

# COMPASS



**People**



**Place**



**Performance**

**Annual Report**  
2011/2012

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We are pleased to report that the financial year ending June 2012 saw

almost **\$1,000,000,000**  
in assets managed

over **\$170,000,000**  
Company's net assets

up to **\$50,000,000**  
in available borrowings to provide more affordable housing  
that will provide an economic flow on effect of up to \$250  
million – plus the social return on investment of \$50m = \$300m

**\$45,000,000**  
Total Revenue

**\$19,000,000**  
Net Surplus

another **\$7,400,000**  
awarded to Compass to deliver supported accommodation

**86%**  
Tenant satisfaction

## AWARDS

2012 Australasian Housing Institute's Professional Excellence in Leading Practice Award for NSW and ACT

2012 Finalist Hunter Business Chamber Awards for Customer Service

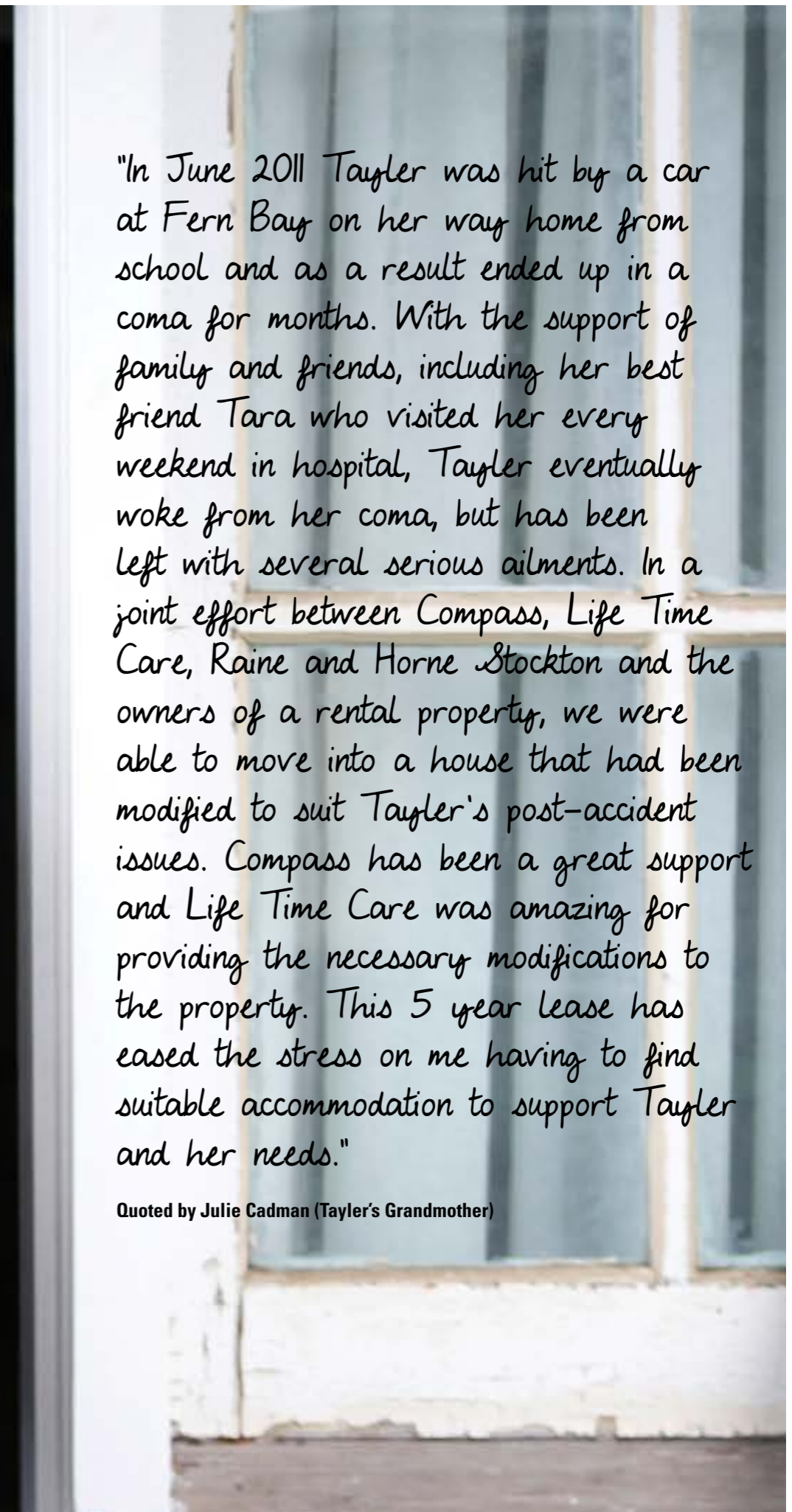
2012 Finalist Hunter Business Chamber Awards for Innovation to Environmental Sustainability

2012 Finalist Upper Hunter Business Chamber



"In June 2011 Tayler was hit by a car at Fern Bay on her way home from school and as a result ended up in a coma for months. With the support of family and friends, including her best friend Tara who visited her every weekend in hospital, Tayler eventually woke from her coma, but has been left with several serious ailments. In a joint effort between Compass, Life Time Care, Raine and Horne Stockton and the owners of a rental property, we were able to move into a house that had been modified to suit Tayler's post-accident issues. Compass has been a great support and Life Time Care was amazing for providing the necessary modifications to the property. This 5 year lease has eased the stress on me having to find suitable accommodation to support Tayler and her needs."

Quoted by Julie Cadman (Tayler's Grandmother)



# Company Profile

Compass Housing Services Co Ltd. (Compass Housing) is a not for profit organisation, established in 1984. Compass Housing is primarily about alleviating the hardship of housing stress for low-to moderate-income-earning households by providing secure and affordable housing and delivering housing products for disadvantaged people who have difficulties sourcing adequate and affordable housing.

Compass is the largest regional housing provider in Australia, currently managing 3349 properties. Compass operates from eleven facilities: a head office, nine branch offices in NSW, and one in Tasmania via a subsidiary relationship. These branches include a specialist Affordable Housing office, a Homelessness project and also a Community Hub, which we facilitate and partner with many organisations and the community to deliver a range of services. Compass operates in the Newcastle, Lake Macquarie, Wyong, Gosford, Maitland, Port Stephens, Cessnock, Singleton, Upper Hunter, Muswellbrook, Broken Hill, Central Darling, Dubbo, Wentworth, Wellington, Hobart, Tasman, Sorrell, Glamorgan/Spring Bay, Kingborough, Huon Valley and Glenorchy LGA's. Compass' head office and branch structure allows for continued growth of specialist skills over the whole organisation independent of the number of additional service centres or branches created.

Compass Housing manages social housing similar to Housing NSW and is regulated by the performance-based registration system in its operations. Compass Housing is registered as a Class 1 provider, meaning that it is a large organisation with the highest standard of performance. Compass Housing is very proud of the high level of service we provide.

For your targeted client group we aim to be 'your direction home'. We continuously work to increase the supply of housing for our potential clients, properly maintaining the housing assets and assisting clients in sustaining their tenancies.

### Awards

Compass was recently awarded the prestigious Australasian Housing Institute's Leading Practice Award as part of the Professional Excellence in Housing Awards 2012, NSW and ACT. This award reflects Compass' ability to work creatively and efficiently to achieve long term positive results for people with housing needs and recognises Compass as a leading housing professional showing commitment to developing and delivering real benefit for real clients.

Other awards achieved in 2012 include:

2012 Finalist Hunter Business Chamber Awards  
for Customer Service

2012 Finalist Upper Hunter Business Chamber

2012 Finalist Hunter Business Chamber Awards  
for Innovation to Environmental Sustainability

### Properties by LGA

Compass Housing currently manages 3,349 properties across 22 Local Government Areas.

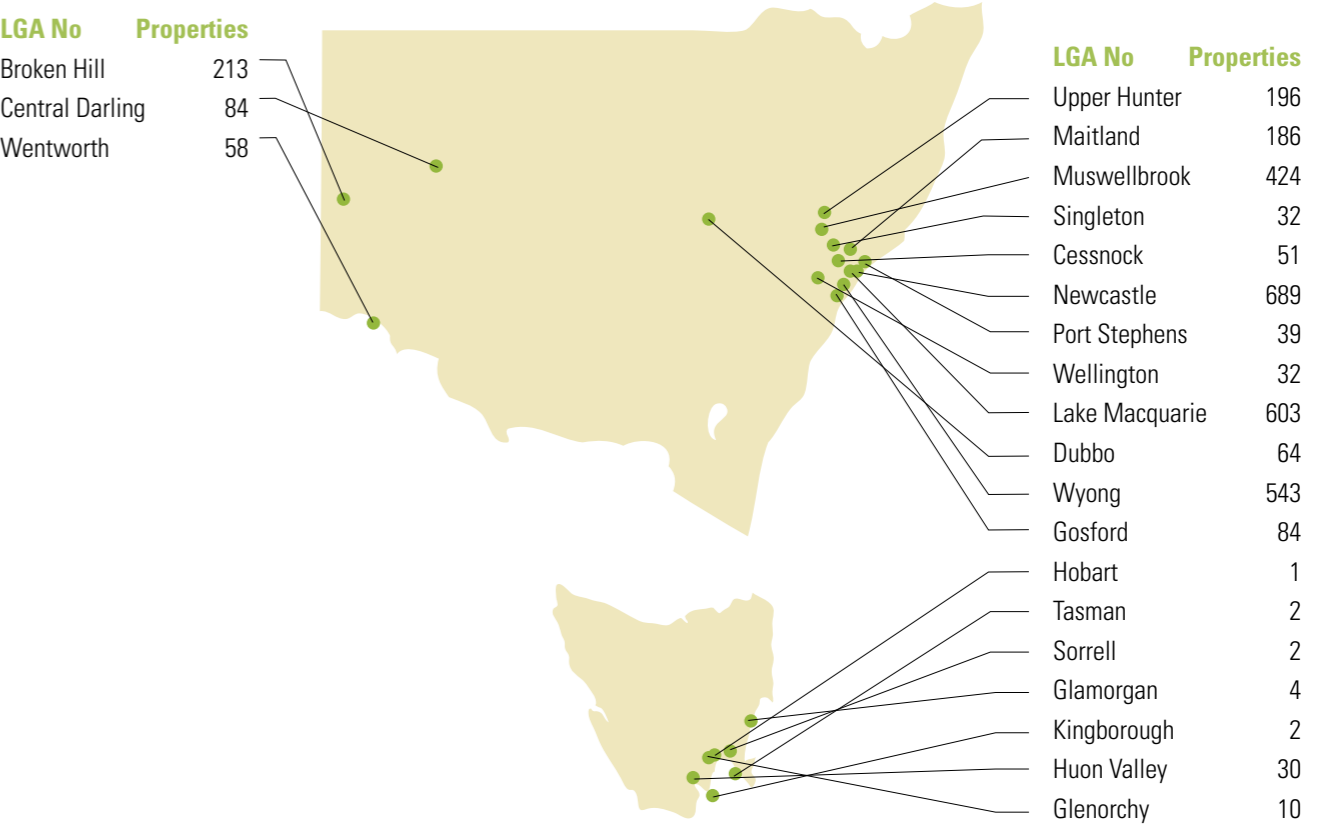


Of these properties, Compass owns 737 properties with 166 of these purchased under the NSW Government Social Housing Growth Fund and the National Rental Affordability Scheme State and Federal Government initiative. The remaining 571 Compass-owned properties were transferred as vested title from Housing NSW under the Nation Building Economic Stimulus Program. The balance of properties under management consists of 332 under Fee for Service arrangements, 1895 Housing NSW and Housing Tasmania capital properties managed under head lease arrangements, and the remaining 385 are private leasehold properties subsidised under the Housing NSW Community Housing Leasing Program.

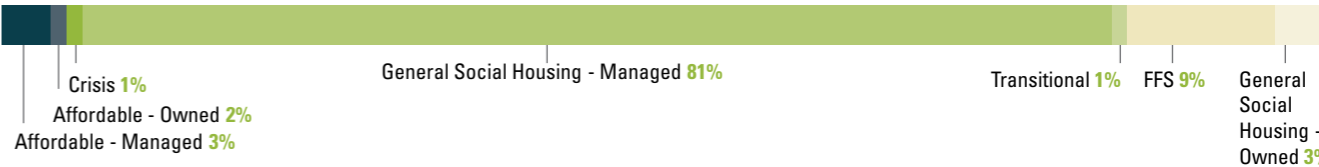
### Properties by Type



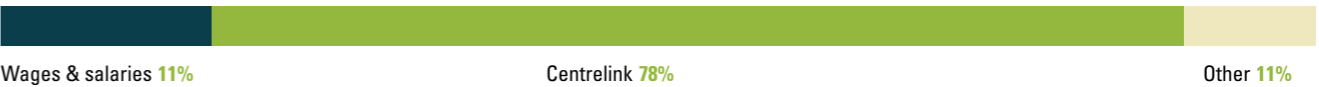
### Properties under management by LGA



### Tenancies by category



### Sources of tenant income



### Tenant demographics



# Services Chart



## Performance Driven People

At Compass we believe in our Values, Vision and Mission but we understand that organisations are defined by what they do rather than what they say. That’s why, as one of Australia’s leading diversified Community Housing organisations, we know our reputation is built on the quality of our work and the integrity of our actions. Key to delivering the right services and housing solutions for our people is our focus on understanding their needs, ensuring they are connected to their place and providing sound economic management, optimising performance.

