

Annual Report 2012–2013

25

Years | 1988–2013

# 25 YEARS — OF — DHA



**Established** as a statutory authority, assumed responsibility for more than 23,000 properties Australia-wide (76% of the Defence housing requirement) with about 17,000 of these requiring replacement or refurbishment to bring them up to an acceptable community standard.

**Initiated** corporate planning, including the development of strategic objectives and performance indicators, as well as strategies to:

- › pursue large residential development and construction projects in collaboration with the private sector
- › access commercial borrowings, and
- › establish long-term leasing arrangements with individual and institutional investors.

## 1987–1988 › 1991–1992

**Implemented** administrative structures including appointment of a Board of Directors, Managing Director, small Head Office in Canberra and a network of regional Housing Management Centres.

**Developed** consultative arrangements with the Australian Defence Force, Defence personnel and their families, and other interest groups such as the National Consultative Group of Service Spouses.

**Embarked** on a considerable capital works, upgrade and improvement program, with Government commitment of not less than \$750 million (in 1986 dollars) for capital expenditure over 10 years.



**Began** to formally survey tenants, with the first questionnaire reporting high levels of satisfaction with the overall quality of housing provided and the Authority's repairs, maintenance and improvements service.

**Continued** to improve the quality of Defence housing through construction, acquisition, leasing and disposals, including innovative construction trials to deliver housing suited to tropical climates.

**To improve service delivery** undertook joint studies with the Department of Defence into their process of housing allocation, management of vacant stock and removals.



**After 10 years of operation,** supplied 21,849 houses (nearly 88% of the Defence housing requirement). Within a further two years all DHA supplied housing, in all locations, was compliant with, or exceeded, acceptable community standards.

**Launched** a new brand to signify a new era of providing Defence housing and potentially expanding the services provided to Defence. The Home of Service is adopted as a positioning statement to recognise how the Authority seeks to be recognised in all its activities.

## 1992–1993 › 1996–1997

## 1997–1998 › 2001–2002



**Received** industry recognition for its activities, with several housing projects being awarded for excellence including a medium-density project at Larrakeyah in Darwin winning the Royal Australian Institute of Architects' Robyn Boyd Award.

**Successfully** launched a Sale and Leaseback program directed to private investors to fund the Authority's operations and to repay a substantial amount of debt.



**Assigned** responsibility for allocating houses to Defence tenants and introduced new arrangements for managing the cleaning of houses vacated by tenants.

**Signed** a Services Agreement with the Department of Defence, formalising the services to be provided to Defence and establishing risk-sharing arrangements.

**Assumed** responsibility for managing relocation services, providing a total housing service to Defence, and launched a web-based tool to help Defence members and their families locate and reserve their next DHA home.





**A new range** of inner-city apartments, townhouses and well-located detached houses in metropolitan areas is offered to Defence personnel as an alternative to the traditional service residence offering.



**Began** a trial to provide off-base accommodation for single Defence members in Darwin.



**The Rex D. Dog** children's brand is created by DHA in consultation with Defence interest groups, assisting children of Defence personnel with relocating to a new home and demonstrating DHA's commitment to even its youngest stakeholders.

**The Services Agreement** with Defence is extended to at least 2023 and new agreements with Defence are signed for the expansion of off-base accommodation for single Defence members across Australia and the provision of a Living In Accommodation Booking and Allocation Service.

## 2002–2003 › 2006–2007



**Significant** changes to the *Defence Housing Authority Act 1987* are passed by Parliament allowing the Authority to broaden its functions to provide housing and related services to other Commonwealth agencies. A name change to Defence Housing Australia and new corporate image take effect.

**Established** a major project to oversee the implementation of New Housing Classification Policy; a new system for classifying properties and higher minimum housing standards which align with DHA's goal to provide a more modern, versatile stock portfolio, with greater appeal to tenants and investors.

**Sold \$220.1 million** of residential property to Westpac Funds Management Limited on a leaseback basis, diversifying funding sources beyond the successful Sale and Leaseback program which is focused on retail investors.

## 2007–2008 › 2012–2013

**DHA** builds 829 homes in addition to its business as usual construction program as part of the Government's Nation Building – Economic Stimulus Plan. This demonstrates DHA's capacity as a residential developer and paves the way for more commercially-focused development programs.

**DHA** Investment Management Limited, a wholly-owned subsidiary of DHA, is formed to enable DHA to establish an unlisted property trust to hold DHA properties on sale and leaseback terms and for units in the fund to be sold to investors.



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**About this report**

This Annual Report has three purposes:

1. To comply with reporting obligations under the *Commonwealth Authorities and Companies Act 1997*, and the *Public Service Act 1999*.
2. To report on Defence Housing Australia (DHA) performance for the financial year as measured against stated objectives.
3. To provide information to Defence members and their families, investors, potential investors and the general public about DHA's business.

**Structure of the report**

This Annual Report relates to the Corporate Plan 2012–13 to 2014–15. The financial statements are reported on a "for-profit basis" and are prepared on a different basis from the Portfolio Budget Statement (PBS) which is prepared on a "not-for-profit" basis.

**Further information**

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This report can also be found on the DHA website [www.dha.gov.au](http://www.dha.gov.au)



15 October 2013

Senator the Hon. David Johnston  
Minister for Defence  
Parliament House  
CANBERRA ACT 2600

Senator the Hon. Mathias Cormann  
Minister for Finance  
Parliament House  
CANBERRA ACT 2600

Dear Ministers

On behalf of the Board of Defence Housing Australia (DHA), and in accordance with section 9 of the *Commonwealth Authorities and Companies Act 1997*, I submit the Defence Housing Australia 2012–13 Annual Report.

DHA continues to deliver housing and related services to the men and women of the Australian Defence Force and their families in accordance with the *Defence Housing Australia Act 1987* and our obligations under supply agreements with the Department of Defence. This report covers those activities for the 2012–13 financial year.

Yours sincerely



A handwritten signature in black ink that reads 'Derek Volker'.

**Derek Volker**  
Chairman

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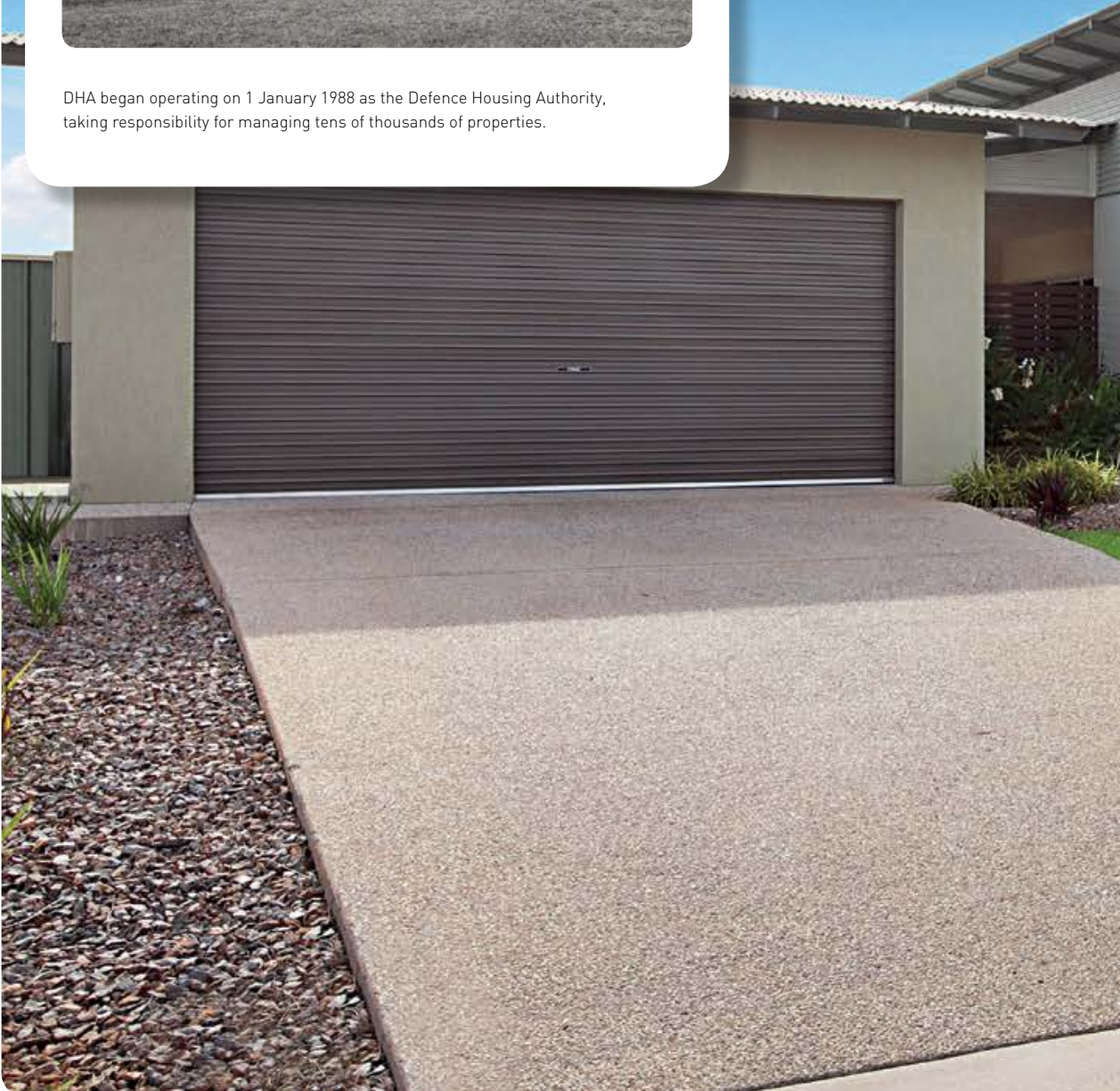
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FLASHBACK



DHA began operating on 1 January 1988 as the Defence Housing Authority, taking responsibility for managing tens of thousands of properties.



# Overview

Who we are and what we do

Report from Chairman and Managing Director

Highlights and events



**25** | Years  
1988–2013



# Who we are and what we do

## Our vision

**Excellence in Defence housing and related services.**

## Our mission

**To deliver efficiently, housing and related services that meet Defence operational and personnel requirements.**

The main function of DHA is to provide housing and related services to members of the Defence Force and their families in response to Defence requirements.<sup>1</sup> In fulfilling its role, DHA contributes to Defence retention, recruitment and operational goals.

DHA is active in Australian residential housing markets, constructing, purchasing and leasing houses for Defence personnel. DHA is a large property manager, responsible for managing the allocation of dwellings to Defence members and the resulting tenancies. DHA is also a major land developer. We acquire and develop land to build enduring and sustainable communities of mixed military and private owners and tenants. DHA finances its activities by selling and leasing back dwellings through its Sale and Leaseback (SLB) program, the sale of land and dwellings from its major developments and the disposal of surplus properties.

DHA is a Government Business Enterprise (GBE) operating under the provisions of the *Commonwealth Authorities and Companies Act 1997*. It is required to maintain a strong balance sheet and to meet shareholder return obligations including the payment of dividends to Government.

DHA has established a subsidiary, DHA Investment Management Limited (DHA IML), to be the Responsible Entity for an unlisted property trust approved by Government. DHA IML will prepare its own Annual Report and financial statements although its results are consolidated in the financial statements attached to this report.

## Corporate objectives

**To achieve the mission and to fulfil the outcomes desired by Shareholder Ministers, DHA set six strategic objectives:**

1. Housing supplied and managed effectively to meet Defence requirements.
2. Sustainable long-term financial position and strong corporate governance.
3. Enhanced customer service.
4. Good stakeholder management and public relations.
5. Motivated, engaged and productive staff.
6. Information technology solutions that enhance the business and customer service.

This Annual Report describes DHA's performance against these objectives.

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<sup>1</sup> *Defence Housing Australia Act 1987*, Section 5.

## Our values

Respect

Excellence

Integrity

Enthusiasm

Innovation

Teamwork

DHA encourages its staff to apply its values consistently in all aspects of their behaviour. These values contribute to workplace harmony and to improve the way in which DHA conducts its business. DHA complies with the *Public Service Act 1999* and upholds and promotes the Australian Public Service Values and Code of Conduct.

DHA is committed to providing a safe workplace, free from discrimination and harassment, and recognising the individual contributions of staff members. DHA is also committed to high standards in its dealings with maintenance and other contractors and with private investors on behalf of whom it manages property.

## Our capabilities

The primary role of DHA is to supply housing and related services to Defence members and their families in accordance with the *Defence Housing Australia Act 1987*, in response to the Defence Housing Forecast and in accordance with supply agreements with the Department of Defence. The following capabilities are required to meet this role:

- **Property and tenancy management** – DHA provides housing allocation and tenancy management services to Defence members and their families, and property management services to lessors.
- **Property provisioning** – DHA buys land and, with the assistance of the private sector, develops and constructs houses and, as required, purchases new and established houses.
- **Capital raising** – DHA generates capital to meet its provisioning commitments by selling and leasing back dwellings through its SLB program, the sale of land and dwellings from its major developments and the disposal of surplus properties.
- **Lease management** – DHA establishes SLB and direct leases, extends existing leases using options in contracts and, where expedient, negotiates new leases to meet requirements.
- **Investment management** – DHA manages its owned portfolio of housing retained for investment reasons (rather than selling under the SLB program).

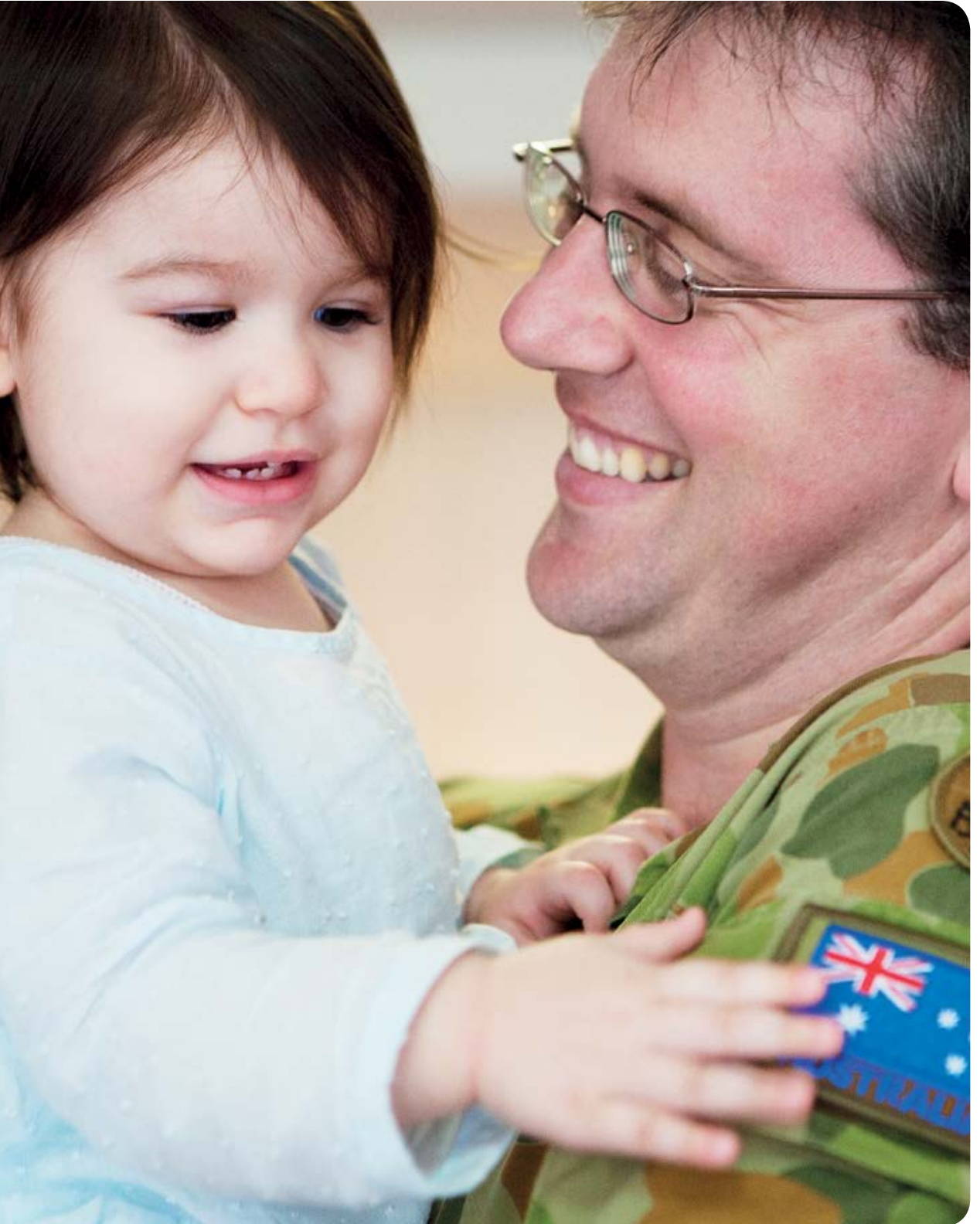
In all five areas DHA has invested in the recruitment of skilled and committed people to ensure it remains a cost-effective supplier of high-quality housing for Defence personnel and their families.

Through a national network of Housing Management Centres (HMCs), DHA manages a total portfolio of 18,304 properties (as at 30 June 2013) valued at around \$10 billion, including off-base accommodation for Defence singles, and dwellings held for the Australian Customs and Border Protection Service (Customs) and the Australian Maritime Safety Authority (AMSA).

## DHA shareholders

### **DHA sits in the Defence portfolio. The Minister for Defence and the Minister for Finance and Deregulation were Joint Shareholder Ministers of DHA.**

During 2012–13, the DHA Board reported to the Hon. Stephen Smith MP, Minister for Defence and Senator the Hon. Penny Wong, Minister for Finance and Deregulation, as Joint Shareholder Ministers of DHA. Responsibility for operational matters affecting DHA was delegated to the Hon. Warren Snowdon MP, Minister for Defence Science and Personnel.



## Report from the Chairman and Managing Director

**In challenging market conditions, DHA's performance in its 25th year of operation has been very satisfactory. We housed almost 16,000 Defence families in our properties, a further 240 singles in our off-base apartments and administered the payment of Rent Allowance (RA) to nearly 14,500 Defence members (families and singles) in private rental housing. In a market with limited suitable offerings, we pursued opportunities to acquire well-located land and can report good progress on the development of major holdings.**

There has been strong interest from the public in land sales from these developments. We completed the construction of 98 new houses on Larrakeyah Barracks, Darwin and Parliament approved new projects there and on RAAF Base Tindal. Defence approved a five-year extension to the Services Agreement to 1 July 2023 and awarded DHA a contract to provide booking and allocation services for its Living In Accommodation (LIA). In a subdued property market with very flat capital growth, we generated \$353.4 million in revenues from our SLB program. Earnings Before Interest and Tax were \$116.9 million and Net Profit After Tax was \$85.1 million.

DHA's main role is the supply of housing and related services to Defence members and their families in support of Defence operational, recruitment and retention goals. We have become a major player in the national residential property market acquiring and developing land, building and buying houses and managing a large property portfolio. DHA provided and maintained 17,507 dwellings for Defence members and their families (at 30 June 2013), which met the key performance measure for housing provisioning. We met customer satisfaction targets set by Defence and the DHA Board. Average occupancy rates on the DHA owned and leased portfolio were maintained at around 92%. The completion rate for routine maintenance was held at 89% within 15 days compared to a target of 80% in 28 days.

During 2012–13, Defence invited DHA to submit a proposal to provide booking and allocation services for all its LIA. The proposal was accepted and, following successful negotiations, the new services were incorporated in the Services Agreement for an initial five-year period.

