Ending Housing Stress for So Many More

Compass Housing Annual Report 2009-10

www.compasshousing.org
Our Two Significant Constitutional objectives

1. to relieve poverty, sickness, destitution, helplessness and distress of persons regardless of race, creed, colour or gender;

2. to obtain secure, affordable and sensitively managed housing for poor, needy and underprivileged people;

We believe having a secure and affordable dwelling is:

• close to being a basic fundamental human need like food, water and air
• an essential for a proper functional family
• an essential for physical health, mental health, education, economic and community participation
• fundamental to a fully functional society
• presently not enjoyed by circa 200,000 households in Australia at present with another 30,000 households being added to that deficiency each year
• being addressed by all levels of government, but the enormity of the costs and resourcing issues remains a mammoth challenge
• the core mission of Compass Housing in partnership with government and other private community-focused companies and individuals.
Our Mission
Greatly foster growth, quality, diversity and reach in providing housing and other human services, demonstrating harmony between sound governance and business management and being a leader in the areas of personal, social, environmental and corporate sustainability.

Our Focus
Is primarily toward low to moderate income earning households within our areas of direct influence and is also aimed at alleviating hardship within other areas of interest.

Our People
Will govern, lead, manage or work with diligence, competence and pursue excellence in their performance. Can expect they will be supported by an employer of choice.

Our Ethics
To treat our clients, partners, and stakeholders with empathy, respect, cooperativeness and diligence. To competently fulfil our legal, contractual, ethical and environmental obligations and responsibilities.
CHAIRPERSON’S REPORT

Compass Housing has experienced significant growth in the past few years which has been a tremendous reflection on the great work of the dedicated staff and board members. It has provided a solid base for the future of community housing in regional areas of NSW. The foundation for these achievements has been attributed to the consistent efforts over a number of years to develop a reputable organisation and the necessary governance structures to manage these developments into the future.

It is a testament to the Chief Executive Officer Greg Budworth and the senior management team in continually being able to meet the tight deadlines and high expectations raised by the growth opportunities that have been provided. Of course, the provision of housing tenancy and property management services by staff in local areas has been essential to maintaining our reputation as a leading community housing provider in regional NSW.

Compass has experienced significant housing growth through a number of programs over the past twelve months. Since the last financial year mergers have occurred with Coastal Community Tenancy Scheme and Western Plains Housing Scheme, these mergers have taken place with an exceptional degree of co-operation between staff, board directors, as well as the tenants of these services. I would like to acknowledge the spirit of co-operation that was engendered throughout these merger processes. The ongoing involvement of staff, tenants, members and directors in Compass activities will be important in the coming years. Compass has been able to benefit from the local expertise of staff and board directors in our growth and development.

Compass has also been extremely successful in securing funding through competitive tender for the Commonwealth Government’s Nation Building Economic Stimulus Plan throughout this year. The Board identified the leveraging parameters in which we were prepared to operate in order to participate in this program over the coming decade. This program provides the opportunity to leverage against our growing assets through property title to realise further community housing provision. The Board recognises the challenges that this poses into the future, but is a welcomed opportunity that will ensure a significant injection into the amount of housing stock to regional areas in NSW.

Compass is moving into a new era of community housing provision where we have an opportunity to develop housing resources as a more independent housing sector. Clearly the Board realises the risks that this implies and has set about managing these risks in an ongoing way. The mechanisms to monitor these developments are in place with regular review processes.

Compass is also experiencing housing growth through stock transfers from Housing NSW in the management of existing public housing stock. In general, the consultative and management processes with tenants and Housing NSW have created a positive culture and acceptance of these housing transfers. The Board realises
that we are expected to improve the management of these tenancies and the housing stock involved. This will create greater challenges into the future to improve the standards of these properties and address the tenancy issues that inevitably arise.

Compass has identified that the ‘GROW’ Program (A Compass Total Sustainability Initiative) as a defining difference in our approach to other community and public housing providers. Significant progress has been made in this area in the past twelve months as identified in this annual report. This program aims to support initiatives around the social inclusion of marginalised groups and individuals as well as developing environmentally sustainable programs for our tenants and services.

While this work is normally outside the scope of the core business of community housing providers Compass has recognised the value of these sustainable initiatives and has committed to further enhance this work with the development of an executive manager position in relation to Community Sustainability.

Tenant participation has been an important driver for the board over the past few years. The Tenant Reference group has been recognised as an important focus for our efforts. Compass has initiated local housing forums involving consultation with tenants on identified local issues and related housing policy issues. Ongoing consultations will occur this year and a review of the tenant participation processes will provide feedback into how we can improve these systems into the future.

We hope that the Tenant Reference group processes will provide stronger input to the board and service operations over the coming year.

The Board has recognised that there has been significant growth over the past twelve months that affects the operations and governance of the Board. These changes have included the mergers with other community housing providers and the move to invest our resources through borrowing funds from the private sector. The board not only see reason in establishing and further developing monitoring and management systems within the Operations of Compass, but also seek to establish governance review processes that will help ensure that Compass are not just retaining but also seeking board members that have identified skills sets, knowledge and expertise that will help lead Compass into the future. We have been identifying training needs of directors where necessary as well as recruitment of specialised fields in order to progress Compass beyond its current stature.

Compass is placed in a strong position to grow into the future as a leading regional housing provider across Australia. It has been an exciting and rewarding period for the Board and a privilege as Chairperson to support this growth and development.

Matt Dougherty
Chairperson
TREASURER’S REPORT

For the fifth consecutive year Compass has experienced strong financial performance on account of significant growth in its core business. The total number of houses under management increased by 610 to 1740, or 54%, from the 1st July 2009 through to 30th June 2010. Of this increase, some 252 properties are attributable to Coastal Community Tenancy Scheme’s merger with Compass, and 31 properties were purchased with grant monies provided through the Government’s Social Housing Growth Fund Program. The balance relate to stock transferred from Housing NSW.

The increase in houses under management naturally led to increases in revenue and expenses directly related to tenancy and property management. Rental income rose 54% to $9,492,599 while social housing subsidies through the Commonwealth and States Housing Agreement increased by a much smaller 6.5% to $2,489,125. This modest increase in CSHA grants reflects two important characteristics of Compass. First, Compass’ overall housing portfolio is increasingly skewed towards capital properties which do not attract government subsidies. Second, because of Compass’ size it is able to operate viably with fewer government grants. This is a very positive trend which we expect to continue as Compass realises further economies of scale through growth in its social and affordable housing portfolio.

In respect of direct tenancy and property management expenses, rent paid to landlords increased by 24% to $4,814,646 and combined planned and responsive maintenance increased by a similar percentage margin to $1,439,837. Other direct expenses totaled $3,648,629 which is an increase of 28% on last year. These other property related expenses include a depreciation amount of $605,371, curtailing the company’s profit from ordinary activities which amounted to $520,655; a decline of 38% from last year’s result. While the Board considers the approach adopted by the Compass Auditors with respect to the depreciation of properties owned by Compass to be very conservative, we note that the cash position of the company is of course unaffected.

The indirect or administrative expenses of the organisation, consisting in the most part of wage and wage related expenses, doubled through the year as the company invested in additional staff, systems and infrastructure to manage the expanded housing portfolio and to pursue and prepare for the future growth associated with Compass’ successful NRAS, Debt/Equity, Nation Building Economic Stimulus Program and Social Housing Growth Fund bids.

As was the case last year, it is the “extraordinary” developments that speak more fully of Compass’ growth and success in 2009-2010. Once the grants received for the Social Housing Growth Fund Rounds 1 and 2, the NSW Debt/Equity tender, the Affordable Housing Innovation Fund tenders and the Building Better Cities project are included, the profit for the year approaches $13 million. With final adjustments for the proceeds from the sale of Compass’ aged Frith Street units and the adjustment in the asset revaluation reserve, the total net profit for the year is $13,074,471.

The above mentioned grants are primarily responsible for the significant changes reflected in the company’s balance sheet as at 30th June 2010. Total assets increased by $18,439,789 to $34,436,419. Property acquisitions and developments related to the grants, combined with the transfer of land and buildings valued at $575,383 from Coastal Community Tenancy Scheme, accounted for $14,304,447 of this increase. The increase in Cash and Cash Equivalents of $3,145,684 is attributable to the $933,662 cash transferred from Coastal Community Tenancy Scheme, unspent funds provided by Housing NSW and the Aboriginal Housing Office for upgrade works underway but not completed by 30th June, and positive operating cash flows.
Total liabilities more than tripled through the year to $5,287,307. Unexpended grants of $2,304,710 and a bank loan of $816,566 associated with the Debt/Equity tender are the most substantial contributors to this increase. A $361,283 insurance prepayment, a $147,014 bank loan inherited from Coastal Community Tenancy Scheme and a $210,010 increase in staff provisions make up the balance. The company's total equity grew from $14,851,997 to $29,149,342 through the year.

The operating cashflow was very strong this year at $15,671,776, but this of course includes the more than $12 million of capital grants received from the Government. Excluding these capital grants and the $933,682 cash transferred from Coastal Community Tenancy Scheme, the cashflow from general operating activities was $2,212,022.

Compass' purchase and development of properties associated with the Social Housing Growth Fund, Debt/Equity and NRAS tenders resulted in a cashflow deficit of $14,511,249 from investing activities compared to a deficit of $10,629,762 in the previous year. Financing for these investments was provided through capital grants from government ($11,788,000), a $816,566 bank loan, cash reserves and current year operating cash surpluses.

In addition to its strong financial performance, Compass has greatly enhanced its financial management and risk management systems through the course of the year. The Chief Executive Officer, Chief Financial Officer and staff must be congratulated for the sophisticated financial modeling and risk management processes and tools they introduced during the period and which now underpin all of Compass' business planning and development activities.

In another positive development, the Board and Executive Management engaged Cutcher and Neale to design and implement an internal audit process covering all aspects of Compass' operations. The internal audit process has resulted in a number of small but important improvements in policies and processes across the business and has otherwise generally added to the rigor and sophistication of the company's compliance and quality improvement systems.

Compass' sound financial position and robust finance and risk management systems provide it with very strong platforms from which pursue further growth, diversification and innovation in social and affordable housing solutions.

Tim Curran
Treasurer
CHIEF EXECUTIVE OFFICER’S REPORT

It was another excellent year for Compass and I firstly want to thank the Board, Executive, all Compass Staff, our responsible tenants, particularly our tenant reference group members, our caring and committed government partners, quality support partners, diligent trades and our erudite consultants who have each contributed to see Compass on the cutting edge of Community Housing in Australia.

Compass is now the largest regionally based community housing provider in Australia and is only eclipsed, in terms of properties under management, by a few providers based in Brisbane, Sydney and Melbourne, from being the largest provider in Australia outright. This has been quite a journey, particularly in the last three years as the following table and accompanying graphs indicate.

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The recent Global Financial Crisis, while devastating to some sectors, has proved to be an opportunity for the Commonwealth and NSW Governments to use stimulus money to provide investment into social infrastructure - more social and affordable housing for now and into the future.