"I have led an interesting and varied life. In my younger years I found myself on the wrong side of the law and was in and out of prison over a 10 year period. In my later years, I realised that I was an elder for my people and I had a duty to set an example. I am a proud and active member of the South Eastern Queensland Birin Tribe, I have studied religious studies and women studies at the University of New England, I am an artist, a father and a grandfather. Through Compass and the Samaritans I was able to find temporary accommodation and have since moved into medium term accommodation. I see myself as a father figure in the housing complex and I believe you need the spirit within first before you can help yourself and others."

Quote by Ruthervan 'Troy' Davidson

## Partnerships

Compass has a diverse range of housing programs including supported housing for people with a range of disabilities, housing for young parents, women and children escaping domestic violence, Aboriginal housing, aged housing and those experiencing homelessness. The supported housing program assists people who may have difficulties obtaining or maintaining housing in the public and private market due to their support needs.

Compass has extensive and well-developed relationships with a variety of support organisations that assist our tenants in supported accommodation to successfully live independently, ensuring these tenancies are secure and sustainable.

Some of the partnerships include:

*Housing NSW*

*Samaritans*

*Disability Housing and Accommodation Support Initiative (DHASI)*

*Awabakal*

*Neami*

*Carrie's Place*

*Hunter New England Health*

*Newcastle Youth Accommodation*

*Richmond PRA*

*New Horizons*

*ADSSI*

*Coast Shelter*

*Red Cross Young Parenting Program*

*Aboriginal Housing Office*

*Toukley Women's Refuge (Elandra)*

*Katakudu Women's Refuge*

*Yulawirri Nurai Indigenous Corporation*

*Dubbo Women's Housing Program*

*Orana Accommodation and Support Services*

*Mission Australia*

*Uniting Care Burnside*

*Life Without Barriers*

*Youth Accommodation Support Service (YASS)*

*Community Restorative Centre (CRC)*

*Nova*

*Ageing, Disability and Home Care (ADHC)*

*Catholic Care*

*Salvation Army*

*Baptist Community Services*

*Wesley Mission*

*BSC & Reaching Home*

*Catholic Care Youth Services*

*Salvation Army - Oasis Youth*

*CareWest*

*Challenge Disability Services (CDS)*

*Upper Hunter Mental Health*

*Ungooroo Aboriginal Corporation*

*Wellington Local Aboriginal Land Council*

*Wilcannia Local Aboriginal Land Council*

*Dareton Local Aboriginal Land Council*

*Charles Sturt University*

*Far West Area Health*

*Coal and Allied managed by Rio Tinto Coal Australia*

*Newcastle City Council*

*Cessnock City Council*

# People Place Performance

Compass aims to be more than merely a housing provider. While we certainly have a strong focus on ensuring lease obligations are met, we also work to engage with our **People** and encourage improvement in their physical and mental well-being, to provide the best opportunity for them to have a bright future.

We work to ensure that our people are connected to their **Place**, including their home, neighbourhood and community. Design of peoples’ neighbourhood and provision of facilities can underpin a positive sense of place and community. Social inclusion has personal, community and economic benefits and is improved by a more positive connection to place.

Housing assets are strategically optimised to meet housing demand with sound economic management. **Performance** in managing the housing asset so that it is of acceptable standard, and extending the life of the dwelling by diligent property management, crucial to maximising rental returns. Compass’ integrated approach to portfolio management includes people, place and performance.

Our strategy around this approach is outlined in the below table.

Core Business Strategy and Current Programs		
Integrated Approach to Portfolio Management	Principles and Assumptions	Current Programs
<b>PEOPLE:</b> People-Based Approach	(i) People and their improved lives are central. (ii) People need to fulfill higher order needs apart from basic to pursue happiness. (iii) People include those present and those to come. (iv) This pursuit benefits company and community. (v) Customer service approach increases participation and outcomes. (vi) Tenure options and security through stages of life are necessary for comprehensive People-Based Approach.	GROW – Health and Nutrition, Self Esteem and Well-Being, Generational Advancement, Security of Tenure. GROW A Star is our new, exciting youth oriented initiative which aims to encourage generational change by enabling children and youth access to sporting programs, music activities and academic opportunities.
<b>PLACE:</b> Place-Based Approach	(i) People tend to desire and need to be connected to their place (home, neighbourhood and community). (ii) Dwelling and neighbourhood design and provision of facilities can underpin a positive sense of place and positive community connectedness. (iii) Social inclusion has personal, community and economic benefits and is improved by more positive connection to place. (iv) Sensitivity to changing tenant health and mobility reflected in modification and/or design increases positive connection to place for relevant households.	GROW – Security of Tenure; Community Contribution; Economic Participation; Tenant Participation, Eco Builds and Neighbourhood Design 21C; Retrofitting operations - noise, nuisance and interference; Assets - maintenance and improvements. Compass Connect Program with project funding for Place Making and Community.
<b>PERFORMANCE:</b> Asset Based Approach	(i) A housing asset should be managed so that it is of acceptable standard. (ii) The life of the dwelling can be extended by diligent property management. (iii) The rental return on a property should be maximised by diligent tenancy management practices. (iv) Housing assets should be strategically optimised to meet housing demand and with sound economic management.	Operations – Access and Allocation, Tenancy Management, Property Management. Assets: Cyclical and Responsive Maintenance, Upgrade, Portfolio Optimisation Finance: Debt Management, Income Reviews.

# GROW

Out of the People, Place, Performance approach the Compass community is a connected community. Through our community development work, we are committed to supporting and strengthening individuals and families in an inclusive way. The GROW program allows us to take a holistic approach to our community development programs. We are assisting our clients to achieve self-reliance, contribute to solutions and participate in outcomes that affect them as individuals and ensure they are actively participating as members of the community.

Our GROW program incorporates our community development and environmental aspirations, aiming to enrich the lives of our tenants through enhancing their personal, social, environmental and economic sustainability. The GROW program also increases tenants’ awareness of and participation in:

- Health and nutrition programs
- Esteem and well-being programs
- Community contribution, economic participation and generational advancement
- Sustainable living practices
- Factors impacting on security of tenure

The focus areas for this program incorporate the principles of social inclusion, environmental sustainability and Compass additions. They are:

### Personal Sustainability (Health and nutrition; esteem and well-being; security of tenure)

Ensuring our clients’ personal sustainability is very important to Compass. Our clients’ sustainability concerns both health and well-being and our clients’ ability to maintain their tenancy. Personal sustainability is unique to each person. We encourage all of our clients to keep healthy physically, mentally and financially. We provide our clients with information about nutritious food and food preparation, healthy lifestyle and budgeting. We connect our clients with services that can assist them with lifestyle changes and achieving personal sustainability.

Ensuring security of tenure is important. Compass ensures that our clients are equipped with the skills and information they need to comply with their rights, responsibilities and obligations under their lease agreement. Compass has created programs specifically designed for new or existing tenancies that require assistance or support.

### Community/Social Sustainability (Community contribution; economic participation, generational advancement)

The Compass community is an important member of our wider community. For our community to remain sustainable we each need to contribute and participate. We can all be part of the “solution” to creating a more harmonious and productive community. We believe everyone has something to contribute; we are all responsible for the sustainability of the community. The Compass community is sustained through our clients’ participation and involvement. Compass has a robust and committed Compass Tenant Engagement Panel (CTEP) which actively encourages and supports tenant participation and has an elected representative on our Board.

The wider community also relies on our clients’ contribution to connect with others and develop strong and resilient communities. This connection and participation includes economic participation through employment, social enterprise, training and study as well as volunteering both to assist our own community and connecting our volunteers with the wider community and community organisations in need of assistance.

Compass has many initiatives in which clients can become involved. We offer opportunities for clients to meaningfully participate and interact with the community.

**Environmental Sustainability (Neighbourhood and building design and development for 21C; retrofitting environmental features to dwellings; greening the workplace)**

Compass is focused on acquiring knowledge on the best way to model how people should live in the 21st Century. Through extensive recognised research, both nationally and internationally Compass aims to include building projects that provide our clients the 'best practice' neighbourhood designs that provide and promote positive living and social inclusion. Compass will also aim to deliver results in retrofitting environmental sustainable features to its existing dwellings for the benefits of our clients and the community, and seek to lead the way in making its own organisational activities carbon neutral over time.

Environmental sustainability is a direct focus of Compass. We are committed to reducing the environmental impact of our operations. Compass has received recognition as a silver partner and was awarded through the Office of Environment & Heritage's Sustainability Advantage Program. We undertake a number of initiatives, such as the measuring of our resource consumption and continue to work towards new initiatives and efficiencies. Compass has also been awarded two years running and the third year as a finalist in the prestigious Hunter Business Chamber's Environmental Sustainability Award. The award recognised the commitment that Compass has towards Environmental Sustainability and the Environmental Sustainability initiatives that Compass undertakes.

**Corporate Sustainability (New environmental and/or business developments; efficiencies and improvements)**

Compass recognises also that there are significant funding and business opportunities that will be available to support our endeavours to assist our clients and the wider community. Compass has the skills, abilities and motivation to become successful in various ethical, sound business opportunities and to seek to use its growing economic strength and competitive advantage to create greater beneficial value for its clients and stakeholders. Sound business practices and good governance are adopted by Compass as an organisation. These attributes together with efficiencies and improvement in delivery of services enable Compass to be sustainable as an organisation.

## GROW A Star

Under the broad framework of our GROW program, Compass has delivered on a wide range of initiatives. Our most recent is the GROW A Star program which aims to encourage generational change by enabling children and youth access to sporting, music and academic activities and mentors.

Compass recognises that our children are our future. We are also aware that intergenerational issues can restrict our youth from achieving their true potential. Children in community housing are generally thought to be at a greater risk of multiple disadvantages than other members of society.

The program is based on a unique community engagement model which offers young community housing tenants the opportunity to gather together each week and participate in free, co-ordinated sporting and music activities. We are using these activities to introduce coaches, mentors and role models to teach specific sporting and music skills, promote healthy living, community engagement and social inclusion.

Compass is working hard to arrange a variety of talent development scholarships and opportunities for the next generation of our community. These weekly events enable us to identify and recognise individuals who are particularly skilled, or especially interested in, sporting, music, arts or academic pursuits.

## Our heroes of tomorrow



# Chairperson's Report

The past financial year has been one of consolidation and further steady growth for Compass Housing after the recent years of continued significant growth and pressure on the organisation.

While the growth of the Compass Group has eased over the last 12 months it has still grown at an excellent rate with rental income increasing from \$17.5 million in 2011 to \$24.7 million in the 2012 financial year, an increase of 41.14%. Total assets have increased by 21.8% to \$187,106,810 and net assets increased by 16.4% to \$170,131,288. This puts Compass in a very secure and strong position as it continues to pursue its Vision and Mission to provide more affordable housing and other community services to its current and future clients.

During the 2011 financial year Compass received title to some 571 properties from the NSW Government under its asset transfer program. Compass is required under this program to use the value of these assets to leverage them by taking out loans from the finance sector to allow the building and/or purchase of additional properties to house more eligible tenants. Late 2011, early 2012 the Board issued a tender document through an independent third party to the banking market for the provision of banking transactional services and the provision of a substantial loan to Compass to maximise its ability to achieve this. After a lengthy evaluation process the business was awarded to Westpac Banking Corporation with a loan facility of up to \$50 million to provide resources for additional housing. The take-up of these funds will occur during 2012/2013 and beyond.

The Compass Tenant Engagement Panel (CTEP) continues to work through various forums to engage with and involve more tenants in the work of the panel. During the past 12 months a review of the tenant participation model and the way the panel operated were carried out, and as a result some changes were made. One of these changes is in how the tenant panel is elected. The process now is that nominations are called from each branch area of Compass and elections are held at the community forums held in each branch area. A Board member is chosen from these elected tenants after the panel Annual General Meeting.

This elected panel member then becomes a Director of Compass. I want to thank the members of the Compass Tenant Engagement Panel for their efforts during the year to assist this review process and to contribute to the ongoing tenant involvement with Compass staff and the Board. This involvement is very important to tenant participation at Compass.

The Compass GROW program continued to provide Compass tenants with access to many services and facilities to enhance their tenant experience and improve their life situation. A new initiative this year was the launch of the Grow A Star program. This initiative provides the opportunity for Compass children and young people to develop and realise their potential in various avenues including sporting, education, music and others. This program is having a significant impact in the Central Coast area operating out of the KBT Hub with the help of various mentors and the Central Coast Academy of Sport. The program will be introduced, where possible, to other areas where Compass has branches in the future.

The Board maintained the use of Board Sub-Committees to allow specific focus on various areas of its operations. The Finance, Audit and Risk committee has detailed oversight of the finance and risk functions, and closely monitors progress against budget expectations. The Property Acquisitions and Business Development Committee oversees all areas pertaining to property portfolio mix and the property purchasing matrix to provide Compass with clear purchasing guidelines to maximise its use of funds. A new Sub-Committee introduced this year was the Community Engagement and Development Committee which works closely with the Board and staff to develop, grow and maintain our community engagement strategy, a continued focus of Compass.

The Board continues to strategically position itself for the future in a constantly changing housing and business environment. In the next 12 months a National Regulatory System for Community Housing Providers will be introduced by the Federal, State and Territory Governments. The Board believes that Compass is well positioned to take advantage of any opportunities that this change will allow. We continue to consider expanded operations across other areas of the country and also to consider any other services that we can efficiently offer. As a part of this the Board is considering a possible name change for the organisation. The Board is constantly reviewing how it can improve the organisation's structure and operation so that it can better serve its valued tenants and improve our overall offering to them.

The Board continues to review its own operations and processes, and as a result it will recommend some changes to the Constitution at the next Annual General Meeting later in the year. The Board believes that those changes will improve the operations of the Board and its Governance of Compass.