The acquisition of well-located and reasonably priced land within 30 kilometres of Defence bases and establishments is challenging and an ongoing concern to the DHA Board. In the absence of sufficient retail land, we have been able to acquire some development land including surplus Defence land. In all cases, this land is well-located relative to Defence bases and establishments. In 2012–13, the total value of development projects exceeded \$1 billion. These projects are subject to the scrutiny of the Parliamentary Standing Committee on Public Works (PWC) and must comply with State/Territory and Local Government planning requirements. In addition, DHA has negotiated an arrangement with the Queensland Government for the supply of well-located land for Defence housing in consideration of which DHA will construct some apartments for them. Similar arrangements are being pursued with other State and Territory Governments.

Good progress is reported on all development projects and, in particular, Breezes Muirhead in Darwin where sales of surplus land lots have been very pleasing. The first 50 houses for Defence members have been completed and occupied. The Lindfield and Ermington developments in Sydney are underway. Multi-unit lots at Ermington were sold during 2013. Rasmussen in Townsville, Weston in Canberra, Voyager Point in Liverpool and Largs North in Port Adelaide are also well-advanced. DHA has invested in the acquisition of in-house expertise and carefully selected industry partners to assist with these developments.



DHA is committed to a \$360 million investment program in Defence-owned housing on-base and off-base to assist in bringing this portfolio to the required minimum standard by 2017. It has been a positive partnership, particularly in Darwin where 98 new dwellings on an ocean facing promontory at Larrakeyah Barracks were completed ahead of schedule. The PWC has also approved a follow-on project to upgrade 48 houses on the barracks and a new phase in the upgrade of nearly 200 houses on RAAF Base Tindal near Katherine.

During 2012–13, DHA spent \$305.0 million on a capital program to acquire 590 new houses by construction or purchase and \$14.4 million on the acquisition of 38 apartments for its off-base singles portfolio. This program was funded without additional borrowings, mainly through the SLB program, the disposal of properties no longer required and the sale of land from DHA developments. Total revenues from these sources were \$463.4 million, including \$353.4 million from SLB. This was a pleasing result, especially in light of difficult market conditions, confirming the continued attractiveness of SLB to investors and of our development land to builders and prospective home owners. Marketing activities have been successful with a record number of registrations of interest in buying in the year. The establishment of an unlisted property trust was approved by the Minister for Finance and Deregulation on 16 November 2012. Known as DHA Residential Property Fund No. 1, the fund will be fully operational during the 2013–14 financial year. DHA formed DHA Investment Management Limited to be the Responsible Entity and to hold an Australian Financial Services Licence issued by the Australian Securities and Investments Commission.

DHA was advised during 2012–13 that its contract with Customs for the provision of residential property management services would not be continued. DHA will continue to lease about 14 properties to Customs. The loss of this business has been more than offset by growth in the off-base singles portfolio.

The Board wishes to thank DHA staff for their excellent performance in 2012–13. At a time when attention is being drawn to the need for productivity growth, DHA has significantly broadened the range of its activities and is delivering and managing higher numbers of dwellings with stable staff levels. Innovative information and communication technologies are making a significant contribution to this effort.

During 2012–13, Jan Williams was appointed to the DHA Board. Five existing members were reappointed. Michael Del Gigante completed his term as Managing Director and was replaced by Peter Howman. There were no other changes.

Under Section 9 of the *Commonwealth Authorities and Companies Act 1997*, the Directors are responsible for the preparation and content of this report, in accordance with the Finance and Deregulation Minister's Orders. This report is made in accordance with a resolution of the Directors.

The Directors of DHA are pleased to present this Annual Report for the financial year ended 30 June 2013.



**Derek Volker**  
Chairman



**Peter Howman**  
Managing Director







**25** | Years  
1988–2013

## Highlights and events

17 JULY 2012



### DHA and Canberra Raiders Marketing agreement announcement

DHA and the Canberra Raiders announced their marketing agreement for the 2013 and 2014 season. The two-year agreement is a major vehicle for direct promotion of DHA's SLB program across Australia.

Local media was in attendance with the event receiving coverage on local news, print and online.

25 JULY 2012



### Breezes Muirhead, Darwin DHA construction launch

The Hon. Warren Snowdon MP, Minister for Defence Science and Personnel, visited the construction site of DHA's residential development, Breezes Muirhead, where 50 DHA houses were being built.

The event highlighted the quality of the homes being constructed, which will set the standard for design and sustainability in the region.

25 AUGUST 2012



### Crimson Hill, Lindfield, Sydney Public information session

DHA held a public information session for residents neighbouring its residential development at Lindfield.

The session provided an opportunity for residents to view the development plans and speak with the team of experts.

More than 40 people attended the event, with many interested in purchasing a property in the prime location.

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### AE2, Ermington, Sydney Community information day

DHA held a community information day for residents neighbouring its residential development at Ermington.

The day was held in partnership with the Ermington Residents Committee and the Rydalmere East Primary School, who provided a free barbeque and drinks. More than 50 residents attended to show their support for AE2, including representatives from the local Council.

24 NOVEMBER 2012



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### Breezes Muirhead, Darwin Official key handover

The Hon. Warren Snowdon MP, Minister for Defence Science and Personnel, handed over the keys to one of the first 50 DHA houses built in Breezes Muirhead to Defence Families of Australia (DFA) representative Ms Laura Simpson-Helman.

Special guests included members of the University of Canberra Brumbies, Steven Moore, Ben Mowen and Ben Alexander.

31 JANUARY 2013



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### Larrakeyah Barracks, Darwin Official park opening

The Hon. Warren Snowdon MP, Minister for Defence Science and Personnel, invited DFA representatives to officially open DHA's redeveloped site and memorial park on Larrakeyah Barracks. The park was named after Defence member Bjarne Kristensen. The park will complement the high-set houses which have been specifically designed for the tropical climate.

1 FEBRUARY 2013





## Highlights and events

1 FEBRUARY 2013



### DHA Top End Trial, Darwin

DHA supported the 2013 Top End Trial rugby union match, to help promote land sales at DHA's residential development Breezes Muirhead. The University of Canberra Brumbies took on the Emirates Western Force. Players visited communities in remote regions like Gove, Tiwi Islands and Jabiru.

The Northern Territory is an important location for Defence; by aligning the DHA brand with the game it demonstrated support for the community in which we have such a significant presence.

2 MARCH 2013



### Warner Springs, Brisbane Public information session

DHA held a public information session for residents neighbouring its residential development at Warner Springs.

The event was an opportunity for residents to view the development plans and speak with the team of experts.

Students from the local high school cooked a free barbeque for attendees.

5-7 MARCH 2013



### Urban Development Institute of Australia National Congress, Melbourne

DHA attended the Urban Development Institute of Australia (UDIA) National Congress held in Melbourne. Members of DHA's development team staffed the trade stand and answered questions about sustainable housing, DHA's tender process and the SLB program.

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### Wardell Street, Enoggera, Brisbane Public information session

DHA held a public information session for residents neighbouring its residential development on Wardell Street, Brisbane. The event showcased plans to redevelop the current townhouses, while taking into consideration the current surroundings. Feedback from the event was positive and was used to shape the next step in the planning process.

27 MARCH 2013



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### Heartwood, Voyager Point, Sydney Official name launch

DHA's Managing Director, Peter Howman, officially announced the name Heartwood for its residential development in Voyager Point, Sydney.

Approximately 130 people attended the event, and more than 100 registrations were received for the sale of land lots in Stage One.

4 MAY 2013



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### DHA and ABC Radio National *Big Ideas* Broadcast Panel discussion

DHA supported the *Big Ideas* program on ABC Radio National in a discussion about 'Living in the Defence Force in the 21st Century'. The program covered housing as a factor in the recruitment and retention of Defence members as well as the changes in Defence housing since DHA's inception in 1988. Panel members included Australian War Memorial Director Dr Brendan Nelson, MAJGEN Roger Powell (rtd) AM, DFA National Convenor Julie Blackburn, and Department of Defence Academic LCDR Steve Bell. The program went to air on 20 May 2013 to around 700,000 Australian listeners.

9 MAY 2013



## Highlights and events

11 MAY 2013



### Fetherston Ridge, Weston, Canberra Community information day

DHA held a community information day for residents neighbouring its development at Weston. With civil works well underway, the event provided the neighbouring community with an opportunity to meet the construction team and raise any questions they had regarding the latest stage of the development. Canberra Raiders' players Jarrod Croker and Joel Thompson were on-hand with DHA's Managing Director, Peter Howman, to turn the first sod.

17 MAY 2013



### Crimson Hill, Lindfield, Sydney Official name launch

DHA Board Member, the Hon. Sandy Macdonald, and DHA's Managing Director, Peter Howman, officially launched the name, Crimson Hill, at DHA's residential development in Lindfield.

The idea behind the name and the image of the lone pine is to commemorate the battle of Lone Pine, an iconic First World War battle in which seven diggers received Victoria Cross (VC) medals; five of which were on a single day. Crimson is the colour of the VC ribbon.

4 JUNE 2013



### Yamanto, Ipswich Start of construction

DHA Chairman, Mr Derek Volker, officially announced the start of construction on 36 dwellings at Yamanto, near RAAF Base Amberley.

The DHA Board, Air Commodore Timothy Innes, and Ipswich City Council Mayor, Cr Paul Pisasale, were in attendance to mark the occasion.



## Sponsorship programs

In 2012–13, DHA contributed more than \$85,000 to the support of Defence related and industry programs, including donations to a number of Defence organisations and programs.

Major sponsorships included:

- \$40,000 contribution to Defence Families of Australia
- \$25,000 contribution to Legacy, and
- \$6,600 contribution to the Urban Development Institute of Australia National Congress.

## Social media

In 2012–13, DHA increased its use of social media to reach key stakeholders and increase awareness of DHA and the role it plays supporting Defence members and their families.

Its official accounts on Twitter and YouTube have proved to be great platforms to share stories and engage with stakeholders and the broader community. These tools deliver real-time information about DHA's services and encourage two-way communication with DHA. As of 30 June 2013, DHA had more than 1,000 followers on Twitter.

DHA's YouTube channel is used to promote the SLB program and the quality of its product and services. It also provides insight into the achievements of its lessors through testimonial campaigns.

FLASHBACK



More than half of the 23,000 homes DHA accepted responsibility for required replacement or refurbishment to bring them up to an acceptable community standard.





# Meeting the Defence housing requirement

Defence housing requirement

DHA's response

DHA's Defence portfolio

Stakeholder management

Major projects



## Objectives

Housing supplied and managed effectively to meet Defence requirements

Good stakeholder management and public relations

KEY PERFORMANCE INDICATOR	2012–13 TARGET	2012–13 ACHIEVEMENT
ADF member satisfaction with house	80%	88%
Stock provisioned for client against agreed provisioning plan	>98%	99.1%

## Major outcomes

1. Provided a total portfolio of 17,507 houses for Defence families (Members With Dependants) which met the key performance measures for housing provisioning.
2. Constructed or purchased 590 new houses for Defence families and a further 38 apartments for Defence singles.
3. Reached settlement for the first tranche of the Warner Springs site in Brisbane following completion by the vendor of agreed remediation and related works.
4. Progressed major residential developments including AE2 in Ermington and Heartwood in Voyager Point (Sydney) and Bluewattle in Rasmussen (Townsville). PWC approved Crimson Hill in Lindfield and Kellyville (Sydney) and Fetherston Ridge in Weston (Canberra).
5. Received an award for Planning Excellence for DHA's Breezes Muirhead development from the Planning Institute of Australia, Northern Territory Division.
6. Achieved good results from development land sales including Stage One and Two surplus lots at Breezes Muirhead and six multi-unit lots at AE2 in Ermington.
7. Completed construction of 98 new dwellings on Larrakeyah Barracks, Darwin and started upgrade of 48 existing on-base dwellings.
8. Progressed to the second stage (68 houses) in a major upgrade program to nearly 200 houses on RAAF Base Tindal.
9. Acquired land from the Queensland Government close to Gallipoli Barracks Enoggera, on which DHA will build 49 apartments and townhouses for Defence members and their families, and in consideration of which, DHA will construct 17 apartments for the Queensland Government.

# Defence housing requirement

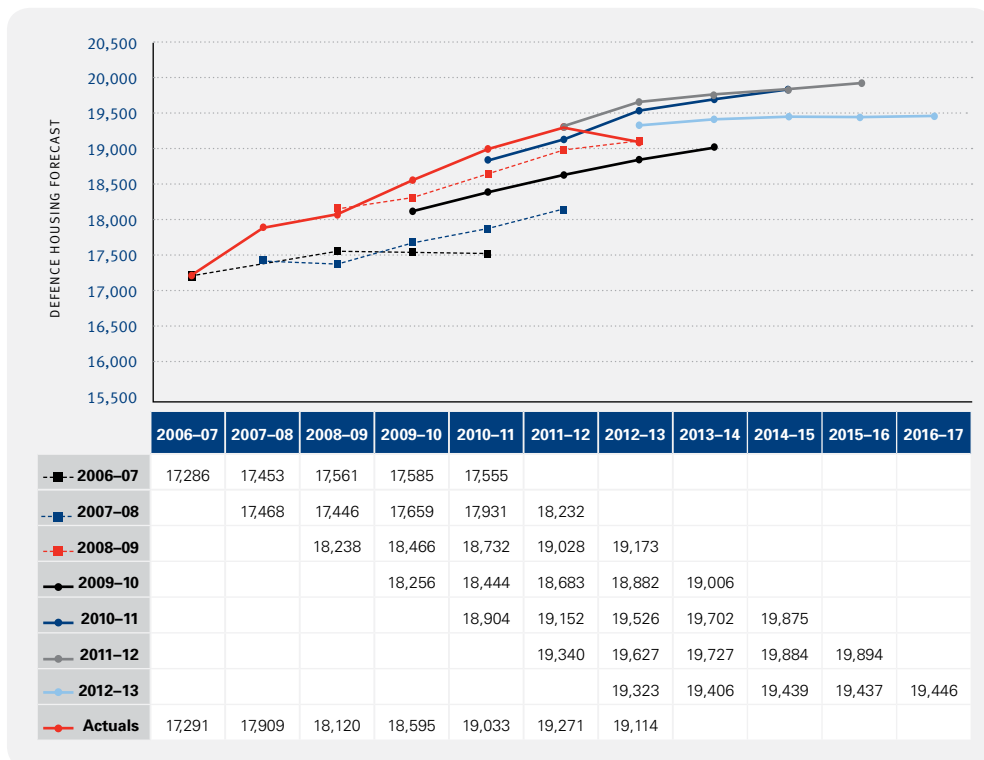
## Overview

DHA's primary role is to supply housing for Defence members and their families. It provides and manages dwellings across the country in capital cities, major regional centres and remote localities. Houses are acquired through construction, purchase and lease and allocated in accordance with Defence policy. DHA manages the resulting tenancies. Some houses are owned by Defence, others by DHA. The majority are privately-owned and leased to DHA, typically for periods of 9 to 12 years. This chapter focuses on the housing portfolio. Chapter 2 focuses on the property and tenancy management business.

## Defence Housing Forecast

Defence notifies DHA of its housing requirements in the Defence Housing Forecast (DHF), in terms of numbers, location and classification over a four-year period. The graph below shows the growth in the Defence housing requirement since 2006–07. DHA has worked closely with Defence throughout this period to increase its supply in response to changes in demand. The graph also illustrates the tapering in the Defence housing requirement that has occurred since 2011–12. The DHF is the starting point of the DHA capital planning process and may be used in the justification of new projects that require the approval of the PWC.

**Figure 1: Successive Defence Housing Forecasts**



## DHA's response

### Provisioning schedule

DHA responds to the DHF with a draft provisioning schedule that takes into account factors such as vacancy rates, lease-ends, land-supply, availability of capital and the state of private rental markets. Following negotiation, DHA is contracted to supply an agreed level of housing through an approved provisioning schedule. DHA generally aims to meet 85% of the Defence requirement with the balance satisfied by private rentals where members receive their housing entitlement as a Rent Allowance (RA). For 2012–13, based on the 2011–12 forecast, Defence approved a program under which DHA would supply 17,567 dwellings that, after allowing for vacancies, would accommodate 16,268 Defence families. A further 3,359 families were expected to be accommodated in the private rental market.

### Capital program

The capital program sets out how DHA will meet its obligations to Defence as agreed in the provisioning schedule. It takes into account expiring leases, lease extensions and renewals, direct leasing outcomes, the purchase of new dwellings and DHA's land acquisition and construction program. The result is a large residential development, construction, acquisition and disposal program that must be approved by the DHA Board. A short description of major projects in the 2012–13 capital program is at the end of this chapter.

In its 2012–13 capital program, DHA constructed or purchased 590 new dwellings for Members With Dependants at a cost of \$305.0 million. DHA direct leased 167 properties from private investors, wrote new leases on 342 existing properties where leases and options had expired and extended 203 leases by agreement before lease expiry. After taking into account expired leases and the exercise of 978 options at DHA's discretion, total stock for Defence members and their families was 17,507, which met the key performance measure for housing provisioning.

### Major land acquisitions

The acquisition of suitable cost-effective land for Defence housing is an ongoing priority. DHA has responded to a general shortage of retail land in reasonable proximity to Defence bases and establishments by acquiring, where appropriate, greenfield development sites. In this regard, a number of significant land purchases were reported in the two previous Annual Reports including Warner Springs in Brisbane. Contracted in 2011–12, the first tranche was not settled until June 2013 following the completion of environmental remediation and other works that remained the responsibility of the vendor. The second and final tranche will be settled in 2013–14. DHA is in discussion with State and Territory Governments regarding access to surplus land close to Defence bases. In 2012–13, DHA reached an agreement with the Queensland Government to acquire land close to Gallipoli Barracks, Enoggera, in consideration of which DHA has agreed to construct 17 apartments for the Queensland Government. DHA will also build 49 accommodation units for Defence on the acquired land. DHA now has sufficient well-located and competitively priced land to sustain its construction program in most key locations for the medium-term.

# DHA's Defence portfolio

## Overview

DHA continues to improve the quality and diversity of housing available to Defence members and their families. Stock is refreshed as properties leave the portfolio at end-of-lease. While this places demands on the capital program it ensures houses remain consistent with community standards. DHA also acquires land and houses that are well-located with respect to Defence bases and establishments. On both accounts (quality and location), success is measured by member satisfaction with DHA provided housing, which remains high.

While most of the Defence portfolio is detached housing, it also includes townhouses, courtyard style houses and apartments. These housing types are suited to members who prefer well-located inner suburbs. Within limits set by Defence, a small number of apartments with shared recreational amenities and undercover parking are also available. These dwellings are not a 'suitable offer' but can be chosen by Defence members and, therefore, are known as 'choice housing'.

In an important development, Defence and DHA have agreed to trial the use of approximately 100 inner-city apartments in Sydney as a 'suitable offer' for certain types of family composition. These dwellings must have met a minimum standard agreed with Defence. If a policy change ensues, the choice element in the allocation of these houses would be removed.<sup>2</sup>

Housing in the Defence portfolio is classified for provisioning and allocation purposes. This enables Defence members to obtain accommodation in accordance with their rank and family composition entitlement. Since 1 July 2007, the system of housing classification has been based on market rents with properties assigned to rent bands by region. These are determined by Defence, in consultation with DHA, and updated annually. The system enables location to be factored into classification.

## On-base housing

The Defence portfolio includes around 1,400 Defence-owned houses located on Defence bases and establishments around the country, 40% of which are in the Northern Territory. These houses are owned by Defence or financed by DHA under annuity arrangements. Defence pays fees to cover the cost of management and maintenance with special arrangements in place to cover 61 houses on the Defence Heritage Register. Approximately 380 dwellings that are no longer used for Defence housing are assigned to separate management arrangements. Of these, 277 are on RAAF Base Darwin. They have been sold and are being progressively removed from the base.