The Nation Building and Economic Stimulus Project ("NBESP") aimed to produce circa 20,000 social housing dwellings in Australia. In NSW the NSW Government committed to providing 6,400 dwellings under the project for tenanting prior to July 2011 – a mammoth task but presently being implemented very well. The properties were offered to community housing providers via competitive tender process for 17 packages of properties within defined geographical regions and Compass was successful at acquiring three of those packages – the highest number awarded with two other Sydney providers also winning three each and 8 other providers winning one each. This represents for Compass the acquisition of an additional 1,000 brand new dwellings, some of which are reflected in the above figures, but most yet to come.

In line with NSW Government policy, these properties may also involve the transfer of title in the future which are to be used as collateral for substantial debt financing for the procurement of hundreds more affordable dwellings.

The growth in assets for 2009-10 however, has come mainly from our successes in other Federal and State Governments housing initiatives: Social Housing Growth Funds programs and the National Rental Affordability Scheme. As of the 30 June 2010, Compass had title to 126 properties, 96 were settled, with deposits on a further 30 properties to be settled in the next twelve months. We also have a total carrying of $816K in debt finance for investment properties.

For this year, growth in properties under management also increased due to the property transfer program in the Upper Hunter region and also by virtue of merging with Coastal Community Tenancy Scheme. Since July, Compass has also merged with Western Plain Tenancy Scheme at Dubbo.

Compass has an executive manager responsible for operations in the Central and Western NSW and this will likely evolve into a distinct division should the business activity grow as predicted, particularly in the area of servicing the Aboriginal communities.
Compass is very keen to deepen its involvement with the Aboriginal communities via the Local Aboriginal Land Councils, Aboriginal Support Agencies and the Aboriginal Housing Office. Currently, Compass manages 219 dwellings for these three categories in the Hunter, Central and Western regions on a fee-for-service basis.

A summary of other highlights of the year are:

• Compass will be the first community housing organisation with a fully integrated IT system

• Compass received the Bronze Level Award in the NSW Department of Energy, Climate Change and Water (“DECCW”) – Sustainable Advantage Program in the shortest time period in the record of the program

• Compass was successful in its tender with DECCW for the Compass Green Sustainability Efficiency Training for Community Housing Providers in NSW

Things being planned for and undertaken in 2010-11:

• It is anticipated that once the NBESP roll out of title transfer occurs, Compass net assets with increase to circa $300M by 30 June 2011 and properties under management to increase to approximately 3,500

• Compass is actively pursuing various models for establishing a group structure having national capacity in the search for efficiencies and advantages with other inter and intra state organisations

• After a rapid expansion rate over the previous two years, Compass is also pursuing a program of consolidation, service improvement and internal efficiencies while at the same time investing in its Central and Western NSW capacity.

• Advanced modelling on leveraging from the title Compass has in its current and future properties is underway and the incorporation of equity as well as debt financing is included in the various models for the development of several hundreds of properties over future years for affordable housing.

Greg Budworth - CEO
The last twelve months has been hugely successful for Compass and has been one of the most exciting times in my career. Last year I reported that Compass had seen more growth in assets in that period than in the 25 years of operation. Well this year I am proud to report that the growth we have undertaken in 2009-2010 has progressed much beyond the growth in 2008-2009.

This growth has been largely through the success of being awarded almost 1000 dwellings under competitive tender processes, the Nation Building Economic Stimulus Plan (NBESP) and the Asset Ownership Program. The dwellings that we have been awarded under the NBESP will continue to be received up until the end of the next financial year as some of these dwellings are still in construction. These 1000 dwellings are expected to be delivered with title in which we will then leverage from the rental income to provide an increase in much needed affordable housing.

Last year we were successful in tenders such as the Social Housing Growth Funds (SHGF) and the National Rental Affordability Scheme (NRAS). The stock continued to be acquired and developed in this financial year providing 84 brand new dwellings under the SHGF, in which we will leverage another 12 affordable housing dwellings, and 69 dwellings under the NRAS. These dwellings are located in high need areas, close to transport, schools, employment opportunities and services. These dwellings were acquired at an average of around $245,000 per dwelling. In order to achieve this excellent average price we built strong relationships with real estate agents, builders and developers. We worked with developers to enable developments to go through the Affordable Housing State Environmental Planning Policy, increasing density in these projects and thereby giving us further ability to be involved in projects and to acquire the stock at affordable prices.

I am proud to say that my department was involved in the above achievements and I would like to thank my dedicated team members involved, Tristan Magin and Laura Balcombe. They are an invaluable part of my team and are assets to the company.
Some of the other achievements and activities this department managed were:

- Compass received recognition as a bronze partner and was awarded for strengthening environmental performance through the Department of Environment, Climate Change and Water Sustainability Advantage Program. Compass is committed to this five year program and will be working to achieve platinum recognition by year five in this program. My department is responsible for the project management of this program.

- Compass were excited to receive the Environmental Sustainability award at the 2010 Hunter Business Chamber Business Awards. The award recognised the commitment that Compass has towards Environmental Sustainability and the Environmental Sustainability initiatives that Compass has implemented and undertaken.

- Compass was successful in a competitive tender process under the Industry Partnership Projects through the Department of Environment, Climate Change & Water and the Department of Education and Training to undertake a pilot training project on Environmental Sustainability for the Community Housing and Property Management sectors. This training will focus on ways to improve energy and water efficiencies in properties including identifying areas for improvement, targets, implementation of strategies, engaging tenants and monitoring performance. This training will reduce costs associated with resource consumption, improving household affordability and will increase tenants living comfort. Compass is working towards success of this pilot and aims to deliver this training to the community housing sector and the wider property management sector.

- My department has also been overseeing community development under the Compass GROW program, under this there have been wide and varied initiatives undertaken. The next 12 months will again see the “GROW” program further develop with the employment of Executive Manager of Community Sustainability to take charge and lead Compass forward in the endeavour of entrenching the GROW program throughout Compass activities whilst significantly impacting the lives of our tenant community.

My department will become the Business, Environmental & Organisational Department, our focus will be on increasing Compass’s management and ownership of social and affordable housing, project managing delivery of remaining Nation Building Economic Stimulus Plan dwellings, being involved in planning to leverage from these dwellings to provide further affordable housing, managing the media and marketing of Compass, further undertaking environmental initiatives and programs, seeking diverse business opportunities and overseeing compliance, environmental and quality management. No doubt we will continue to be busy.

I would also like to thank the entire staff and Board of Compass Housing for their hard work and dedication to Compass Housing. I would like to thank the Government bodies who have assisted us, awarded us and funded us to benefit the community, also our support partners who work to assist our tenants, developers and builders who have worked with us to deliver exceptional additional housing and last but not least our CEO, Greg Budworth for his inspiration, dedication and leadership into growth, diversification and sustainability for the greater good.

Lyndall Robertshaw
Executive Manager
Business, Organisational & Environmental Development
EXECUTIVE MANAGER PROJECTS & ASSETS REPORT

As Compass’ growth has escalated, so has the Project & Assets department. New roles have been created to support the growth of Compass over the previous year. As Executive Manager I have a support staff comprising of Michelle Janout, Lynda Walsh, and additional staff of Ben Bell and Dean Pead as Project Coordinators, Peter Perry as Technical Officer, Gary Legget as Maintenance Coordinator, Tania Biviano as Maintenance Assistant Coordinator, and Michael Gilchrist as Maintenance Officer for Newcastle area.

We have developed our new Asset Management Plan to assist with our growth and increase in assets. Lyn Miles and Russell Andrews have been a great support through this process. The system will enable us to program, plan & schedule planned maintenance over a 40 year period. It will be functional by November but it will take time to be fully operational. As we grow and obtain title to properties, this system will become crucial in the effective asset management of our housing stock.

We are acquiring 711 properties through stock transfers to the branches. These properties will all be upgraded over the next three years as the tenants are signed over. This work will be allocated and supervised by our Project Coordinators.

Compass is receiving just over 750 new units through the Nation Building Economic Stimulus Program which will be managed by the various branches. These properties will need to be inspected by Peter Perry during the handover process to ensure they are tenantable.

Aboriginal Housing Office (AHO) upgrades have been completed successfully in Wilcannia. This work has been especially challenging due to the remoteness of the location. Upgrades in Broken Hill are due to commence in late 2010.

Throughout 2009-2010 Compass broke ground on a number of development projects. Unit complexes at Moala Parade Charmhaven, Allendale Road Cessnock & Lightfoot Street Cessnock are all strategically located, in close proximity to schools, transport and other services. All units have been designed and constructed with features that enable tenants to age in place. Whilst all projects were delivered on time and within budget, valuable lessons were learnt which will enable Compass to improve our in-house construction program.

Greg Budworth, CEO handing tenants keys to new dwelling on the Central Coast
Another exciting first has been the commencement of a project team, made up of key Compass personnel as well as a number of significant external parties to spearhead an EnviroBuild Project. Compass invited suppliers & partners to participate in this committee, the result has been successful & extremely encouraging. To date the members on the committee consist of: Newcastle University - Architectural / Research Departments, Bunnings, The CSR group of companies, Harvey Norman, Hunter Water, Gould Bros Building Centres – Maitland Timber & Hardware, Newcastle City Council- City Energy & Resource Management & Assets Department, Edward Duc & Associates – Architectural Consultancy, ADW Johnson, Westpac, Viatek, Caroma, Department of Environment, Climate Change & Water, JLM Nadcorp PL, Edward Duc & Associates - Architectural Consultancy, Mr Bernard Hockings – Environmental Consultancy.

This development will also include smart metering which will measure & manage energy & water use within these dwellings. This will assist in educating & influencing residents towards resource efficiency. This project is currently in planning stage. This group has been able to provide a $5,000 sponsorship to two advanced second year students at Newcastle University’s Facility of Architecture. The winning design will be built in the Central Coast region & become a show piece for other Community Housing Providers throughout the country. Several national & local companies & organisations have shown a great deal of interest in this particular project & have offered cash, building materials, professional assistance & other forms of assistance to see the project through to completion.

This collaboration have been reviewing ways to improve the built form of social housing, environmentally and socially and also to explore methods of retro fitting some of the older style dwellings to assist in lowering resource consumption. The housing we build & the way we live in those houses has a big impact on the environment, the longevity of the housing, the economy as well as people’s wealth & well-being.

This multiple collaboration is proving to be extremely successful & informative. All parties are demonstrating eagerness & commitment to seeing this project come to completion. We are confident that this will only be the beginning for this committee who will in the future assist in the development & design of a sustainable neighbourhood design.
EXECUTIVE MANAGER OPERATIONS – EASTERN DIVISION

Each year I have remarked on the amazing growth that Compass Operations has experienced and again I have to say that 2009-2010 is no different. 2009-2010 has in fact seen the biggest growth of any year to date. It has caused the Operations Division to diverge into two halves with the Eastern Division incorporating the Newcastle, Maitland, Erina and the recently acquired Toukley offices and with Central and Western division covering Upper Hunter, Broken Hill and Dubbo which is in itself a growth area.