**The Board continues its commitment to having the right skills, knowledge and expertise on the Board to reflect the challenging needs of the organisation.**

I would like to thank the Board for its continued commitment to the sound governance of the organisation and its ability to work together to address the complex issues that arise in an organisation of this size and complexity. I also thank them for their continued efforts on behalf of the organisation. The Board has demonstrated that it is well equipped with a diverse range of skills to navigate the group through a challenging but exciting future. I wish to acknowledge the former Chairman Matt Dougherty who resigned from the Board in July 2012, due to work commitments, after six years as a Director. Matt was a member of the Board during a period of unprecedented growth and change and he assisted the Board to manage this extremely well.

I also want to thank the Chief Executive Officer, Greg Budworth, and all the executive management team for leading the organisation through another year of tremendous achievement and success. They have maximised the position that Compass is in by astute management. I also wish to acknowledge and thank all the other Compass staff who have continued to provide excellent service to all of our tenants and other stakeholders who we deal with in a myriad of ways.

Compass has enhanced its position as a leading community housing provider during the year, and is in a strong position to take advantage of any opportunities that may arise in the future, I am sure that it will continue to be a leading community housing provider across Australia in coming years.

It has been another rewarding year for the Organisation and I have been honoured to be the Chairperson.

**Paul Johnson**

Chairperson



# Treasurer's Report

Continuing the trend of recent years Compass achieved impressive financial results for 2011-2012 on the back of a significant expansion in its housing portfolio and improved operating efficiencies. The number of properties under management increased to 3,349 during the period, resulting in a 41% increase in tenant rent and a 15% increase in operating grants from the Commonwealth and NSW Governments. Total revenue from normal business activities increased by 27% from \$28,717,610 to \$36,497,122. Operating expenses increased significantly on last year but at a lesser rate than income. Tenancy and Property Management expenses increased by only 12% to \$16,522,044, while Administration expenses increased by 34% to \$9,636,893. It is very satisfying to see revenue growth continuing to outstrip the increases in direct and indirect costs as Compass grows.

For the most part this reflects the ongoing shift in our housing portfolio towards more capital properties, and newer and better maintained properties. Crucially though, this trend also reflects improved operating efficiencies delivered by productivity measures such as the implementation of the Greentree Enterprise Resource Planning system.

Like last year, the financial statements are dominated by the increase in properties for which Compass now holds title. Most of this change has occurred as a result of title being vested with Compass for properties previously owned by the NSW Government, and the balance relates to new properties acquired by Compass with capital grants from both Federal and State Government. The impact of this change on the Statement of Financial Position and Statement of Comprehensive Income is substantial.

**Net Assets increased by \$23,933,695, or 16%, to \$170,131,288, with the vast majority of this being attributable to the 19% increase in the value of Investment Property which now stands at \$163,728,310.**

The fair value adjustment amount of \$9,402,225 associated with some of these investment properties represents 20% of total revenue for the year.

There are two other noteworthy changes in the Statement of Financial Position. First, Net Assets were boosted by the addition of STEPS Housing Limited's \$4,723,304 net assets into the reporting group (an explanation of this event is provided in the Auditor's Report). Second, the level of borrowings rose from \$1,993,958 to \$10,828,384. These current borrowings are part of a much larger loan facility of circa \$50 million which, when fully drawn down, will enable Compass to build 170 additional affordable houses in the Hunter and Central Coast through various Government schemes.

The operating cash flow was again strong this year at \$8,741,331, while the aforementioned loan facility provided net cash of \$6,732,389 during the year. Net cash associated with investing activities was (\$12,659,052), with some \$12,558,544 being used to purchase and develop new affordable housing stock. Net cash and cash equivalents increased by \$2,894,450 to \$11,933,129 during the year.

Compass again engaged Cutcher and Neale to conduct our internal audit process which, this year, focused on asset management, complaint handling, property acquisition, fraud controls, cash handling, and IT security. Pleasingly, the audits did not identify any significant risks or deficiencies with Compass' policies and practices; and equally pleasingly, the internal auditors did make recommendations, subsequently actioned by management, as to how Compass could further improve its performance in each of these areas.

I would like to congratulate Greg Budworth and all Compass managers and staff for their exceptional performance throughout the year. I would also like to thank and congratulate Chief Financial Officer, Paul Douglas and his finance team who have astutely managed Compass' finances during the year and who have produced accurate and insightful reports and modeling tools which have greatly aided the work of the Compass Board. My thanks also to the members of the Finance, Audit and Risk Committee for their important contribution to the work of Compass.

**Tim Curran**  
Treasurer

## 16%

Increase in assets

## \$164 million

in investment properties

## \$12 million

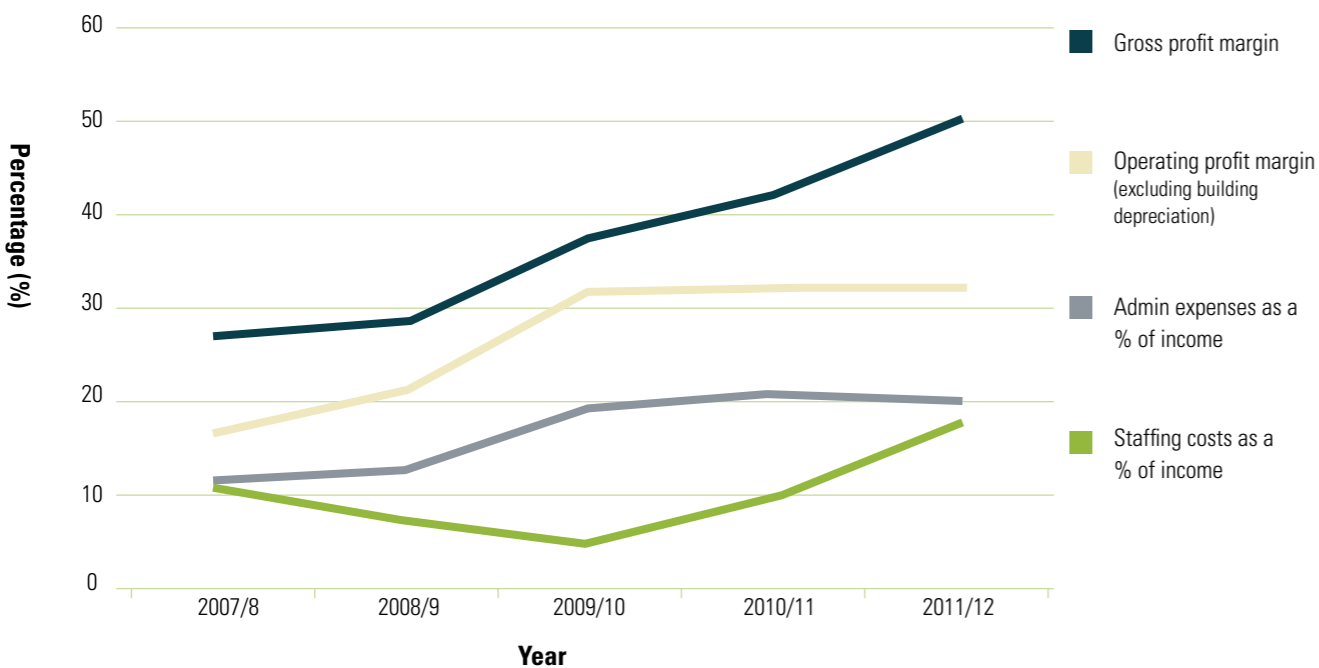
in cash



# Chief Executive Officer's Report

It was another excellent year for Compass and quite an historic one in terms of growth in net assets and heralds the financial net worth of the organisation which as of 30 June 2012 was \$170 million.

Compass made a healthy surplus for the Financial Year of \$19.1 million and is seeing the benefit of scale economies with the proportion of income expended in direct property costs falling – thereby gross profit margin increasing and the proportion of other overheads remaining stable as a proportion of income. The trend to greater economies of scale can be seen from the following graph:



These economies of scale have enabled Compass to be financially viable and sustainable, have adequate reserves for maintenance into the future and for the creation of additional dwellings through borrowings.

In previous years Compass has been quite successful in competing for Commonwealth and/or NSW Governments' capital funding under programs such as: Social Housing Growth Fund (SHGF), Affordable Housing Innovation Fund, National Rental Affordability Scheme (NRAS), the Nation Building and Economic Stimulus (NBESP) and the Asset Ownership Programs. These provided Compass the ownership or title of 737 currently managed properties, with 571 of those under NBESP and another 457 titles expected to be delivered in this current financial year under that program.

This has been largely responsible for the increase in Compass net assets to \$170 million and there is a further circa \$170 million in property assets expected. The most important

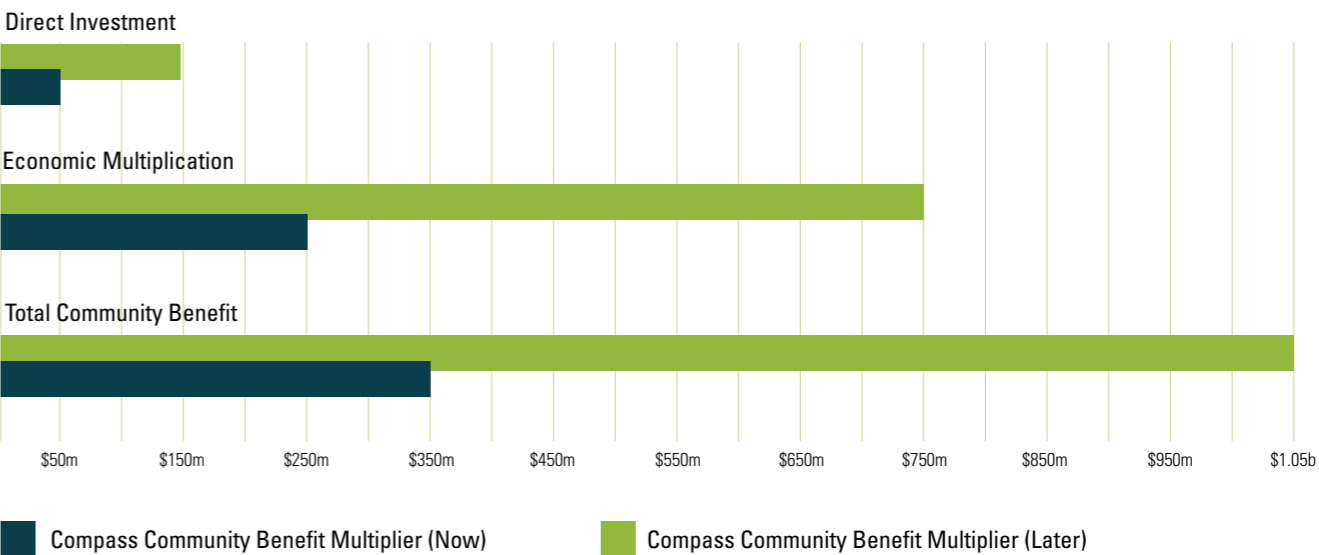
aspect of having a large amount of property assets is the increase in the borrowing capacity that increased equity, as well as increased cash flow, brings.

In accordance with program design, Compass will develop or acquire approximately 170 dwellings over the next 10 years, most of them in the next two years. We are very happy to be involved directly in the increase of supply of affordable housing.

Compass will be injecting an historic \$50 million into additional supply of 170 affordable dwellings and has this size line of credit facility in place with our finance partner Westpac Banking Corporation. This will assist this number of qualifying households and provide an economic flow-on effect of up to \$250 million<sup>1</sup> and a likely social return on investment (SROI) of at least 1:12 or an additional \$50 million to the communities where Compass operates in, bringing the benefit to the community of the \$50m borrowings to an approximate additional \$300 million.

To highlight the effect of having additional properties under management, additional investment with the resultant additional return of that investment – see following chart.

Date	Properties Under Management	Debt Facility	Economic Multiplication	Social Return on Investment	Total Community Benefit
Now	3,400	\$50m	\$250m	\$50m	\$350m
Later	10,000	\$150m	\$750m	\$150m	\$1.05 billion



Otherwise, the 2011/2012 Financial Year has been one of consolidation, as available property numbers increased around 8% during the year from 3,105 at the end of June 2011 to 3,349 at the end of June 2012. For 30 June 2012 assistance was provided across a range of program categories although general social housing continued to be our major supply source with 81 new tenancies housed through Pathways, Housing NSW common access waiting list, housing 373 persons. There were also an additional 45 NRAS properties, which have housed 81 persons and a further 11 affordable housing properties that have housed an additional 20 persons.

With the number of our household members exceeding 5,600, by far the most common category is single member households making up 53% of the range of household types we housed at the end of June 2012.

Across all property categories including Fee for Service programs just over 15% of our households are indigenous, over 3% of our households have one or more family members from non-English speaking backgrounds and 33% of households include family members with a disability. At the end of year, the principal tenant was aged 75 or over in 8% of households and was aged under 25 in nearly 6% of households while the average age of a Compass tenant is 35.

This year also saw the development of the Compass Operating Paradigm for property and tenancy management, called Compass Connect: People, Place & Performance Approach. This integrates the community development and sustainability initiatives under the GROW program with robust general portfolio management and an increased emphasis on place-based initiatives in the coming year. Compass was awarded the 2012 NSW Chapter Australasian Housing Institute's Leading Practice Award based on this approach.

Launched some two years ago our GROW program continues to go from strength to strength with several new initiatives this year. The launch of Grow A Star in July saw a joint partnership program developed between Compass and other agencies or organisations in the community that provides opportunities for our younger tenants to access elite training, development and mentoring opportunities through scholarship and/or mentoring schemes. Westpac has been particularly supportive donating \$10,000 to the program and setting up a promotional campaign via their ATM network. Through this program there were 45 events held during the year with a total of 556 attending these activities and having the opportunity to receive assistance and support from mentors on 54 occasions.