In 2012–13, DHA continued work on the upgrade and replacement of Defence-owned houses as part of a \$360.0 million program to ensure this stock meets minimum Defence standards by 2017. The lead project was the replacement of 61 houses on Larrakeyah Barracks in Darwin. Approved by the PWC in March 2011 at a revised cost of \$63.8 million, the project was completed during 2012–13. In total, 98 new houses were constructed and are now occupied by Defence families. A new project on Larrakeyah Barracks will result in major upgrades to 48 existing houses.

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<sup>2</sup> DHA-managed housing in the right posting locality that meets the minimum standard set by Defence is regarded under Defence policy as a 'suitable offer' or an 'allowable supply', in terms of meeting the Defence obligation to provide subsidised housing for Defence members.



Work continues on a project to upgrade 193 houses on RAAF Base Tindal in the Northern Territory. The PWC-approved upgrades will ensure houses meet the Defence minimum standard and secure their viability as on-base housing for the next 15 years. The first package of 62 houses was completed in May 2013 and work on the second package of 68 houses started in June. In addition, the first of 85 houses being upgraded on-base HMAS Cerberus on the Mornington Peninsula was completed. Work continues on upgrades of on-base housing at Puckapunyal in Victoria, Kapooka Village and RAAF Base Richmond in New South Wales and on 65 remote residences in Western Australia and North Queensland.

## Heritage housing

DHA manages and maintains 61 heritage properties across the Defence estate under arrangements set out in the Services Agreement. These properties are at the Royal Military College, Duntroon; HMAS Creswell, Jervis Bay; Garden Island and HMAS Watson, Sydney Harbour; HMAS Cerberus, Mornington Peninsula; Anglesea Barracks, Hobart; and Victoria Barracks, Sydney. Since the completion of a major upgrade program in 2010, DHA continues to undertake minor upgrades as required. In 2012–13, DHA managed a series of minor upgrades on heritage houses including new kitchens, bathrooms and laundries at HMAS Watson and new fences for properties on Garden Island.

## Sustainable housing

DHA focuses on five key sustainability areas; energy consumption, water consumption, effective waste management, human wellbeing and the biodiversity of local flora and fauna.

DHA ensures all newly constructed developments comply with environmental laws and standards. DHA's new constructions incorporate environmental sustainability improvements including reduced energy consumption, reduction in potable water use through AAA rated fixtures and fittings and biodiversity in landscape. All DHA houses tendered since 1 July 2010 comply with the requirement for a six star energy rating. Water tanks are provided in accordance with State and Territory Government requirements.

During 2012–13, DHA agreed to extend its involvement in the Residential Building Energy Efficiency Study for another year. DHA is collaborating with the Commonwealth Scientific and Industrial Research Organisation (CSIRO) to assess the efficiency of energy usage in approximately 80 DHA-managed houses in Brisbane, Melbourne and Adelaide. This study is part of a larger project, commissioned by the Department of Resources, Energy and Tourism, to investigate the thermal efficiency of house design and tenant energy consumption patterns. On conclusion of data collection at the end of the first year, CSIRO honoured its commitment to donate \$100 to Legacy for each Defence tenant remaining in the study. This amounted to a donation of \$7,200.

The principles of sustainable development have been incorporated into DHA's decision making systems and processes as required under the *Environmental Protection and Biodiversity Conservation Act 1999*.



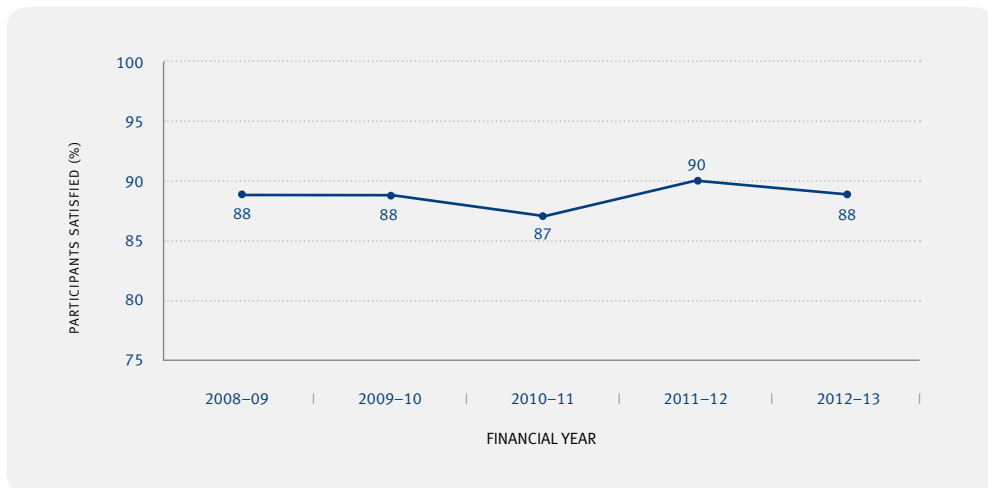
## Portfolio management

DHA's housing portfolio is managed over a full life-cycle from establishment of the housing requirement with Defence, to exit from the portfolio when leases expire or properties are no longer required for Defence families. DHA maintains ownership of some properties to meet prudential requirements and uses financial benchmarks to determine the makeup of this part of the total portfolio. DHA also selects properties for its SLB program with the sale proceeds being the largest source of capital for financing its business. DHA works closely with investors to manage their properties through the leasing cycle, from purchase, lease extensions/renewal to the return of properties at lease end.

## Satisfied tenants

DHA's annual tenant survey measures Defence member satisfaction with their current DHA-managed property. In 2012–13, 88% of 3,172 respondents were satisfied with their current accommodation. This result is statistically similar to the result for 2011–12. In past years, sample sizes have ranged from 2,342 to 4,431.

**Figure 2: Defence member satisfaction with current DHA housing, 2008–09 to 2012–13**



Properties acquired by construction, acquisition or direct leases must satisfy Defence criteria in terms of the quality and level of amenity, inclusions and fittings. Examples include security, heating, cooling and covered outdoor areas. Satisfaction of Defence members living in these dwellings has been consistently high. In 2012–13, from a sample of 65 Defence families, satisfaction with newly constructed homes was 92%. In the same survey, from a sample of 72 Defence families, satisfaction with newly acquired homes was 86%.

## Total stock under management

In addition to housing stock supplied to meet Defence requirements for Defence families, DHA holds apartments for Defence singles (currently in Darwin, Brisbane and Canberra), some houses pending disposal and small portfolios for Customs and AMSA. The total DHA portfolio is summarised in the table below.

**Table 1: DHA housing portfolio 2012–13**

	Purchases		Sales	Sale and Leaseback program			Leases	Leases			Housing stock	Total housing stock				
	Acquisitions	Constructions		Disposals	Handback of Defence-owned properties	Direct leases		Lease options	Lease conversions	DHA-owned		Leased from investors	Defence off-base annuity	On-base Defence stock	Other managed stock	Total housing stock
DARWIN	15	141	85	4	7	16	115	44	793	1,021	10	358	4	2,186		
TINDAL	0	0	0	0	1	0	11	0	3	80	95	193	0	371		
CAIRNS	12	0	0	1	0	9	43	2	24	205	27	6	1	263		
TOWNSVILLE	25	63	108	49	0	24	142	26	407	1,532	9	1	0	1,949		
BRISBANE	45	34	179	8	3	26	58	22	415	1,533	2	82	0	2,032		
IPSWICH	5	0	17	0	0	4	26	5	25	182	14	6	0	227		
TOOWOOMBA	10	0	51	0	5	5	89	1	91	719	15	0	0	825		
SYDNEY	94	52	85	31	0	27	155	114	1,005	1,866	10	51	0	2,932		
HUNTER VALLEY	14	6	23	0	4	10	81	16	137	867	48	0	0	1,052		
NOWRA	8	0	0	0	5	11	12	21	10	295	25	23	0	353		
CANBERRA	15	43	58	3	2	26	89	39	181	1,686	0	176	0	2,043		
ALBURY/WODONGA	7	0	16	0	1	0	20	7	15	267	22	0	0	304		
WAGGA WAGGA	4	0	3	1	12	0	36	3	5	225	94	58	0	382		
MELBOURNE	8	10	24	7	3	12	21	11	299	570	125	416	0	1,410		
ADELAIDE	0	0	69	10	0	0	40	16	148	799	4	14	0	965		
PERTH	38	0	35	8	0	17	51	19	325	649	18	9	9	1,010		
<b>NATIONAL TOTAL</b>	<b>300</b>	<b>349</b>	<b>753</b>	<b>122</b>	<b>43</b>	<b>187</b>	<b>989</b>	<b>346</b>	<b>3,883</b>	<b>12,496</b>	<b>518</b>	<b>1,393</b>	<b>14</b>	<b>18,304</b>		

## Stakeholder management

During 2012–13, DHA relationships with Shareholder Departments were cooperative and effective, extending from regular working level contacts with officials of both Departments through to the most senior levels. The Secretary of Defence attended DHA's Annual Strategic Meeting on 13 December 2012. The Chairman and Managing Director meet as required with senior officials in both Departments to ensure a good understanding of Shareholder Minister priorities and of issues affecting their relationships with DHA. As a result, DHA has been able to make good progress on major issues impacting on the business including the establishment of an unlisted property trust, the extension of the Services Agreement to 2023, the expansion of DHA's off-base singles business and an increase in the cap on the supply of inner-city apartments in Sydney.

The DHA Advisory Committee brings together the Deputy Chiefs of the three Services, other senior Defence officials and DFA to provide advice to DHA on the performance of its functions. The Committee met four times in 2012–13.

State, Territory and Local Government planning departments and agencies are key groups for DHA, especially in the context of residential developments currently underway. Small and large projects currently underway would not be possible without careful attention to relationships with these agencies and an understanding of their issues and priorities. DHA's Property Provisioning Group is responsible for these relationships, assisted by DHA senior leadership. An important vehicle for sustaining these relationships is the regular meetings of the respective Government Land Organisations. DHA participates in regular meetings of the group.

## Major projects

### AE2, Ermington – Sydney

DHA will build and retain 210 dwellings for Defence members and their families at AE2 in Ermington. The development is located 18 kilometres from central Sydney and five kilometres from the Parramatta CBD. AE2 is a 16.3 hectare riverfront residential development incorporating a mixture of detached houses and terrace houses. The development, which will provide a total of 700 dwellings, is named after the first Allied and Australian submarine to enter the Dardanelles Straits during the Gallipoli campaign.

In December 2012, after an extensive sales campaign, six multi-unit lots were sold to Payce Consolidated. On 28 May 2013, Watpac Construction Pty Ltd was awarded the contract for the first 91 dwellings. Construction of the entire development is expected to be completed in 2015 to coincide with the centenary of the Gallipoli landings. The first dwellings for Defence tenants are expected to be completed in December 2013.

### Heartwood, Voyager Point – Sydney

DHA will build 59 dwellings for Defence members and their families at Heartwood in Voyager Point. The residential development is located 40 kilometres from central Sydney and is a short drive to the nearby Holsworthy Army Base. Heartwood is a 15.7 hectare residential development incorporating a mixture of detached houses and duplexes. The development will provide a total of 137 lots. Heartwood is named after the 'heartwood' of the Mahogany trees that surround Voyager Point. The total cost of the project is approximately \$40 million.

Civil works commenced in 2012 and have now been completed. Subsequently, housing construction is projected to commence early in 2013–14. The first dwellings are expected to be completed in October 2014.

### Kellyville – Sydney

DHA will build 34 dwellings for Defence members and their families in Kellyville. The development is located 39 kilometres from central Sydney and is approximately 21 kilometres from RAAF Base Richmond. Kellyville is a four hectare residential development that will primarily feature detached houses. The development is expected to provide a total of 65 lots with 31 lots to be sold on the open market. The total cost of the project is approximately \$27 million.

The project was considered by the PWC in August 2012 and approved by the Parliament on 19 September 2012. Civil works started in the first half of 2013. The first dwellings are expected to be completed in December 2014.

## Crimson Hill, Lindfield – Sydney

DHA will build 173 dwellings for Defence members and their families at Crimson Hill in Lindfield. Additionally, 162 dwellings will be built. These, with 10 land lots, will be sold on the open market. The development, bounded on three sides by the Lane Cove National Park, is located 15 kilometres from central Sydney and three kilometres from Chatswood Shopping Centre. Crimson Hill is a 13.8 hectare residential development incorporating a mixture of detached houses, townhouses and apartments. Crimson is a colour associated with importance, strength and nobility; it is the colour of the Victoria Cross ribbon. Five precincts in the development will be named after Victoria Cross recipients in the Battle of Lone Pine.

The project was referred to the PWC and, on its recommendation, approved by the Parliament on 23 August 2012. Civil works started in the first quarter of 2013 following receipt of environmental and other planning approvals. On 28 May 2013, the Minister for Defence approved contracts for the construction of 222 apartments. The first dwellings are expected to be completed by late 2014.

## Larrakeyah Barracks, Larrakeyah – Darwin

DHA built 98 dwellings for Defence members and their families at the Larrakeyah Barracks in Darwin. This development was completed ahead of schedule and in time for the 2012–13 peak posting period. The project required the removal or demolition of 61 residences and included major upgrades to base infrastructure such as sewerage, stormwater and electrical.

The project was approved by the PWC at a cost of \$63.8 million on 21 March 2011. On 29 November 2012, following another recommendation from the PWC, the Parliament approved a follow-on project for major upgrades to 48 houses on Larrakeyah Barracks. Work on the first two stages of upgrades began in early 2013.

## Breezes Muirhead – Darwin

DHA will build 329 dwellings for Defence members and their families at Breezes Muirhead. The development is located 14 kilometres from central Darwin and the Larrakeyah Barracks. Breezes Muirhead is a 167 hectare residential development featuring a mixture of detached houses and townhouses. This development is named after the tropically inspired urban design, taking advantage of the prevailing cross flow breezes. The development will provide 1,100 lots. Stage One and Two civil works are complete, with 227 lots sold on the open market.

The first 50 dwellings for Defence members and their families have been completed, with the second 50 currently under construction. Stage Three civil works were awarded to BMD Constructions at the end of March 2013. Construction of the entire development is expected to be completed in 2019.

## Warner Springs – Brisbane

DHA will build 130 dwellings for Defence members and their families in Warner Springs. The development is located 25 kilometres from central Brisbane and 17 kilometres from Gallipoli Barracks, Enoggera. Warner Springs is a 35.6 hectare residential development and will provide 465 land lots and a two hectare multi-unit lot. The site is a former clay quarry and has been rehabilitated by CSR Limited.

Final settlement was made conditional on an environmental clearance under the *Environment Protection and Biodiversity Conservation Act 1999*, among other conditions. These conditions were finalised during 2012–13 with settlement occurring on 18 June 2013. A public hearing by the PWC took place in Brisbane during June and the project was approved by Parliament on 27 June 2013. Project management will be provided by Peet Limited. The first dwellings are expected to be completed in late 2015.

## Gordon Olive Estate, McDowall – Brisbane

DHA built 61 dwellings for Defence members and their families at Gordon Olive Estate in the Brisbane suburb of McDowall. The development is located 13 kilometres from central Brisbane and five kilometres from Gallipoli Barracks, Enoggera. Gordon Olive Estate is a 6.4 hectare residential development incorporating a mixture of detached houses, duplexes and townhouses. It is named after Brisbane-born Battle of Britain pilot and distinguished community figure, Gordon Olive, CBE, who died in 1987. The project was completed in late 2011 at a total cost of approximately \$27 million, including land.

Early in 2012–13, the DHA Board approved a recommendation that the multi-unit lot, intended to be sold to a private developer, be retained for Defence members and their families. DHA will now build 23 townhouses in 2013–14 increasing the number of dwellings for Defence families to 84.

## Samford Road, Enoggera – Brisbane

DHA will retain all dwellings for Defence members and their families at Samford Road in Enoggera. The development is located six kilometres from central Brisbane and is immediately adjacent to Gallipoli Barracks, Enoggera. The site was previously the location of seven two-storey brick and weatherboard townhouses that could not cost-effectively be made compliant with the new Defence minimum standards. DHA will redevelop the site and construct three multi-storey buildings that will yield a total of 55 dwellings, including seven townhouses and 48 two and three bedroom apartments. The total cost of the development is approximately \$24.6 million. The Samford Road project was approved by Parliament on 27 June 2013. The first dwellings are expected to be completed in October 2015.

## Bluewattle, Rasmussen – Townsville

DHA will build 430 dwellings for Defence members and their families at Bluewattle in Rasmussen. The development, nestled in the Thuringowa corridor, is located 17 kilometres from central Townsville and 11 kilometres from Lavarack Barracks. Bluewattle is a 98 hectare residential development which will feature predominantly detached houses. Rasmussen, the Ross River and surrounding areas are home to nearly half of all known butterfly species in Australia, including the 'Wattle Blue'. The meaning, symbology and cultural significance of the butterflies resonate with the vision for Bluewattle, Rasmussen and the spirit of Townsville itself. A major revision to the site masterplan has been proposed and, if approved, could increase the total lots from 1,180 to 1,300. The land was acquired from the private market at a cost of \$30 million. Stage One civil works commenced in May 2013. The first dwellings are expected to be completed in October 2014.

## Fetherston Ridge, Weston – Canberra

DHA will build 50 dwellings for Defence members and their families at Fetherston Ridge in Weston. The development is located 14 kilometres from central Canberra and is a short drive to the Australian Defence College. Fetherston Ridge is an 8.3 hectare property incorporating a mixture of detached houses and townhouses. The development will provide 73 standard lots and three multi-unit lots. The name Fetherston Ridge was chosen to complement the neighbouring Fetherston Gardens and to honour their founder, Tony Fetherston. He was an educator and a pioneer of horticulture in the Canberra community and served in the Royal Australian Air Force from 1934–1944. The total project cost is estimated at \$40 million. The project was the subject of a public hearing by the PWC in July 2012 and was approved by Parliament on 23 August 2012. Civil works began in March 2013. The first dwellings are expected to be completed in late 2014 and construction of the entire development is expected to be completed in 2016.

## Bayriver, Largs North – Port Adelaide

DHA will build and retain 35 dwellings for Defence members and their families at Bayriver in Largs North. This coastal development is located 18 kilometres from central Adelaide. Bayriver is a 8.8 hectare development featuring a mixture of detached houses and townhouses. This residential development is situated on the Lefevre Peninsula between Largs Bay and Port River. The development will provide 127 lots including 11 multi-unit lots for medium-density development. On Friday 21 June, DHA reached a major milestone with the unveiling of Meyer Reserve, a central park where residents can build a strong community. Meyer Reserve is named in honour of Heinrich Carl Meyer, a founding member of the South Australian Harbours Board and the namesake of the former Meyer Oval on which the site sits. Civil works were completed in the first part of 2013. Stage One achieved steady sales and all of the eleven multi-unit lots were sold. The construction of dwellings commenced on 7 July 2013. The first dwellings are expected to be completed in December 2013.

FLASHBACK



By the mid-1990's DHA had constructed and acquired approximately 3,000 new homes for Defence members and their families.





