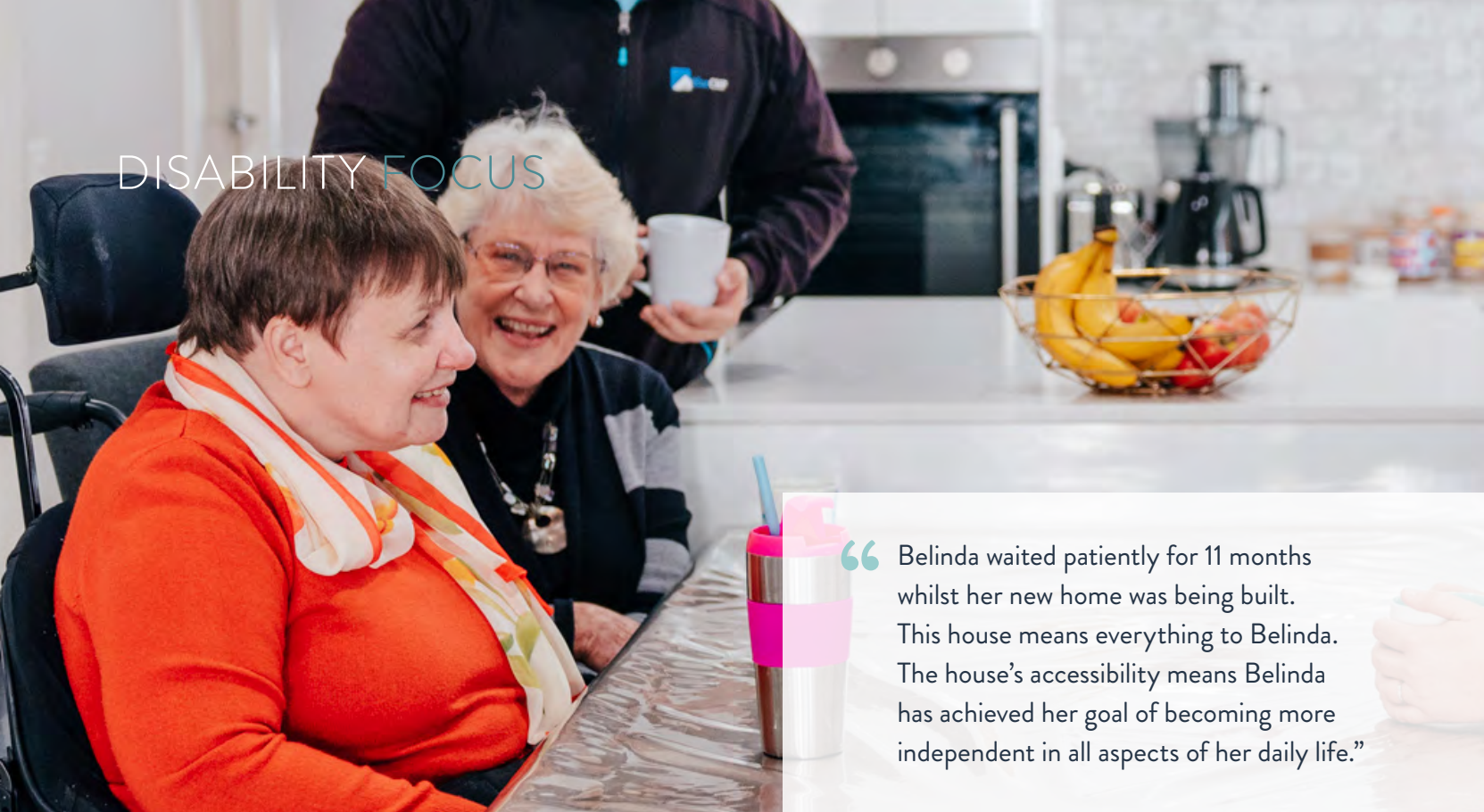
DEVELOPMENT

4 webinars conducted

+1,000 support coordinator database

1,325 webinar registrations

DISABILITY FOCUS



“ Belinda waited patiently for 11 months whilst her new home was being built. This house means everything to Belinda. The house’s accessibility means Belinda has achieved her goal of becoming more independent in all aspects of her daily life.”