Community Development officers have linked up with JobQuest to promote employment and training opportunities during the year, a partnership that has seen six of our tenants employed either casually or part time in the areas of landscaping, grounds maintenance and facility cleaning, four of these tenants have received their OHS “white card”, participated in small motor maintenance training and the Smith Family Saver Plus program, three have completed First Aid Training, two received a Statement of Attainment for Asset Maintenance and one completed Certificate II Asset Maintenance with JobQuest.

There have been 327 occurrences where tenants participated in volunteering programs including community gardens, Grow A Star and CTEP. Compass has provided outreach facilities and activities through the KBT Hub on the Central Coast that have been well patronised by our tenants, tenants of other local community housing providers and Housing NSW tenants. The KBT Hub has proven successful holding a range of activities throughout the year with 1,008 attendees from Compass, DOH, other community housing providers and the local community. As well, tenant volunteers operated a weekly fruit box program from the Hub selling 286 fruit boxes to local tenants and community members.

Other notable items that will be highlighted in other reports by responsible executive managers include:

- The commencement of This Way Home – homelessness initiative with Housing NSW and other NFP Homelessness Service Providers;
- Launch of My Place Property to manage Compass affordable properties;
- Commencement of outreach offices program with Swansea service commenced;
- Partnership with Coal and Allied to employ an Aboriginal trainee housing manager;
- Additional Aboriginal housing manager traineeship commenced in Dubbo;
- Completion of retro-fitting water saving devices to all properties;
- iPhone/iPad application developed for field maintenance reporting;
- \$7.4 million awarded to Compass under the Supported Accommodation Innovation Fund (Cmth. Gov.);
- Highest Accreditation under the Australian Community Housing Standards;
- Continued Class 1 Registration under NSW Regulatory Registration System;
- The Australasian Housing Institute’s Professional Excellence in Leading Practice Award 2012 for NSW and ACT;
- Finalist Hunter Business Chamber Award for Customer Service;
- Finalist Hunter Business Chamber Award for Innovation to Environmental Sustainability;
- Finalist in Upper Hunter Business Chamber Awards;

- During the year the Community development team was successful in attracting grants in excess of \$22K including:
  - \$5K from NRMA Community Grants to assist us run our “Personal Emergency Plan” program designed to provide a toolkit to tenants for establishing an emergency, crisis or natural disaster action plan for the home
  - \$10K through the Community Housing Assistance Program for establishing an online forum for tenants to participate in community forums held during the year
  - \$5K to run programs and activities through the KBT Hub
  - \$2K from the Hunter Water Corporation under their environmental sustainability program to assist with a water tank purchase for a tenant

Compass also assisted its subsidiary STEPS Housing Co in Tasmania to deliver services in that state.

I would like to thank the Board of Directors, the Executive Managers, Compass staff and tenants, our support partners, contractors, consultants and our various local, State and Commonwealth Governments’ partners who delivered services to members of the community in 2011-12.

### **Greg Budworth**

Chief Executive Officer

Notes:

<sup>1</sup> Harley Dale, Chief Economist, Housing Industry Association, personal interview 13 September 2012

<sup>2</sup> SROI includes positive benefits flowing from stable and secure housing, for example enhanced employment opportunities, and the minimisation-elimination of the cost of managing those that are homeless and dealing with some unpleasant social outcomes that can arise from being marginalised and significantly disadvantaged in the community. The ratio of 1:1 is used in the UK and that figure is used in the absence of the Australian SROI modelling which is currently being developed.



# Highlights

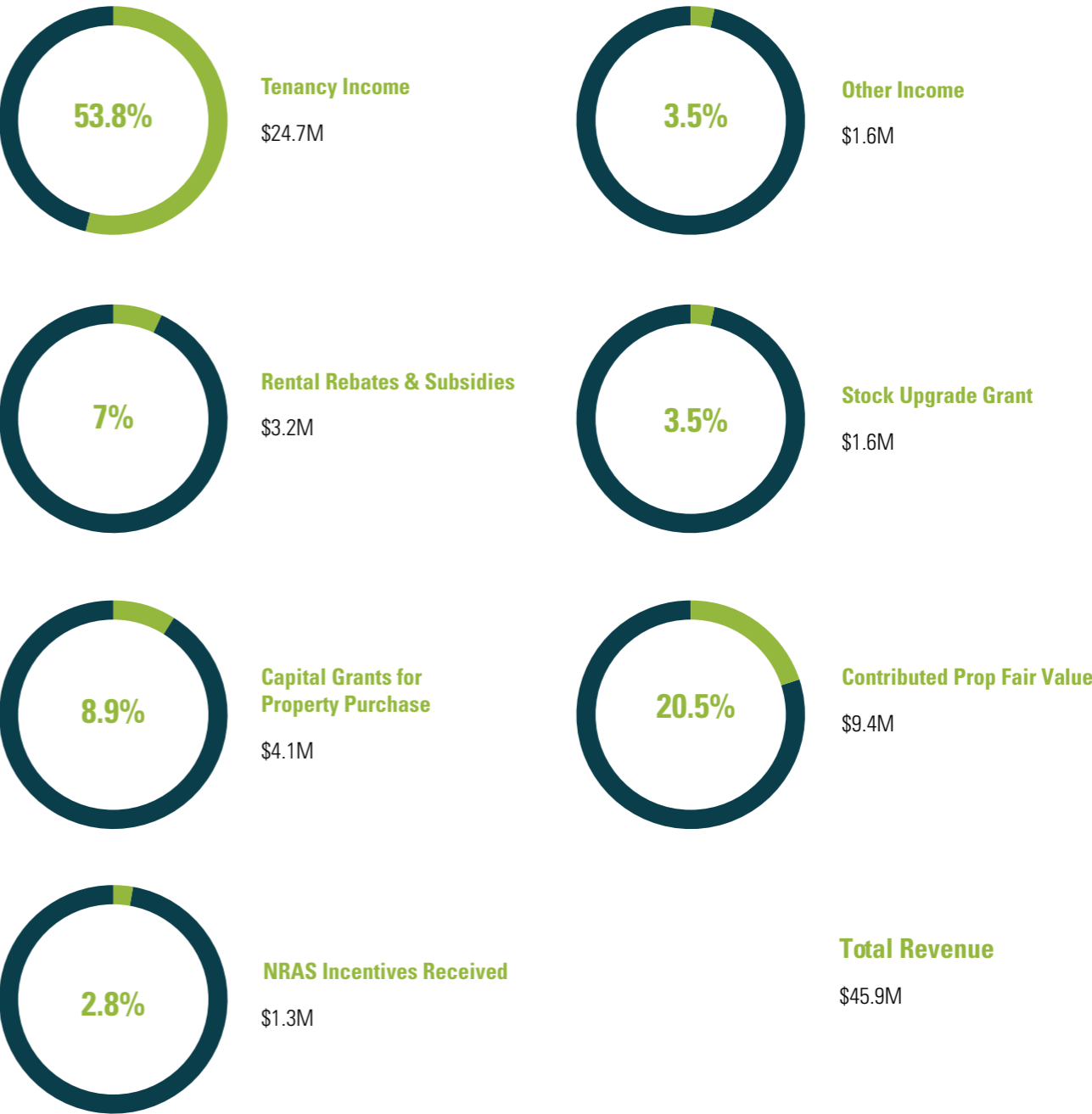
## Key Performance Indicators

	2012	2011	2010
<b>New dwellings</b>	244	1,225	786
<b>Tenant Satisfaction</b>			
Overall satisfaction with the organisation	86%	89%	90%
<b>Service Development</b>			
Total Properties Managed as at 30 June	3,349	3,105	1,880
<b>Financial Management</b>			
Cash at end of year	\$11.9M	\$9.0 M	\$5.3 M
Net Profit	\$19.2M	\$116.8 M	\$13.2 M
<b>Net Operating Profit</b>			
(ex Capital Grants/Contributions)	\$5.7M	\$3.9 M	\$4.4 M
Retained Profit	\$55.0M	\$146.1 M	\$29.1 M
<b>Housing Management</b>			
Arrears	1.5%	1.6%	1.9%
Market Rent loss via void/vacancy	2.0%	0.7%	1.4%
<b>Maintenance</b>			
Combined Maintenance expenditure	\$6M	\$5 M	\$2 M

## Awards Received

- 2012 Australasian Housing Institute’s Professional Excellence in Leading Practice Award for NSW and ACT
- 2012 Finalist Hunter Business Chamber Awards for Customer Service
- 2012 Finalist Hunter Business Chamber Awards for Innovation to Environmental Sustainability
- 2012 Finalist Upper Hunter Business Chamber

## Revenue Category



# Executive Manager Business, Organisational and Environmental Development Report

It has been another significant year for Compass with the continuation of growth across the organisation. We are pleased to report that Compass delivered a solid result for 2012 with the total surplus (after tax and excluding Fair Value Contributions) up 46.1% and total assets up 16.4% on 2011. These results were achieved whilst maintaining sound management and continuing to position the business for the future through investment in new property, technology, our brand and our people. This will assist us in continuing to provide further much needed affordable housing.

Underlying this activity is our commitment to quality, continuous improvement and to our drive for excellence. In fiscal 2012-13, the new initiatives from the company will continue to bear fruit. The year will see also improved productivity and other benefits from a continuing simplification of our processes, economies of scale and improvements across our organisation.

Homelessness is continuing to grow across Australia at alarming rates and available housing stock is not keeping up with the demand. There are a number of factors that contribute to the lack of available affordable housing and we are committed to working to alleviate homelessness and housing stress where we can, as well as provide assistance and support to those who need it.

**Compass is proud to be working with Commonwealth, State and Local Governments to provide further social and affordable housing. In the financial year 2010-11 the Federal Government vested over \$110 million in assets to Compass Housing under a competitive tender process, the Nation Building Economic Stimulus Plan (NBESP). We continued to receive stock under the NBESP in 2011-12 and we have commenced leveraging from these assets to provide further affordable housing and will continue to do so over a ten year period.**

## Acquisitions

In 2011-12, Compass acquired 52 new properties in high needs area under Federal and State Government Initiative, the National Rental Affordability Scheme (NRAS), State Government Initiative Social Housing Growth Funds and Federal Government Initiative Building Better Cities, which is managed by the Newcastle City Council's Building Better Cities Committee.

The properties were acquired at an average of price of \$246,500. The great price we have achieved can be attributed to a number of factors including an experienced and dedicated business development team, local knowledge of property markets and locations of services, building a partnership of trust and collaboration with good real estate agents and developers and working with developers prior to construction.

## Awarded Funding

This year Compass has also been successful under the Supported Accommodation Innovation Fund (SAIF) which is a Federal Government initiative for the provision of supported accommodation for people with disability. Compass received \$7.37million under this initiative to provide 20 new dwellings. Compass is very excited to be a part of this program and to be working with the Ageing, Disability and Home Care (ADHC) and Ability Options on this fantastic project.

## New Business

The increase in affordable housing allowed us to create a specialist affordable housing office, My Place Property which is a division of Compass Housing. This office manages stock we have received under NRAS, Building Better Cities or through leveraging. This office also manages affordable housing for investors under NRAS and/or other fee for service arrangements.

## Project Management

We continued to receive properties under the NBESP and exceed Government timing and allocation targets.

Compass also opened the doors to This Way Home an innovative homelessness project in which Compass partnered with Newcastle City Council's Building Better Cities Committee and Housing NSW. We have been working collaboratively to deliver this project for over two years.

## Compliance and Risk Management

Compass continued our registration as a Class 1 NSW provider, under the NSW Registration System. During this time Compass also achieved full three-year accreditation, under the National Community Housing Standards. This is a valued recognition of Compass delivering high quality services and performance.

We also commenced the implementation of Tickit Systems – an enterprise risk, compliance, and incident management software system, which is aligned with the new ISO 31000 risk management standard, AS/NZS 4360 risk management standard and AS/NZS 3806 compliance standard which will assist Compass in integrating our Compliance, Incident and Risk environments in an online platform whilst vastly improving efficiencies and capabilities in these areas.

## Human Resources and Work Health & Safety

This year has seen significant legislative changes introduced in the Work Health & Safety and industrial relations landscapes with the introduction of WHS Act and equal remuneration case. This has required Compass to respond through changes to our policies and processes. Our employee engagement survey highlighted our employees commitment to ensuring a safe workplace, a strong affiliation to learning and development and an overwhelming shared belief their work provides a sense of achievement. Opportunities to

increase our employee engagement have continued with the introduction of our flexible working arrangements and through actively promoting learning opportunities through the provision of individual training budgets. In the year ahead we will continue our emphasis on building a high performing culture and leadership.

## Marketing

We have appointed Adam Lavelle to our new position of Marketing and Communications Officer, who we are excited to have on board. Adam will be of great benefit to Compass, especially with the further development of internal and external communication strategies, marketing plans and a social media strategy.

## Environmental

Environmental sustainability is a direct focus of Compass. We continue to work towards new initiatives and efficiencies through improved work practices, staff engagement and resource efficiency. This year saw the completion of the 'Compass Green Sustainability Efficiency for community housing' an environmental pilot training course developed by Compass for the public housing, community housing and property management sectors to encourage tenants towards sustainable living practices. This was delivered in partnership with Hunter TAFE and funded through the Office of Environment and Heritage (OEH) and the Department of Education and Training under the Industry Partnership Energy Efficiency Training Fund.