# Property and tenancy management

Property and tenancy

DHA housing solutions

Customer service

Information and communication technologies



## Objectives

Housing supplied and managed effectively to meet Defence requirements

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Information technology solutions that enhance the business and customer service

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Enhanced customer service

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KEY PERFORMANCE INDICATOR	2012–13 TARGET	2012–13 ACHIEVEMENT
Defence member satisfaction with completed maintenance	80%	95%
Defence member satisfaction with overall customer service	80%	92%
Maximising pre-allocation (rolling 12 month average)	75%	93%

## Major outcomes

1. Supplied 17,507 dwellings, housed 15,742 Defence families and administered Rent Allowance (RA) for a further 3,372 Members With Dependants (at 30 June 2013).
2. Administered the payment of RA to a monthly average of 11,100 Members Without Dependants or Members With Dependants (Unaccompanied) (singles).
3. Increased the off-base singles portfolio to a total of 240 apartments across Darwin, Brisbane and Canberra.
4. Achieved a pre-allocation rate of 93% (member chooses home in new location before departing old), reducing posting stress and costs for Defence.
5. Achieved average monthly vacancy rate of 7.7% for DHA-owned and leased housing compared to 8% in 2011–12.
6. Achieved average monthly vacancy rate of 5.1% for Defence-owned off-base houses, marginally above the Services Agreement figure of 5%.
7. Achieved monthly average of 96.7% of housing contribution and RA payment notifications to Defence within a ten-day period compared to a target of 95%.
8. Achieved a completion rate for routine maintenance of 88.9% within 15 days compared to a Services Agreement target of 80% completed within 28 days (the completion rate within 28 days was 97%).

# Property and tenancy

## Overview

The property and tenancy business line, Property and Tenancy Services, accepts completed houses from DHA's Property Provisioning Group. They are responsible for maintaining the homes, presenting properties for allocation, providing support to the Defence member throughout their tenancy and assisting when they vacate at the end of their tenancy. It is the customer-facing side of DHA's business with approximately 300 staff in regional offices offering these services. This includes day-to-day interactions with current Defence tenants and informing members about housing in their new posting locality. This business also manages the payment of RA to members with and without dependants who will be accommodated in the private rental market.

While the Property Provisioning Group's focus is on maintaining a supply of houses in response to the DHF (by constructing new houses on DHA-owned land, acquiring existing houses and by renewing leases), Property and Tenancy Services matches the DHA housing portfolio to the demand for those houses as Defence members move on posting, or as their changing personal circumstances affect their housing needs.

## Defence Housing Forecast

The DHF is the starting point for the property and tenancy business, as it is for property provisioning. It identifies how many Members With Dependants are expected to need accommodation in the next financial year (and the following four years) in terms of numbers, locations and housing classifications. For 2012–13, Defence forecast a requirement for housing for 19,627 Defence members and their families, a 2.5% increase on 2011–12.

The starting point for the preparation of a new DHF is the total number of Defence families in DHA-managed properties and in RA in the current year. Defence then seeks the best available information from the three Services about changes (the number and rank of personnel) in the establishment of headquarters, formations, units and bases and of changes in force disposition, as a result of the creation of new force elements or changes in location of existing force elements.

The DHF estimates the proportion of Defence members who will require Defence-funded housing (DHA-managed or RA), as distinct from those who will live in their own homes. The accuracy of the DHF, therefore, is affected by matters outside the control of Defence and DHA; such as the state of residential property markets and the availability of bank finance.

## Meeting the Defence demand

In allocating housing, Property and Tenancy Services must manage tenanted, vacant and privately leased stock in order to increase the number of Defence families in DHA-managed accommodation. An optimal outcome will maximise the number of available dwellings during the peak posting period, minimise vacancy at other times by leasing vacant stock privately and minimise the number of Defence families receiving RA.

DHA's online tool, HomeFind, is the main vehicle used by Defence members to view properties they might be eligible to occupy (determined by location, rent band and family composition). DHA is continually upgrading its online system, its capabilities and the quality of the housing data accessible to Defence members.

At 30 June 2013, 82% of the total Defence demand was satisfied by DHA-managed housing with the balance in private rental accommodation. The 2012–13 monthly average of Defence families on RA was 17.95%. One reason is the increase in the proportion of Defence members approved for RA following Service recognition of an interdependent relationship, including de facto relationships. DHA does not have the opportunity to offer its accommodation in these circumstances.

Housing is allocated in accordance with a classification system under which DHA-managed properties are assigned to one of five rent bands set by Defence, in consultation with DHA, and updated annually. Rent bands are determined by geographical location with individual houses assigned to a rent band based on their market rent. The system enables Defence members to access housing in accordance with their ranks and family-based entitlements.

## Managing Defence tenancies

Since 1 October 2009, all Defence tenancies have been in the form of an agreement between DHA and the Defence member. Before October 2009, DHA was an agent of Defence, administering tenancies between the Department and the Defence member. The new arrangements continue to work satisfactorily.

## Housing Management Centres

Property and Tenancy Services focuses on the ongoing needs of individual Defence families and relies on a DHA workforce spread across 19 regional offices matched to geographical concentrations of Defence units and establishments. Twelve are designated Housing Management Centres (HMCs) and the balance are smaller 'branch' offices. At 30 June 2013, Property and Tenancy Services employed approximately 300 people, or about 50% of the DHA workforce, in its regional offices. This staffing provides a physical presence for Defence members seeking advice on housing matters including maintenance. DHA also maintains a sophisticated online service and a 24-hour telephone contact point to manage these needs.

## Responsive maintenance

Responsive maintenance is a critical component of property and tenancy management. DHA is contracted to provide a quality 24-hour maintenance service and to deliver high-levels of tenant satisfaction with that service. To assist in achieving this objective, DHA provides a Maintenance Call Centre (MCC) for receiving and taking action on maintenance calls from tenants across Australia. The MCC operates from DHA's office in the Hunter Valley and provides extended hours coverage. Staff are trained in the policies and procedures that govern the delivery of maintenance services and can support frontline staff by raising work orders during property inspections to speed up the turnaround of properties between tenancies. During 2012–13, the MCC received a total of 130,956 calls and made 166,493 outgoing calls. The MCC raised 49,656 maintenance actions and responded to 7,281 incoming emails from contractors, Defence members, real estate agents and DHA staff.

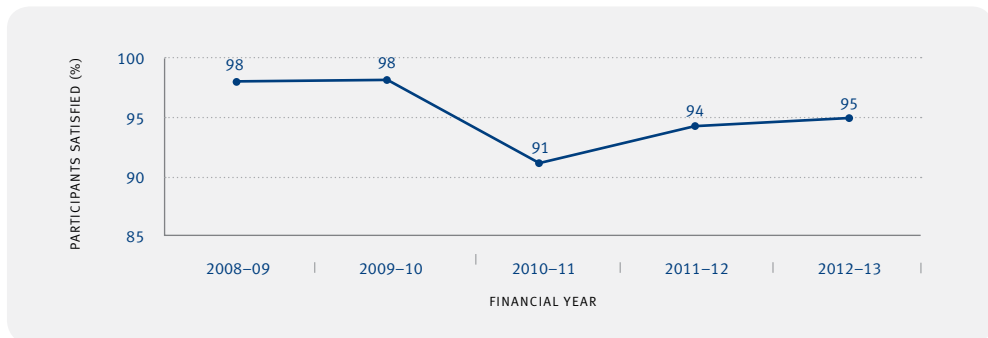
## Contractor management

DHA is responsible to tenants and lessors for the provision of a prompt and high-quality maintenance service, irrespective of location. To achieve this, DHA uses maintenance service providers in each region. Known as Residential Maintenance Services, the arrangements are supported by sophisticated Contractor Management software (CTM) to assist HMCs to manage about 1,000 individual contractors and deliver efficient and timely maintenance support to tenants. In 2012–13, DHA upgraded the CTM software to provide greater functionality and further streamline the allocation of maintenance and the interaction with contract providers. The contract management team that supports DHA regional staff implemented a monthly reporting tool to ensure greater transparency and value for money from panel contractors. The same team has been responsible for implementing control measures to ensure DHA meets its obligations to contractors under the new Work Health and Safety (WHS) legislation.

## Maintenance surveys

DHA measures Defence member satisfaction with customer service, contractor service and overall satisfaction with the maintenance service. Performance with completed and invoiced works remains strong, with 95% of 7,064 surveyed tenants expressing satisfaction with the overall service. This result is similar to that in 2011–12. Sample sizes in past years ranged from 7,065 to 7,848.

**Figure 3: Customer satisfaction with DHA's maintenance service, 2008–09 to 2012–13**



## Services Agreement on Housing and Related Matters

DHA's relationship with Defence is managed under the provisions of the Services Agreement on Housing and Related Matters (Services Agreement), a long-term agreement that was signed on 1 July 2006. Major elements of the Services Agreement were updated in 2009 to provide for the inclusion of allocations and tenancy management functions, which had previously been contracted under the Relocations Services Agreement. In 2012–13, the Services Agreement was the subject of the first five-year review to address lessons learned since July 2006 and to investigate ways to rationalise and reduce costs to both parties. In a significant milestone, on 17 May 2013, Defence advised its decision to extend the initial 12-year term of the Services Agreement by five years to 1 July 2023. In doing so, Defence acknowledged that DHA was providing value for money and noted with satisfaction that services were being delivered in an efficient and effective manner.

## DHA housing solutions

### Rent Allowance

In addition to its core business of supplying and managing housing for Defence members, DHA has been contracted by Defence to administer the payment of RA to Defence members who are accommodated in the private rental market. DHA is not responsible for assisting members to find private rental accommodation but becomes involved when members seek approval for the arrangements they have negotiated with agents and landlords.

In the normal course of events, administration of RA involves approving the commencement of a housing related allowance, conducting an annual review to confirm a continuing entitlement and administering the cessation of an approved arrangement. While this generally applies to the more stable tenancies entered by Members With Dependants, the administration of RA for Members Without Dependants or Members With Dependants (Unaccompanied) can be more complex, often involving frequent changes to payment as member circumstances change; such as, because of deployment on operations, sharing arrangements and movement to or from Defence schools and courses.

Of particular note, single members receiving RA may apply for Defence approval for the recognition of a de facto relationship or notify a marriage. Consequently, they can be re-categorised as a Member With Dependants. This shift in categorisation may involve a cessation and commencement of RA, often without a change in accommodation. Currently one third of Members With Dependants receiving RA are from this source.

In 2012–13, DHA continued to focus on the improvement of RA administration including enhancements to RA Online, an online facility where members can apply for, and complete, annual reviews electronically. Member response has been positive and has helped DHA to reduce the time taken on this process.

In 2012–13, DHA administered the payment of RA to a monthly average of 3,372 Members With Dependants and an average of 11,100 singles.

### Living In Accommodation

On 20 June 2013, Defence and DHA entered an agreement under which DHA will manage the booking and allocation of all Defence on-base LIA. Defence invited DHA to make a proposal for the function. DHA sought to leverage its existing capabilities and nation-wide presence to provide a significant improvement in the quality of the delivered service. Following negotiation of terms acceptable to both parties, an Addendum to the Services Agreement was finalised, effective until 30 June 2019 (initial term). The term of the Allocations and Tenancy Management agreement was extended to coincide with that of the LIA function.



## DHA and singles

While DHA's core business is housing Defence members with families, since 2006 it has provided about 100 apartments for single members posted to Darwin as an alternative to RA. DHA entered a long-term agreement for this on 24 December 2008. The Minister for Defence Science and Personnel approved the extension of the agreement to Brisbane and Canberra on 10 April 2011 and approved a national roll out on 30 July 2012. With more than 11,000 single members housed in private rental accommodation, this is a strategic opportunity for DHA. At 30 June 2013, DHA's off-base singles portfolio held 240 apartments. The Board has approved a plan to expand this to 1,200 apartments by 2015–16.

## Other government agencies

A logical extension of DHA's core Defence business is the provision of residential property management services to other Australian Government agencies, especially in remote areas of northern and western Australia (where several agencies can be operating from the same location). Thursday Island in the Torres Strait Islands is an example. In 2012–13, these agencies included the Department of Agriculture and AMSA. While small by comparison with the Defence business, the cost-effective provision of services to these Federal agencies is a demonstration of DHA's relevance in the wider Government market place. While DHA no longer provides residential property management services to Customs, it leases a small number of properties to the new provider of these services.

## Customer service

### Communicating with Defence members

Every day DHA interacts with Defence members and their families, maintenance providers, builders, agents and lessors. These people and organisations are DHA's customers and DHA's success is measured by their levels of satisfaction, especially those of the Defence members and their families who live in DHA properties.

DHA communicates with Defence members in a variety of ways, reflecting the expectation that modern electronic communications will be available to support the delivery of services. There is no substitute, however, for a personal level of case management which is facilitated by staff in HMCs across the country.

HMC staff are regular participants in briefings to Defence members in the lead up to the peak posting period. These briefings encourage ongoing contact between HMCs and Defence units and formations in relation to housing matters. DHA also provides online access to the full range of its housing management services. Communication and marketing materials are used to inform Defence members and their families of the services available and how to use them.

DHA maintains hard copy publications and online information to help customers understand and access services. These are distributed through HMCs and stakeholder groups such as the Defence Special Needs Support Group, DFA and the Defence Community Organisation (DCO).

DHA understands the difficult circumstances Defence families can face when moving on posting. In response, during 2012–13, DHA provided customer service training to frontline staff and conducted workshops to improve personal resilience during the stressful peak posting period.

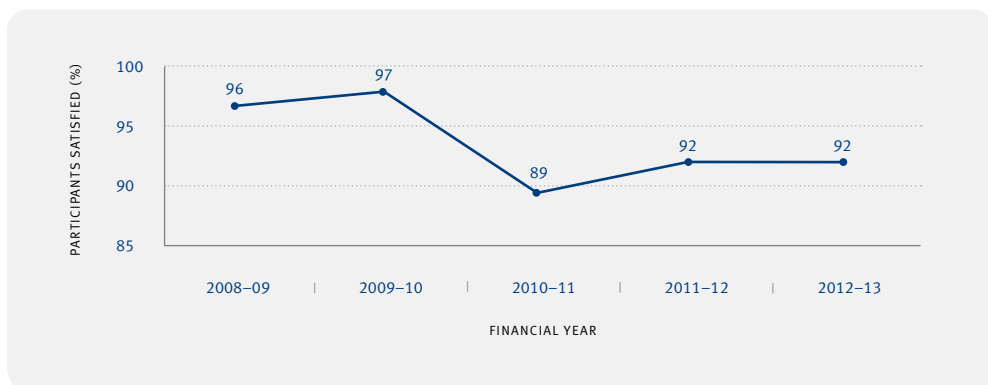
### Customer Service Institute of Australia

DHA first sought certification with the Customer Service Institute of Australia (CSIA) in 2005–06 as part of a broad strategy to improve its performance at the customer interface. The CSIA offers evaluation and certification by independent assessors against 29 International Customer Service Standards. Certification is a recognised benchmark in both the public and private sectors. In addition, CSIA offers valuable insight and coaching in customer service. Since 2005–06, DHA has been recertified four times, in 2007–08, 2008–09, 2010–11 and 2011–12. DHA was reassessed in August 2013.

## Satisfaction with customer service

DHA's quarterly housing survey measures member satisfaction with overall customer service experienced in DHA-managed properties. Survey results remain above the DHA target of 80% with 92% of 3,271 participants indicating that they were satisfied with their experience of DHA's customer service. Sample sizes in past years ranged from 3,636 to 5,739.

**Figure 4: Defence member satisfaction with DHA's customer service overall while in DHA properties, 2008–09 to 2012–13**



## Complaints management

The vast majority of customers are satisfied with the services DHA provides, especially with the quality of its new housing. They tell us so through regular surveys. However, DHA also receives complaints, mainly in relation to maintenance, neighbourhood disputes and the application of Defence housing policy. Complaints can be referred directly to DHA by tenants, other Defence personnel, lessors, the Defence Ombudsman or Ministers. All DHA staff members are able to log complaints and may request assistance from Customer Relations Managers (CRMs) in their region to handle complaints. DHA's objective is to manage complaints at the point at which customers first express dissatisfaction. Logged complaints are reported to Defence on a monthly basis.

In 2012–13, 765 complaints were received nationally by DHA. This was a 14.1% reduction compared to 2011–12 (891 complaints). The four main reasons generating complaints were repairs and maintenance (236), customer service (130), housing condition (64) and neighbourhood disputes (67). All complaints are managed in accordance with DHA's complaints resolution process, which is outlined in the DHA Customer Service Charter. In the event that a customer is not satisfied with the handling of their complaint they can request a review of the response. The Customer Relations team in Head Office oversees these escalated complaints and provides assistance in complaint resolution. The majority of complaints are resolved at the local level.

## Regional HMC highlights

REGION	OFFICE/S	CLIENT SERVICES DELIVERED	HIGHLIGHTS
<b>Northern Territory</b>	<b>Darwin Katherine</b>	<ul style="list-style-type: none"> <li>• 2,560 properties managed</li> <li>• 2,566 allocations</li> <li>• 5,167 inspections</li> <li>• 10,889 RA processed</li> <li>• 1,104 leases managed</li> <li>• 4 Customs properties managed</li> <li>• 35,417 maintenance work orders raised</li> </ul>	<ul style="list-style-type: none"> <li>• 50 new houses delivered on Larrakeyah</li> <li>• Major upgrades on 48 properties on Larrakeyah Barracks began</li> <li>• Contracts exchanged for the removal of 128 houses from RAAF Base Darwin</li> <li>• 59 properties upgraded on RAAF Base Tindal</li> <li>• Handover of 50 houses in Stage One at Muirhead</li> </ul>
<b>North Queensland</b>	<b>Townsville Cairns</b>	<ul style="list-style-type: none"> <li>• 2,212 properties managed</li> <li>• 2,697 allocations</li> <li>• 5,876 inspections</li> <li>• 9,720 RA processed</li> <li>• 1,737 leases managed</li> <li>• 1 Customs property managed</li> <li>• 31,442 maintenance work orders raised</li> </ul>	<ul style="list-style-type: none"> <li>• Civil works for Stage One of Rasmussen development begun</li> <li>• Upgrade works in progress on Defence-owned properties in remote locations</li> <li>• Townsville and Cairns DCO family days</li> </ul>
<b>South Queensland</b>	<b>Brisbane Ipswich Toowoomba</b>	<ul style="list-style-type: none"> <li>• 3,086 properties managed</li> <li>• 3,755 allocations</li> <li>• 8,369 inspections</li> <li>• 11,796 RA processed</li> <li>• 2,436 leases managed</li> <li>• 32,478 maintenance work orders raised</li> </ul>	<ul style="list-style-type: none"> <li>• Development agreement with the Queensland Government finalised</li> <li>• UDIA Award for Small Residential Subdivision for Gordon Olive Estate and finalist, Medium-to-Large Density Development for View Terrace Everton Park</li> <li>• Ipswich office reopened</li> </ul>
<b>Sydney</b>	<b>Parramatta</b>	<ul style="list-style-type: none"> <li>• 3,034 properties managed</li> <li>• 4,117 allocations</li> <li>• 8,218 inspections</li> <li>• 20,592 RA processed</li> <li>• 1,868 leases managed</li> <li>• 30,744 maintenance work orders raised</li> </ul>	<ul style="list-style-type: none"> <li>• Civil works and house construction underway at Ermington</li> <li>• Lindfield development began</li> <li>• Launch of Voyager Point development; civil works substantially complete</li> <li>• Internal restructure into two regions – East Sydney and West Sydney</li> </ul>