As has been mentioned elsewhere in this report Compass has been successful in winning several tenders associated with the Nation Building Economic Stimulus Plan (NBESP). This has resulted in close to 1,000 new properties being transferred to Compass and most should be with title. Compass was awarded these allocations under a heavily competitive tender process which aims to significantly increase the current stock of housing for community housing providers as well as seeking an overall reduction in the large number of homeless, Aboriginal and elderly Australians in dire need of housing.

The work of the Operations Division commences once these properties become available for tenanting. Compass Maitland was the first office to experience the delivery of a large number of NBESP properties and Branch Manager Darren Locke and his team have acted as pioneers in establishing protocols and processes for seeing them quickly and effectively tenanted. These systems have now been distributed across the company and are allowing other offices to prepare themselves for the busy months ahead.

Newcastle Branch is next in line to be the recipients of a significant number of dwellings allocated under the NBESP. New manager Callan Walker, along with his team of 6 people (soon to be 7) have been busily preparing for the projected growth this will bring to their branch. Callan has in the short time he has been with Compass managed to make his mark by unifying the Newcastle team into an effective unit. Newcastle has some differences from the other offices with one of them being the affordable housing portfolio which provides housing to households on low to moderate incomes. This portfolio is set to expand in the next year with the management of additional properties in this category becoming available through the National Rental Affordability Scheme (NRAS) that Compass is participating in. The Newcastle office is in good hands and well prepared for more growth.

Erina office on the Central Coast on the other hand is like a lady in waiting. Currently the smallest operation in the division, it is set to grow in the near future through NBESP. Lena Jenson the Branch Manager has in the last year overseen the transfer of the balance of the Tumbi Umbi Housing Estate to Compass from Housing NSW. The physical upgrading of these properties to a better asset standard is nearing completion, much to the delight of the occupants.

The last office and the newest in the Eastern Division is Compass Toukley which was previously trading as Coastal Community Tenancy Scheme before merging with Compass. With over 300 properties across the Central Coast Toukley has also taken on the management of properties in Swansea previously managed by the Newcastle office. Toukley also has a new Manager in Jenny Rixon whom we welcome to Compass. The office is home to a team of 7 people in total who have a range of knowledge and experience in managing community housing tenants. This will be invaluable when their share of NBESP properties become ready for occupation. Toukley are also to receive a further 50 properties from Housing NSW under the Property Transfer Program. They will have their heads down over the next 12 months!

The one big development that has had an effect on Compass this year across the board is Housing Pathways. This is a system that joins the waiting lists of Housing NSW and community housing providers
across the state into the Housing Register NSW. It provides a one stop access point for applicants wishing to apply for social housing anywhere in the state thereby making it easier and more accessible to apply and check on their status.

Next year is going to be busy again in Operations. September will see our new tenancy and property management software called “Greentree” come on line. This will help streamline our expanding workload.

Lastly I must thank all the Operations staff that have put in so much effort over the last 12 months. Thanks.

Peter Perriss
Executive Manager Operations Eastern Division.
EXECUTIVE MANAGER OPERATIONS
CENTRAL & WESTERN NSW

Go team Compass!

Through the delivery of good service and high professional standards Compass has been able to experience large and rapid growth.

In March 2010, Compass Operations diverged into two divisions. I am fortunate to be leading the Central and Western area to develop our relationships in new territories and strengthen our existing ones.

The Upper Hunter is consolidating into one office in Muswellbrook and has a vibrant team of staff lead by Branch Manager Sam Gorman. The team is dedicated to the smooth transition from approximately 70 properties to nearly 700 properties. The Property Transfer program and the Nation Building Economic Stimulus Plan (NBESP) portfolio will all be completely transferred by the 30 June 2011. Compass are currently holding the office at Scone and temporarily sharing the Housing NSW in Muswellbrook. I expect the consolidated office to be functioning by mid October 2010, and will operate an outreach service to Scone 2 days per week. The branch has grown from 3 permanent staff to 6, and expect to also have the appointment of a maintenance coordinator and replacement of the Community Development worker towards the end of 2010.

Broken Hill has also undergone some staff changes, with the appointment of a fulltime Housing Manager and partime reception/administration worker. Chelsea Morris continues to serve as the Branch Manager. The portfolio has grown by approximately 110 properties and now takes in an area that stretches from Broken Hill and Wilcannia down to Balranald. The Broken Hill branch have been working very hard at transitioning the Balranald and Wilcannia Local Aboriginal Land Councils across to Compass, and are developing effective relationships and support arrangements to assist tenants in rural and remote communities.
Compass are also part of the Post Release Program for Ex-prisoners that is expected to be actioned over the next quarter, this will be based in Broken Hill. The growth in staff and properties has made it necessary to look for a larger premises for the branch office. I believe that we will have relocated prior to Christmas and will be looking at celebrating the opening of a new office space.

In August 2010 Compass opened a Regional and Branch office in Dubbo. The opening was a strong success with many local officials, heads of departments, support agencies, stakeholders and local politicians attending to show support. Western Plains Housing Scheme agreed earlier in 2010 to become part of Compass which will bring a portfolio of approximately 60 properties. Pat Bacon has been appointed Branch Manager of the Dubbo Branch and is responsible for this new portfolio and the 32 Wellington Local Aboriginal Land Council properties Compass manages.

Central and Western NSW presents many fresh opportunities for Compass to expand and provide a strong service to rural and remote communities. Compass is committed to working with the local communities to provide effective housing solutions.

The area that I cover is very large, full of diversity and challenges. It is a very exciting area with many needs. Servicing this area will assist in further developing Compass into a multi-faceted, well-rounded organisation.

I would like to make special note to the staff who have given 110% time and time again for the tenants and for Compass. Their hard work, dedication, enthusiasm and patience makes our organisation strong. Thank you.

I look forward to the next 12 months with excitement.

Sheridan Baker
Executive Manager Operations
Central & Western NSW
NEWCASTLE REPORT

The 2009-10 financial year has provided many interesting and testing opportunities for the Newcastle Branch. We have a genuine desire to be a highly visible and valued member of our community, and have made every effort to represent Compass Housing Services with high performance and efficient work practices.

The Branch has expanded to 9 staff – with new team members joining as recently as June & July. We now boast 4 Housing Managers, a Senior Housing Manager, a Community Development officer, a dedicated Housing Pathways officer, a Reception officer and Branch Manager.

Perhaps the most significant challenge has been the preparation required for the properties we will acquire under Nation Building Economic Stimulus Plan (NBESP). Newcastle Branch will be responsible for approximately 225 new properties across the Newcastle and Lake Macquarie Local Government Areas.

Compass Newcastle is aiming to achieve outstanding turnaround times with our stimulus properties. Our first complex, in Mayfield, was tenanted within a 24-hour period of receiving the keys. It would be fantastic to maintain this strike rate over the coming financial year. Thus far, we have met the required targets as set by Housing NSW, and will continue to actively work toward the 40% homeless, 10% Aboriginal and 30% Housing relocation clients we are expected to house.

The focus and effort dedicated to these new properties has not come at the expense of our existing portfolio. Our staff continue to strive for high performance, strong results and effective relationships with our current clients. Our network of support agencies continues to grow. We have a significant portfolio of supported clients, and communicating with local agencies has provided the opportunity to provide homeless clients with positive outcomes via the NBESP complexes.

It is now vital that our Housing Management staff engage in a determined and professional manner with the support agencies and our Community Development worker to ensure we can sustain as many tenancies as possible.

The Christmas and Winter Appeal conducted by our Branch, led by Senior Housing Manager Maree Field, were both outstanding success stories. These events provided significant assistance to Compass tenants and our partner agencies. Most importantly, the goods donated by our tenants and staff members found their way directly to those members of our community most in need.

My tenure with Compass has been quite brief, but I would like to take this opportunity to thank all those who have worked so hard in providing tangible benefits for our clients. The great work which emanates from Newcastle Branch is a wonderful advertisement for Compass Housing’s mission and ambition. Central to this success has been Peter Perriss, Jennifer Fitness, Fiona Dhu, Maree Field, Lindsey d’Amico, Natalie Steele, Keiran Turner, Greg News, Allison Black, Crystal Hunter, Alex Lamb, Sarah Bevan and Sandy Moran. All Compass stakeholders should be very proud of the efforts and performance of your staff.

Callan Walker
Branch Manager Newcastle
Since the official opening of the East Maitland office in July 2009 we have established this office as a well known and respected organisation in the community.

We have seen a considerable amount of expansion for this Branch and have grown from 2 to 6 staff and from 192 properties to 500 properties by the end of 2010.

Recently joining our team is Kristy Brogan - Housing Manager, Bek Colville - Junior Housing Manager, Jenny Willcox - Receptionist and Maria Knipe as our new Community Development Worker.

Stage 1 of the Nation Economic Stimulus Plan (NBESP) increased our portfolio by 128 properties. These properties are located primarily in Lake Macquarie, Cessnock and East Maitland. The majority of the Stage 1 Stimulus were designated to Seniors Living (over 55’s).

Recently we have started tenanting Stage 2 of the Nation Economic Stimulus Plan (NBESP). This office will be taking on a further 239 properties from Stage 2, with 171 units being in the Maitland LGA, 12 in the Port Stephens LGA and 56 in the Lake Macquarie LGA.

We have created a network of over 50 support agencies. Working closely together with these agencies has enabled us to house many homeless clients.

In stage 1 over 50 Homeless clients were housed. Nation Building Economic Stimulus Plan (NBESP). Stage 2 will see more than 100 homeless clients in a safe and secure property.

This also includes people sleeping rough, whether that be on the street, living out of a car, in a refuge, or a garage.

We are now working with the support agencies and our Community Development worker to ensure these tenancies are sustained.

We have received positive feedback from tenants,

Support agencies and local Members of Parliament stating that for many of these tenants we have provided them with a new start in life.

Pathways went Live on the 30th April 2010. This means that instead of Compass having a separate waiting list to Housing NSW we can all share one common waiting list.

We can now process any Housing NSW application in our office that previously could only be done at a Housing NSW office.

Due to the large amount of properties received in Lake Macquarie under Stage 1 & 2 of the Nation Building Economic Stimulus Plan (NBESP). We are investigating the demand for a Lake Macquarie office in the near future.

Our highly dedicated team is looking forward to the year ahead with continual growth of the Company, creating more partnerships, and getting tenants more involved with the community.

Darren Locke
Branch Manager East Maitland

Newcastle Tenant Christmas Party 2009
ERINA REPORT

This year has flown and the Central Coast arm of Compass has expanded and Erina Branch has flowed with and embraced the changes. The Erina office now shares their role on the Central Coast with an office at Toukley, and I look forward to working together to provide a superior service for the tenants and future tenants of Compass on the Central Coast.