Whilst there continues to be no shortage of demand for SDA housing, the current SDA settings (cost of building SDA homes are not matched by the NDIA allocated funding) are making it difficult to facilitate new dwellings. We welcome the NDIA’s decision to bring forward their first comprehensive review of the underlying assumptions and methodology used to calculate SDA prices. The outcomes of this will not take effect until the 1st of July 2023. We see this pricing review as critical to the ongoing sustainability of the scheme, hence we have

been working closely with industry bodies and economic consultants to ensure that the right (and actual) inputs and factors are considered in the review.

The next financial year will see us working toward a goal of 200 people in our opportunities pipeline meaning we are engaging with 200 individuals, and/or their family and support team, to design and build their home.

ASSET AND TENANCY REPORT

The flow on effects of COVID-19 were felt through the year, however BlueCHP managed to maintain occupancy above 99% due to the hard work of our service providers. The BlueCHP model has always been to outsource our tenancy and asset management.

As properties have been completed in Queensland, we have engaged two new service providers being Mangrove Housing and Jacaranda Housing. We look forward to growing these relationships as the business continues to expand over the next few years.

The advent of construction in Victoria and South Australia will expand BlueCHP's footprint and necessitate the addition of new service providers in these regions.

The levels of customer satisfaction continued to be above core benchmarks. Vacancy turnarounds have been challenging as the competition for trades and supplies have created delays. During FY23 we expect this to improve to enable us to meet expectations.

During the year we completed our Strategic Asset Management Plan, and note that BlueCHP conducts a 10 year review of our dwellings to ascertain whether we recycle them or conduct upgrades to ensure they remain quality assets. As the current phase of our Sydney metro recycling and upgrade program is completed, we will start to focus on our regional property portfolio.



BOARD OF DIRECTORS



CRAIG LEE
Chairman

QUALIFICATIONS

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

SPECIAL RESPONSIBILITIES

Chairman, Member of the Governance, Nominations & Remuneration Committee.
Member Director representative of Home4Life Limited



CLAIRE DAVIS
Vice Chair

QUALIFICATIONS

BA (Hons) Accy, FCA, GAICD, GradCertExecLead, GradCertBA

SPECIAL RESPONSIBILITIES

Chair of the Governance, Nominations & Remuneration Committee, Member of the Audit & Risk Committee.



PETER BEER
Director

QUALIFICATIONS

AAIHS, ADTCP

SPECIAL RESPONSIBILITIES

Member of the Audit & Risk Committee.

BOARD OF DIRECTORS



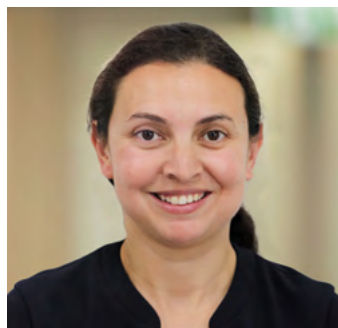
ROBERT ELVY
Director

QUALIFICATIONS

BScEng, BComAccy, FIEAust,
FCPA, FAICD, FGIA

SPECIAL RESPONSIBILITIES

Chair of the Audit & Risk
Committee, Director of
BlueCHP Housing Limited
(Resigned 30 June 2022).



VANESSA MORSCHEL
Director

QUALIFICATIONS

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

SPECIAL RESPONSIBILITIES

Member of the Audit & Risk
Committee.



STEPHEN QUILL
Director

QUALIFICATIONS

BE (Civil)

SPECIAL RESPONSIBILITIES

Member of the Governance,
Nominations & Remuneration
Committee, Director of BCL2
Limited (Resigned 30 June 2022).



TONY WATERS
Director

QUALIFICATIONS

BASocSc

SPECIAL RESPONSIBILITIES

Member of the Governance,
Nominations & Remuneration
Committee.

CORPORATE GOVERNANCE

BOARD COMPOSITION

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

The Constitution specifies that the minimum number of directors is three and maximum nine.

BOARD COMMITTEES

The Board's committees were renewed in 2020 to reflect the assistance the Board requires to meet its responsibilities and are as follows:

- Audit and Risk Committee
- Governance, Nominations & Remuneration Committee.

GOVERNANCE PRINCIPLES

Throughout the 2022 financial year, BlueCHP's governance arrangements were consistent with the ASX Corporate Governance Principles and Recommendations (4th edition) and the ACNC Governance Standards.