REGION	OFFICE/S	CLIENT SERVICES DELIVERED	HIGHLIGHTS
<b>Hunter</b>	<b>Raymond Terrace</b>	<ul style="list-style-type: none"> <li>• 1,052 properties managed</li> <li>• 915 allocations</li> <li>• 3,014 inspections</li> <li>• 2,989 RA processed</li> <li>• 867 leases managed</li> <li>• 12,779 maintenance work orders raised</li> </ul>	<ul style="list-style-type: none"> <li>• Singleton and Williamstown DCO family days</li> <li>• Raw Challenge endurance test raised \$400 for charity</li> </ul>
<b>Australian Capital Territory</b>	<b>Canberra</b>	<ul style="list-style-type: none"> <li>• 2,045 properties managed</li> <li>• 2,043 allocations</li> <li>• 5,502 inspections</li> <li>• 5,459 RA processed</li> <li>• 1,688 leases managed</li> <li>• 20,521 maintenance work orders raised</li> </ul>	<ul style="list-style-type: none"> <li>• Civil works at Weston development began</li> <li>• Soldier Career Management Agency families re-housed in Canberra</li> <li>• Canberra DCO family day</li> <li>• Exceeded 2012–13 MCA targets and initiated 2013–14 and 2014–15 programs</li> </ul>
<b>Nowra</b>	<b>Nowra</b>	<ul style="list-style-type: none"> <li>• 298 properties managed</li> <li>• 541 allocations</li> <li>• 1,369 inspections</li> <li>• 1,393 RA processed</li> <li>• 298 leases managed</li> <li>• 4,392 maintenance work orders raised</li> </ul>	<ul style="list-style-type: none"> <li>• Nowra DCO family day</li> </ul>
<b>Riverina</b>	<b>Wagga Wagga Wodonga</b>	<ul style="list-style-type: none"> <li>• 686 properties managed</li> <li>• 809 allocations</li> <li>• 2,051 inspections</li> <li>• 1,355 RA processed</li> <li>• 492 leases managed</li> <li>• 9,311 maintenance work orders raised</li> </ul>	<ul style="list-style-type: none"> <li>• Upgrade of 35 houses at Kapooka Village began</li> <li>• Wagga Wagga and Wodonga family days</li> </ul>
<b>Victoria/ Tasmania</b>	<b>Melbourne Puckapunyal Cerberus Sale Hobart</b>	<ul style="list-style-type: none"> <li>• 1,405 properties managed</li> <li>• 1,257 allocations</li> <li>• 4,454 inspections</li> <li>• 3,148 RA processed</li> <li>• 568 leases managed</li> <li>• 15,922 maintenance work orders raised</li> </ul>	<ul style="list-style-type: none"> <li>• Opened the first of 85 houses being upgraded at HMAS Cerberus</li> <li>• Relocation of Melbourne and Sale offices</li> <li>• Completed 115 out of 165 houses in the Yallambie upgrade program</li> <li>• Successful fourth annual Puckapunyal Garden Competition</li> </ul>

## Regional HMC highlights

REGION	OFFICE/S	CLIENT SERVICES DELIVERED	HIGHLIGHTS
<b>South Australia</b>	<b>Adelaide</b>	<ul style="list-style-type: none"> <li>• 965 properties managed</li> <li>• 1,089 allocations</li> <li>• 3,297 inspections</li> <li>• 4,700 RA processed</li> <li>• 799 leases managed</li> <li>• 13,218 maintenance work orders raised</li> </ul>	<ul style="list-style-type: none"> <li>• Largs North development began</li> <li>• Largs North community park (Meyer Reserve) opened</li> <li>• Flinders Foundation, Trailblazer Challenge raised \$2,800</li> <li>• RAAF Edinburgh DCO family day</li> </ul>
<b>Western Australia</b>	<b>Perth</b>	<ul style="list-style-type: none"> <li>• 1,009 properties managed</li> <li>• 1,219 allocations</li> <li>• 1,813 inspections</li> <li>• 5,451 RA processed</li> <li>• 650 leases managed</li> <li>• 7 AMSA properties managed</li> <li>• 11,012 maintenance work orders raised</li> </ul>	<ul style="list-style-type: none"> <li>• Welcome to the West DCO family day</li> <li>• Raised \$360 for staff member undergoing cancer treatment</li> <li>• Heritage listed Artillery Barracks Cottages purchased</li> <li>• Two Port Hedland properties refurbished</li> </ul>

## Information and communication technologies

During 2012–13, DHA continued the development of new and improved information technology solutions while sustaining business as usual capabilities. DHA is dependent on robust systems to support and deliver its services including property management, leasing operations, customer relationship management, staff training and development. These systems support thousands of interactions every week with Defence members, builders, contractors, lessors, valuers, staff and government.

In 2012–13, DHA contracted with TechnologyOne Pty Ltd for the supply of a new integrated financial management information system to replace existing disparate systems. System definition and development were well placed by 30 June 2013, with the expectation that implementation would occur early in 2013–14.

DHA has continued to expand its suite of online services to support its own field staff and in response to an expectation from Defence members that they be able to manage their interactions with DHA in this way, 24 hours a day. HomeFind continues to be the lead product in DHA's suite of online services and is the subject of continuous improvement. In 2012–13, this has focused on enabling DHA, in defined circumstances, to expand the number of houses members can view in their new posting locality.

DHA administers the payment of RA to nearly 14,500 Defence members in what has been, until recently, a manually intensive process for members and DHA staff alike. Starting in 2011–12, and continuing in 2012–13, DHA introduced RA Online, a suite of applications to enable Defence members to manage the full RA process online. Take-up of this service, especially in relation to the annual review of RA, has been excellent.

DHA has also created an online portal to automate processes associated with seeking Defence approval of maintenance requests for Defence-owned properties, and payment of Defence charges associated with end-of-tenancy on all DHA-managed properties. This facility has allowed Defence representatives in the field to have electronic access to DHA systems, leading to improvements in trust and efficiency between Defence and DHA.





FLASHBACK



Since its inception, DHA has grown from a staff of 50 to nearly 650 staff members located across Australia.

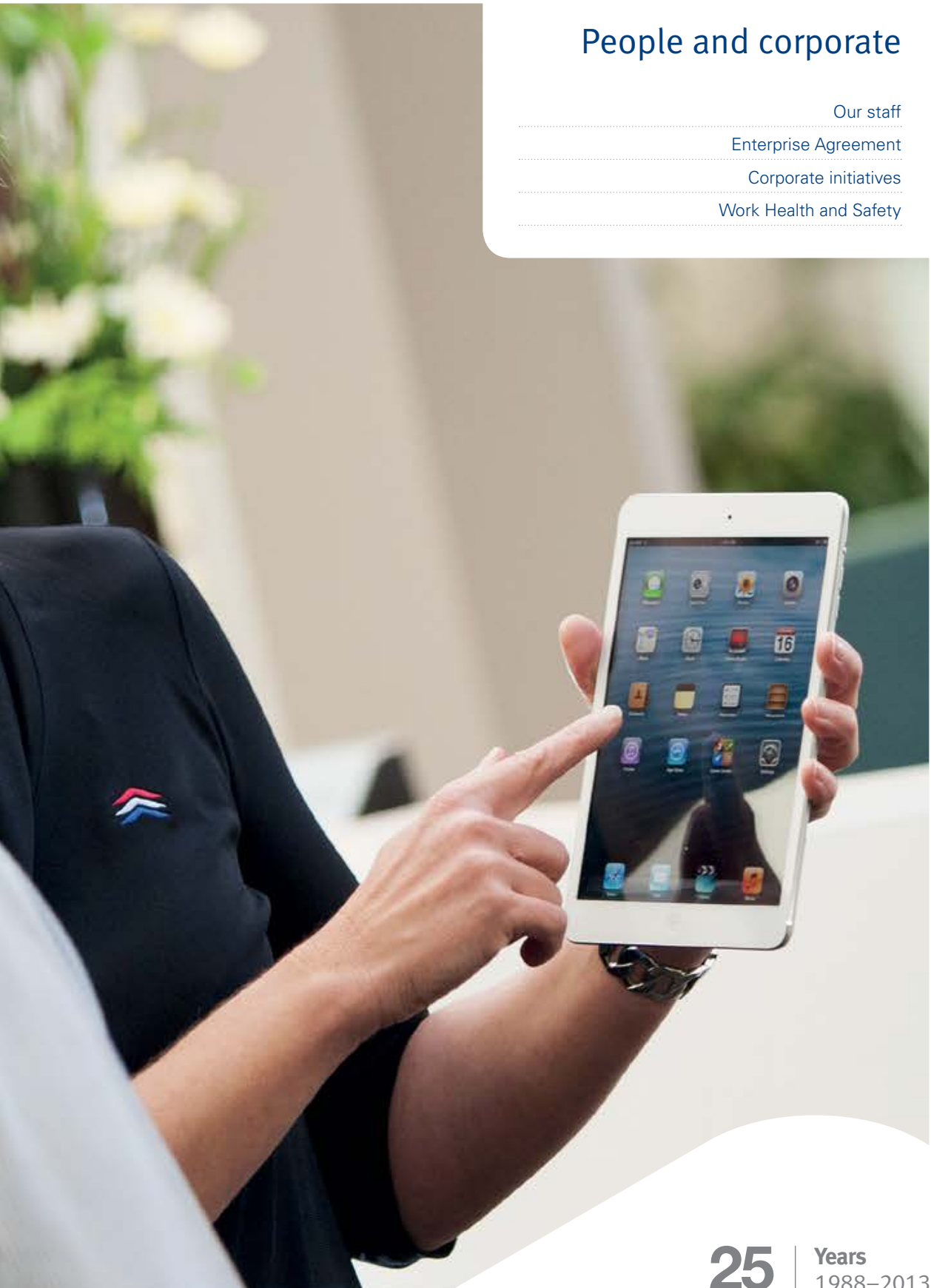
# People and corporate

Our staff

Enterprise Agreement

Corporate initiatives

Work Health and Safety



## Objective

### Motivated, engaged and productive staff

KEY PERFORMANCE INDICATOR	2012–13 TARGET	2012–13 ACHIEVEMENT
Retention of staff	> 85%	88.4%
Work Health and Safety incident rate (per 100 employees)	<2.0 incidents resulting in time off work	1.88 incidents
% of salaries spent on training DHA staff	>1.5%	1.7%
Wages expense ratio	5.9%	5.6%

### Major outcomes

1. Implemented the DHA *Enterprise Agreement 2012–14*.
2. Delivered key learning and development initiatives including nationally accredited training at the Certificate IV and Diploma level, a new DHA induction program, an Inspired Service program and individual solutions designed to build the capability of DHA staff.
3. Developed and implemented a Work Health and Safety (WHS) Framework to assist DHA to meet its obligations under the Commonwealth's WHS legislation.
4. Delivered two new employee health and wellbeing initiatives as an introduction to a more holistic and personal approach to staff wellness.
5. Nine apprentices graduated under the DHA Apprenticeship Support Scheme (DASS) bringing the total number of graduates to 11.
6. Joined several Whole-of-Government arrangements for the provision of corporate goods and services including stationery and office supplies, legal services and vehicle leasing. The new agreements will provide DHA with access to lower prices, improved technology and enhanced reporting and service support.

# Our staff

## Overview

DHA is committed to motivating and engaging its staff by providing a workplace that supports and rewards high performance, innovation, continuous improvement and organisational development. A second major focus is recruitment, development, remuneration and retention of a workforce that can adjust to rapid change. These priorities are reflected in the Corporate Plan and attention to them has contributed to overall enhanced organisational performance in 2012–13.

Programs conducted in 2012–13 responded to these priorities, and were undertaken to:

- provide clarity to staff on their responsibilities as individuals and members of teams
- provide ongoing and scheduled feedback on staff performance
- provide staff with a remuneration and employment conditions package that is flexible and recognises staff skills, experience and qualifications
- provide opportunities for career development and advancement through tailored learning and development programs as well as succession planning
- promote and reinforce health and safety arrangements within DHA, and
- provide strategic, responsive and specialist advice and services that are people focused and help achieve business outcomes.

In order to enhance our support to the business there was a focus in 2012–13 on improving internal consultation, communication and regional engagement. This was achieved in part through the use of the tested Human Resources (HR) Network, the Staff Consultative Group (SCG) and Business Support Manager (BSM) forums.

## Staffing profile

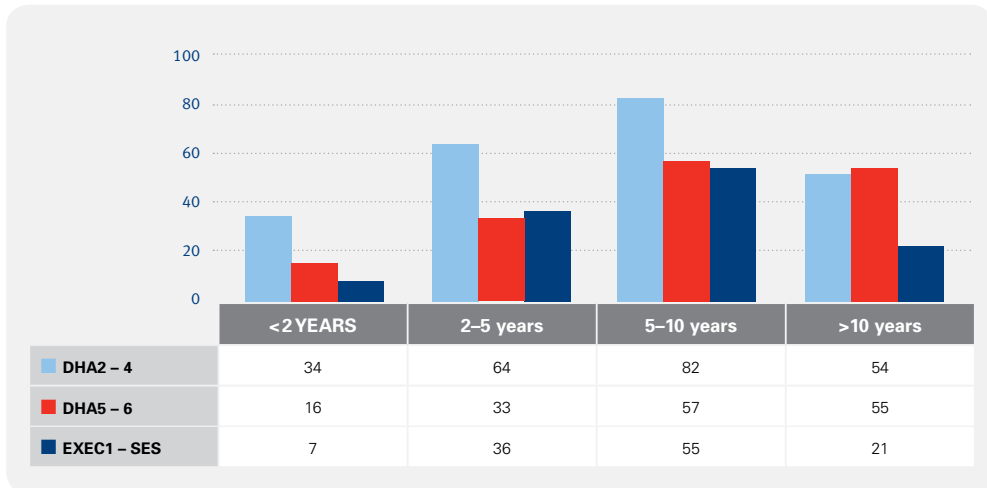
The DHA *Enterprise Agreement 2012–2014* (EA) covers all non-Senior Executive Service (SES) staff. DHA's SES staff are covered under individually negotiated Common Law Contracts (CLCs).

DHA has undertaken staff learning and development initiatives in 2012–13. This includes enhanced customer service training, people and performance management training, workshops in building staff capability, and training that addresses identified administrative and operational issues.

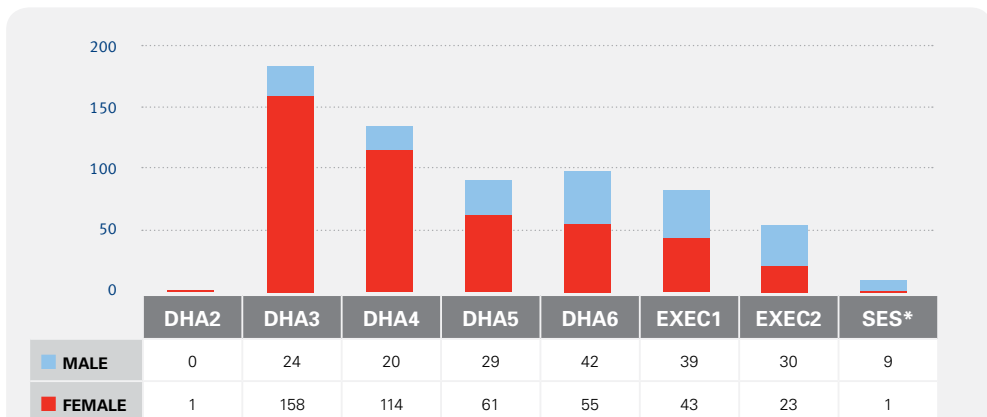
Productivity and experience levels were improved as a result of investment in staff development and retention. Of ongoing staff, 89% have more than two years of service and 63% have more than five years of service.

Of the management group (Executive Level 1 to SES), 94% have more than two years of corporate knowledge, leadership and experience.

**Figure 5: Ongoing staff by length of DHA service and classification at 30 June 2013**



**Figure 6: DHA staff by classification and gender at 30 June 2013**



\* SES figures include five males classified at the SES band 1 level and one female and four males classified at the SES band 2 level.

## Engaging with our staff

DHA has several established and successful means of consulting with and informing staff.

The HR Network has proved to be a key communication platform for the delivery of information to middle and senior managers, with up-to-date communication on topics including targeted human resources information and advice, learning and development and human resources system process enhancements. In addition, the forum provides managers with an opportunity to express their views and seek assistance regarding management issues and matters affecting the workplace.

The BSM forums are held quarterly with regional BSMs. They aim to:

- provide updates on policies, programs and initiatives across the key Head Office support functions
- provide the opportunity for BSMs to ask questions and comment on the policies, programs and initiatives, and
- share ideas and obtain feedback on issues and challenges faced in HMCs.

The SCG comprises of staff elected employee representatives from each region and a management representative. During 2012–13, the SCG met three times to consider workplace matters including staff induction, service awards, learning and development programs and business support services.

## People and performance management

In 2012–13, the HR team significantly expanded its engagement with the business by providing advice and education, and assisting staff and managers with people and performance management. This approach along with advice, guidance and promoting the value of early intervention has improved manager capability to address performance issues as they arise.



## Enterprise Agreement

DHA's EA is a two-year agreement that commenced on 22 June 2012. The EA reflects a shared commitment (staff and executive) to improving efficiency and effectiveness. The objectives of the EA are to provide:

- employment conditions that meet the operational needs of DHA while providing employees with flexibility to maintain balance between their work and personal lives
- recognition of high-levels of performance and the contribution they make to organisational success
- flexibility and responsiveness to meet the challenges of the future
- recognition of the productive benefits of diverse backgrounds, experience, skills and perspectives, and
- facilitation for the employment of the right people for DHA.

### Conditions and entitlements

The EA provides staff with flexible and competitive remuneration packages and attractive employment conditions. Rewards and recognition relate to individual skills, qualifications and performance, as well as their contribution to corporate objectives, individually and as part of a team.

The EA remuneration package includes:

- a guaranteed salary increase of 3.5% on 1 July 2013
- access to performance bonuses for all classification levels, ranging from maximum potential bonuses of:
  - 7.5% of base salary for DHA classification levels 2 to 4
  - 12.5% of base salary for DHA classification levels 5 to Executive level 1, and
  - 15% of base salary for Executive level 2 staff.
- employer superannuation contributions
- special allowances, and
- a higher annual salary increase for eligible exceptional performers.

DHA staff also have access to flexible remuneration packaging and their choice of superannuation fund.

### Special allowances

The EA recognises professionally trained and qualified staff undertaking additional duties that support a safe and healthy DHA work environment. These include Health and Safety Representatives, First Aid Officers, Fire Wardens and Harassment Contact Officers.

## Performance bonus

DHA's Performance Development Scheme fosters high-performance and capability development. In consultation with managers, staff agree to an annual Performance Development Agreement which sets key indicators against which performance is later assessed.

High-performing staff across all classification levels are rewarded with a performance bonus. For the 2012 appraisal year, more than 89% of eligible staff received a performance bonus. Of the bonuses received, more than 75% were based on staff achieving a rating in the 'exceeded targets' range.

DHA provides staff with the option of salary-sacrificing their performance bonus into their choice of an approved superannuation fund, subject to Australian Taxation Office legislation.

**Table 2: Enterprise Agreement salary ranges**

CLASSIFICATIONS	1 JULY 2013	
	MINIMUM OF RANGE	MAXIMUM OF RANGE
DHA Trainee	\$42,964	\$48,930
<b>Broadband 1:</b>		
DHA Level 2	\$49,264	\$55,236
DHA Level 3	\$55,485	\$61,480
DHA Level 4	\$61,307	\$68,507
<b>Broadband 2:</b>		
DHA Level 5	\$69,070	\$75,387
DHA Level 6	\$76,247	\$87,668
<b>Executive Levels:</b>		
Executive Level 1	\$92,570	\$112,974
Executive Level 2	\$110,008	\$141,150

The EA salary ranges are inclusive of the 3.5% salary increase on 1 July 2013.

## Corporate initiatives

### Learning and Development

To achieve the selected priorities of the Corporate Plan, a DHA-wide Learning and Development (L&D) strategy is being prepared. Integral to its success is the adoption of best practice approaches to the management of L&D across DHA, including:

- design, development and delivery of DHA priority training needs
- establishment of an e-learning and learning management system, and
- establishment of linkages between training, capability development and performance.