Our first Central Coast Tenant Christmas Picnic held at The Australian Reptile Park at Somersby was a beautiful sunny day and tenants and staff of Compass cooked, laughed and ate together and enjoyed the exhibits and wildlife demonstrations. The face painting was a huge success and thanks go to the staff and their partners for their commitment to ensuring even children not attached to our tenants enjoyed the Compass experience. Thanks are also extended to Central Coast Outreach – John and Barbara, for their contribution of their time and drinks for the tenants and staff. A sincere thank you is also extended to the Compass staff who offered their time and assistance to ensure the success of the day and we hope to see you all again at this year’s Australian Reptile Park Tenants ‘Christmas Picnic extravaganza. Thank you to the tenants who joined us and had a great day and may we see more tenants come and join the fun this year.

We continue to build our relationships with the Australian Red Cross Young Parenting Program and hope to expand this successful program in the future. The Compass commitment to the Killarney Vale, Beautu Bay & Tumbi Umbi Estate at ‘The KBT Hub’ has staff attending two half days a month and invites tenants to come and chat about their rent, maintenance etc and tenant attendance has steadily increased since the opening of the facility in March 2010. Compass is committed to the Building Stronger Communities initiative of Housing NSW in the KBT and we look forward to continuing to build on the vision and community involvement in the upcoming year. We look forward to establishing new partnerships and networking in the year ahead.

The Central Coast is increasing its housing portfolio as properties come through under the Nation Building Economic Stimulus Packages and we follow in the success of East Maitland Branch and are open to their expertise and grateful for the guidelines to assist in the tenanting of the properties successfully.

And as more and more people move from the inner city areas up the coast and beyond, Compass remain committed to providing a holistic approach to housing with an open offer to tenants to participate in a variety of ways in their tenancy and their future. That’s what makes the next 12 months in the evolution of Compass as exciting as the last 12 months as we continue to find ways to do it better. To all my colleagues from all the departments of Compass, thank you all for your help and support over the last year and I look forward to working with you again in the year ahead.

Lena Jenson
Branch Manager Erina

Natalie Knight, Housing Manager & Central Coast Tenants
TOUKLEY REPORT

While Toukley Branch under the Compass scope of operations was new in 2010, they have effectively been in operation for twenty six years. Toukley Branch was previously Head Quarters to Coastal Community Tenancy Scheme (CCTS), who successfully merged with Compass Housing Services back in April 2010. Although this entailed a number of large changes, I am pleased to report that staff from both sides welcomed this growth and change encouragingly. Former Executive Officer of Coastal Community Tenancy Scheme Lesley Bennett project managed the transition and has since found interests elsewhere within Compass and is currently our Compliance Officer.

Compass was able to retain all staff and in fact moved a number of key staff from part-time work to full-time employment. At the time of the merger CCTS consisted of a portfolio of approximately 250 properties. Since the merger with Compass and in light of the anticipated handover of dwellings from the Nation Building Economic Stimulus Plan Toukley Branch is soon to reach a portfolio capacity of approximately 480 properties. With the successful transition of CCTS into operations in July 2010 I was appointed Branch Manager for the new branch under the ever expanding Compass scope of operations. I have found the role of Branch Manager to be very rewarding and also sometimes challenging.

As part of my role I have joined the Wyong Chamber of Commerce to represent Compass in the business community. I have also attended the Wyong Interagency meetings and the Indigenous Interagency Meetings in the Wyong region. From these meetings I have gained useful contacts and information about services in the region. With the employment of our new Community Development Worker, Rene McKenzie-Low, we will be working towards expansion of our Community Development profile in the region. It is an exciting time for our tenants as they gain the benefit of the additional support they can receive from Compass focus on Community Development.

Lyndall Robertshaw’s success in gaining funding for sustainability projects has resulted in Toukley Branch being selected to be involved in the DECCW Sustainability Training Pilot project. This involves a study of some of our properties, and training for staff in how to identify possible Energy Efficiencies so that tenants can be advised. This is also being backed up by some of Compass staff, including myself, being trained as Green Assessors. Well done Lyndall, our tenants will benefit from the savings they can make if they follow advice given on energy savings. This is very timely and vital as energy prices soar.

It is planned that Toukley Branch will consolidate with the Erina Branch sometime in the near future. Staff see this as a positive move and are embracing it whole heartedly. It is envisaged that the merged branch will be located somewhere around the Wyong/Tuggerah area and will run a property portfolio of around 700+ properties, with more growth expected.

I couldn’t help but be moved when recently at the sign up of a group of tenants who were allocated an NRAS(National Rental Affordability Scheme)property, we had tenants with tears of joy when receiving their keys. This is what makes our jobs worthwhile, making a difference to people’s lives!

I am looking forward to continuing to manage the expected changes and growth that Compass is undergoing. Focusing on outcomes, and community development, sustainability and a complete service to our tenants and continuing to make a difference in people’s lives.

Jenny Rixon
Branch Manager Toukley
UPPER HUNTER REPORT

The Upper Hunter Office has undergone some major changes in the last twelve months, the most prominent being the commencement of the Property Transfer from Housing NSW, covering towns such as Murrurundi, Scone, Aberdeen, Muswellbrook, Denman and Merriwa.

Scope work has continued with these properties to bring them all up to a manageable standard.

2009-2010 has also brought upon significant growth with the achievement of securing a number of Nation Building Economic Stimulus Plan properties in the Upper Hunter. We are currently in the process of taking possession of 78 properties under stage two of the program. There will be 7 developments taken over by December 2010.

This program has enabled Compass to assist those in need by successfully filling the complexes to meet targets set by Housing NSW such as 40% homeless, 10% Aboriginal and 30% Housing relocation clients.

2009 – 2010 has also seen an additional office, providing a Compass presence on a full time basis in the township of Muswellbrook, we are continuing to run two part time outreach offices in Singleton and Scone.

With the growth of Compass Housing in the Upper Hunter there have been many staffing changes including the recruitment of myself to Branch Manager in May 2010 and the recruitment of Belinda Smith, Kim Charters, Renee McGregor and Alana Meade. Kim Starling has relocated from the Scone office to the Muswellbrook office and continues to be of service to our tenants.

2009-2010 has also seen the introduction of Housing Pathways, this has brought upon significant change in the way Compass Housing assess clients and allocate properties, we are continuing to provide a fast and efficient service for clients in line with Housing Pathways Policy and Procedures.

The Upper Hunter Branch are currently managing 382 properties in the townships of Murrurundi, Aberdeen, Muswellbrook, Singleton, Denman, Scone and Merriwa with the view of 668 by the end of 2010 – beginning of 2011.

The Upper Hunter Branch are continuing to partnership with other community support agencies throughout the LGAs of the Upper Hunter and continue to achieve successful outcomes for clients.

The Upper Hunter Branch commenced a pilot program ‘Life Skills’ course in Singleton for tenants and also the operation of a regular tenant stall at the Scone Markets – giving tenants an opportunity to show their talent to the Community and make some money in the process.

The newly established team have a fresh and strong commitment to the Upper Hunter and will continue to encourage and engage tenants in Tenant Participation and Community Development. We are looking forward to the growth and the many changes ahead of us.

Samantha Gorman
Branch Manager Upper Hunter

2009 Walkabout: A celebration of Indigenous Australian Culture
Compass Housing Services officially opened a branch in Dubbo, on 5th August 2010.

The new office located at 1/14 Erskine Street, was officially opened by Chairman of Compass Housing Services Board, Matt Dougherty. In attendance at the opening was Member for Dubbo, Dawn Fardell, CEO Compass Housing, Greg Budworth, Executive Manager Operations, Central & Western NSW, Sheridan Baker, members of Western Plains Housing Scheme Board, Dubbo Real Estate Agents, service providers, and invited guests.

Compass Housing Services currently manages 32 Wellington Local Aboriginal Land Council properties in Wellington, and from 1st September 2010, with the successful merger with Western Plains Housing Scheme Inc. Compass will gain management of approximately 60 capital and leasehold properties.

Compass Housing Services, Dubbo, in conjunction with AHO, are engaged in a program entitled “Employment and Training Related Accommodation Program”. This program provides housing for students who require accommodation to carry out studies and who are from outlying and remote areas. This is a pilot program and hoped to be rolled out across NSW in the near future.

I commenced as the Branch Manager of Dubbo branch on 14th April, 2010, and was working out of the offices of Western Plains Housing Scheme Inc. carrying out the role of Acting Manager. During this time, I have familiarised myself with the properties, tenants and support agencies. This has made the transition of merging much easier, as there has been an adjustment period, and the change, not so overwhelming.

I look forward to getting together with tenants and their families at our Christmas get-together.

My vision for Dubbo Branch in 2011 is to increase in properties to enable us to assist more people in need.

I wish to thank all Compass staff who has assisted me throughout this year. You have made me feel welcome, and your help invaluable.

Pat Bacon
Branch Manager Dubbo
2009-2010 has been an exciting and challenging time for Compass Housing Broken Hill, seeing significant changes to our once small branch.

One of the more thrilling changes was the employment of Darren Kemp as Housing Manager and Cara O’Donnell as our Administration support. Darren brings extensive experience to the Branch having previously worked for another housing provider. He is already known to many of our tenants and knows the region well. Cara also has experience in Housing, having completed her traineeship with the Broken Hill Land Council and has strong local ties to the community.

I also welcome new tenants from Balranald and Wilcannia as our portfolio increased by nearly 100 Land Council properties. With the transfer almost complete, I have had the opportunity to meet some wonderful people and look forward to building, not only on these relationships, but also with these communities as a whole.

Our commitment to the Broken Hill community continues by being involved with a number of projects including the NSW Homelessness Action Plan and the Prisoner Release Program in partnership with Community Restorative Centre. It was fantastic to see the attendance number grow at our 2009 Christmas Party.

The weather was outstanding and we enjoyed playing bocce while Greg cooked a very tasty BBQ. Our Gold Tenants were celebrated with a luncheon at the Sturt Club and I am proud to say that the number of Gold Tenants continues to grow. With the drought easing it’s hold, our side of the State is finally experiencing increasing rainfall and our very talented gardeners are putting their green thumbs to work. It is lovely to see yards blooming again!

Important changes to take place in Wilcannia as the Local Implementation Plan begins to gain momentum. This program incorporates a number of different organisations to address the challenges of living in remote rural communities. Our tenants will benefit from the installation of air coolers thanks to a GWAHS program launched in October 2010. The upgrade program continues in Balranald and is nearing completion.

The Broken Hill portfolio is proof that quality, safe housing is available to all, even those in far west remote communities. I hope that in the coming year we can offer our services to others and grow our Compass family.

Chelsea Morris
Broken Hill Branch Manager
Hello there everyone Michelle here, chair of the CTRG. Just giving members a run down to some of the accomplishments the CTRG have been involved in, during the last twelve months.

Together we have accomplished a number of productive items in the last year. We have reviewed the Policy and Procedure Manual for Tenancy & Property Management and recommended a couple of policy changes to the Board. The CTRG also recommended the development of a separate policy for pets, different to the other policies. We also asked Compass to update some of the materials in the welcome package for new tenants, as well as some new items. Ensuring all new tenants are given relevant materials and information relating to rent, bond and water usage. We also would like to see Compass to increase their supply information on tenant participation.