CORPORATE GOVERNANCE

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 the BlueCHP group 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;
- Oversight of management;
- Approving the statement of values which underpins the desired culture;
- Approving major decisions, major capital expenditure, significant financial decisions and delegations of authority;
- Approving the business plan and budget and monitoring progress against them, and establishing and measuring financial and non-financial key performance indicators;
- Overseeing management's performance against the company's risk management framework and whether it is operating within the risk appetite set by the Board;
- Overseeing the BlueCHP approach on sustainability (ESG);
- Overseeing the integrity of reporting systems and audits;
- Monitoring subsidiary company performance;
- Ensuring the company meets regulatory compliance;
- Approving the entity's remuneration framework;
- Developing succession planning for the Board and key executives; 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 business plan and annual budget, recommending them to the Board for approval and managing BlueCHP's day to day operations within that plan and budget; and
- Implementing corporate strategy and making recommendations on significant corporate strategic initiatives.

DIRECTORS' REPORT AND SUMMARY FINANCIAL STATEMENTS

FOR YEAR ENDED 30 JUNE 2022

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

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

A copy of the Group's 2022 Annual Financial Report, including the independent audit report, is available to all members upon request.

FINANCIAL STATEMENTS

BLUECHP LIMITED FOR THE YEAR ENDED 30 JUNE 2022

DIRECTORS' REPORT

The Directors present this report on BlueCHP Limited ('BlueCHP') and its controlled entities (the 'Group') for the year ended 30 June 2022.

DIRECTORS

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

Craig Lee

Peter Beer

Claire Davis

Robert Elvy

Vanessa Morschel

Stephen Quill

Tony Waters

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 and subsidised housing solutions to disadvantaged individuals and households experiencing housing stress; including key workers, seniors and those at risk of homelessness within our community. In response to social needs, BlueCHP also provides opportunities for specialist disability housing. These opportunities can be from BlueCHP providing its own property or providing development management services to other providers of community housing.

FINANCIAL STATEMENTS

BLUECHP LIMITED FOR THE YEAR ENDED 30 JUNE 2022

DIRECTORS' REPORT

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. BlueCHP takes a portfolio approach to managing its assets and from time-to-time will sell assets and re-invest the proceeds in new dwellings. BlueCHP Group initiated a property recycling program in 2019 to sell 72 dwellings and replace these dwellings with an equivalent number of dwellings. As at 30 June 2022, only 8 dwellings remained to be sold. Replacement property developments have been identified and are in progress with full replacement expected over the next two financial years. Dwellings retained by BlueCHP comprise its housing asset portfolio that is then leased by experienced community housing providers.

During the year ended 30 June 2022 the Group delivered 13 dwellings with a further 319 under construction. As at 30 June 2022, BlueCHP owned 720 properties with an additional 57 under management.

FINANCIAL STATEMENTS

BLUECHP LIMITED FOR THE YEAR ENDED 30 JUNE 2022

DIRECTORS' REPORT

SIGNIFICANT AFTER BALANCE DATE EVENTS

No 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.

FINANCIAL STATEMENTS

BLUECHP LIMITED FOR THE YEAR ENDED 30 JUNE 2022

INFORMATION ON DIRECTORS AS AT THE DATE OF THIS REPORT

CRAIG LEE

Chairman, 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 Brightlight Impact Holdings Pty Ltd and Uniting Financial Services. Prior roles include non-executive Vice Chairman of L J Hooker International Limited.

Special Responsibilities

Chairman, Member of the Governance, Nominations & Remuneration Committee. Member Director representative of Home4Life Limited

CLAIRE DAVIS

Vice Chair, Non-executive Director

Qualifications BA (Hons) Accy, GradCertExecLead, GradCertBA, FCA, GAICD

Experience Claire brings over 25 years' experience in the not for profit housing sector in both Australia and the UK. Non-executive director of Gilbert & Goode Ltd and member of the Audit & Risk Committees of Ocean Housing Group Ltd. Non-executive director of Havebury Housing Partnership and Chair of the People and Remuneration Committee. Owner/executive coach of Stretch Leaders Pty Ltd. Her previous roles include chief finance officer and director corporate services.

Special Responsibilities

Vice Chair of the Board, Chair of the Governance, Nominations & Remuneration Committee, Member of the Audit & Risk Committee

FINANCIAL STATEMENTS

BLUECHP LIMITED FOR THE YEAR ENDED 30 JUNE 2022

PETER BEER

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. Peter is a director of Southern Cross Community Housing Limited and a member of the NSW Asbestos Coordination Committee representing NSW local councils. Former Mayor of Snowy Monaro Regional Council.