Compass also continues to work in partnership with OEH's Business Partnership Program Sustainability Advantage; since commencement Compass has progressed to Silver Partner and we will be working to achieve Platinum in the coming years through carbon management, staff and stakeholder engagement and resource efficiencies.

## Customer Service

This year, we continue to implement initiatives towards improving customer satisfaction. Customer and stakeholder satisfaction is a top priority. In the coming year, we are excited to implement our existing Complaints system on to our integrated IT system Greentree, which will also further develop our systems to capture other types of feedback from our tenants and stakeholders.

I would like to thank the Federal Government, NSW Government and Newcastle City Council for their funding contributions to Compass to provide further Social and Affordable Housing. I would like to thank the developers and builders we work with to provide quality, affordable housing. I would like to thank the Board and in particular our CEO and Executive Director Greg Budworth for his inspirational leadership and commitment to Compass' success to the benefit the community. I would like to thank the staff of Compass Housing for their hard work and dedication and last but certainly not least I would like to thank my team: Debbie Bradfield – HR Manager, Laura Balcombe - Compliance and Sustainability Project Officer, Ashley Stuart – Executive Assistant, Adam Lavelle – Marketing and Communications Officer and Melinda Sorensen – Customer Service Support Officer.

I have a dedicated, professional team who continually strive to make this organisation a success.

## Lyndall Robertshaw

Executive Manager Business, Organisational and Environmental Development



# Apartments Newcastle – Acquisition (2012)

## Private and Affordable Housing Development

Compass entered into a partnership with a local Developer to deliver affordable housing in this 105 unit development comprising of both private and affordable housing dwellings. This resulted in Compass acquiring 20 percent of the overall development for affordable housing which included a mix of studio, one bedroom and two bedroom apartments. The development is contemporary and sustainable in design, incorporating environmental sustainable features and is ideally located to provide a sustainable living option in the city centre, reducing dependence on cars with increased bicycle, pedestrian and public transport use.



These dwellings were funded under Federal and State Government Initiative, the National Rental Affordability Scheme in which New South Wales (NSW) Government funded 40 percent in capital funding and the Federal Government will provide financial incentives over a 10 year period. These dwellings were also funded under the Federal Government initiative Building Better Cities which is managed by the Newcastle City Councils' Building Better Cities Committee.

# Apartments Newcastle – Acquisition (2012)

## Private and Affordable Housing Development

Compass acquired 5 residential dwellings in this development which includes 71 residential and 2 commercial units comprising of both private and affordable housing dwellings. Compass' acquisition included a mix of studio and one bedroom apartments. This development is located in the Newcastle CBD and is located within close proximity to community recreational facilities, restaurants and within 100 metres from the Newcastle train station. This development is contemporary and sustainable in design and is ideally located.



Two of these dwellings were funded under Federal and State Government Initiative, the National Rental Affordability Scheme in which NSW Government funded 40 percent in capital funding, and the Federal Government will provide financial incentives over a 10 year period. The remaining three dwellings were funded under the NSW Government initiative Social Housing Growth Funds in which Compass received capital funding.

Compass applauds the Federal, NSW State and the Newcastle City Local Government for their commitment in providing much needed social and affordable housing in projects such as these.

"I have just recently moved into this new Compass House and it has given me a new lease on life. In recent times my mobility has decreased to a point where it was almost impossible for me to leave my old house without the assistance of my son. Now, with the help of a motorised scooter and a more accessible house, I can take myself to the shops and I really have my independence back."

Quoted by Ronald Rake



This property Ronald now resides in was purchased under Federal and a State Government initiative, the National Rental Affordability Scheme.

Ronald rake

# Executive Manager Strategic Assets & Developments Report

This year seems to have rocketed along for the Asset team; we have made some great progress and innovations both within Greentree and in consultation with our Compass colleagues in all departments.

Firstly I would like to acknowledge all members of the wonderful Assets team who diligently undertake the day to day service delivery of maintenance and repairs to the 3,300+ properties owned or managed by Compass. They are truly a joy to work with!

**In financial terms Assets manage a combined capital value and maintenance budget of almost \$1 billion.**

This includes State Government and Compass Housing owned assets and represents a huge stimulus to our local economy, providing ongoing employment for contractors and suppliers from the Hunter and Central Coast regions to the far west in Broken Hill and all the way south to Tasmania.

This year sees the completion of a 4 x house construction project in Wallsend which has boosted our Compass owned Assets to over 1,200 properties. This project saw construction of three new dwellings and full refurbishment of one existing dwelling. The development provides high quality environments for the residents, takes use of natural light, elevated views and creates easy living, this development also take into consideration the need for ageing in place with access and adaptability a factor in designing the dwellings. The project also provides integration of social mixes and ensures social sustainability into the mixed income neighbourhood.

Compass is currently working on a sustainable & environmentally friendly construction project, Envirobuild: this is a design concept developed in partnership with The University of Newcastle School of Architecture Faculty students utilises passive design principles with sustainable and environmentally friendly materials, the project will include smart metering to monitor energy use and will help educate & assist our residents to minimise their energy consumption. The project has been approved by Wyong Shire Council and will commence construction early in 2013.

Fee for Service works continued throughout the year with Compass completing upgrade projects for Housing NSW and Aboriginal Housing Office in remote areas such as Lightning Ridge and Broken Hill.

Our Property Transfer Program upgrades continue with the Central Coast-KBT area now complete leaving the Upper Hunter area our main focus. To date we have completed upgrade works to the value of over \$6 million. This includes full upgrades to older housing stock to bring them to asset standard and improve the living environment for our residents.

Planned maintenance has been another focus this year with the appointment of Cherie Caulfield, who is the dedicated Co-ordinator, Cherie has worked hard to gather asset data and keep Greentree regularly up to date, scheduling planned and cyclical maintenance which will ultimately reduce our responsive maintenance costs.

Our Technical team has embraced new smart phone technology and recently developed an iPhone 'tool' to use in the field for property assessments; this has reduced turnaround times for repairs and maintenance and cut down on administration. We will continue to look at new and innovative ways to improve our services.

Finally I look forward to leading the Assets team into another exciting year at Compass and to finding new ways to do what we do best.

**Michelle Janout**  
Executive Manager Strategic Assets and Developments

Figures for 2011-12 maintenance spending on Capital and Owned properties are as follows:

Quarter	Responsive	Planned
Jul - Sep	\$420,634	\$181,266
Oct - Dec	\$427,581	\$134,107
Jan - Mar	\$399,686	\$330,500
Apr - Jun	\$533,230	\$401,880
Total	\$1,781,131	\$1,047,753



# Wentworth Villas, Wallsend – Construction (2012)

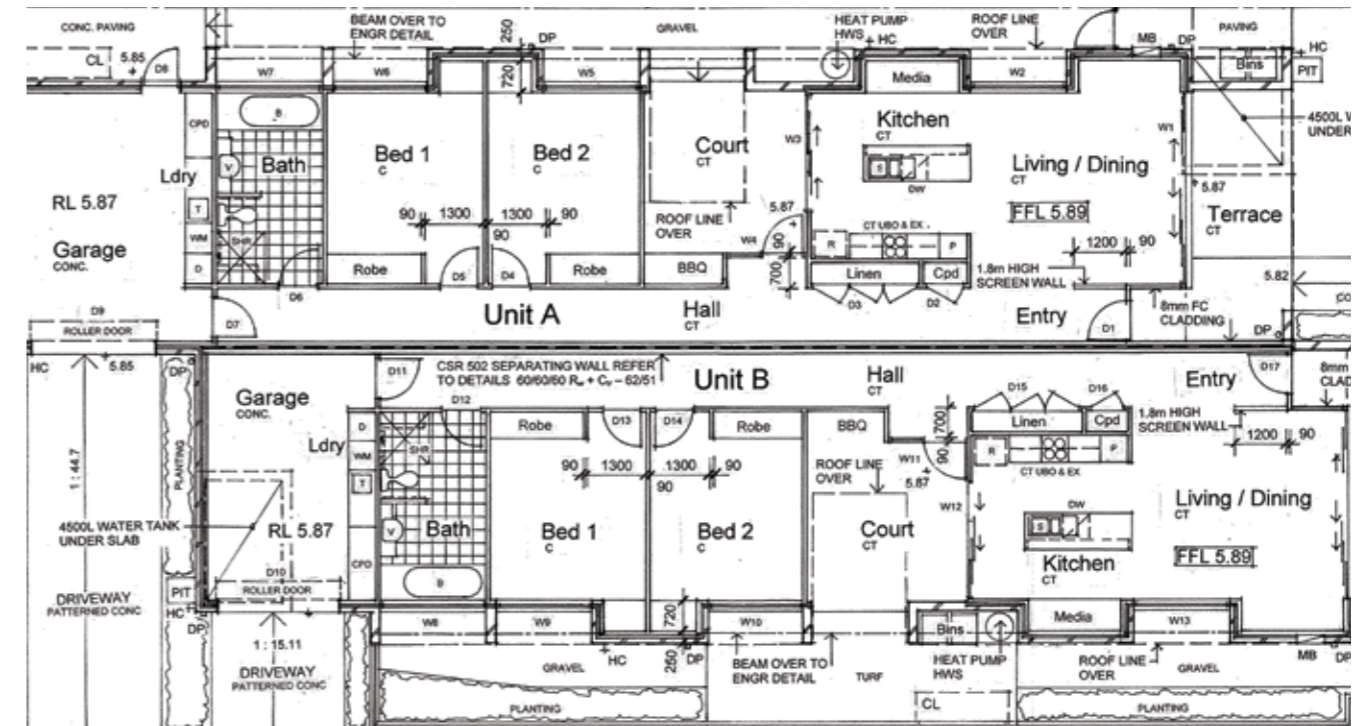
This construction project comprised of three x 3 bedroom dwellings and refurbishment of one x 2 bedroom existing dwelling. The elevated site affords views east across Wallsend towards Newcastle harbour and the design capitalises in this aspect with large rear decks to two of these dwellings. Onsite car parking is available to all dwellings providing good access allowing for residents to age in place.



These dwellings were funded under the NSW Government initiative the Social Housing Growth Funds in which Compass received capital upfront funding. These dwellings were also funded under the Federal and State Government Initiative, the National Rental Affordability Scheme in which financial incentives will be received over a 10 year period.

# Envirobuild Project, Central Coast – Construction (Future)

The Envirobuild project will include affordable and sustainable new technologies, products and design features in a residential setting. Smart design inclusions will be part of the construction such as LED lighting throughout the residences, external colour selections that reduce solar abortion, low VOC paint products, roofing materials that provide optimal thermal performance and natural wool insulation from a sustainable source as well as many other sustainable features.



The building design utilises cross ventilation principles removing the need to install air conditioning for cooling in warmer months. Steel frame design will provide low maintenance and longevity to the construction minimising the risk of pest attack. Use of the latest glass technologies will also contribute to thermal efficiency.

These properties are being constructed through leveraging from the properties that Compass received title to under the Federal Government initiative, the Nation Building Economic Stimulus Program in which Compass will continue to deliver properties over a ten year period.

# Executive Manager Operations Eastern Report

Wow – I cannot believe that it has been 12 months since I commenced in this position. Time has flown and so many great things have occurred during this time.

Further growth has occurred in Eastern Division Operations with some of the last of our NBESP properties coming on board with another 64 in the Gosford LGA all tenanted and working quite successfully. We only have one more site to be finalised in the Lake Macquarie LGA towards the end of 2012. We have also been very thankful to receive further leasehold properties to our portfolio numbers across each branch which has assisted us in housing more clients in need. This has also been the case in East Maitland where we are working with a local refuge to provide some crisis accommodation for women escaping domestic violence. This accommodation allows these women and their children to get back on their feet and look for some more stable accommodation for their family as well as linking in with their local supports as required.

Our East Maitland branch has relocated to new premises in Molly Morgan Drive, Greenhills. This has provided staff more space and clients have a private interview area. A larger meeting room is shared to run programs for clients and is used by support providers in the local area.

Our teams have held weekly branch meetings with local support partners to learn more about the services available to them, our clients and their families. Also, we have made connections with the local Crime Prevention Officers in each locality to help identify issues and gain practical solutions to these ongoing concerns.

Thanks to tenant feedback in surveys as well as well represented Tenant Forums across the Eastern Division, all of the Operations teams have moved back to portfolios which are leading towards providing our clients and support partners with better customer service and overall outcomes. This has also allowed us to commence outreach services in Swansea and Cessnock through the Central Coast and East Maitland branches, which have strengthened relationships with our tenants in those areas, and

provided assistance to those wishing to register for Compass Housing in the future.

As of July 2012, Operations are working towards the Compass Connect project and this is being assisted by the transition of the Community Development (CD) staff to be fully integrated within the branch and operations. The branch staff, along with their CD worker, are ensuring that they capture significant data through SROI surveys, from periodic inspections, rent review information as well as tenant satisfaction surveys. Tenants are being encouraged to submit an application for a project or activity within their own complex that will change the lives of those within the complex and the wider community.