The CTRG will have a new chair for the coming year, Les Llewellyn, Patricia Morgans will be our Treasurer/Assistant chair, and I have been elected as the Board representative for the CTRG.

To end off on I’m so happy to have new members demonstrating eagerness to get involved with the CTRG, without you we wouldn’t have a tenant reference group.

Again thank you to our old and new members to the board for supporting us and last but not least a big thank you to the staff at Compass for all your hard work and continued support. Additionally, I would like to thank all the members of the CTRG for being so patient over the past twelve months.

Thank you.

Michelle Robinson
Chair of CTRG
Last year I said that 2008-9 was a transformational year for Compass Housing Services. Little did I know that this was only a foretaste of what was to come! In February 2010 we tendered for three packages under the Nation Building and Economic Stimulus Program (NBESP). We were successful in all three and have been provisionally awarded 787 properties in Newcastle/Lake Macquarie, the Central Coast and the Hunter. If we are formally approved, we will receive title to all of these properties and will have to leverage additional properties off them using the rental streams generated. Along with title to be received over 100 properties under the Community Housing Asset Ownership (CHAO) tender and additional properties that are still to be purchased under last year’s Social Housing Growth Fund and NRAS(Debt/Equity) tenders, this will take the net assets of the organisation from $29.1M to around $300M.

Some of the achievements and activities that the finance group were involved in during the year were as follows:

- Assisting in the preparation of NBESP & CHAO tenders as well as DECCW Sustainability training and energy assessment tenders.

- The selection and commencement of the implementation of an integrated IT system called Greentree across the organisation. This is a major task involving several Finance, as well as other Compass Housing staff, that should provide a more advanced and streamlined information and reporting capacity to support the needs of the organisation as it grows.
• Upgrading of the organisation’s IT infrastructure. This included the upgrading of servers at head office as well as the rollout of Telstra’s Connect IP ADSL platform. This was undertaken to improve the poor response times being experienced in branch offices in accessing the company’s various IT packages, emails and the internet. We believe that significant productivity gains will be obtained as a result of this.

• The merger with Coastal Community Tenancy Scheme. This brought in an additional 250 odd properties and 7 additional staff, including two finance staff.

• The taking on of Fee For Service tenancy management and asset management agreements with the Awabakal Aboriginal Co-Operative and the Local Area Land Council in Wellington. This gave us an additional 69 properties to manage. Support was also provided to assist in the conclusion of agreements with Wilcannia and Balranald Local Area Land Councils to manage another 95 properties commencing in 2010-11.

• The conducting of a review of the Company’s existing insurance arrangements that resulted in the selection of Community Housing Insurance Australia (CHIA) as our new broker and the appointment of a new insurance underwriter that resulted in savings of over $150k compared to the premiums that would have been charged by the previous underwriter.

• An increase in the net operating surplus of the organisation from $11,329,897 to $13,245,755. As with 2008-9, this figure is inflated by grants received to purchase and construct properties under the tenders won in 2008-9. If the grants received for these properties are excluded, the surplus in 2009-10 was $520,665 as opposed to a comparable figure of $837,482 in 2008-9. This decrease reflects the need to boost capacity in staff, the opening of new offices and related infrastructure in anticipation of the growth that will occur in future years.

In addition to these major tasks in which they all played a part, I would like to thank the rest of the finance team of Julie Barnett, Kathy King, David Bayliss, Julie Haigh, Sheralee Langbridge, Lyn Miles, Liz Costello and Brie Challice for their continuing efforts in ensuring that the Company’s day to day accounts and administration functions continued to operate smoothly during this period of dramatic change. They all made a significant contribution to what has been another highly successful year for Compass Housing Services.

Geoff Wooden
Chief Financial Officer
CONCISE ANNUAL REPORT
FOR THE YEAR ENDING 30 JUNE 2010

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DIRECTORS’ REPORT

Directors

The names of the directors in office at any time during, or since the end of, the year are:

<table>
<thead>
<tr>
<th>Names</th>
<th>Position</th>
<th>Appointed/Resigned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matthew Dougherty</td>
<td>Chairman</td>
<td></td>
</tr>
<tr>
<td>Matthew Crozier</td>
<td>Chairman</td>
<td>Resigned 23/11/2009</td>
</tr>
<tr>
<td>Sue Dark</td>
<td>Deputy Chairman</td>
<td></td>
</tr>
<tr>
<td>Tim Curran</td>
<td>Treasurer</td>
<td></td>
</tr>
<tr>
<td>Sandra Calland</td>
<td>Director</td>
<td></td>
</tr>
<tr>
<td>Stephen Barr</td>
<td>Director</td>
<td>Appointed 23/11/2009</td>
</tr>
<tr>
<td>Kwesi Addo</td>
<td>Director</td>
<td></td>
</tr>
<tr>
<td>Michelle Robinson</td>
<td>Director</td>
<td></td>
</tr>
<tr>
<td>Rosanne Chalmers</td>
<td>Director</td>
<td>Resigned 23/11/2009</td>
</tr>
<tr>
<td>Greg Kerr</td>
<td>Director</td>
<td>Resigned 7/8/2009</td>
</tr>
<tr>
<td>Steve Edmonds</td>
<td>Director</td>
<td></td>
</tr>
<tr>
<td>William Smith</td>
<td>Director</td>
<td>Appointed 23/11/2009</td>
</tr>
<tr>
<td>Paul Johnson</td>
<td>Director</td>
<td>Appointed 29/03/2010</td>
</tr>
<tr>
<td>Jane North</td>
<td>Director</td>
<td>Appointed 06/09/2010</td>
</tr>
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Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

The following person held the position of company secretary at the end of the financial year:

**Mr Greg Budworth**

Mr Budworth has worked for Compass Housing Services Company Limited for the past 6 years previously working in other human services agencies and was appointed company secretary on 4 April 2004.

Operating Results

Objectives of the Organisation

The objectives of Compass Housing Services Co Ltd as defined in the organisation’s constitution are as follows:

a. to take over the funds and other assets and liabilities of the previously unincorporated association known as the Newcastle Lake Macquarie Community Housing Trust;

b. to relieve poverty, sickness, destitution, helplessness and distress of persons regardless of race, creed, colour or gender;

c. to obtain secure, affordable and sensitively managed housing for poor, needy and underprivileged people;

d. to encourage the self-management of properties by involving the tenants in the management functions of the Company;

e. to purchase real estate;

f. to liaise with and complement existing housing provision and housing support services;

g. to compile, print and publish newspapers, periodicals, books, leaflets or other materials; and

h. to arrange, provide or assist in holding conferences, exhibitions, or other meetings as necessary.

The current Strategic Objectives of the organisation have been drawn from those defined in the constitution and are as follows:

**Growth**
Greatly increase social and affordable housing stock by active participation in appropriate transfer and tender opportunities and through self-initiated programs and developments. Support growth through sound systems of management.

**Quality**
Continuously improve the quality of services to client and benefits to the general community. Pursue and promote sound social and environmental principles and practices.

**Diversity**
Develop new business, social, environmental and housing opportunities and to encompass a wide range of people, provide wider choice in services and employment opportunities.

**Reach**
Expand provision of services to other regional areas by participating in regional opportunities and partnerships. Contribute to the national agenda and national programs for community housing development.
Strategies in Place to Meet the Organisation’s Objectives

- Refining sound finance, audit & risk management
- Further improving effective governance, performance, company profile & people management practices
- Improving service delivery & quality for clients & community
- Enlarging tenant participation outcomes
- Increasing business development opportunities & efficiencies

Key Performance Indicators in Place to Assess the Strategies

- Refining sound finance, audit & risk management
- Hardware and Software installed that supports a fully integrated system that can be utilized by all sites and remotely
- Finance Reports that show branch performance across various programs
- Periodic Internal Audits are presented to the Board and Executive Managers
- Risk Management Plans updated and reported against
- Registration and Accreditation obtained and reflects high level of performance
- Finance policies, processes and delegation schedules are monitored periodically and reviewed annually.
- Corporate real property and other assets and leased housing assets are soundly managed
- Further improving effective governance, performance, company profile & people management practices
- Robust OHS Management System that is properly audited each year.
- Development of a more robust human resource management system incorporating best practice principles
- Refinement and achievement of KPIs for organisation via those set for the CEO
- Establishing a values-driven performance management system
- Increasing measured staff job satisfaction
- Production of annual HR plans that support strategic plans
DIRECTORS’ REPORT CONTINUED

Improving Service Delivery & Quality for Clients & Community

• Promoting Compass and community housing sector to major stakeholders and wider community
• Improvement in general health and nutrition of clients/residents (GROW Program)
• Improvement in sense of esteem and well being (GROW Program)
• Reduction in percentage of failed tenancies per annum and increase in uptake of Tenant Incentive Scheme (GROW Program)
• Increase in activities that benefit general community by clients (GROW Program)
• Increase in economic participation percentage of clients & children of clients (working, studying or operating businesses) (GROW Program)
• Models developed for 21C housing and neighbourhood design (GROW Program)
• Program for retrofitting existing dwellings for improved environmental outcomes established (GROW Program)
• Stakeholder & partnership surveys conducted annually and results reviewed
• Complaints and appeals are appropriately actioned
• Assist in equitable access to housing by highly disadvantaged applicant groups in particular, elderly, aboriginal and homeless persons and others as identified

Enlarging Tenant Participation Outcomes

• Client representation on Board
• The Compass Tenant Reference Group has properly minuted meetings and formal communications with the Board
• At least one local residents group established in each branch location
• Promotion of development of neighbourhood level residents groups
DIRECTORS' REPORT CONTINUED

Increasing Business Development Opportunities & Efficiencies

- Dwellings under management substantially increased.
- Self-initiated developments/purchases add to our housing portfolios.
- Additional Branches are established in discrete communities due to growth, amalgamations or alliances.
- Diversification and integration opportunities are developed.
- Continued development of national alliance options and opportunities.

Results of the Strategies

Refining sound finance, audit & risk management

1. The Greentree System project was the result of an internal review and was Board approved for implementation. Go live date was planned to be 1 October 2010.

2. All Board meetings have detailed financial reports. No resolutions have been made regarding any lack of usability at either Board or Executive Manager level.

3. Cutcher and Neale, internal auditors, have completed the Board approved Internal Audit Plan.

4. Cutcher and Neale have reviewed Risk Management Plan (RMP) and with Board approval, have based their internal audits on the RMP. This process on the RMP will conclude at end of December 2010.

5. Registration under the NSW Regulatory Code was achieved with some recommendations to be addressed in 2010.

6. All policies were reviewed as part of the registration process. As processes change and accounting issues arise, policies will be revisited.

7. Strategic Real Property Assets Plan developed, including Risk Management Plan, scheduled for review in line with recruitment plan for assets.
Further improving effective governance, performance, company profile & people management practices

1. An OHS contractor was engaged for a 6 week contract to implement the recommendations of the OH&S Audit and also those of his own, as approved. The result has been the revamping of our OHS Management System, including policies and procedures (Board approved October 2009), the formation of a formal committee (as opposed to OHS Rep) and formal communications to Executive and Board, entire staff training and special external training for Committee, as well as, other recommended training courses.