Special Responsibilities

Member of the Audit & Risk Committee

ROBERT ELVY

Non-executive Director

Qualifications BScEng, BCom(Accy), FIEAust, FCPA, FAICD, FGIA

Experience Extensive experience as an executive director and non-executive director in the building and construction, and non-executive director in the finance and government sectors. Former director and CEO of the Cleary Bros Group. Former Deputy Chairman of IMB Bank Limited and former Chairman of Port Kembla Port Corporation.

Special Responsibilities

Chair of the Audit & Risk Committee & Director of BlueCHP Housing Limited (Resigned 30 June 2022)

FINANCIAL STATEMENTS

BLUECHP LIMITED FOR THE YEAR ENDED 30 JUNE 2022

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 Audit & Risk Committee

STEPHEN QUILL

Non-executive Director

Qualifications	BE (Civil)
Experience	Steve has had a successful 40-year career at a senior level in the development and construction of major projects around Australia. Steve has held senior executive roles with Sydney Harbour Foreshore Authority, Stockland Property Group, AMP Capital Investors and LendLease. Prior to his appointment to the BlueCHP board he was a strategic development advisor to the Group.
Special Responsibilities	Member of the Governance, Nominations & Remuneration Committee, Director of BCL2 Limited (Resigned 30 June 2022)

FINANCIAL STATEMENTS

BLUECHP LIMITED FOR THE YEAR ENDED 30 JUNE 2022

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 Governance, Nominations & Remuneration Committee

FINANCIAL STATEMENTS

BLUECHP LIMITED FOR THE YEAR ENDED 30 JUNE 2022

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	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Craig Lee	10	10	7	7
Peter Beer	10	7	4	4
Claire Davis	10	9	7	7
Robert Elvy	10	9	4	3
Vanessa Morschel	10	8	4	3
Stephen Quill	10	10	3	3
Tony Waters	10	10	3	3

Committee meetings include Audit and Risk Committee and Governance, Nominations & Remuneration Committee.

FINANCIAL STATEMENTS

BLUECHP LIMITED FOR THE YEAR ENDED 30 JUNE 2022

COMPANY SECRETARY

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

CHARLES NORTHCOTE

Chief Executive Officer

Qualifications BCom Ag Ec, MBA, MCT(UK), GAICD

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

SARAH DONOVAN

General Manager, Governance & Risk

Qualifications BA (Hons) BusLaw, FCIS, FGIA

Experience Governance professional and qualified chartered secretary for over 30 years. Senior executive roles in listed, non-listed entities in transport, venture capital, pharmaceuticals and consumer products.

FINANCIAL STATEMENTS

BLUECHP LIMITED FOR THE YEAR ENDED 30 JUNE 2022

MEMBERS' GUARANTEE

BlueCHP Limited is incorporated under the Corporations Act 2001 and is a public 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 liabilities and obligations of BlueCHP Limited. At 30 June 2022 the number of members was 9.

On behalf of the directors



CRAIG LEE

Director



ROBERT ELVY

Director

Sydney, 27 October 2022

FINANCIAL STATEMENTS

BLUECHP LIMITED FOR THE YEAR ENDED 30 JUNE 2022

SUMMARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2022	2021
	\$	\$
Operating revenue	13,759,263	23,747,767
Expenses		
Employee benefits expense	(3,341,669)	(2,722,998)
Depreciation and amortisation expense	(283,810)	(285,746)
Finance costs	(2,051,455)	(2,051,086)
Property operating expense	(4,507,061)	(4,713,994)
Property consultants' expense	(223)	(9,995)
Administration expense	(1,711,491)	(1,231,538)
Gain / (loss) on disposal of investment properties	392,797	(452,313)
Surplus before equity accounting, fair value adjustments and income tax	2,256,351	12,280,097
Share of the profit / (loss) of joint ventures accounted for using the equity method	9,298,378	(2,881,272)
Gain on revaluation of investment property	51,000,300	19,291,748
Surplus before income tax	62,555,029	28,690,573
Income tax expense	-	-
Surplus after income tax expense for the year	62,555,029	28,690,573
Other comprehensive income for the year, net of tax	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	62,555,029	28,690,573