**We have launched head on into a fantastic partnership with Housing NSW, Newcastle City Council and seven local support agencies in a site in Mayfield called This Way Home. This program provides 24 medium-term properties and nine temporary accommodation properties to chronically homeless or those at risk of homelessness in the Newcastle LGA.**

This project aims to provide clients with the wrap-around support services that assist them in resolving their complex issues, sustaining their tenancy and developing the necessary skills to obtain a long term tenancy in the private or public housing sector. The project has demonstrated a collaborative approach to service provision where the partner agencies assess referrals for approval, allocate properties, and provide assistance and advice in case management. Compass Housing provides an on-site manager who administers all aspects of tenancy management in both the medium term and temporary accommodation units. The on-site manager is also the conduit between the client and support partner when required, as well as facilitates case conferences for each client to ascertain the content and progress of each client's case plan with supports. Since the project commencement in October 2011 we have been able to assist the following clients:

Clients assisted into Temporary Accommodation	45
Temporary Accommodation clients assisted to longer term accommodation	14
Clients assisted into Medium Term accommodation	33
Medium Term clients assisted to longer term accommodation	11

We have also led the way in providing a separate service to our Affordable Housing and NRAS housing clients by launching a distinct branch of Compass Housing called My Place Property, which currently manages 188 properties under these schemes and this is growing as we speak. The staff at My Place Property has recently worked hard to fill three new developments in Raymond Terrace, Woy Woy and Speers Point. Since their inception, they have allocated 60 properties assisting over 101 people in these properties. This separation of the Affordable and NRAS management has allowed positive relationships to develop with our current and new tenants and developers.

I am looking forward to much more of this fantastic work from the Eastern Division Operations staff over the next year as well as all the good news stories that come from their hard work and community engagement.

**Rebecca Barnes**

Executive Manager Operations  
Eastern Division





"We have lived in the Hunter region our whole lives and have rented places in East Maitland, Cardiff and Warners Bay, however, at the start of this year my partner, myself and two kids found ourselves homeless. We slept on couches at friend's places and even spent two weeks living in our car. We tried many avenues to find a place so that our kids would feel safe, but just when we thought we were going to be on the streets, we found accommodation through the help of Compass and Centrelink. I can't describe how good it feels to have a place to call home."

Quoted by Casey Pill

Casey Pill, Mitchell Turnbull and children

# Executive Manager Operations Western Report

**F**or the Western Division, the past year has been full and we have spent considerable time on improving processes and practices.

We have also been joined by some bright new faces, ensuring that we stay fresh and vibrant in both the branches and regional. The Western Division branches are supported by a regional structure as well as the whole of company. The Regional Office is based in Dubbo and has the functions of management, administration, rent review, debt collection and the assessment and management of the Pathways waiting list. The team is committed to ensuring that the branches are supported, where ever needed.

A large change for Operations as of July 2012 has been the transition of Community Development staff from a separate stream to full integration within the branch and operations. This has been very smooth and will bring further depth to the branch. A new and exciting event has been the appointment of Community Development workers for both Broken Hill and Dubbo Branches. Jody Whitehair and Paul Cheshire joined us approximately three months ago and are already hard at work building relationships and looking at the needs of tenants and the community.

## **What 2011- 2012 held for our branches**

**Upper Hunter:** Compass Upper Hunter successfully completed the allocations for the NBESP properties and housed a total of 106 new tenants in the program, meeting the criteria's of general, homeless, Aboriginal and elderly. The branch exceeded the required nominations and set time frames.

Previously the Upper Hunter was nominated as an area for a whole of location transfer. Housing NSW transferred its housing stock and tenancies to the management of Compass. This year Compass Upper Hunter has successfully completed the transition of all tenants who requested transfer from Housing NSW to Compass, and has upgraded over 400 properties.

Compass Upper Hunter formed a partnership with Coal and Allied to provide a position for an Aboriginal Trainee Housing Assistant. This traineeship will develop both administration and property management skills, and is expected to be funded for three years. This will provide great opportunities to Brooke Lang, the successful applicant, and will assist the branch to continue to provide excellent service.

The branches have further developed strong partnerships with providers in the community and are hosting four work placement/ volunteers. This will look at developing the volunteers' skills and also their confidence. Compass Upper Hunter was a Finalist in the Muswellbrook Chamber of Commerce Business Awards, which highlights the fantastic work performed by the branch this year.

**Broken Hill:** The past 12 months have been focused around strengthening our relationships with the Wilcannia and Dareton Local Aboriginal Land Councils, which has proven to be of great benefit. Compass has worked alongside the Aboriginal Housing Office while both these areas went through the refurbishment program and it has been exciting to see the improvement in the homes. Wilcannia tenants welcomed the installation of air cooling as the temperature regularly tops 40 degrees during the summer. Dareton and Wilcannia Local Aboriginal Land Councils have partnered with Compass for another year to deliver tenancy and property management services to their members. We are very pleased to be able to continue servicing these areas and are looking forward to the appointment of local workers for Wilcannia and Dareton over the next few weeks. This will provide a great opportunity for someone to build their skills and will also benefit the local community.

Compass Broken Hill is also involved in the Aboriginal Housing Office's ERA program which provides housing for tenants who come from remote townships to assist in securing employment or furthering their education. IProwd, a training program to assist Aboriginal people to gain entry to the NSW Police force has been able to use the ERAS program, and has been extremely successful in its first year in Broken Hill. We hope the momentum is continued with more services looking to use this type of model in their recruitment.

Our partnership with the Community Restorative Centre on the Ex-prisoner Post Release Program has again shown that these opportunities can be life changing. Some of the ex-prisoners who participated in this program would have struggled to reconnect with their community and would have found it very difficult to gain housing in the private market. Through this partnership there is support, reconnection, housing and enablement. Well done Broken Hill – the star of the Far West!

**Dubbo:** The Affordable Housing program was expanded into Dubbo this year with Compass purchasing two new homes. Further to this we are expecting construction to commence on six more over the next couple of weeks. Currently these homes are housing two working families that would have found renting in the private rental market more expensive, placing additional strain on their families. This program has proven very successful in other communities assisting people who are employed on moderate incomes however are not eligible for general housing because their income is over the threshold.

The Bread Run is a new branch initiative where Compass Dubbo collects fresh donated goods (for example breads, pies and donuts), and distributes them to our tenants in Dubbo and Wellington. Compass Dubbo also distributed to people who are not Compass but needed some assistance. This has provided a

great opportunity allowing for relaxed, open communication with our tenants and the community. From this interaction the branch has been able to ascertain how tenants and others in our community are going and if there are any other areas of assistance that we may be able to provide, including what other organisations can contribute or help with.

A new role was established at Compass Dubbo for an Aboriginal Trainee Housing Officer and was successfully gained by Katy Jasper. Katy is a welcome addition and has brought with her a great depth of experience and knowledge of working with disadvantaged and isolated groups, as well as enthusiasm to learn about others. Dubbo branch is now able to be open five days a week to provide greater service to its tenants and the community.

The Wellington Local Aboriginal Land Council has partnered with Compass Dubbo for another year to deliver tenancy and property management services to their members. This is a great result for the branch as they have worked hard at deepening their relationships and assisting the tenants. Dubbo and Wellington tenants are also gaining from the new partnerships formed with CareWest and St Vincent De Paul targeted at assisting tenants to sustain their tenancies and also to provide general assistance to those in need. Compass Dubbo branch has worked really hard this year and should be proud of their efforts.

**Steps (Tasmania):** Western Division has been very fortunate this year to be involved with STEPS, a Compass subsidiary company in Tasmania. One of the major highlights of the year was the recruitment of a Manager and Housing Manager. Kim Bomford and Michelle Bowerman both come with considerable tenancy and property management experience, and a passion for the community housing sector. They are giving excellent service to their current tenants, stakeholders and partners, and are excited about setting up new programs and relationships.

As I look back over a very full and diverse year, I have a feeling of pride and admiration for the staff who have looked after our tenants, our branches and our communities. I have watched communities strengthen and develop, and have enjoyed many relationships and sharing stories with our tenants. It is with great pleasure I am providing this year's report.

## **Sheridan Baker**

Executive Manager of Operations  
Central & Western NSW



# Executive Manager Community Sustainability Report

In the last 12 months, the Community Development team has worked collaboratively with Compass tenants, Compass Tenant Engagement Panel (CTEP) and external stakeholders in compiling the community engagement strategy, which sets out the priorities for the organisation to increase involvement opportunities for its tenants.

"Compass Housing aims to be more than merely a housing provider. We wish to engage our clients, and encourage improvement in their physical and mental well-being to ensure they have a bright future... the Compass GROW program our total sustainability initiative,... is a broad, wide ranging program aimed in essence at improving the lives of our clients in many ways."

Our community development strategy has evolved over the last six years, commencing with the introduction of tenant initiatives, the development and roll out of the GROW Program, the resourcing of an Executive Manager and community development officer positions within the organisation.

Compass now proudly boasts having a team of eight community development officers who deliver services to our tenants across all our branches. We acknowledge that tenant participation is key to the successful delivery of housing services and to our tenants' sustainability.

Compass has developed an extensive range of ways for tenants and people living in their communities to get involved.

**Compass' commitment to community engagement is clear from the high priority it is given in the organisation's strategic thinking, the commitment and skills of its staff and the enthusiasm and effort of the tenants on CTEP.**

To date we have seen a number of initiatives undertaken to better engage with tenants – including tenant incentive scheme, child sponsorship program, annual Christmas picnics, newsletters, Compass Community Art Space, and Community Forums. All these initiatives are integral to our total sustainability program, the GROW program which supports tenant and community aspirations on a personal, environmental and community level.

Some of the significant outcomes for our community development work in the last 12 months include:

- **Grow A Star** – the launch of this youth initiative in February 2012 was a great success, with Westpac Bank coming on board as a major sponsor for both the launch and as a sponsor.
- **KBT Hub at the Central Coast** – this facility and team offer services and training opportunities to the whole of the KBT community. We have continued to work effectively with Housing NSW in the transition of the facility to our management and extend our relationships within the community. The facilities now include a Bush Tucker Garden, outdoor seating area and a Fruit and Veggie social enterprise, providing healthy food and volunteer opportunities to the community.
- **Sparke Helmore Triathlon** – we had a 100% increase in the number of teams participating in the Newcastle based triathlon – teams consisted of staff and tenants.
- **NRMA Emergency Workshop grant** – we were successful in obtaining a grant from NRMA which allowed us to conduct interactive workshops with our tenants and develop a fridge magnet specific to our client needs.
- **Westfest Youth Art** – we received a grant to work with an Art Therapist and youth which culminated in an Art Exhibition at our Hamilton Art Space.

The Community Forums have provided opportunities for interaction with tenants and staff – we have an opportunity to hear what is working and what is not; we are always looking at ways of improving our relationships with our tenants. I have had the pleasure of assisting CTEP with developing and rolling out a democratic election process to appoint tenant representatives from each of the branches. This process was professionally workshopped with NSW Federation of Housing. We are the first social housing organisation to provide to our tenants an online forum to comment and ask questions of the organisation (generated for those tenants who were unable to attend the forums).

The tenant incentive scheme has been one of Compass' most successful means of rewarding its tenants. As an additional bonus, Compass has also introduced the TIS Green scheme – this rewards tenants quarterly for their environmental initiatives.

The next 12 months will continue to offer wonderful opportunities for our tenants to be involved and engaged. The Compass Connect funding offers a financial opportunity to make a real change to their person, place or community. We are looking forward to working with our tenants to take advantage of this new program.

Finally, to my dedicated team, our tenants, our stakeholders and particularly our tenant volunteers, I would like to say thank you for your willingness to participate and support the GROW Program and all the Compass community development initiatives.

**Debra Allan**

Executive Manager Community Sustainability



"My family and I have been living in this House for a long time. One of my son's was injured playing rugby a number of years back and was left with a major disability. Our house was no longer accessible to him, but Compass found him a house across the street that was suitable given his injuries and it meant that we could help him adjust to life in a wheelchair. In more recent times my other children have been assisted through the Grow a Star program. My daughter has been selected for the Central Coast Academy of Sport U17 Netball squad, with all costs covered by a Grow a Star Scholarship and my sons' received a grant for musical equipment to help them follow their musical dreams."

Quoted by Tui Smith

Tui Smith and Ana



# Compass Tenant Engagement Panel (CTEP) Chair and Board Representative

During the past 12 months the Compass Tenant Engagement Panel (CTEP) has successfully implemented the recommendations that flowed on from the NSW Community Housing review of our function. This review positioned us as an independent group of residents charged with the responsibility of bringing our views to the management process within Compass Housing Services Co Ltd (Compass).

As part of the above mentioned review we not only adopted the new name for our panel CTEP, we also created a logo with which to identify ourselves. This logo endeavours to promote our panel as an important part of the Compass framework and highlight our pride in carrying on the good work that has been done by former members.

**The voice of many is more powerful than the voice of one.**

Two elections were held during the Community Forum this year, one in Newcastle, the other Central Coast. These elections enabled the successful representatives to become CTEP office bearers who will represent their respective branches for the next two years.

Our name embodies what we are all about, and that is primarily to act as a group of residents independent to Compass, who are charged with the responsibility of bringing the views of all those living in Compass properties, to ensure we all have a say in Compass' delivery of services to us.

We have a representative on the Compass Board as well as a representative on the NSW Housing Federation Community Housing Tenant Network, where all community housing organisations in NSW are represented.

In the past year CTEP attended the Power Housing Conference in Sydney where we had the opportunity to listen to ideas on ways tenants are included at various levels by housing organisations in Australia and overseas. As a result of this and in consultation with our members, the group brainstormed ideas on ways we could assist our fellow residents to live and co-exist in their communities through involvement in CTEP activities. As a result and in conjunction with Compass, CTEP have made some important changes following our recommendation to look at ways to improve the communication of rent reviews and to simplify the process.

While a large part of what we do is liaising with our tenant body regarding items of discussion they might have, the board has also had representation at our monthly meetings from Branch and Housing Management, Community Development, Maintenance, Human Resources, as well as several Executive Managers from Compass.

In 2013 CTEP will continue to invite key representatives from Compass to listen to our input on issues that we have had passed on by our fellow residents, and to act as a sounding board for improvements and changes that Compass management has planned for us.