2. External audit of HR Management System conducted by a HR consulting firm and various recommendations made in August 2009 as reported to Board. All recommendations have been accepted and either fully implemented or are in the process of being implemented.

3. The Board set CEO KPI’s in September 2009 and approved final Strategic and Operations Plan set in 2009 to cover 5 years and 1 year respectively. The CEO set Executive KPI’s for Q1 and in October for Q2,3 & 4 2009-10. The Executive in turn, set KPIs for other staff.

4. Current Performance Management System still in place. Consultants being considered to develop this further at present. Analytical tools are still being researched. The HR consultant has assisted in the development of performance monitoring module within the Greentree System.

5. Staff satisfaction survey was completed in December 2009 by external consultants.

6. Due to the speed and size of actual and potential growth of the Company, there have been two HR strategy reports between July and November 2009 and a further report will be forthcoming in 2010.

7. To date, Compass has produced a DVD, booklet and email newsletter that has been sent by email to all stakeholders promoting Compass, Community Housing and our “GROW” Program.
Improving service delivery & quality for clients & community

1. Draft survey completed of tenant general health and nutrition. Currently working on opportunities with Hunter New England Health, Good for Health, the Heart Foundation, Brighter futures and Food for Thought, as well as local neighbourhood centres and councils in each area.

2. Compass partnered with the Catholic Church for the Catalyst Clemente training in which 12 Compass tenants participated. Compass is looking into the possibility of a partnership with Hands on Health to offer counselling and well-being workshops on self esteem and mindfulness for tenants. Compass is seeking opportunities for computer training and possibilities with the multicultural centre and Awabakal Aboriginal Co-Operative.

3. Appropriate baseline data for failed tenancies has been established for 2008-09.

4. The Tenant Incentive Scheme results have shown an increase of over 100% in the gold category, just over 50% in the silver category and have dropped by 22% in the bronze as the tenants have improved into higher categories.

5. Compass has linked with Compassion.

6. Compass is currently sponsoring 7 children in the Philippines, and is working to increase this number.

7. Low Income Household Refit Program tender submitted, if successful may provide an opportunity for employment of some tenants.

8. We already have generated good working relationships with companies like, CSR, Harvey Norman, Newcastle Council, Bunnings, Gould Bros, Newcastle Uni, Westpac Bank, etc and will continue to do so in our endeavour to promote and develop 21C housing and neighbourhood design. We are learning both from experience and from partners like Newcastle Uni and the local chapter of the Institute of Architects.

9. Annual survey of residents with 90% satisfaction in the general and maintenance satisfaction result areas achieved.

10. All community development workers in all Branches are involved in local interagency groups and any areas of unrecognised need are designed to be feedback via these groups.
Enlarging tenant participation outcomes

1. The October EGM made a number of amendments to the Constitution and ensured that at a minimum the Chair of the Tenant Reference Group is an ex officio permanent Board member.

2. Compass Tenant Reference Group meets quarterly as a minimum.

Increasing business development opportunities & efficiencies

1. Promotion of the capabilities and benefits of growing community housing has been mostly achieved to date through PowerHousing with the Commonwealth Government and by CEO and Executive Manager Business Development with the NSW Ministers of Housing and Minister for the Hunter.

2. Compass has submitted tenders for SHGF 1, SHGF 2, and was successful in both. Compass received the highest financial funding in NSW as per Housing NSW annual report. Compass was also successful in both NRAS 1 & NRAS 2 and received NRAS incentives on top of our SHGF dwellings as well. Again Compass has been the recipient of the highest incentives in NSW. We have achieved a total of 156 dwellings through tender opportunities being 61 dwellings under SHGF1, 26 dwellings under SHGF2, & 69 under NRAS.

3. All constructions are presently in various stages of progress. Charmhaven is complete to lock up as are the two Cessnock sites. All projects are managed by the Project Control Group consisting of Compass and Housing NSW Staff.

4. Compass merged with Coastal Community Tenancy Scheme during the year and with Western Plains Housing Scheme after year end.

5. The registration of the business name ‘Compass Green’ and the submission of tenders for DECCW, as well as the development of Fee For Service arrangements with several LALCs were the main areas of diversification activity during the year.

6. Compass is actively involved in PowerHousing and the CEO is the elected Director/Treasurer for this organisation.
Significant Changes in the Year

The organisation merged with Coastal Community Tenancy Scheme based on the NSW Central Coast on 1 April 2010.

Three packages totalling 787 properties and with an estimated value of $240 million were provisionally awarded to the organisation during the year. In the event that this is formalised, the organisation will receive title to these properties.

No other significant changes in the company’s state of affairs occurred during the financial year.

Principal Activities

• The Community Tenancy Scheme, funded under the Commonwealth State Housing Agreement;

• The Affordable Housing Rental Program, funded under the former Commonwealth Government’s Building Better Cities Program.

The following significant changes in the nature of the principle activities occurred during the financial year:

• The organisation purchased 31 properties using grants provided under the NSW Government’s Social Housing Growth Fund Program and 4 under the Debt/Equity Two program with National Rental Affordable Scheme (NRAS) incentives. All these properties will be owned by the Company with the Social Housing Growth Fund properties being let to eligible Social Housing tenants and the Debt/Equity Two properties to low to moderate income tenants.

• The Company commenced construction of 24 properties under the Debt/Equity Two program. These will be partially funded by the NSW Government under NRAS 1(a), the Federal Government via NRAS incentives, Compass equity contributions and some debt funding. These will all be completed early in the new financial year.

• The organisation expanded the Fee For Service Tenancy Management Services it already provided to the tenants of the Aboriginal Housing Office by taking on the tenancy management of 70 properties for the Awabakal Aboriginal Co-Operative and Wellington Local Aboriginal Land Council.

Other than the purchases, Fee For Service activities and future development activities mentioned above, there has been no significant change in the activities of the organisation or the nature of these activities during the year.
DIRECTORS’ REPORT CONTINUED

After Balance Date Events

On 1 September 2010, Western Plains Housing Scheme merged with Compass Housing Services. Western Plains managed approximately 60 properties under the Community Tenancy Scheme.

Future Developments

A further 15 properties to be funded under Social Housing Growth Fund Two and 24 under NRAS/Debt/Equity Two programs had deposits put down on them during the year and will settle in the 2010-11 financial year.

Environmental Issues

The Directors believe the company has complied with all significant environmental regulations under a law of the Commonwealth or of a state or territory.

Dividends

The Corporations Law prohibits a Company Limited by Guarantee from paying dividends.

Shares in Companies

The company does not hold shares in any related company or corporation.

Indemnifying Officer or Auditor

During the year, the company effected a directors and officer’s liability policy. The insurance policy provides cover for the directors named in this report, the company secretary, officers and former directors and officers of the company.

This policy prohibits the disclosure of the nature of the indemnification and the insurance cover, and the amount of the premium.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.
DIRECTORS’ REPORT CONTINUED

Information on Directors

Matthew Dougherty

Qualifications
Bachelor of Social Work, Graduate Certificate in Management and Organisational Leadership, Masters of Social Work

Responsibilities
Chairman - Member since 2005

Meetings
Board

Attendance
10

Possible
10

Matthew Crozier - resigned 23/11/2009

Qualifications
Bachelor of Economics (1c Hons), Masters in Environmental and Resource Economics, Masters in Transport Management and Planning

Responsibilities
Chairman (until 23/11/2009) - Member since 2005

Meetings
Board

Attendance
1

Possible
4

Sue Dark

Qualifications
Bachelor of Social Science and Masters of Human Services Management (Social Science)

Responsibilities
Deputy Chairman - Member since 2004

Meetings
Board

Attendance
10

Possible
10
## DIRECTORS’ REPORT CONTINUED

### Information on Directors

<table>
<thead>
<tr>
<th>Director</th>
<th>Qualifications</th>
<th>Responsibilities</th>
<th>Meetings</th>
<th>Attendance</th>
<th>Possible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tim Curran</td>
<td>Bachelor of Computer Science, Masters in Social Change and Development and MBA</td>
<td>Treasurer - Member since 2004</td>
<td>Board</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Sandra Calland</td>
<td>Director Hunter and Central Coast Tenants Advisory Service, Skills in Housing Policy Development and Tenant Advocacy</td>
<td>Director and Member since 2004</td>
<td>Board</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Stephen Barr - appointed 23/11/2009</td>
<td>Qualified Surveyor and Town Planner. He has over 17 years experience in the development industry.</td>
<td>Director</td>
<td>Board</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>
Information on Directors

<table>
<thead>
<tr>
<th>Director</th>
<th>Qualifications</th>
<th>Responsibilities</th>
<th>Attendance</th>
<th>Possible</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Kwesi Addo</strong></td>
<td>Bachelor of Law, MBA Lawyer, Turton Lawyers</td>
<td>Director - Member since 2005</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td><strong>Michelle Robinson</strong></td>
<td>Tenant Member, Ex Officio as the elected representative of the Compass Tenant Reference Group</td>
<td>Director - Member since 2007</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td><strong>Rosanne Chalmers - resigned 23/11/2009</strong></td>
<td>Tenant Member</td>
<td>Director - Member since 2006</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>
## DIRECTORS’ REPORT CONTINUED

### Information on Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Qualifications</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Greg Kerr</strong></td>
<td>Director</td>
<td>Lawyer, Industrial Relations &amp; Employment Law Specialist.</td>
</tr>
<tr>
<td><strong>Steve Edmonds</strong></td>
<td>Director</td>
<td>Masters in Business (Economics) and Masters in Affordable Housing. Former Director of Landcom in the Hunter.</td>
</tr>
<tr>
<td><strong>William Smith</strong></td>
<td>Director</td>
<td>Case Worker for Department of Community Services and a former director of Awabakal Co-Operative.</td>
</tr>
</tbody>
</table>

### Attendance

<table>
<thead>
<tr>
<th>Name</th>
<th>Board Attendance</th>
<th>Board Possible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greg Kerr</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Steve Edmonds</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>William Smith</td>
<td>2</td>
<td>6</td>
</tr>
</tbody>
</table>
**DIRECTORS’ REPORT CONTINUED**

Information on Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Appointment Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paul Johnson</td>
<td>29/03/2010</td>
</tr>
<tr>
<td>Jane North</td>
<td>06/09/2010</td>
</tr>
</tbody>
</table>

**Paul Johnson - appointed 29/03/2010**

- **Qualifications**: Retired CEO. He is also a qualified accountant and CPA.
- **Responsibilities**: Director
- **Meetings**: Board
- **Attendance**: 3
- **Possible**: 3

**Jane North - appointed 06/09/2010**

- **Qualifications**: LLB, Accredited Specialist Wills & Estates
- **Responsibilities**: Director
- **Meetings**: Board
- **Attendance**: 0
- **Possible**: 0

**Insurance Premiums Paid for Directors**

The company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company.