In addition to the preparation of the L&D strategy, DHA has delivered important initiatives in 2012–13:

- development of a new suite of induction resources and guides to assist managers in welcoming new staff to DHA
- provision of an Inspired Service program focused on enhanced customer service and targeted at staff working with internal and external customers
- provision of nationally accredited training at the Certificate IV and Diploma level (at 30 June 2013, 34% of DHA's employees have participated and, of these employees, 47% have achieved a qualification)
- delivery of effective performance feedback training and the development of a supporting toolkit aimed at frontline to middle management level
- acquisition of a new Learning Management System, allowing for the provision of electronic learning modules
- delivery of training and development workshops to assist regional offices and business units in building staff capability
- delivery of national training that targets identified administrative and operational issues, and
- delivery of capability building development solutions as identified in individual Performance Development Agreements.

The delivered L&D initiatives have provided staff with new skills and enhanced capabilities, resulting in more efficient ways of working and assisting in maximising staff potential.

### Rewards and recognition

DHA rewards staff achievement through:

- *WOW Awards* providing staff with the opportunity to recognise their colleagues' accomplishments
- Service awards for five, 10, 15 and 20 years of employment with DHA, and
- Annual Awards for Excellence for exceptional individual staff performance in their respective business units.

**Table 3: Annual Awards for Excellence 2012**

<b>Employee of the year</b>	
Sales, Marketing and Portfolio Management	Tathra Pitson
<b>Managing Director's award</b>	
Property Provisioning Group	Dorreyelle Carmody
<b>Special recognition award</b>	
Northern Territory Region	Michelle Minnis
<b>Business unit recipients</b>	
Corporate Affairs	Von Wells
Business Solutions and Technology	Israel Dickson
Sales, Marketing and Portfolio Management	Tathra Pitson
Finance	Giovanni Nicita
Property Provisioning Group	Dorreyelle Carmody
Property and Tenancy Services	Tina Tilley
Riverina Region	Mark Nye
Nowra HMC	Yolanda Phillips
Canberra HMC	Mark Beban
Northern Territory Region	Michelle Minnis
North Queensland Region	Anita Bryars
South Queensland Region	Coral McCreery
Hunter HMC	Patricia Worth
Sydney HMC	Paul Bousimon
Victoria/Tasmania Region	Linda Ferguson
South Australia Region	Jo-Lene Hewitt

## Staff wellness program

In 2013, DHA started to develop a new staff wellness program. While DHA already has a number of established health and wellbeing initiatives such as the Quit Smoking Assistance Program, the Employee Assistance Program, eye health in the workplace and flu vaccinations, DHA's aim is that the new program will offer a more holistic and personal approach.

To assist DHA in developing the new program, staff were invited to participate in an online Personal Health Assessment (PHA) and a Cardiac Risk Assessment (CRA) consultation. DHA has successfully delivered both the PHA and CRA to staff and while participation in these programs was voluntary, over 70% of staff participated in the PHA and more than 60% of staff attended a CRA consultation.

The data from these initiatives will enable DHA to get a better understanding of what health and wellbeing means to staff, and will help inform the type of programs DHA will implement in the future.

## DHA Apprenticeship Support Scheme

The DHA Apprenticeship Support Scheme (DASS) is in its fourth year of operation. The program has supported up to 22 apprentices in trades across Australia. This year, DHA celebrated the graduation of another nine apprentices, bringing the total number of apprentices graduating under the scheme to 11. Due to the success of the program, DHA has decided to extend the scheme and fund current apprentices for a further year, until June 2014.

## Whole-of-Government contracts and arrangements

In 2012–13, DHA entered into several Whole-of-Government contracts and arrangements for the provision of corporate goods and services. These new agreements included stationery and office supplies, legal services and vehicle leasing, and are in addition to DHA's existing agreements for travel and electricity.

The new stationery and office supplies arrangement took effect on 4 March 2013 and provides DHA with access to lower prices for stationery and office supplies, use of an online ordering system and enhanced reporting and service support.

DHA's new leased vehicle arrangement commenced in February 2013. DHA's leased vehicle fleet will transition to the new arrangement over the next 12 months. Under the new contract DHA will benefit from reduced fleet costs, up-to-date fleet reports and customisation of services. For the first time, DHA vehicles will have the option of additional features, including fitting of electronic log books to record vehicle use and vehicle signage to promote DHA.

In October 2012, DHA accessed the Legal Services Multi Use List (LSMUL) for the provision of legal services. The LSMUL provides DHA with access to an extensive list of legal service providers and information on their performance.



## Work Health and Safety

The *Work Health and Safety Act 2011* (Cth) (WHS Act) and associated legislation had a significant impact on DHA in many areas including procurement, contract management, incident and hazard reporting, policy and how we consult with staff and contractors. To ensure DHA was positioned to deliver on its obligations under the WHS Act, a Work Health and Safety (WHS) Framework was developed and implemented.

Initiatives delivered under the WHS Framework in 2012–13 include:

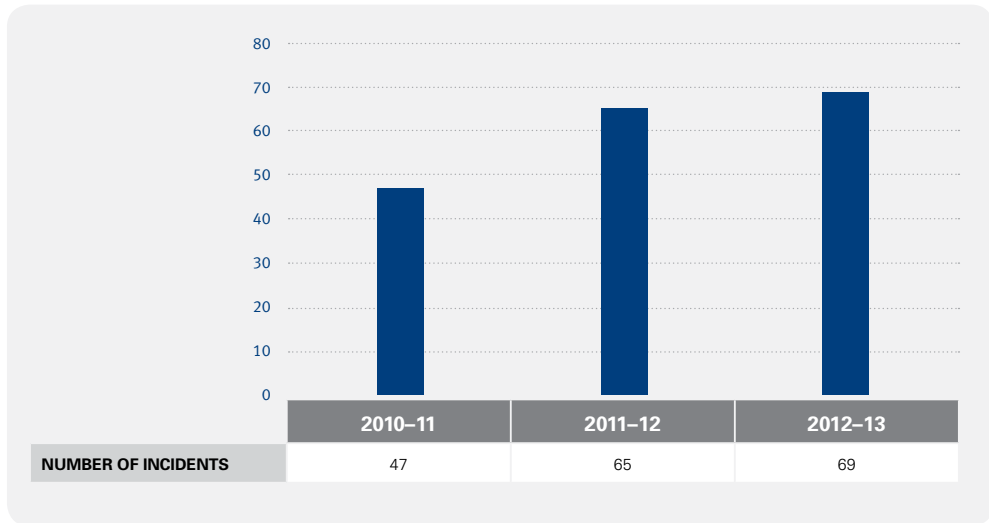
- engaging WHS specialists to oversee all WHS matters throughout DHA including those related to contractor procurement and management
- development and launch of online training modules for staff on topics that include introduction to WHS, procurement, contractor management and incident and hazard reporting
- providing DHA's Property Provisioning Group and Property and Tenancy Services staff with tailored WHS training relevant to their business lines
- development of WHS Guidelines detailing procedures specific to the requirements of DHA's different business lines
- establishing a platform for the reporting and management of staff and contractor incidents, near-misses and identified hazards
- introduction of mechanisms to ensure that contractors are providing WHS documentation to DHA for review on WHS compliance and performance
- provision of a comprehensive education program for contractors to enhance their understanding of their WHS obligations and how these relate to safe delivery of services for DHA and our customers
- development of a new hazard and risk register that facilitates the identification of hazards and risks to staff and visitors and the review and implementation of mitigating controls
- improved WHS communication and consultation with staff and contractors including the development of two WHS web pages, one for staff and the other for contractors, and
- improved content, presentation and timeliness of WHS reporting, tailored to meet the different needs of DHA's stakeholders.

The WHS National Committee, the Staff Advisory Group and the Contractor Advisory Group have overseen the delivery of these initiatives.

### Incident reporting

Under the WHS legislation, DHA reports employee and contractor incidents. The relevant Key Performance Indicator (KPI) is for employee incidents only, reflecting the difficulty in defining a target for the broader dependency. There was a small increase in employee reported incidents in 2012–13 compared to 2011–12.



**Figure 7: Work Health and Safety employee incidents at 30 June 2013**

Of the 69 employee reported incidents, approximately one third related to falls, trips and slips by individuals. DHA has assessed each incident and taken preventative action where required. There were four employee incidents reported to Comcare in 2012-13 and of these there were no notifiable incidents. Of incidents reported to DHA by contractors, 10 were notifiable to Comcare. Of these, two involved serious injury to a worker. Comcare was satisfied with the responses provided by DHA to all notified incidents with the cases closed and no further action by Comcare.

### Workers compensation

Nine workers compensation claims were submitted in 2012-13. The majority of these claims related to minor injuries, such as muscular stresses, falls, trips and slips. Comcare accepted liability for seven of the claims.

### WHS directions, notices and investigations

No directions, notices or investigations under the WHS Act were conducted or given to DHA in 2012-13.

FLASHBACK



DHA launched its innovative Sale and Leaseback program in the 1990s when the Government's original 10-year commitment to make funding available for capital expenditure ended.





# Investing with DHA

Leasing operations

Promotion of sales and leasing programs



## Objective

### Sustainable long-term financial structure

KEY PERFORMANCE INDICATOR	2012–13 TARGET	2012–13 ACHIEVEMENT
Lessors satisfied with overall customer service	90%	96%

### Major outcomes

1. Generated \$353.4 million in SLB revenues in line with the Corporate Plan figure of \$348.8 million.
2. Established an unlisted property trust to hold DHA properties on sale and leaseback terms and initiated sale of units in the trust to private investors through Centric Wealth.
3. Exceeded DHA lessor satisfaction targets with almost all aspects of leasing, property management and customer service (83% to 100% nationally).
4. Negotiated with lessors to retain 342 leases against the Corporate Plan figure of 472 and extend 978 leases against the Corporate Plan figure of 1,012.
5. Partnered with lessors under DHA Refresh to upgrade 17 properties in Sydney, Melbourne and Brisbane ensuring they remain in DHA's portfolio for the longer term.
6. Launched a revised, web-based application to facilitate direct leases from private owners, helping to achieve 167 direct leases against the Corporate Plan figure of 197.
7. Signed a marketing agreement with the Canberra Raiders to promote DHA and its retail SLB product to a mass media audience and generate future investor demand.
8. Generated a record number of new registrations of interest in the retail SLB product through a consistent multi-channel marketing campaign.
9. Continued to foster business-to-business relationships with financial institutions and brokers, increasing retail SLB property settlements and reinforcing DHA as a credible investment option.
10. Launched a ballot system to allocate retail SLB properties to prospective investors where demand exceeded supply.
11. Continued to foster relationships with lessors through exclusive events, promotions and subscriptions.
12. Launched Leasing4U, a project to review leasing policy with a view to improving consistency of service delivery to DHA lessors.

# Leasing operations

## Overview

Sales and leasing activities play a vital role in sustaining a healthy long-term financial structure for DHA. Revenue generated from the sale and leaseback of property continues to be DHA's primary source of capital. Direct leasing from private owners and negotiation with DHA lessors to renew or extend leases and undertake upgrades also helps to ensure quality, well-located property is available to Defence members.

At the end of the reporting period, approximately 66% of DHA's property portfolio was managed on behalf of investors. Lessor satisfaction with almost all aspects of DHA leasing and customer service remained consistently high (83% to 100%). This, combined with positive capital and rental growth, contributed to an increase in repeat purchases (16.8% of settlements in 2012–13 compared to 11.5% of settlements in 2011–12) and referrals year-on-year.

Following an exceptional overall performance in 2011–12, during 2012–13, DHA focused efforts on delivering against KPIs while establishing alternate sales and leasing channels and products, continuing to foster relationships and partnerships, and increasing awareness of the DHA brand. These activities helped confirm DHA's reputation in the industry as a credible investment option.

## Sale and Leaseback program

Each year DHA sells properties to investors under a leaseback arrangement. The properties have been built or acquired by DHA in locations where housing is needed for Defence members. They meet Department of Defence requirements in terms of rent, size, amenity and inclusions.

In 2012–13, SLB activity was largely focused on retail investors. High numbers of sales orders were achieved owing to the attractiveness of the SLB offering. Favourable market conditions, such as historically low interest rates, contributed to investor confidence. To manage prospective investor demand, a ballot system was introduced.

DHA continued to increase awareness and understanding of its SLB product through consistent messaging and multi-channel marketing campaigns. Of note, DHA signed a two-year marketing agreement with the Canberra Raiders to increase its brand awareness and, more specifically, promote the retail SLB product to a mass media audience. The agreement contributed to a record number of new registrations of interest in the retail SLB product and to a small number of settlements.

DHA representatives also met over 50 financial institutions and brokers, increasing awareness of the retail SLB product within the industry. This contributed to a number of settlements through referrals, tailored financial products and enhanced customer service. DHA is looking to expand these activities in 2013–14, with a view to formalising these partnerships and developing tailored solutions for its prospective investors and lessors.

DHA settled sales on 753 properties in 2012–13, generating \$353.4 million in revenue against the Corporate Plan figure of \$348.8 million, resulting in a \$15.7 million profit. Repeat purchase and referral from existing lessors rose to 16.8% of settlements in 2012–13 compared with 11.5% of settlements in 2011–12.

## DHA's competitive advantage

Others have attempted to emulate DHA's turnkey lease product. However, few can match DHA's credibility as a GBE, the security of Defence members as tenants, the standard of property delivered in accordance with Defence guidelines and the diversification of supply offered Australia-wide.

Distinguishing features of the DHA Lease Agreement are:

- a long-term lease (typically between nine and 12 years; greater when lease extensions are exercised)
- guaranteed rental income during the lease term, with rent payable from settlement and no loss of income when Defence tenants change<sup>3</sup>, and
- DHA Property Care services<sup>4</sup> provided during the lease term, comprising:
  - property and tenancy management, including periodic inspections, itemised statements and a complimentary bill paying service
  - organising and covering the cost of most non-structural maintenance, including the repair and replacement of fixed appliances as required
  - annual rent review to market valuation by an independent licensed valuer
  - emergency repair to preserve the property and protect human health, safety and security as required, and
  - restoration at lease-end to ensure the property is returned in good order, including professional cleaning, repainting and recarpeting<sup>5</sup>.

## DHA Investment Management Limited

DHA has been seeking to diversify its funding sources beyond the retail SLB program. In July 2012, DHA's Board approved a business case to establish unlisted property trusts holding DHA properties and to sell units in those trusts to private investors. Approval for the fund was obtained from DHA's Shareholder Ministers. A review of this trust will be conducted before any further trusts are considered.

During the reporting period, DHA Investment Management Limited (DHA IML), a wholly-owned subsidiary of DHA, was formed to operate as the Responsible Entity for the property trust and to hold an Australian Financial Services Licence issued by ASIC under the *Managed Investments Act 1988* (Cth).

Following significant interest in the prospective fund, administrative arrangements were initiated. These included appointing a Board of Directors and Compliance Committee, drafting a Constitution and a Compliance Plan, appointing a Custodian and preparing and lodging a Product Disclosure Statement.

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3 Rent subject to abatement in limited circumstances.

4 DHA Property Care services are provided during the term in return for a fixed service fee.

5 Subject to the length of the lease and the obligations of a Body Corporate or similar entity.



DHA is confident it will raise \$50.0 million through the initial offering. While this initiative will broaden the base of investment in DHA properties, DHA will be careful to ensure that its retail SLB program is not prejudiced by this or any other property trust.

## Leasing programs

DHA undertakes leasing activities to augment housing supply from its construction and acquisition program. As with SLB, all properties must meet Defence standards in terms of rent, size, amenity and inclusions; this may include items not considered standard in some locations.

In 2012–13, DHA continued to focus on renewing the leases of properties where that is a cost-effective way of sustaining the portfolio. It involves negotiations with lessors of new lease agreements or a long term extension before current leases expires. A total of 342 properties were retained in the portfolio in this way. While this was below the Corporate Plan figure, the net leasing outcome for 2012–13 (the difference between properties removed at end-of-lease and properties added through the leasing program) was less than budget by only 115 properties or about 7% of the leasing program. This is considered acceptable, especially with changes in demand in some locations (e.g. Adelaide). The net outcome also reflects the difficulty DHA faces with its direct leasing program, where DHA is in the market for houses that meet Defence minimum standards and satisfy rent band requirements. This has been a particular problem in Sydney where DHA was unable to meet the target for direct leasing of Rent Band 1 houses.

To ensure DHA has the flexibility to meet its Defence housing obligations and minimise disruption to Defence tenants, the DHA Lease Agreement gives DHA the right to vary the lease by extending or reducing the term. The current DHA Lease Agreement allows DHA to extend the term by up to 36 months and reduce or extend the term by up to 12 months (each option can be exercised once). During the reporting period, DHA extended the term of 978 leases against the Corporate Plan figure of 1,012.

In 2012–13, to assist with promoting direct leasing as a way for investors to do business with DHA, a revised web-based application system was implemented. This helped generate 3,059 applications, resulting in 167 standard direct leases against the Corporate Plan figure of 197, and 20 direct leases of apartments for the singles program.

In 2011–12, DHA established DHA Refresh, whereby DHA and lessors work in partnership to upgrade properties in highly desirable locations, ensuring these properties remain in DHA's portfolio for the long-term. In 2012–13, over \$502,000 was spent completing works on 17 properties in Sydney, Melbourne and Brisbane. A further 23 business cases for properties in Sydney, Melbourne and Brisbane were approved, for completion in 2013–14.

To assist in building relationships with DHA lessors and provide consistent service delivery, Leasing4U was launched in 2012–13. It aims to provide clear and unambiguous communication of leasing policies, procedures and guidelines relating to all aspects of DHA's leasing business.



## Lessor satisfaction

DHA undertakes surveys to measure lessor satisfaction. The largest of these is the annual lessor survey which measures satisfaction with customer service, one of DHA's KPIs, as well as aspects of property management. The results of this survey aid in improving lessor relations and product development.

The KPI for satisfaction with DHA's customer service (90%) was met nationally in 2012–13, with 1,471 (96%) of the 1,536 lessors who responded to this question reporting satisfaction. Phrasing of this question was changed from previous years, so there are no trend data available.

Nationally, 63% of respondents (954) indicated they had contacted DHA within the preceding 12 months regarding their property. Satisfaction with aspects of communication (accessibility, knowledge, timeliness of response and courtesy and helpfulness of DHA staff) remained high in 2012–13, with results ranging from 87% to 94%.

There was a positive relationship between satisfaction with DHA's overall customer service and satisfaction with DHA staff's accessibility, knowledge, timeliness in responding to communication and courtesy and helpfulness. Specifically, lessors who were satisfied with these aspects of customer service were statistically significantly more likely to be satisfied with the overall customer service.

Satisfaction with the value for money of the property management service fee (88% of 1,530) and feedback from the periodic inspections (83% of 1,512) and the maintenance service (91% of 1,501) continued to be above the target of 80% nationally. There were no statistically significant differences when comparing 2011–12 and 2012–13 results.

Satisfaction with all aspects of rental payments (timeliness, accuracy and format and detail of monthly statements) was exceptionally high in 2012–13, with results in the range of 99% to 100% of 1,538 to 1,540 respondents. With similar results achieved last year, no significant differences were found when comparing the levels of satisfaction in 2011–12 and 2012–13.

Respondents were asked to rate their satisfaction with the process, outcome and information related to their most recent annual rent review. Satisfaction with the process (91% of 1,540) and outcome (83% of 1,536) of the annual rent review increased significantly between 2011–12 and 2012–13. Lessors were more likely to be satisfied with the process of the review if they were satisfied with the outcome of the review. Statistical analysis revealed a strong relationship between the results of the revaluation and satisfaction/dissatisfaction with the process of conducting and advising updated rental incomes.