FINANCIAL STATEMENTS

BLUECHP LIMITED FOR THE YEAR ENDED 30 JUNE 2022

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2022 \$	2021 \$
Current assets		
Cash and cash equivalents	12,184,850	22,139,422
Trade and other receivables	4,322,613	2,613,996
Other current assets	1,364,446	721,427
Non-current assets classified as held for sale	4,307,634	7,352,950
TOTAL CURRENT ASSETS	22,189,543	32,827,795
Non-current assets		
Interests in joint ventures	10,752,726	4,622,305
Property, plant and equipment	1,701,159	459,797
Right-of-use assets	160,922	-
Investment properties	412,129,116	332,903,017
TOTAL NON-CURRENT ASSETS	424,743,923	334,581,155
TOTAL ASSETS	446,933,466	367,408,950

FINANCIAL STATEMENTS

BLUECHP LIMITED FOR THE YEAR ENDED 30 JUNE 2022

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2022 \$	2021 \$
Current liabilities		
Trade and other payables	3,091,704	3,585,236
Contract liabilities	5,215,434	2,872,854
Lease liabilities	116,381	126,041
Employee benefits	267,585	212,961
TOTAL CURRENT LIABILITIES	8,691,104	6,797,092
Non-current liabilities		
Lease liabilities	141,695	262,883
Employee benefits	110,046	84,285
Contract liabilities	29,019,907	13,849,005
Borrowings	70,000,000	70,000,000
TOTAL NON-CURRENT LIABILITIES	99,271,648	84,196,173
TOTAL LIABILITIES	107,962,752	90,993,265
NET ASSETS	338,970,714	276,415,685
Equity		
Retained surpluses	338,970,714	276,415,685
TOTAL EQUITY	338,970,714	276,415,685

FINANCIAL STATEMENTS

BLUECHP LIMITED FOR THE YEAR ENDED 30 JUNE 2022

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Retained surpluses \$	Total equity \$
Balance at 1 July 2020	247,725,112	243,509,268
Surplus after income tax expense for the year	28,690,573	28,690,573
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	<u>28,690,573</u>	<u>28,690,573</u>
Balance as at 30 June 2021	<u>276,415,685</u>	<u>276,415,685</u>
Balance as at 1 July 2021	<u>276,415,685</u>	<u>276,415,685</u>
Surplus after income tax expense for the year	62,555,029	62,555,029
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	<u>62,555,029</u>	<u>62,555,029</u>
BALANCE AS AT 30 JUNE 2022	<u>338,970,714</u>	<u>338,970,714</u>

FINANCIAL STATEMENTS

BLUECHP LIMITED FOR THE YEAR ENDED 30 JUNE 2022

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	2022 \$	2021 \$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	9,326,000	25,021,149
Payments to suppliers and employees (inclusive of GST)	7,932,687	(9,251,316)
Receipt of grants – National Rental Affordability Scheme ('NRAS') Incentives (inclusive of GST)	1,334,317	1,597,575
Interest received	101,895	101,895
Finance costs paid	(2,051,455)	(2,051,086)
Net cash from operating activities	16,643,444	15,418,217
Cash flows from investing activities		
Payments for property, plant and equipment	(2,373,716)	(118,501)
Proceeds from sale of investment property	13,232,898	14,966,951
Payments for investment property	(37,326,506)	(24,861,472)
Net cash used in investing activities	(26,467,324)	(10,013,022)

FINANCIAL STATEMENTS

BLUECHP LIMITED FOR THE YEAR ENDED 30 JUNE 2022

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	2022 \$	2021 \$
Cash flows from financing activities		
Repayment of lease liabilities	(130,692)	(125,332)
Net cash used in financing activities	<u>(130,692)</u>	<u>(125,332)</u>
Net (decrease)/increase in cash and cash equivalents	(9,954,572)	5,279,863
Cash and cash equivalents at beginning of the financial year	22,139,422	16,859,559
Cash and cash equivalents at the end of the financial year	<u>12,184,850</u>	<u>22,139,422</u>

NOTES TO FINANCIAL STATEMENTS

BLUECHP LIMITED FOR THE YEAR ENDED 30 JUNE 2022

DISCUSSION AND ANALYSIS

SUMMARY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The Group's operating revenue has decreased by \$9,988,504 since the prior year and expenses have decreased by \$35,242.

The Group achieved a surplus before fair value adjustments and recognition of share of profits from the joint venture of \$2,256,351 (2021: \$12,280,097) after allowing for these adjustments, the profit of the Group amounted to \$62,555,029 (2021: \$28,690,573).