A run-off policy is in place to indemnify the former directors of the Coastal Community Tenancy Scheme.
DIRECTORS’ REPORT CONTINUED

Auditor’s Independence Declaration

A copy of the auditor’s independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 14.

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

Sue Dark
Director

Paul Johnson
Director

Dated this 22nd day of October 2010
INDEPENDENT AUDITOR’S REPORT


The accompanying concise financial report of Compass Housing Services Co Ltd which comprises the statement of financial position as at 30 June, 2010, and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year ended on that date and the discussion and analysis and related notes and the directors’ declaration is derived from the audited financial report of Compass Housing Services Co Ltd. The concise financial report does not contain all the disclosures required by Australian Accounting Standards.

Directors’ Responsibility for the Concise Financial Report

The directors of the company are responsible for the preparation and fair presentation of the concise financial report in accordance with Australian Accounting Standard AASB 1039: Concise Financial Reports (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

Our procedures in respect of the audit of the concise financial report included testing the information in the concise financial report is derived from and consistent with the full financial report for the year, and examination on a test basis of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is presented fairly in accordance with Accounting Standard AASB1039: Concise Financial Report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.
INDEPENDENT AUDITOR’S REPORT CONTINUED

Independence

In conducting my audit, I have complied with the independence requirements of the Corporations Act 2001. I confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Compass Housing Services Co Ltd on 18th October 2010, would be in the same terms if provided to the directors as at the date of this auditor’s report.

Qualified Auditor’s Opinion

Bishop Collins Chartered Accountants were not the appointed auditor for the year ended 30 June 2009. Whilst our audit techniques include the agreement of opening balances to the 2009 financial report, we disclaim any responsibility for the comparative figures and related disclosures.

Name of Firm: Bishop Collins Chartered Accountants

Name of Partner: David McClelland

Auditor’s Registration No. 320260

Address: Unit 1, 1 Pioneer Avenue, Tuggerah NSW 2259

Dated this 18th day of October 2010
AUDITOR’S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

I hereby declare, that to the best of my knowledge and belief, during the year ended 30 June, 2010 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Name of Firm: Bishop Collins
Chartered Accountants

Name of Partner: ______________________________
David McClelland

Auditor’s Registration No. 320260

Address: Unit 1, 1 Pioneer Avenue, Tuggerah NSW 2259

Dated this 18th day of October 2010
DIRECTORS’ DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 53-60, are in accordance with the Corporations Act 2001 and:
   (a) comply with Accounting Standards; and
   (b) give a true and fair view of the financial position as at 30 June, 2010 and of the performance for the year ended on that date of the company.

2. In the directors’ opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Sue Dark - Director

Paul Johnson - Director

Dated this 22nd day of October 2010
DISCUSSION AND ANALYSIS OF THE FINANCIAL STATEMENTS

The concise financial report is an extract from the full financial report for the year ended 30 June, 2010. The financial statements and disclosures in the concise financial report have been derived from the financial report of Compass Housing Services Co Ltd. A copy of the full financial report and auditor’s report will be sent to any member, free of charge, upon request in writing or by email.

The discussion and analysis is provided to assist members in understanding the concise financial report. The discussion and analysis is based on Compass Housing Services Co Ltd financial statements.

Statement of Comprehensive Income

The profit from ordinary activities for the year is $520,665, which compares to a profit of $837,482 in 2009. Total profit for Compass Housing Services Co Ltd including grants received under the Social Housing Growth Fund One, Social Housing Growth Fund Two, Debt/Equity & Affordable Housing Innovation Fund tenders, a Grant from The Building Better Cities Committee and the sale of the Frith St, Kahiabah property was $13,245,755.

Income from tenants, operating grant income and NRAS Incentives increased from $8,511,370 to $12,509,880 representing a 47% rise year on year. The NRAS Incentives were received for the first time in 2009-10 and contributed $528,156 of the increase in income. Other revenue increased $451,928 (or 18%) to $2,929,995. The main differences from last year were the receipt of a $660,000 grant from the Building Better Cities Committee, which was put toward the purchase of Affordable Housing, and an increase in management fees of $418,825 related to Fee For Service Tenancy Management & Upgrade Management for third parties. This was partially offset by a $739,395 reduction in upgrade works completed on Stock Transfer Properties.

The main factors contributing to the improvement of the Company’s income other than the one off grant items previously referred to were:

An increase in property numbers from around 1,130 to approximately 1,740 by year end 2010. The properties acquired from Coastal Community Tenancy Scheme as part of the merger with Compass Housing contributed 252 of the increased numbers. There were also significant increases due to stock transfers, particularly in the Upper Hunter and also Nation Building Stage 1 properties. The company also purchased an additional 32 properties under the Social Housing Growth Fund Stage 1 & 2 tenders. These events, along with full year contributions from the previous year’s stock transfers and the implementation of Commonwealth Rent Assistance Optimisation, boosted rental income by $3,318,156 or 54%.

Increases in operating grant income of $152,198 largely due to the extra grant subsidies received for leasehold rent shortfalls related to previous Coastal Community Tenancy Scheme properties in the June quarter this year.
DISCUSSION AND ANALYSIS OF THE FINANCIAL STATEMENTS CONTINUED

Operating & Administration costs:

Increases in holding costs such as water and council rates and insurance as well as depreciation on Company owned properties were the main factors in a 26% increase in tenancy and property management expenses to $9,903,112. The increase in property numbers was the main reason for these increases.

With respect to administration costs, salaries and wages expenses have increased due to more staff being employed in the Company. This was required due to the establishment of the Muswellbrook and Dubbo Offices and includes the staff from the former Coastal Community Tenancy Scheme. In addition, the increase in the number of properties under management including those to be received as a result of the National Building Property tenders, the need to build capacity in the property upgrade and development area and the additional administrative support required due to this growth and the anticipated future growth of the organisation has also contributed to the need to employ more staff.

Office rental costs more than doubled due to the full year impact of the initial Hamilton Head Office rent and the expansion of this office into the adjoining areas to result in a more than doubling of space being leased. This was necessary to accommodate the additional staff being employed. A new premises was also leased in Dubbo to allow for the establishment of a branch there.

Depreciation expense for Property Plant & Equipment was significantly higher at $189,290 versus $89,582 due to the purchase of additional motor vehicles and computers as a result of the expansion in staff numbers and operating locations.

Depreciation of $416,081 was also taken up in respect to the new properties purchased during the year with the Social Housing Growth Fund and Debt/Equity Two Grants.

Bad debt expenses increased from $86,165 to $255,890 or from 1.4% to 2.6% of tenant income. It should be noted this bad debts provided for, not actually written off. The increase reflects, both the increase in property numbers and a change in the mix of bad debt provisioning. Historically, water and maintenance invoice recovery rates are lower than tenant rent recoveries as tenants pay their rent first. As the number of tenants are increased, the increase in tenant arrears has grown at a slower rate than invoice arrears, thus the proportion that invoice arrears makes of the total arrears has risen. As we provide a higher percentage for bad debts on invoices than rents, this is reflected in a higher bad debt expense.
Statement of Financial Position

Total assets increased by $18,439,789 to $34,436,419 representing an increase of 115%. This increase is mainly the result of the properties purchased or in the process of being purchased using funds received under the Social Housing Growth Fund One, Social Housing Growth Fund Two and Debt/Equity tenders. This contributed $14,383,149 of the increase. The Office and vacant land acquired as part of the merger with Coastal Community Tenancy Scheme added another $575,383 of assets.

Cash assets including non current financial assets have increased by $3,493,280. This is partly due to the positive cash flows from operating activities but also included unspent funds held for Upgrade works to be undertaken on behalf of Housing NSW and the Aboriginal Housing Office. Funds totaling $933,662 were also acquired as result of the merger with Coastal Community Tenancy Scheme.

Receivables have fallen slightly from $888,796 to $834,957.

Total liabilities increased from $1,144,863 to $5,287,307, representing a 362% increase. The main factors contributing toward this are higher unearned grants, largely due to unexpended upgrade funds and the taking on of loan facilities of $816,000 for Debt/Equity for purchases and construction projects. In addition, the company inherited a loan of $147,000 in respect to the Toukley Office of Coastal Community Tenancy Scheme and also recognised the financing facility attached to our prepayment of our insurance premiums which totalled $361,000. It should also be noted that the provisions for Annual leave and Long Service Leave have also risen significantly. This has arisen due to the rise in staff numbers and also the length of service of some employees.

The equity of the Company has increased due to an increase in retained profits of $13,245,755. This is primarily the result of the one off impact of the $12,447,723 in Social Housing Growth Fund One, Social Housing Growth Fund Two and Debt/Equity Two Grants received during the year.
Statement of Cash Flows

The net cashflow for the year was a surplus of $3,145,684 compared to a surplus of $178,564 for the previous year. This year’s number includes $933,662 received from the merger with Coastal Community Tenancy Scheme.

Cash provided from operating activities was a surplus of $3,224,053 after excluding the impact of the one off capital grants received. This compares with a surplus of $548,637 in the previous period. The increase in the level of activity and unexpended upgrade grants were the main reasons for the increase in funds.

Cashflows from investing activities was a deficit of $14,511,249 compared to a deficit of $10,629,762 for the previous year. This was primarily due to the $14,465,867 spent on the Social Housing Growth Fund properties but also included money spent on the construction of Debt/Equity properties at Charmhaven and Lightfoot St/Allandale Rd, Cessnock as well as on four NRAS properties in Gosford.

The financing of the investment activities largely came from the Capital Grants of $11.788 million received from Housing NSW, with the balance coming from a Building Better Cities Grant, cash reserves, a debt facility of $816,000 and current year surpluses.
# Statement of Comprehensive Income

## For the Year Ended 30 June 2010

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Potential rental revenue</td>
<td>16,035,010</td>
<td>10,529,196</td>
</tr>
<tr>
<td>Less: rent lost through vacancies</td>
<td>(229,062)</td>
<td>(151,531)</td>
</tr>
<tr>
<td>Less: rental subsidies and rebates</td>
<td>(6,313,349)</td>
<td>(4,203,222)</td>
</tr>
<tr>
<td>Tenant income</td>
<td>9,492,599</td>
<td>6,174,443</td>
</tr>
<tr>
<td>Grant revenue</td>
<td>14,868,172</td>
<td>12,635,794</td>
</tr>
<tr>
<td>Other income</td>
<td>2,929,995</td>
<td>2,478,067</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>27,290,766</td>
<td>21,288,304</td>
</tr>
<tr>
<td>Administration expenses</td>
<td>(4,141,899)</td>
<td>(2,074,707)</td>
</tr>
<tr>
<td>Tenancy &amp; property management expenses</td>
<td>(9,903,112)</td>
<td>(7,883,699)</td>
</tr>
<tr>
<td><strong>Profit before income tax</strong></td>
<td>13,245,755</td>
<td>11,329,898</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Profit after income tax</strong></td>
<td>13,245,755</td>
<td>11,329,898</td>
</tr>
<tr>
<td><strong>Profit attributable to members of the company</strong></td>
<td>13,245,755</td>
<td>11,329,898</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset Revaluation Reserve Movement</td>
<td>(171,284)</td>
<td>(26,555)</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>(171,284)</td>
<td>(26,555)</td>
</tr>
<tr>
<td>Total comprehensive income attributable to members of the entity</td>
<td>13,074,471</td>
<td>11,303,343</td>
</tr>
</tbody>
</table>
## Statement of Financial Position
### As at 30 June 2010