Of the 1,541 respondents, 295 (19%) reported logging into DHA Online Services. Of note, 93% of these respondents reported it was easy to find via the DHA website, 87% of respondents were easily able to find their financial statements and, where relevant, 66% of respondents easily found details of upcoming maintenance. The majority (93%) of respondents reported that they would be likely to use DHA Online Services again in the future.

In 2012–13, the majority of respondents (93% of 1,536) indicated they would recommend investing in DHA property to others and consider negotiating a new lease on expiry of their existing lease (87% of 1,530). The number of lessors willing to lease another property to DHA (75% of 1,526) was significantly higher than the previous year's result. This is an excellent outcome and continues to be evident in DHA's sales and leasing outcomes.

## Promotion of sales and leasing programs

### Website

In March 2013, DHA combined its two websites (www.dha.gov.au and www.invest.dha.gov.au) into a single site. Subsequently, for the first time, all of DHA's sales and leasing programs can be viewed in the same location. New videos, accessible via the site, highlight the benefits of the DHA Lease Agreement and DHA Property Care.

In terms of the SLB program, prospective investors can view a description, photographs, floorplan and a location map for each property listed for sale. From March 2013, prospective investors could more easily view expected outgoings and better access related documents. In the majority of cases, properties could be viewed up to one week before release. Prospective investors can also use the website to access a number of tools and additional information resources and register to receive property alerts and other promotional material from DHA via email.

In terms of leasing programs, private owners can offer their property to DHA by completing and submitting an online application. From March 2013, the application form was streamlined – resulting in an increase in applications. DHA Online Services provides lessors with access to details of their DHA property portfolio, including financial statements, property photos and inspection reports.

### Advertising and media

Most of DHA's advertising and media activity in 2012–13 focused on promotion of the retail SLB product. Mainstream media including online, radio and press advertising, were the most common channels used.

Despite high investor demand during the reporting period, DHA undertook a targeted advertising campaign to maintain brand awareness and ensure sufficient future demand. Testimonial and case study advertising of investors' experiences continued to be a key tool used. DHA also created specific campaigns to complement its marketing agreement with the Canberra Raiders.

The SLB product enjoyed considerable media attention throughout the reporting period, as the security of DHA's lease continued to be recognised in comparison to other investments. DHA undertook a regular column in *The Daily Telegraph* over several months, as well as writing or being interviewed for specific pieces. Publications covering the SLB product on multiple occasions included *Money, Your Investment Property* and *Smart Property Investment* magazines.

Targeted advertising was undertaken to attract private owners to lease their property to DHA in locations where it was needed. Newspaper advertising was the channel most used for this purpose, supplemented with a small amount of online advertising.

## SLB investment seminars

During 2012–13, DHA continued to host investment seminars for prospective private investors in most capital cities and many regional centres throughout Australia. The sessions provided an overview of DHA, the benefits of the DHA Lease Agreement and how to buy a DHA property.

Highlights of the seminar were videos of DHA properties and testimonials from lessors. Attendees were able to ask questions of DHA representatives and were provided a comprehensive information pack. On many occasions, financial representatives were also present to take questions or to make appointments to see prospective investors.

## Leasing investment seminars

For the first time, DHA hosted an investment seminar in Sydney targeted at private owners, builders and developers interested in leasing to DHA, properties located within 10 kilometres of the Sydney CBD. The session provided an overview of DHA, the benefits of the DHA Lease Agreement and how to lease a property to DHA.

## DHA lessor exclusive events

During 2012–13, DHA focused on continuing to foster relationships with lessors through seminars, exclusive events and special subscriptions and offers.

*The Inside Word* seminar series provided lessors with the opportunity to hear from Effie Zahos, editor of *Money* magazine, about the pros and cons of investment in various asset classes. Events were held in Canberra, Melbourne, Sydney and Perth. Lessors had the opportunity to network, access industry experts and speak directly with DHA staff.

In partnership with *Gourmet Traveller* magazine, DHA hosted functions in Canberra and Sydney. Half of the attendees were DHA lessors and the remainder were magazine subscribers, seeking to learn more about DHA's sales and leasing programs.

For the first time, DHA also hosted a lunch for selected lessors in Canberra to meet DHA's new Managing Director, Peter Howman. DHA intends to extend the lunch series to other locations in 2013–14.





FLASHBACK



The total assets transferred to DHA at its establishment, including housing stock and land, amounted to \$519.9 million.





# Financial performance



**25** | Years  
1988–2013

## Objectives

### Sustainable long-term financial structure

KEY PERFORMANCE INDICATOR	2012–13 TARGET	2012–13 ACHIEVEMENT
Return on Equity	5.6%	6.2%
Return on Capital Employed	7.7%	7.5%
Net Profit After Tax	\$76.7 million	\$85.1 million
Gearing	35.5%	35.8%
SLB holding period	2.0 years	2.0 years
Ordinary dividend	\$46.0 million	\$51.1 million

### Major outcomes

1. Total net revenues of \$1,041.2 million including \$353.4 million of sales generated through the SLB program and \$58.8 million from development land sales.
2. Net Profit After Tax of \$85.1 million, above the Corporate Plan figure of \$76.7 million.
3. Return on Equity of 6.2% compared with the Corporate Plan figure of 5.6%.
4. Proposed to Government a dividend of \$51.1 million compared with the Corporate Plan figure of \$46.0 million.
5. Payments to Government relating to 2012–13 of \$107.9 million comprising dividends, income tax and State tax equivalents.
6. Maintenance of a capital structure consistent with targets for gearing ratio and the percentage of the property portfolio owned by DHA.



## Overview

DHA's Net Profit After Tax for 2012–13 was \$85.1 million against a Corporate Plan figure of \$76.7 million. As a result, a dividend of \$51.1 million will be proposed to Shareholder Ministers for payment to Government in relation to the 2012–13 financial year. DHA delivered returns of 7.5% on total capital employed and a 6.2% return on the Government's equity investment. Both outcomes were above the Budget figures for the year. DHA maintained a strong financial position and capital structure through 2012–13.

## Operating results

DHA's Net Profit After Tax for 2012–13 was \$85.1 million, exceeding the Corporate Plan figure of \$76.7 million. Total net revenues were \$1,041.2 million compared with \$928.6 million in 2011–12 and were generated primarily through housing services revenue earned from Defence and property sales.

Expenses totalled \$942.0 million, compared with \$824.0 million in 2011–12. The increased expenditure was mainly the result of higher property rental expenses, costs associated with capital services and increased provisions for impairment and make-good (at lease end). Rental outlays to lessors for residential properties were \$317.0 million. This was an increase of \$17.5 million or 5.8% compared to 2011–12 and flowed from a general increase in market rents and an increased number of leases.

DHA reports its financial performance in accordance with Australian and international accounting standards. In accordance with these standards, the financial performance for 2012–13 has been affected by an impairment charge of \$3.0 million to the carrying values of DHA owned property and an additional charge of \$4.7 million in relation to the make-good provision (may include re-paint and re-carpet at lease end), the future cost of which is affected by current interest rates. Despite these charges DHA has met its principal financial targets for the year.

## Returns to shareholders

In accordance with Guidelines for GBEs, DHA makes an annual dividend payment to the Government as the owner of DHA. The Board of DHA has proposed to Shareholder Ministers a dividend of \$51.1 million for the 2012–13 financial year, representing 60% of Net Profit After Tax.

DHA fully complies with the Commonwealth's Income Tax, Fringe Benefits Tax and Goods and Services Tax legislation. DHA is also required to comply with the Government's competitive neutrality policy which ensures that DHA is not able to enjoy a commercial advantage resulting from tax exemptions flowing from its status as a GBE. In accordance with this policy, DHA makes State tax equivalent payments to the Australian Government in respect of State taxes that would be applicable except for the exemption provision in the DHA Act.

In relation to income tax, it is estimated that DHA will pay \$21.2 million to the Australian Taxation Office for the 2012–13 financial year. DHA made an interim payment of \$27.9 million on 28 June 2013 in relation to its State tax equivalent liability, and has provided for equivalent amounts of \$3.9 million for stamp duty, \$3.8 million for payroll tax and \$51.1 million for the proposed dividend. DHA will pay \$107.9 million to the Government in relation to the 2012–13 financial year.

### Residential property markets

DHA's financial performance is affected by costs and income associated with land development, construction activity, property sales and property portfolio management. All four areas are dependent on the state of residential property markets across Australia. During the 2012–13 financial year, residential property markets have continued to experience relatively soft conditions in most major capital cities, with strong rental or capital growth only in Darwin and Perth. Despite these conditions, DHA achieved its property sales targets in 2012–13 and was able to meet its principal financial targets.

### DHA property portfolio

DHA managed a total portfolio of 18,304 properties across Australia as at 30 June 2013, the 'fair value' of which was \$10 billion. Of these properties, close to two thirds are owned by private investors and leased to DHA under market based arrangements. The majority of the leases were established under DHA's SLB program. DHA owns 3,498 properties, with close to 2,500 of these being held as long term investment stock and the balance being inventory properties identified for sale through the SLB program. The DHA-owned portfolio was approximately 19% of all properties as at 30 June 2013.

In accordance with relevant accounting standards, inventory properties are held at the lower of cost and net realisable value and investment properties are held at the lower of cost and recoverable value. DHA's inventory and investment properties and land holdings are valued by licensed property valuers on an annual basis. DHA's investment and inventory properties are carried in its financial statements at \$1.7 billion at 30 June 2013. The market value of these properties is \$2.6 billion.

An important element of DHA's asset and portfolio management strategy is the sale of surplus properties. In 2012–13, \$51.2 million in revenue was generated from this source. Surplus housing stock is identified on the basis that it no longer meets the operational requirements of Defence, is positioned in an unsuitable location, or does not meet the Defence minimum amenity standards.

## Development land sales

DHA has a number of major property developments across Australia that will assist in meeting Defence housing requirements. Land lots not required for this purpose are sold on the open market. In 2012–13, DHA sold 178 lots to the public from the Breezes Muirhead development in Darwin, the Bayriver development at Largs North in Port Adelaide and AE2 development at Ermington in Sydney. Total revenue generated from the sale of land was \$58.8 million. In 2013–14, and future years, DHA will be making land sales from developments in Sydney, Brisbane, Townsville and Canberra, as well as from further stages at Breezes Muirhead and Bayriver.

## Capital structure

DHA employs total capital of \$1,902.5 million, which is funded through \$1,392.9 million in equity and \$509.6 million in debt. The equity is provided by the Government as the owner of DHA and the debt arrangements are provided through a loan arrangement with the Government. At 30 June 2013, gearing was 35.8% and the financial results for the year provided interest cover at 4.2 times.

A primary source of funding for DHA is the sale of properties through its SLB program and so DHA retains a focus on maintaining its attractiveness to individual investors. The overall sales objective is to achieve sufficient revenues from the sale and leaseback of inventory properties and to keep net cash from operating activities positive over the cycle. This source of funding was augmented in 2012–13, with the establishment of an unlisted property trust that will hold a portfolio of properties sold to it under SLB terms and conditions with units in the trust to be held by individual investors. The fund is being established in conjunction with Centric Wealth Limited, a private wealth fund advisor and manager and finalisation is expected in 2013–14.

DHA has loan arrangements through the Department of Finance and the Department of Defence. DHA does not have a commercial overdraft facility or access to re-drawable loan facilities. There were no new borrowings in 2012–13. Borrowings outstanding totalled \$509.6 million as at 30 June 2013.

## Standard & Poor's credit rating

Standard & Poor's credit rating of DHA continues to be a stand-alone rating of AA+. The credit rating assists DHA when negotiating financial transactions with the Department of Finance.

**Table 4: Financial summary**

	2008–09	2009–10	2010–11	2011–12	2012–13
Net Profit After Tax	\$78.9m	\$87.8m	\$87.3m	\$82.8m	\$85.1m
Annual dividend	\$47.3m	\$52.7m	\$52.4m	\$49.7m	\$51.1m
Return on Equity	7.3%	7.3%	6.7%	6.2%	6.2%
Return on Capital Employed	8.2%	8.8%	8.4%	7.9%	7.5%
Value of portfolio under management	\$7.8b	\$8.6b	\$9.6b	\$9.9b	\$10b
Total managed stock (stock numbers)	17,365	18,058	18,394	18,279	18,304
Constructions and acquisitions <sup>1</sup>	654	1130 <sup>2</sup>	1078 <sup>2</sup>	767	649
Revenue – disposal of surplus stock	\$78.9m	\$40.9m	\$55.6m	\$53.2m	\$51.2m
Revenue – Sale and Leaseback	\$277.9m	\$327.6m	\$367.0m	\$324.9m	\$353.4m
Contracted maintenance to DHA-managed properties	\$40.3m	\$44.2m	\$43.7m	\$45.3m	\$46.4m

1. These numbers relate to total managed stock.

2. These figures include constructions funded by the Nation Building – Economic Stimulus Plan.





FLASHBACK



Since its inception, DHAs brand has evolved to reflect its increased commercial focus.







DHA was established as a statutory authority in 1988 to provide housing and related services to Defence members and their families in support of Defence operational, recruitment and retention goals. In 1992, DHA became a GBE established to undertake business activities on behalf of the Australian Government. DHA performs its functions in accordance with applicable legislation and guidelines, the policies of the Australian Government and sound commercial practice.

DHA operates within a governance framework intended to produce accountable business outcomes and sound organisational performance. This framework derives primarily from the:

- *Defence Housing Australia Act 1987* (DHA Act), and
- *Commonwealth Authorities and Companies Act 1997* (CAC Act).

It is consistent with the *Commonwealth Government Business Enterprise Governance and Oversight Guidelines* published in October 2011.

## Defence Housing Australia Act 1987

Under the DHA Act, formerly known as the *Defence Housing Authority Act 1987*, DHA's main function is to provide adequate and suitable housing for, and housing related services to, Defence members and their families in order to meet the operational needs of Defence.

Under the DHA Act, DHA also has the functions of:

- providing adequate and suitable housing for, and housing related services to, officers and employees of *Financial Management and Accountability Act 1997* (FMA Act) agencies, other than Defence, and their families and persons contracted to provide goods or services to FMA Act agencies, other than Defence, and their families, and
- providing services ancillary to the services mentioned above.

DHA may perform these additional functions only to the extent mentioned in a Ministerial determination.

On 9 November 2006, the then Minister for Defence, the Hon. Dr Brendan Nelson MP, made the *Defence Housing (Performance of Additional Functions) Determination 2006*, which permitted DHA to provide housing and housing related services to the employees of FMA Act agencies and their families.

## Commonwealth Authorities and Companies Act 1997

DHA complies with the requirements of the CAC Act with respect to:

- reporting to Ministers and Parliament
- contents of the Annual Report
- audit of DHA's financial statements by the Auditor-General
- banking and investment powers of authorities

- compliance with general policies of the Australian Government, and
- conduct of directors and officers.

The following general policies of the Australian Government were notified to DHA by the responsible Minister before the commencement of the financial year and remain in force:

- *National Code of Practice for the Construction Industry*, and
- Foreign Exchange Risk Management Policy.

### **CAC Act Compliance**

DHA reports annually to its Shareholder Ministers on its compliance with the provisions of the CAC Act, including in respect of DHA's financial sustainability. DHA is required to comply with the *Commonwealth Authorities (Annual Reporting) Orders 2011* (CAC Orders). Under section 12 of the CAC Orders, DHA is required to provide particulars of Ministerial determinations issued under the DHA Act, or other legislation and of general policies of the Australian Government notified by the responsible Minister under section 28 of the CAC Act. No Ministerial determinations were issued during 2012–13.

Where DHA has not fully complied with a direction or general policy during the financial year, the report is required to include an explanation of the extent of, and reasons for, the non-compliance. During 2012–13, there were no instances of non-compliance with a general policy of the Australian Government under section 28 of the CAC Act. However, DHA reported an instance of non-compliance with section 28B of the CAC Act.

Commencing in the financial year ending 30 June 2013, section 15 of the CAC Orders requires DHA to disclose the decision making process undertaken by the Board when it approves DHA to pay for a good or service from another entity, or provide a grant to another entity, when:

- (a) a Director of DHA is also a Director of the other entity, and
- (b) the value of the transaction, or if there is more than one transaction, the aggregate value of those transactions, exceeds \$10,000 (GST inclusive).

There was no such disclosure by Board members.

Under section 20 of the CAC Orders, DHA is required to disclose changes in financial conditions and community service obligations. However, information can be excluded if the Directors believe, on reasonable grounds, that the information is commercially sensitive and would likely result in unreasonable commercial prejudice. Some information has been excluded on these grounds.

## Shareholder Ministers

During 2012–13, the Hon. Stephen Smith MP, as Minister for Defence, had portfolio responsibility for DHA. Under a dual shareholder model, overall responsibility was shared with Senator the Hon. Penny Wong, as Minister for Finance and Deregulation.

DHA provides quarterly reports to its Shareholder Ministers which detail year-to-date progress in delivering the Corporate Plan. DHA regularly liaises with Shareholder Ministers' Departments on key issues.

The Hon. Warren Snowdon MP, as Minister for Defence Science and Personnel, had responsibility for operational matters affecting DHA.

## DHA Board

The Board is accountable for DHA's overall performance. It makes decisions on DHA's direction and strategies through a three year Corporate Plan, which is reviewed and submitted annually to the Shareholder Ministers.

The Board receives regular reports on financial and other performance indicators against the Corporate Plan. The Board also receives information on strategic issues as required.

The DHA Board comprises nine Directors:

- a Chairman appointed by the Shareholder Ministers and four directors with expertise in residential property, real estate, building, social planning or finance
- three Directors nominated respectively by the Chief of the Defence Force and the Secretaries of the Department of Defence and the Department of Finance, and
- the Managing Director of DHA (also the Chief Executive Officer) appointed by the Board, who is the only Executive Director.

During 2012–13, the Board met eight times. The Board also conducted an Annual Strategic Meeting in December 2012 at which key strategic objectives were identified and discussed.

In addition, the members of the Board visited South East Queensland in June 2013 for briefings with Defence personnel and inspections of DHA development housing sites.



## Board committees

Three Board committees assist the Board in the discharge of its responsibilities; Audit Committee, Property Committee and Nomination and Remuneration Committee. In addition, amendments to the DHA Act in 2006 established the DHA Advisory Committee to advise DHA on the performance of its functions.

### **Board Audit Committee**

The Board Audit Committee meets at least quarterly and reports to the Board on its activities at least twice a year. During 2012–13, four meetings of the Committee were held.

The key functions of the Board Audit Committee are to:

- improve the effectiveness and efficiency of DHA's internal control framework
- ensure DHA has appropriate risk identification and management practices in place
- improve the objectivity and reliability of significant financial reporting
- ensure DHA has adequate procedures on matters of audit independence, and
- assist the Board to comply with all governance and other obligations.

### **Property Committee**

The Property Committee meets at least quarterly and on an ad-hoc basis, as required. During 2012–13, it met seven times. The Committee acts in an advisory capacity to the Board on major property transactions and property matters generally.

The key functions of the Property Committee are to:

- review management proposals in relation to major property transactions
- review Board submissions to ensure that they contain all necessary information for the Board to make fully informed decisions
- review land purchases or disposals that require Board approval
- consider property projects that are environmentally or politically sensitive or carry a high-level of risk, and
- examine any other property project, if requested to do so, by the Board or management.

### **Nomination and Remuneration Committee**

During 2012–13, the Nomination and Remuneration Committee met five times. The key functions of the Nomination and Remuneration Committee are to:

- assist the Board in relation to the review of the Managing Director's performance and remuneration, and
- assist the Board in informing the Shareholder Ministers of impending vacancies on the Board and advise, where appropriate, on possible candidates.