Individual items that have significantly impacted the 2022 result include:

- Development management fees decrease by \$3,645,872;
- Grants decreased by \$3,375,229;
- Other revenue decreased by \$2,868,818;
- Property operating expenses decreased by \$206,933;
- Employee benefits expense increased by \$618,671;
- Administration expenses increased by \$479,953;
- Gain on revaluation of investment properties of \$51,000,300 compared to \$19,291,738 in the prior year.
- Share of profit on joint venture of \$9,298,378 compared to a loss of \$2,881,272 in the prior year.

NOTES TO FINANCIAL STATEMENTS

BLUECHP LIMITED FOR THE YEAR ENDED 30 JUNE 2022

DISCUSSION AND ANALYSIS

SUMMARY STATEMENT OF FINANCIAL POSITION

The Group's net assets have increased by \$62,555,029 since the prior year which has resulted in the company being in a net asset position of \$338,970,714 at the year end. There has been an increase in total assets of \$79,524,516 in addition to an increase in total liabilities of \$16,969,487.

The increase in total assets for the year is mainly attributed to an increase in the investment property portfolio which had a net increase of \$79,226,099 which includes the gain on revaluation of \$51,000,300. There was also an increase in the carrying value in the joint venture entity by \$9,759,836. The net movement in the investment in the joint venture entity is attributable to the equity adjustment taking up the Group's share of the joint ventures profits for the year ended 30 June 2022 and the accumulated interest on the loan receivable from the joint venture entity.

The increase in total liabilities is mainly attributed to the increase in contract liabilities of \$17,513,482. The increase was a result of capital funding received in June 22 for on-going capital development projects which are expected to be completed in the 2023/24 financial year.

NOTES TO FINANCIAL STATEMENTS

BLUECHP LIMITED FOR THE YEAR ENDED 30 JUNE 2022

DISCUSSION AND ANALYSIS

SUMMARY STATEMENT OF CASH FLOWS

Operating activities generated a net cash inflow of \$16,643,444, an increase of \$1,225,227 when compared to the previous year.

Net cash outflow from investing activities was \$26,467,324, which predominately relates to \$37,326,506 of payments for investment property, offset by \$13,232,898 of net proceeds from the sale of investment property.

Net cash used in financing activities was \$130,692 for the current year as a result of payments of lease liabilities.

As a result of these cash flows, the net cash held during the year decreased by \$9,954,572 compared to the previous year's increase of \$5,279,863.

Cash at the end of the financial year amounted to \$12,184,850 compared to last year's balance of \$22,139,442 (a decrease of 44%).

NOTES TO FINANCIAL STATEMENTS

BLUECHP LIMITED FOR THE YEAR ENDED 30 JUNE 2022

DISCUSSION AND ANALYSIS

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 2022.

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

No 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.

NOTES TO FINANCIAL STATEMENTS

BLUECHP LIMITED FOR THE YEAR ENDED 30 JUNE 2022

DIRECTORS' DECLARATION

The Directors of the Company declare that the accompanying summary financial statements of the Company for the financial year ended 30 June 2022 are an extract from the full financial report for the year ended 30 June 2022 and have been derived from and are consistent with the full financial report of the Company.

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



CRAIG LEE

Director

Sydney, 27 October 2022



ROBERT ELVY

Director

INDEPENDENT AUDITOR'S REPORT

To the members of BlueCHP Limited

Report on the Audit of the Financial Report

OPINION

The accompanying summary financial statements of BlueCHP Limited, which comprise the summary consolidated statement of financial position as at 30 June 2022, the summary consolidated statements of profit or loss and other comprehensive income, summary consolidated statements of changes in equity and summary consolidated statements of cash flows for the year then ended and related notes, are derived from the audited financial report of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. We expressed an unmodified audit opinion on that financial report in our report dated 27 October 2022.

In our opinion, the summary financial statements for the consolidated entity derived from the audited financial report of BlueCHP Limited for the year ended 30 June 2022 are consistent, in all material respects, with that audited financial report, on the basis described the accounting policies.

SUMMARY FINANCIAL STATEMENTS

The summary financial statements do not contain all the disclosures required by Australian Accounting Standards – Simplified Disclosures. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report and the auditor's report thereon.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

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

AUDITOR'S RESPONSIBILITY

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

BDO AUDIT PTY LTD



Clayton Eveleigh

Director

Sydney, 27 October 2022



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