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>.assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>5,333,161</td>
<td>2,187,477</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>834,957</td>
<td>888,797</td>
</tr>
<tr>
<td>Other current assets</td>
<td>1,862,049</td>
<td>1,350,842</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>8,030,167</td>
<td>4,427,116</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td>347,611</td>
<td>-</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>25,874,191</td>
<td>11,569,744</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>183,330</td>
<td>-</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>1,350</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>26,406,482</td>
<td>11,569,744</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>34,436,649</td>
<td>15,996,860</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>621,631</td>
<td>497,173</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>543,579</td>
<td>11,041</td>
</tr>
<tr>
<td>Provisions</td>
<td>308,738</td>
<td>112,533</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>2,779,274</td>
<td>465,093</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>4,253,222</td>
<td>1,085,840</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>1,008,880</td>
<td>48,663</td>
</tr>
<tr>
<td>Provisions</td>
<td>25,205</td>
<td>10,360</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>1,034,085</td>
<td>59,023</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>5,287,307</td>
<td>1,144,863</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>29,149,342</td>
<td>14,851,997</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserves</td>
<td>103,001</td>
<td>274,285</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>29,046,341</td>
<td>14,577,712</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>29,149,342</td>
<td>14,851,997</td>
</tr>
</tbody>
</table>
### STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

<table>
<thead>
<tr>
<th></th>
<th>Retained earnings</th>
<th>Asset Revaluation Reserve</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 1 July 2008</strong></td>
<td>3,247,814</td>
<td>300,840</td>
<td>3,548,654</td>
</tr>
<tr>
<td>Asset Revaluation Reserve Movement</td>
<td>(26,555)</td>
<td>(26,555)</td>
<td></td>
</tr>
<tr>
<td>Profit attributable to equity shareholders</td>
<td>11,329,898</td>
<td>11,329,898</td>
<td></td>
</tr>
<tr>
<td><strong>Balance at 30 June 2009</strong></td>
<td>14,577,712</td>
<td>274,285</td>
<td>14,851,997</td>
</tr>
<tr>
<td>Profit attributable to equity shareholders</td>
<td>13,245,755</td>
<td>13,245,755</td>
<td></td>
</tr>
<tr>
<td>Retained Earnings recognised on merger with Toukley</td>
<td>1,222,874</td>
<td>1,222,874</td>
<td></td>
</tr>
<tr>
<td>Asset Revaluation Reserve Movement</td>
<td>(171,284)</td>
<td>(171,284)</td>
<td></td>
</tr>
<tr>
<td><strong>Balance at 30 June 2010</strong></td>
<td>29,046,341</td>
<td>103,001</td>
<td>29,149,342</td>
</tr>
</tbody>
</table>
## Statement of Financial Position

**As at 30 June 2010**

<table>
<thead>
<tr>
<th>Statement of Financial Position</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Operating Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from customers</td>
<td>11,917,745</td>
<td>10,488,032</td>
</tr>
<tr>
<td>Payments to suppliers and employees</td>
<td>(13,396,370)</td>
<td>(12,609,530)</td>
</tr>
<tr>
<td>Interest received</td>
<td>217,102</td>
<td>136,203</td>
</tr>
<tr>
<td>Government grants</td>
<td>16,966,739</td>
<td>12,741,724</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(33,440)</td>
<td>(5,379)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>15,671,776</td>
<td>10,751,050</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Statement of Financial Position</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Investing Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>611,195</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from sale of plant and equipment</td>
<td>-</td>
<td>17,000</td>
</tr>
<tr>
<td>Payments for property, plant and equipment</td>
<td>(14,591,518)</td>
<td>(10,646,762)</td>
</tr>
<tr>
<td>Payments for investments</td>
<td>(347,597)</td>
<td>-</td>
</tr>
<tr>
<td>Payments for intangibles</td>
<td>(183,330)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(14,511,249)</td>
<td>(10,629,762)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Statement of Financial Position</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Financing Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from borrowings</td>
<td>1,177,849</td>
<td>57,276</td>
</tr>
<tr>
<td>Repayment of borrowings</td>
<td>(126,353)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash provided by financing activities</strong></td>
<td>1,051,495</td>
<td>57,276</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Statement of Financial Position</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net increase in cash held</td>
<td>2,212,022</td>
<td>178,564</td>
</tr>
<tr>
<td>Cash at time of merger - Toukley (31/03/2010)</td>
<td>933,662</td>
<td>-</td>
</tr>
<tr>
<td>Cash at beginning of financial year</td>
<td>2,187,477</td>
<td>2,008,913</td>
</tr>
<tr>
<td>Cash at end of financial year</td>
<td>5,333,161</td>
<td>2,187,477</td>
</tr>
</tbody>
</table>
1. Statement of Significant Accounting Policies

The concise financial report is an extract for the full financial report for the year ended 30 June, 2010. The concise financial report has been prepared in accordance with Accounting Standard AASB 1039: Concise Financial Reports, and the Corporations Act 2001.

The financial statements, specific disclosures and other information included in the concise financial report are derived from and are consistent with the full financial report of Compass Housing Services Co Ltd. The concise financial report cannot be expected to provide as detailed an understanding of the financial performance, financial position and financing and investing activities of the Compass Housing Services Co Ltd full financial report. A copy of the full financial report and auditor’s report will be sent to any member, free of charge, upon request.

The financial report of Compass Housing Services Co Ltd comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety. The presentation currency used in this concise financial report is Australian dollars.

Going Concern

The financial report of the company has been prepared on a going concern basis. This basis has been applied as the directors have received a guarantee of continuing financial support and it is the directors’ belief that such financial support will continue to be made available from government entities.

Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.
2. Revenue and Other Income

Revenue
Sales revenue:
Tenant Income 9,492,599 6,174,443

Government Grants Revenue
CSHA Government Funding 2,489,125 2,336,927
Social Housing Growth Fund 6,836,318 10,202,413
Other 2,035,368 96,454
National Rental Affordability Scheme 3,507,361 -
Total other income 14,868,172 12,635,794

Total sales revenue 24,360,771 18,810,237

Other revenue:
Interest received 217,102 136,206
Other revenue 2,712,893 2,341,861

Total revenue 27,290,766 21,288,304

Other revenue
Stock Transfer Upgrades 1,039,009 1,778,404
Building Better Cities 660,000 -
Miscellaneous Income 125,995 102,636
Service Charges & Rent 575,087 156,262
Recoveries 5,998 -
Donated Land at fair value - 290,000
Profit on Sale of Non-current Assets 306,804 14,559
Total other income 2,712,893 2,341,861

Interest revenue from:
Interest Received 217,102 136,206
Total interest revenue on financial assets not at fair value through profit or loss 217,102 136,206
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 CONTINUED

<table>
<thead>
<tr>
<th>3. Profit</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
<td></td>
</tr>
</tbody>
</table>

**Expenses**

Depreciation of property, plant and equipment | 605,371 | 99,083 |

**Bad Debts Written Off**

Bad Debts Written Off | 255,890 | 86,165 |
Total bad and doubtful debts | 255,890 | 86,165 |

**Tenancy & Property Management Expenses**

Bad Debts Written Off | 255,890 | 86,165 |
Depreciation & Amortisation | 605,371 | 99,083 |
Insurance | 570,078 | 393,192 |
Motor Vehicle Expenses | 70,662 | 41,659 |
Council Rates | 878,789 | 399,461 |
Rent | 4,814,646 | 3,873,290 |
Repairs & Maintenance - cyclical | 568,410 | 460,250 |
Repairs & Maintenance - responsive | 871,427 | 706,134 |
Repairs & Maintenance - transferred stock | 941,812 | 1,804,052 |

Total Tenancy & Property Management Expenses | 2,381,649 | 2,970,436 |

Third Party Upgrade Costs | 263,724 | - |
Client Surplus - Market Program | 135 | 306 |
AHO - Aboriginal House Off Clear | 321 | 1,097 |
BH DADC Clearing Account | 281 | 70 |
Fee for Service Repairs | 3,129 | 3,229 |
Bonds, Legals etc | 20,455 | 12,560 |
Books & Periodicals | 4,737 | 1,599 |
Sundry Expenses | 4,163 | 1,552 |
WLC- Wellington L/C Clearing A/c | 272 | - |
HPAD Expenses | 14,278 | - |
OC Repayment SHSP | 8,437 | - |
Toukley TW Refuge | 6,095 | - |

Total Other Expenses | 62,303 | 20,413 |
Total Expenses | 9,903,112 | 7,883,699 |

**Profit Continued on next page**
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 CONTINUED

3. Profit Continued

Administration Expenses
Accounting & Auditors Remuneration 47,497 24,259
Bank Charges 13,780 7,389
Electricity 29,889 16,683
Fringe Benefits Tax 3,983 11,842
Office Expenses 609,675 318,153
Rent 334,052 165,655
Salaries & Wages 2,798,676 1,401,499
Development Expenses 4,787 12,295
Conferences 88,056 29,774
Debt Collection Recovery 20,460 3,931
Dues & Subscriptions 24,642 10,169
Donations 4,966 2,881
Interest 33,440 5,379
Legal Expenses 28,543 14,933
Travel & Entertainment 93,390 49,865
Security Costs 6,063 -

4,141,899 2,074,707

4. Segment Reporting

The company operates in the state of New South Wales providing subsidised housing.
Our Mission

Greatly foster growth, quality, diversity and reach in providing housing and other human services, demonstrating harmony between sound governance and business management and being a leader in the areas of personal, social, environmental and corporate sustainability.

Our Focus

Is primarily toward low to moderate income earning households within our areas of direct influence and is also aimed at alleviating hardship within other areas of interest.

Our People

Will govern, lead, manage or work with diligence, competence and pursue excellence in their performance. Can expect they will be supported by an employer of choice.

Our Ethics

To treat our clients, partners, and stakeholders with empathy, respect, cooperativeness and diligence. To competently fulfil our legal, contractual, ethical and environmental obligations and responsibilities.
Our Two Significant Constitutional objectives

1. to relieve poverty, sickness, destitution, helplessness and distress of persons regardless of race, creed, colour or gender;

2. to obtain secure, affordable and sensitively managed housing for poor, needy and underprivileged people;

We believe having a secure and affordable dwelling is:

• close to a being a basic fundamental human need like food, water and air

• an essential for a proper functional family

• an essential for physical health, mental health, education, economic and community participation

• fundamental to a fully functional society

• presently not enjoyed by circa 200,000 households in Australia at present with another 30,000 households being added to that deficiency each year

• being addressed by all levels of government, but the enormity of the costs and resourcing issues remains a mammoth challenge

• the core mission of Compass Housing in partnership with government and other private community-focused companies and individuals.
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