CTEP looks forward to continuing our efforts in the year ahead and would like to thank the Board for their continued support, their belief in the importance of involving us in its overall governance principals and for recognising that "The voice of many is more powerful than the voice of one".

**Mark O'Dwyer**

Chair and Board Representative  
CTEP



# Chief Financial Officer's Report

Compass has again delivered strong business and financial results in 2012 which is a testament to the Board and its governance, Greg Budworth our Chief Executive Officer, the Executive Team and all the staff at Compass. Our established strategy, financial discipline and leadership in execution all mean that Compass is positioned extremely well to continue to be a market leader in NSW in the provision of social and affordable housing.

### Record Breaking Performance

While 2012 was considered to be a year of consolidation, Compass has again achieved significant increases in tenant income for the 2012 year, with total tenant income for the Compass Group of \$24.7 million, up from \$17.5 million in the prior year – a growth of 41.4%. Excluding Fair Value contributions, Surplus after income tax for 2012 was \$9.8 million, up from \$6.7 million in 2011, another increase of 46.1%.

These results demonstrate the strength of Compass and in particular, how Compass is achieving economies of scale as our property numbers increase.

### Continued Balance Sheet Growth

Compass has further improved our balance sheet position in 2012. Our strong cash flows improved our cash holdings during the year and most significantly our net assets improved by 16.4% to \$170.1 million. This strong balance sheet will allow Compass to continue increasing our social and affordable housing stock as well as enabling us to take advantage of value creating opportunities as they arise.

### Key Achievements

Much of the first half of the year was focussed on negotiation and securing a large debt facility which allows Compass to purchase additional properties as required by its contracted deliverables with the Centre for Affordable Housing and NSW Land and Housing Corporation. Compass partnered with a large national accounting firm to market the debt facility and after a comprehensive evaluation, Compass was able to secure the debt facility in early 2012 on very competitive terms.

In terms of technology, Compass continues to be a market leader in the housing sector. Our fully integrated ERP system, Greentree, continues to evolve and deliver significant benefits. In addition, Qlikview is becoming our primary reporting tool with real time, web based reporting available across all profit centres and on both financial and non-financial data.

In the later part of 2012, Compass also installed video conferencing facilities in all its locations. This system will greatly reduce travel time and expenses for all staff as meetings are now held using the facility.

Lastly, as Compass assumed management control of STEPS Housing Ltd in August 2011, this resulted in the migration of STEPS Housing financial data into our Greentree ERP to allow for consolidation of our results.

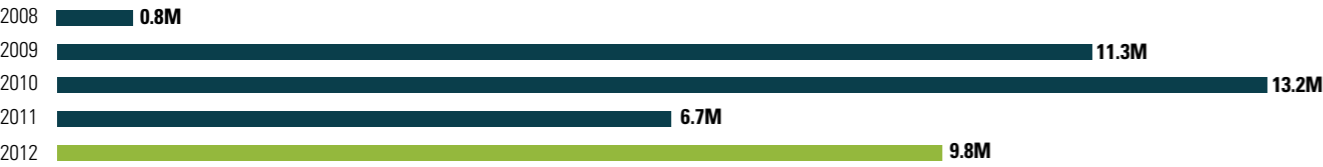
The above achievements would not have been possible without the support and dedication my finance team has shown during the last 12 months. They continue to ensure that the Compass' day to day finance and accounting functions operate smoothly during times of continued growth and change.

*Paul Douglas*

Chief Financial Officer



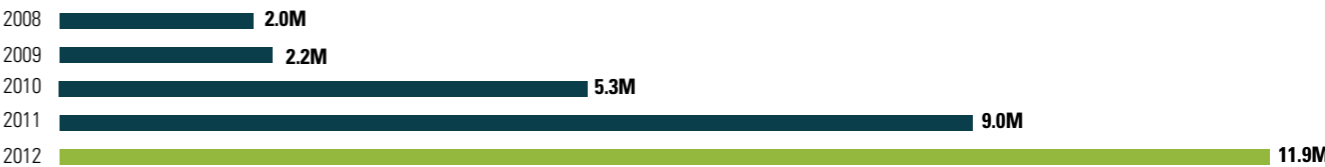
Tenant Income up 41.4% to \$24.7M



Surplus After Tax up by 46.1% (Excludes Fair Value Contributions)



Net Assets up 16.4% to \$170.1M



Cash Holdings continue to climb



"I moved into a compass unit as a single man after a very stressful relationship breakdown. At that time I was down on life, was drinking and gambling a lot and pretty much had no furniture to fill my unit. A lovely lady, Susan, who lived in another Compass unit nearby, noticed that I was sitting on the floor to watch television, so she gave me a spare couch that she had. Not long after that we started dating, over time we moved in together and now we are engaged. Susan has helped me turn my life around. I am much happier these days, I have given up on gambling and drinking and now have a unit full of furniture!"

Quoted by Ken Follan

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# Directors’ Report

Your directors present their report, together with the financial statements of the Group, being the company and its controlled entities, for the financial year ended 30 June 2012.

1.
- General information
- Information on directors

The names, qualifications, experience and special responsibilities of each person who has been a director during the year and to the date of this report are:

Paul Johnson	
Qualifications	Retired CEO of a Financial Institution. He is also a qualified accountant, a member of CPA and a graduate member of the Australian Institute of Company Directors.
Experience	Board Member since 2010
Special responsibilities	Chair of Board, Member of Property Acquisitions & Business Development Committee, Member of Finance Audit & Risk Committee, Member of Community Engagement & Development Committee, Member of Appeals Committee.
Stephen Barr	
Qualifications	Director of Monteath and Powys. Qualified Surveyor and Town Planner. Masters in Planning, Bachelor of Surveying (Hons).
Experience	Board Member since 2009
Special responsibilities	Deputy Chair, Chair of Property Acquisitions & Business Development Committee, Member of Finance Audit & Risk Committee.
Tim Curran	
Qualifications	Chief Executive Officer of a not for profit organisation, Carewest Limited. Bachelor of Computer Science, Masters in Social Change and Development, MBA.
Experience	Board Member since 2004
Special responsibilities	Treasurer, Chair of Finance Audit & Risk Committee, Member of Property Acquisitions & Business Development Committee.
Sandra Calland	
Qualifications	Tenant advocate of Hunter and Central Coast Tenants Advisory Council, advisory service. Skills in Housing Policy, Development and Tenant Advocacy.
Experience	Board Member since 2004
Special responsibilities	Board Member, Chair of Community Engagement & Development Committee, Chair of Appeals Committee, Member of Property Acquisitions & Business Development Committee.
Kwesi Addo	
Qualifications	Lawyer at Aurecon, Bachelor of Law, MBA.
Experience	Board Member since 2005
Special responsibilities	Board Member.
Steve Edmonds	
Qualifications	Chief Financial Officer of City of Newcastle Council. Masters in Business (Economics) and Masters in Affordable Housing.
Experience	Board member since 2009
Special responsibilities	Board Member, Member of Finance Audit & Risk Committee.

Greg Budworth	
Qualifications	Chief Executive Officer at Compass Housing. Masters Degree in Business, and other tertiary qualifications in Business Management, Project Management, Workplace Safety and Workplace Training.
Experience	Appointed 20 February 2012
Special responsibilities	Executive Board Member, Chief Executive Officer, Company Secretary.

Mark O'Dwyer	
Qualifications	Tenant Member. Retired Regional Manager of Yellow Pages Audit. Member of Central Coast Local Health District Community Engagement Committee since 2007.
Experience	Appointed 7 November 2011
Special responsibilities	Board Member, Member of Community Engagement & Development Committee, Member of Appeals Committee.

Barry Martin	
Qualifications	Currently retired. Has experience in Human Resource management over a cross section of industries in a career spanning 30 plus years. Also has comprehensive experience in working with the Aboriginal community.
Experience	Appointed 30 November 2011
Special responsibilities	Board Member, Member of Community Engagement & Development Committee, Member of Appeals Committee.

Michael Ryan	
Qualifications	Regional Business & Finance Manager at Baptist Community Services. MBA, Graduate Certificate in Professional Accounting, Diploma in Business and a Member of CPA Australia.
Experience	Appointed 19 March 2012
Special responsibilities	Board Member, Member of Property Acquisitions & Business Development Committee, Member of Finance Audit & Risk Committee.

Matthew Dougherty	
Qualifications	Bachelor of Social Work (Research), Graduate Certificate in Management and Organisational Leadership, Masters of Social Work.
Experience	Board Member since 2005, Resigned 7 July 2012.
Special responsibilities	Board Member, Member of Finance Audit & Risk Committee, Member of Property Acquisitions & Business Development Committee.

Michelle Robinson	
Qualifications	Tenant Member, Ex Officio as the elected representative of the Compass Tenant Reference Group.
Experience	Board Member since 2007, Resigned 7 November 2011.
Special responsibilities	Board Member.

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 8 years previously working in other human services agencies and was appointed company secretary on 4 April 2004.

Mr Budworth has a Masters Degree in Business and other tertiary qualifications in Business Management, Project Management, Workplace Safety and is completing a Doctorate in Business Administration. He is also a Director of PowerHousing Australia and a Director of the Australasian Housing Institute NSW.

Review of operations

The consolidated surplus of the Group for the financial year after providing for income tax amounted to \$19,036,154.

Significant changes in state of affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

Compass Housing Services Co Limited assumed Management control of STEPS Housing Ltd on 29 August 2011 based on the funding agreement documents.

The Board of Directors of STEPS Housing Ltd has resigned, vesting organisational control under the Memorandum of Understanding

and Loan Agreement to Compass Housing and its Board of Directors.

The Board are of the opinion that as of 29 August 2011, STEPS Housing Ltd has become a controlled entity of Compass Housing Services for consolidation purposes.

Principal activities

The principal activity of Compass Housing Services Co Ltd during the financial year was providing social housing in the areas of Broken Hill, Dubbo, Upper Hunter, Lower Hunter, Maitland, Central Coast, Newcastle, Lake Macquarie and Tasmania. At present this is through the resources of two NSW State Government housing programs. They are:

The Community Housing Leasing Program, funded under the National Affordable Housing Agreement; and

The Affordable Housing Rental Program, resourced under the former Commonwealth Government Building Better Cities Program.

There has been no significant changes in the nature of the principal activities during the financial year:

Short & Long term objectives

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.

Strategy for achieving the objectives

To achieve these objectives, the Group has adopted the following strategies:

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; and

Increasing business development opportunities & efficiencies.

Members guarantee

Compass Housing Services Co Ltd is a company limited by guarantee. In the event of, and for the purpose of winding up of the company, the amount capable of being called up from each member and any person or association who ceased to be a member in the year prior to the winding up, is limited to \$2.20 for members subject to the provisions of the company's constitution.

At 30 June 2012 the collective liability of members was \$237.60 (2011: \$82).

Dividends

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

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.

After Balance Date Events

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

Indemnifying Officers or Auditors

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.

Meetings of directors

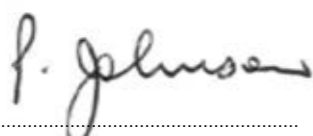
During the financial year, 35 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Finance, Audit & Risk Committee		Property Acquisitions & Business Development Committee		Community Engagement & Development Committee		Appeals Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Paul Johnson	14	14	8	8	7	6	2	2	1	1
Stephen Barr	14	14	2	1	8	7	-	-	-	-
Tim Curran	14	14	8	8	8	7	-	-	-	-
Sandra Calland	14	12	-	-	2	1	2	2	3	3
Kwesi Addo	14	13	-	-	1	1	-	-	-	-
Steve Edmonds	14	12	8	4	6	4	-	-	-	-
Greg Budworth	3	3	1	1	1	1	1	1	-	-
Mark O'Dwyer	9	9	-	-	-	-	2	2	1	1
Barry Martin	9	9	-	-	-	-	2	2	1	1
Michael Ryan	4	3	1	1	1	1	-	-	-	-
Matthew Dougherty	11	9	6	5	1	1	-	-	-	-
Michelle Robinson	5	5	-	-	-	-	-	-	-	-

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the Corporations Act 2001, for the year ended 30 June 2012 has been received and can be found on page 7 of the financial report.

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

Director:   
Paul Johnson

Director:   
Stephen Barr

Dated 15 October 2012

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012, 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.

Auditor's Independence Declaration  
under Section 307C of the Corporations Act 2001

Unit 1,  
1 Pioneer Avenue  
PO Box 3399  
Tuggerah NSW 2259

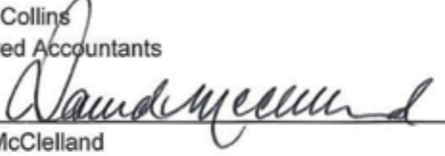


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W: www.bishopcollins.com.au

AUDITORS' INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF COMPASS HOUSING SERVICES CO LTD  
AND CONTROLLED ENTITIES  
A.B.N. 84 002 862 213

We hereby declare, that to the best of our knowledge and belief, during the year ended 30 June 2012, 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 15th day of October 2012



LIABILITY LIMITED BY A SCHEME APPROVED UNDER THE PROFESSIONAL STANDARDS LEGISLATION

Partners: David A McClelland FCA

Ian M Rodrigues FCA

# Statement of Comprehensive Income

for the Year Ended 30 June 2012

	Consolidated		Parent	
	2012	2011	2012	2011
	\$	\$	\$	\$
Potential Rental Revenue	41,802,629	33,814,839	41,382,313	33,814,839
Less: rent lost through vacancies	(823,131)	(240,757)	(823,131)	(240,757)
Less: rental subsidies and rebates	(16,298,236)	(16,117,824)	(16,073,318)	(16,117,824)
Tenant income	24,681,262	17,456,258	24,485,864	17,456,258
Fair Value Contributions	9,402,225	110,101,451	9,205,180	110,101,451
Grant income	8,576,743	7,491,937	8,290,741	7,491,937
Other revenue and income	3,239,117	3,769,415	3,183,225	3,769,415
<b>Total Revenue</b>	<b>45,899,347</b>	<b>138,819,061</b>	<b>45,165,010</b>	<b>138,819,061</b>
Administration expenses	(9,636,893)	(7,175,859)	(9,180,623)	(7,175,859)
Tenancy & Property Management Expenses	(16,522,044)	(14,747,419)	(16,253,592)	(14,747,419)
Finance costs	(562,669)	(93,778)	(460,407)	(93,778)
Fair value decrement of assets held for sale	-	(7,531)	-	(7,531)
<b>Surplus before income tax</b>	<b>19,177,741</b>	<b>116,794,473</b>	<b>19,270,391</b>	<b>116,794,473</b>
Taxation	-	-	-	-
<b>Surplus after income tax</b>	<b>19,177,741</b>	<b>116,794,473</b>	<b>19,270,391</b>	<b>116,794,473</b>
<b>Other comprehensive income:</b>				
Asset Revaluation Reserve Movement	-	(28,002)	-	(28,002)
<b>Total other comprehensive income for the year</b>	<b>-</b>	<b>(28,002)</b>	<b>-</b>	<b>(28,002)</b>
<b>Total comprehensive income for the year</b>	<b>19,177,741</b>	<b>116,766,471</b>	<b>19,270,391</b>	<b>116,766,471</b>

# Statement of Financial Position

30 June 2012

## ASSETS

### CURRENT ASSETS

Cash and cash equivalents	11,933,329	9,038,679	11,930,172	9,038,679
Trade and other receivables	3,397,628	1,486,006	3,436,021	1,486,006
Other assets	1,904,266	3,269,338	1,898,119	3,269,338
Non-current assets held for sale	3,230,000	360,000	3,230,000	360,000

### TOTAL CURRENT ASSETS

### NON-CURRENT ASSETS

Trade and other receivables	-	330,000	470,000	330,000
Other assets	1,700	1,600	1,700	1,600
Other financial assets	2,017,560	135,679	595,051	135,679
Property, plant and equipment	826,674	972,533	813,122	972,533
Investment property	163,728,310	137,845,087	158,413,310	137,845,087
Intangible assets	67,343	199,192	67,343	199,192

### TOTAL NON-CURRENT ASSETS

### TOTAL ASSETS

## LIABILITIES

### CURRENT LIABILITIES

Trade and other payables	1,348,352	1,400,033	1,305,938	1,400,033
Financial liabilities (short term)	1,926,153	1,017,993	1,920,462	1,017,993
Provisions	522,953	410,547	519,445	410,547
Other Liabilities	4,154,781	3,571,484	4,108,302	3,571,484

### TOTAL CURRENT LIABILITIES

### NON-CURRENT LIABILITIES

Financial liabilities (long term)	8,954,217	975,965	7,523,641	975,965
Long-term provisions	69,066	124,499	69,066	124,499

### TOTAL NON-CURRENT LIABILITIES

### TOTAL LIABILITIES

### NET ASSETS

## EQUITY

Reserves	115,089,886	75,000	115,089,886	75,000
Retained earnings	55,041,402	146,062,593	50,318,098	146,062,593

### TOTAL EQUITY

	Consolidated		Parent	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>ASSETS</b>				
CURRENT ASSETS				
Cash and cash equivalents	11,933,329	9,038,679	11,930,172	9,038,679
Trade and other receivables	3,397,628	1,486,006	3,436,021	1,486,006
Other assets	1,904,266	3,269,338	1,898,119	3,269,338
Non-current assets held for sale	3,230,000	360,000	3,230,000	360,000
<b>TOTAL CURRENT ASSETS</b>	<b>20,465,223</b>	<b>14,154,023</b>	<b>20,494,312</b>	<b>14,154,023</b>
NON-CURRENT ASSETS				
Trade and other receivables	-	330,000	470,000	330,000
Other assets	1,700	1,600	1,700	1,600
Other financial assets	2,017,560	135,679	595,051	135,679
Property, plant and equipment	826,674	972,533	813,122	972,533
Investment property	163,728,310	137,845,087	158,413,310	137,845,087
Intangible assets	67,343	199,192	67,343	199,192
<b>TOTAL NON-CURRENT ASSETS</b>	<b>166,641,587</b>	<b>139,484,091</b>	<b>160,360,526</b>	<b>139,484,091</b>
<b>TOTAL ASSETS</b>	<b>187,106,810</b>	<b>153,638,114</b>	<b>180,854,838</b>	<b>153,638,114</b>
<b>LIABILITIES</b>				
CURRENT LIABILITIES				
Trade and other payables	1,348,352	1,400,033	1,305,938	1,400,033
Financial liabilities (short term)	1,926,153	1,017,993	1,920,462	1,017,993
Provisions	522,953	410,547	519,445	410,547
Other Liabilities	4,154,781	3,571,484	4,108,302	3,571,484
<b>TOTAL CURRENT LIABILITIES</b>	<b>7,952,239</b>	<b>6,400,057</b>	<b>7,854,147</b>	<b>6,400,057</b>
NON-CURRENT LIABILITIES				
Financial liabilities (long term)	8,954,217	975,965	7,523,641	975,965
Long-term provisions	69,066	124,499	69,066	124,499
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>9,023,283</b>	<b>1,100,464</b>	<b>7,592,707</b>	<b>1,100,464</b>
<b>TOTAL LIABILITIES</b>	<b>16,975,522</b>	<b>7,500,521</b>	<b>15,446,854</b>	<b>7,500,521</b>
<b>NET ASSETS</b>	<b>170,131,288</b>	<b>146,137,593</b>	<b>165,407,984</b>	<b>146,137,593</b>
<b>EQUITY</b>				
Reserves	115,089,886	75,000	115,089,886	75,000
Retained earnings	55,041,402	146,062,593	50,318,098	146,062,593
<b>TOTAL EQUITY</b>	<b>170,131,288</b>	<b>146,137,593</b>	<b>165,407,984</b>	<b>146,137,593</b>

# Statement of Changes in Equity

for the Year Ended 30 June 2012

	Parent				
	Retained Earnings	Asset Revaluation Reserve	Vested Capital Assets Reserve	Vested Surplus Reserve	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2011</b>	<b>146,062,593</b>	<b>75,000</b>	-	-	<b>146,137,593</b>
Total comprehensive income	<b>19,270,391</b>	-	-	-	<b>19,270,391</b>
Transfer to reserves	<b>(115,014,886)</b>	-	<b>110,101,451</b>	<b>4,913,435</b>	-
<b>Balance at 30 June 2012</b>	<b>50,318,098</b>	<b>75,000</b>	<b>110,101,451</b>	<b>4,913,435</b>	<b>165,407,984</b>

	Parent				
	Retained Earnings	Asset Revaluation Reserve	Vested Capital Assets Reserve	Vested Surplus Reserve	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2010</b>	29,046,339	103,002	-	-	29,149,341
Retained Earnings recognised on merger with Western Plains Housing	221,781	-	-	-	221,781
Total comprehensive income	116,794,473	(28,002)	-	-	116,766,471
<b>Balance at 30 June 2011</b>	146,062,593	75,000	-	-	146,137,593

	Consolidated				
	Retained Earnings	Asset Revaluation Reserve	Vested Capital Assets Reserve	Vested Surplus Reserve	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2011</b>	<b>146,062,593</b>	<b>75,000</b>	-	-	<b>146,137,593</b>
Retained Earnings & Reserve recognised on consolidation with STEPS Housing Limited	<b>4,815,954</b>	-	-	-	<b>4,815,954</b>
Total comprehensive income	<b>19,177,741</b>	-	-	-	<b>19,177,741</b>
Transfer to reserves	<b>(115,014,886)</b>	-	<b>110,101,451</b>	<b>4,913,435</b>	-
<b>Balance at 30 June 2012</b>	<b>55,041,402</b>	<b>75,000</b>	<b>110,101,451</b>	<b>4,913,435</b>	<b>170,131,288</b>

	Consolidated				
	Retained Earnings	Asset Revaluation Reserve	Vested Capital Assets Reserve	Vested Surplus Reserve	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2010</b>	29,046,339	103,002	-	-	29,149,341
Retained Earnings recognised on merger with Western Plains Housing	221,781	-	-	-	221,781
Total comprehensive income	116,794,473	(28,002)	-	-	116,766,471
<b>Balance at 30 June 2011</b>	146,062,593	75,000	-	-	146,137,593

# Statement of Cash Flows

for the Year Ended 30 June 2012

## CASH FROM OPERATING ACTIVITIES:

Receipts from customers	25,001,614	20,216,512	24,661,521	20,216,512
Payments to suppliers and employees	(25,567,560)	(18,978,743)	(24,980,820)	(18,978,743)
Interest received	460,172	388,964	483,764	388,964
Interest and borrowing costs paid	(562,669)	(93,778)	(460,407)	(93,778)
Receipt from grants	9,409,774	7,793,806	9,077,293	7,793,806
Net cash provided by (used in) operating activities	<b>8,741,331</b>	9,326,761	<b>8,781,350</b>	9,326,761

## CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sale of plant and equipment	255,665	13,364	84,773	13,364
Proceeds from sale of investment	5,000	211,918	-	211,918
Loans made	-	(330,000)	(140,000)	(330,000)
Purchase of intangible assets	(39,169)	-	(39,169)	-
Payment for investment properties and WIP	(12,558,544)	-	(12,558,544)	-
Purchase of property, plant and equipment	(322,004)	(6,124,954)	(197,010)	(6,124,954)
Net cash used by investing activities	<b>(12,659,052)</b>	(6,229,672)	<b>(12,849,951)</b>	(6,229,672)

## CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from borrowings	9,540,732	988,382	9,540,732	988,382
Repayment of borrowings	(2,739,162)	(508,296)	(2,511,458)	(508,296)
Payment of finance lease liabilities	(69,180)	(41,175)	(69,180)	(41,175)
Net cash used by financing activities	<b>6,732,389</b>	438,911	<b>6,960,094</b>	438,911

Net increase (decrease) in cash and cash equivalents held	2,814,668	3,536,000	2,891,493	3,536,000
Cash from merger with Western Plains Housing	-	169,519	-	169,519
Cash on consolidation with STEPS Housing Ltd	79,782			
Cash and cash equivalents at beginning of year	9,038,679	5,333,160	9,038,679	5,333,160
Cash and cash equivalents at end of financial year	<b>11,933,129</b>	9,038,679	<b>11,930,172</b>	9,038,679

# Directors' Declaration

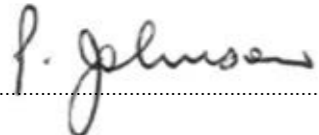
The directors of the company declare that:

1. The summary financial statements of the company for the financial Year Ended 30 June 2012, as set out on pages 54 to 63:

- a. comply with Accounting policies, as disclosed in the full financial report; and
- a. is an extract from the full financial report for the Year Ended 30 June 2012 and has been derived from and is consistent with the full financial report of the entity.

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.

Director   
**Paul Johnson**

Director   
**Stephen Barr**

Dated 15 October 2012

# Independent Auditor's Report

Unit 1,  
1 Pioneer Avenue  
PO Box 3399  
Tuggerah NSW 2259



**BISHOP COLLINS**  
CHARTERED ACCOUNTANTS  
ABN 13 188 486 905

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**INDEPENDENT AUDITORS' REPORT ON THE SUMMARY FINANCIAL REPORT  
TO THE MEMBERS OF COMPASS HOUSING SERVICES CO LTD  
AND CONTROLLED ENTITIES  
A.B.N. 84 002 862 213**

The accompanying summary financial statements, which comprises the summary statement of financial position as at 30 June 2012, the summary statement of comprehensive income, summary statement of changes in equity and summary cash flow statement for the year then ended, are derived from the audited financial report of Compass Housing Services Co Ltd and controlled entities for the year ended 30 June 2012. We expressed an unmodified audit opinion on the financial report in our report dated 15 October 2012.


The summary financial statements does not contain all the disclosures required by the Australian Accounting Standards. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial report of Compass Housing Services Co Ltd and controlled entities.

**Directors Responsibility for the Summary Financial Statements**  
The directors of the company are responsible for the preparation of a summary of the audited financial report.

**Auditors' Responsibility**  
Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*.

**Auditors' Opinion**  
In our opinion, the summary financial statements derived from the audited financial report of Compass Housing Services Co Ltd and controlled entities for the year ended 30 June 2012 are consistent, in all material respects, with that audited financial report, in accordance with the Australian Accounting Standards.

**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 15th day of October 2012**



LIABILITY LIMITED BY A SCHEME APPROVED UNDER THE PROFESSIONAL STANDARDS LEGISLATION

Partners: David A McClelland FCA

Ian M Rodrigues FCA

# Our Vision

That all people have appropriate and affordable shelter and are engaged in sustainable communities.

# 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 Values

Compass Housing recognises that its vision and mission is a cause greater than Compass Housing as an organisation.

Compass Housing strives to be an innovative, entrepreneurial, reformative and environmentally responsible social enterprise and to lead by example.

Compass Housing aims to continue to be an employer of choice showing loyalty and respect and a commitment to the personal development of its staff.

Compass Housing will treat our service users, partners, and stakeholders with empathy, respect, cooperativeness and diligence.



[www.compasshousing.org](http://www.compasshousing.org)