### **DHA Advisory Committee**

During 2012–13, the DHA Advisory Committee met four times. The key function of the Committee is to give advice and information to DHA on the performance of DHA's functions. The Committee comprises:

- one member of the DHA Board (who is the Chairman of the Committee)
- three members appointed by the Service Chiefs
- the National Convenor of DFA, and
- a further representative of DHA.

### **DHA Investment Management Limited**

Section 16 of the CAC Orders requires the reporting of key activities and changes affecting DHA. DHA IML was established in December 2012. It is a wholly-owned subsidiary of DHA and is subject to the provisions of the *Corporations Act 2001* (Cth). Two of DHA's Directors serve on the Board of DHA IML.



## Performance reporting

In accordance with the CAC Act, CAC Orders and the *Public Service Act 1999*, DHA prepares a Corporate Plan, an Annual Report and a Statement of Corporate Intent.

### Corporate Plan

DHA's three year Corporate Plan sets the strategic direction of DHA and is reviewed on an annual basis. To achieve DHA's mission and fulfil the outcomes desired by the Shareholder Ministers, DHA has set six strategic objectives. The Corporate Plan is approved by the DHA Board and provided to DHA's Shareholder Ministers.

Each Business Unit develops a business plan which incorporates all responsibilities from the Corporate Plan together with additional activities and measures linked to the budget relevant to that Business Unit.

Each staff member has an individual Performance Development Agreement, developed by cascading business objectives from the Business Unit plans. This process clarifies how corporate objectives translate to what the staff member needs to achieve and identifies any support that may be required.

### Annual Report

The Annual Report sets out DHA's performance in delivering the objectives and strategies in the Corporate Plan. It provides the annual financial accounts, associated financial information and details of important initiatives undertaken during the year. The content of the Annual Report complies with the requirements of the CAC Act, the CAC Orders and the *Public Service Act 1999*.

### Statement of Corporate Intent

The Statement of Corporate Intent is a high-level, plain English document stating DHA's key objectives and priorities for each financial year. It is tabled in Parliament each year.

### Board performance and education

The DHA Board has agreed that there should be regular reviews of its performance and processes. The assessment also provides an independent confirmation that the Board, as a decision-making body, is working within the principles and practices of good governance as detailed in the Board Charter. A review of Board performance was conducted in December 2012, under the oversight of the Nomination and Remuneration Committee with the broad findings reported to DHA's Shareholder Ministers. A further review is planned late in 2013.

In 2012–13, the Board received briefings on neighbourhood planning, upcoming legislative change and DHA's Information and Communications Technology initiatives.

## DHA Board



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**MR DEREK VOLKER AO**

**Mr Volker was appointed Chairman of the DHA Board on 26 July 2008 and reappointed for a further term on 13 October 2011. He is also Chairman of the Nomination and Remuneration Committee and Chairman of the Property Committee.** Mr Volker headed three Commonwealth Departments over the fifteen year period to 1996 – Veterans’ Affairs, Social Security and Employment, Education and Training. From 1996 to 2004 he was Chairman of the Government Relations Group in the national law firm Corrs Chambers Westgarth and he has been a company director and consultant to several major Australian and international companies. For the ACT Government he has held the positions of Chair of the ACT Business Incentives Scheme Panel, Chair of ACT Tourism, Chair of the Education Export Council, Chairman of the ACT Skills Commission and Chairman of the City West Precinct Committee. He is also Chairman of the Advisory Board for the Australian National Institute for Public Policy at the Australian National University.



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**MR MICHAEL DEL GIGANTE BCom (Hons), MCom, MBA, FCPA, FICD**

**Mr Del Gigante served as Managing Director of DHA from August 2006 until February 2013. He was appointed a Director of DHA IML on 12 December 2012.**

Mr Del Gigante joined DHA as Chief Operating Officer in April 2004 and was appointed Managing Director in August 2006. Before joining DHA, he was Chief Executive Officer of TransACT Communications. Prior to this, he was Chief Financial Officer of ActewAGL, a large electricity, water and gas utility company in Canberra. Mr Del Gigante has held senior positions with the World Bank and the Inter-American Investment Corporation in Washington, DC. He has also held executive positions in Verizon (previously GTE), a large US telecommunications company, in both Europe and the United States. He is a member of the Advisory Board of the Royal Australian Mint, a Director of Adelphi Consulting and a Director of the Italian Chamber of Commerce and Industry. He is also a Fellow of the Australian Institute of Company Directors and has studied at Harvard Business School, Boston University, University of NSW and ENI School, Milan.



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**MR PETER HOWMAN MBA GDipCompSc GDipBus**

**Mr Howman was appointed Managing Director of DHA in February 2013.**

**He was appointed a Director of DHA IML in December 2012.** Mr Howman joined DHA in October 2007 as Chief Operating Officer. In this role he was responsible for operational management of DHA and worked closely with the then Managing Director in setting the strategic direction and management of the organisation. Before joining DHA, Mr Howman was the General Manager Commercial Systems at Thales, and was responsible for order capture and project delivery of commercial information and communications technology solutions in the security, transport and infrastructure enterprise domains. He has also held senior executive positions at major global companies including the Boeing Company, Hewlett Packard, Lockheed Martin, Siemens Plessey and Rockwell Collins. Mr Howman also has a wealth of first-hand experience with Defence through his 21 years of service with the RAAF.

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#### **AVM GARY BECK (Rtd) AO**

**Air Vice Marshal Beck (Rtd) was appointed to the DHA Board on 23 November 2006 following his nomination by the Chief of the Defence Force and was reappointed on 23 November 2009 and 24 November 2011. He is the Chairman of the DHA Advisory Committee.** Mr Beck is a Senior Consultant with RMC Pty Ltd. He is a member of the ACT Council of Save the Children Australia and is patron of Duo, an organisation providing respite to carers of the handicapped in the ACT. He concluded eight years with the Department of Veterans' Affairs in a statutory appointment as Director of War Graves and earlier concluded a 38-year career in the RAAF, with his final posting as Commandant of the Australian Defence Force Academy. His two prior senior Defence appointments were Air Commander Australia and Chief of Air Force Personnel.



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#### **THE HON. ARCH BEVIS**

**Mr Bevis was appointed to the DHA Board on 13 October 2011. He is a member of the Property and Nomination and Remuneration Committees.** Mr Bevis was a Member of the House of Representatives from 1990 to 2010. Mr Bevis held various portfolio responsibilities serving as Parliamentary Secretary for Defence, Shadow Minister for Defence, Shadow Minister for Industrial Relations and Shadow Minister for Homeland Security, Aviation and Transport Security. He chaired various Parliamentary Committees involved with industry and Defence and security, and was leader of Australian delegations to Japan and the NATO Assembly. Mr Bevis also participated in Australian American Leadership Dialogues on Security. Before entering Parliament, Mr Bevis was a senior officer of the Queensland Teachers' Union. He was a Board Member of the Queensland Teachers' Union Health Fund and Chairperson of the Union Shopper. Mr Bevis is a Member of the Defence Force Remuneration Tribunal.



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#### **MS CAROL HOLLEY BA**

**Ms Holley was appointed to the DHA Board on 23 November 2009 and was appointed to the Property Committee in July 2011. She was appointed the Chair of DHA IML in December 2012.** Ms Holley's current Board appointments include Non-Executive Director and Chair of the Audit Committee of Australian Pharmaceutical Industries Limited and Independent Member of the Audit Committee of Sinclair Knight Merz. In addition, Ms Holley is the Independent Chair of the Risk Management and Audit Committees of the National Health Funding Body, NSW Police Force, NSW Department of Planning and Infrastructure, Land and Housing Corporation and a member of the Risk Management and Audit Committee of the NSW Department of Family and Community Services. Ms Holley was a Partner of Hill Rogers, Chartered Accountants for 25 years and holds a Bachelor of Arts from the University of Sydney. She is a Chartered Accountant and a Fellow of the Australian Institute of Company Directors.





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**THE HON. J.A.L. (SANDY) MACDONALD LLB (Sydney)**

**Mr Macdonald was appointed to the DHA Board on 24 July 2008 and reappointed on 13 October 2011. He is a member of the Audit and Property Committees.** Mr Macdonald was elected to the Senate in 1993 and retired from the Parliament on 30 June 2008. During his parliamentary career he was Deputy Leader of the Nationals in the Senate, Parliamentary Secretary for Trade and Parliamentary Secretary for Defence. His committee experience was broad, but with particular reference to Defence, international affairs and security. He served for eight years as the Chair of the Senate Foreign Affairs, Defence and Trade Committee. In 2011 he was appointed to the Anzac Centenary Advisory Board. He is also a non-executive Director of Incremental Oil & Gas Ltd. He lives near Quirindi, New South Wales, where he is a wool and beef producer.



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**MR GARY POTTS BEc (Hons), MSc**

**Mr Potts was appointed to the DHA Board on 23 November 2006 and reappointed on 23 November 2009. He was Chairman of the Audit Committee and a member of the Nomination and Remuneration Committee. His service on the DHA Board finished on 22 November 2012.** Mr Potts has more than 30 years of experience in public policy and government operations. He has served as a Commissioner of the Productivity Commission. He is Chairman of the Australian subsidiary of a (foreign owned) general insurance company. Before leaving the Australian Public Service in 2002, Mr Potts was an Executive Director and Deputy Secretary in the Australian Department of the Treasury.



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**MR PETER SHARP**

**Mr Sharp, the nominee of the Secretary, Department of Defence, was appointed to the DHA Board on 23 November 2006 and reappointed on 23 November 2009 and 27 November 2011. He is a member of the Audit and Property Committees.** Mr Sharp has more than 45 years of experience in the Australian Army and in the Department of Defence. His Army career spanned tours of duty in Vietnam, Malaysia and the United Kingdom. In the Department of Defence, he held senior positions as Inspector General, Head Defence Corporate Support and First Assistant Secretary Personnel. In 2002, he led the Defence Strategic Workforce Planning Review, the first of its type in the Commonwealth. Mr Sharp is the Defence representative on the Australian Bravery Decorations Council.

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#### **MS MARGARET WALKER BCom**

**Ms Walker was appointed to the DHA Board on 15 July 2009 and reappointed on 12 July 2012. She is the Chair of the Audit Committee and a member of the Nomination and Remuneration Committee.** Ms Walker is a Non-Executive Director of Buderim Ginger Limited where she also holds the position of Chairman of the Audit and Risk Committee. She is also a Non-Executive Director of Cystic Fibrosis Australia. She holds a Bachelor of Commerce and is a member of the Australian Society of Certified Practising Accountants and a graduate member of the Australian Institute of Company Directors. Ms Walker has more than 25 years of senior executive experience with a variety of organisations, including ten years in strategic roles as Executive Director and Director Operations of a Commonwealth Bank-owned subsidiary, Tactical Global Management (TGM). TGM was then a pre-eminent global macro hedge fund firm with offices in Brisbane and London and US\$1.2 billion funds under management.



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#### **MS JANICE (JAN) WILLIAMS BSW**

**Ms Williams was appointed to the Board in December 2012. She is a member of the Property Committee.** Ms Williams is currently a Director of Jardine Development and was previously Chief Executive of the Urban Development Institute of Australia (UDIA). Jan has been highly involved in the development of affordable housing through her roles as a Director of BHC Ltd and Catalyst Housing Ltd. She currently sits on a Brisbane City Council Panel and has held key roles in the promotion of social inclusion, the development of community services, urban planning and design. She has been a Fellow of the UDIA and the Australian Institute of Management. Ms Williams graduated from the University of Queensland with first class honours and was awarded the University Medal.



**Table 5: Meetings attended by DHA Board members**

(number attended/number held while a Board or Committee member)

	BOARD	BOARD AUDIT COMMITTEE	BOARD PROPERTY COMMITTEE	BOARD NOMINATION AND REMUNERATION COMMITTEE	DHA INVESTMENT MANAGEMENT LIMITED
No. of times Board/Committee met during 2012–13	9	4	7	5	
Mr Derek Volker AO, Chairman	9/9		7/7	5/5	
Mr Michael Del Gigante, MD	5/5*				6/6
Mr Peter Howman, MD	4/4**				6/6
AVM Gary Beck AO (Rtd)	9/9	2/2			
The Hon. Arch Bevis	9/9		7/7	2/2	
Ms Carol Holley	9/9		7/7		6/6
The Hon. JAL (Sandy) Macdonald	9/9	4/4	7/7		
Mr Gary Potts	3/3***	2/2		2/2	
Mr Peter Sharp	9/9	4/4	7/7	3/3	
Ms Margaret Walker	9/9	4/4		5/5	
Ms Jan Williams	5/6****		3/4		

\* Mr Del Gigante was Managing Director until 3 February 2013.

\*\* Mr Howman commenced as Managing Director on 4 February 2013.

\*\*\* Mr Potts' term expired on 22 November 2012.

\*\*\*\* Ms Jan Williams was appointed to the Board on 12 December 2012.

The Board also met in out-of-session meetings on six occasions.





## DHA Executive

### MR JON BROCKLEHURST

Chief Financial Officer



#### Educational qualifications:

- Chartered Accountant, and
- Bachelor of Science – Economics and Accounting (Bristol).

#### Key responsibilities include:

- Financial accounting and tax
- Business planning and analysis
- Financial systems and solutions
- Transaction services
- Capital program development, and
- Treasury and risk management.

The Finance Division is responsible for financial services across the organisation including forecasting, modelling, performance reporting and evaluation. The Chief Financial Officer ensures responsible fiscal management and planning, sound corporate governance and effective risk management for the organisation.

### MR JOHN DIETZ

General Manager, Property Provisioning Group



#### Educational qualifications:

- Bachelor of Economics
- Bachelor of Science, and
- Masters Degree in Project Management (in progress).

#### Key responsibilities include:

- Development programs, acquisitions and delivery, and
- Land and housing supply management.

The Property Provisioning Group is responsible for DHA's development and construction agenda. This includes developing and implementing a development and construction program that supports the business objectives of the organisation. The General Manager ensures that land and housing supply targets including developments, acquisitions, constructions, leasing and upgrades are correctly forecast and achieved.

**MR ROSS JORDAN**

Company Secretary

**Educational qualifications:**

- Bachelor of Arts
- Bachelor of Laws
- Master of Social Science, and
- Graduate of Australian Institute of Company Directors.

**Key responsibilities include:**

- Corporate governance including liaison with Shareholder Advice Units
- Board and Committee Secretariat and support, and
- Liaison with Ministers' offices.

The Company Secretary's main responsibilities include the management of the Board and Committee Secretariat and liaison between DHA and the Ministerial and Shareholder Units. The Company Secretary ensures that DHA's legal framework and corporate governance requirements are met in accordance with the DHA Act and the CAC Act.

**MR BRETT JORGENSEN**

General Manager, Property and Tenancy Services

**Educational qualifications:**

- Bachelor of Engineering Civil (Honours)
- Advanced Diploma of Business
- Diploma of Real Estate Management
- Diploma of Contract Management, and
- Master of Business (in progress).

**Key responsibilities include:**

- Property and tenancy management services
- Housing allocation and maintenance services, and
- Client relations and performance management reporting to Defence.

Property and Tenancy Services is responsible for the delivery of housing services to Defence members and their families. This includes the provision of housing allocation and maintenance services, portfolio and housing stock management and the administration of RA. Property and Tenancy Services is also responsible for managing, maintaining and enhancing the relationship with Defence.

**MR SHANE NIELSEN**

General Manager, Business Solutions and Technology and Chief Information Officer



**Educational qualifications:**

- Bachelor of Applied Science (Computing Science).

**Key responsibilities include:**

- Information Communications and Technology (ICT) development and delivery, and
- Business process management.

Business Solutions and Technology is responsible for the delivery of business as usual activities and innovation driven initiatives that provide efficiencies to the broader organisation. Business Solutions and Technology supports project management, business contract fulfilment, staff development, productivity increases and enhanced customer service. The division is responsible for the delivery of ICT infrastructure, telephony and business solutions.

**MS LESLEY POTHAN**

Acting General Manager, Corporate Affairs



**Educational qualifications:**

- Bachelor of Commerce and Accounting.

**Key responsibilities include:**

- Human resource services
- Corporate services
- Internal audit
- Customer relations
- Legal services, and
- Work health and safety.

Corporate Affairs provides strategic direction of people management including organisational development needs and opportunities. The division is responsible for providing core support functions to DHA including human resources, learning and development, corporate support, customer relations, management of DHA's legal services and internal audit. The division delivers facilities management with approximately 20 office leases, emergency and protective security, records management, procurement and contract management and management of a fleet of 170 vehicles.

**MR TONY WINTERBOTTOM**

Chief Marketing Officer

**Memberships:**

- Certified Practising Marketer, and
- Associate Member of the Australian Marketing Institute.

**Key responsibilities include:**

- Portfolio management
- SLB programs
- Marketing communication
- Events, media and public relations
- Product marketing and advertising
- Lessor relations and leasing programs
- New product and market development, and
- Performance measurement.

The Sales, Marketing and Portfolio Management division has primary responsibility for the achievement of corporate objectives that relate to portfolio asset management, property sales, leasing, marketing, communications and media and public relations. The General Manager ensures that sale and leaseback targets are correctly forecast and sustainably achieved to deliver consistent funding for day-to-day operations and housing supply. The division ensures that DHA's brand and public relations are managed in line with agreed strategies and its performance measurement functions are reported in accordance with industry best practice and contract obligations.





## Internal and external review

DHA's internal and external review systems are an important part of ensuring internal control systems are effective and that the business is operating in accordance with relevant laws and procedures.

## Internal audit

DHA has an outsourced internal audit services model with services provided by KPMG Pty Ltd. These services give objective and independent assurance to the Managing Director, the Executive and the DHA Board Audit Committee that DHA financial and operational controls are operating efficiently, effectively and ethically. Through the Internal Audit Plan, the KPMG internal audit function assists DHA to achieve its objectives by providing a systematic and disciplined approach to evaluating and improving the effectiveness and efficiency of risk and financial management, control and governance processes. The plan promotes better practice and identifies potential risks that could impede DHA's achievement of successful outcomes, as well as providing recommendations to improve business performance. The Board Audit Committee monitors the implementation of internal audit recommendations and reports progress to the Board.

## Risk management

Enterprise-wide risk management is integral to DHA's business operations. It is reflected in DHA's corporate governance and delivery against core objectives. DHA's risk management is centrally coordinated and relies on regular reviews of business processes and procedures, internal and external audits, as well as various documents such as the Risk Management Policy, Business Continuity Plan, Fraud Policy and Financial Delegations. An Annual Risk Management Plan is prepared based on the methodology set out in the Australian Standard on Risk Management AS/NZS/ISO 31000:2009. It addresses both governance and business risks and is approved by the Board after endorsement by the Board Audit Committee.

## Fraud prevention measures

DHA undertakes a regular Fraud Risk Assessment (FRA) consistent with the *Commonwealth Fraud Control Guidelines 2011* and in accordance with the Australian Standard on Risk Management AS/NZS/ISO 31000:2009 and Australian Standard AS 8001:2008 Fraud and Corruption Control. The FRA is a proactive approach to minimising the potential for instances of fraud within DHA, whether by employees or people external to DHA.

The Fraud Control Plan (FCP) is based on the FRA and summarises DHA's fraud-control strategies. Supporting the FCP is the Fraud Policy. They establish the framework for management and staff on DHA's approach to fraud control.

The FCP and Fraud Policy provide guidance to staff on action to take to deter and detect fraud and are available on the DHA Intranet. DHA treats fraud seriously and acknowledges the significance of 'whistle-blowers' in detecting fraud. DHA's Risk Manager provides annual updates to the Board Audit Committee on the effectiveness of internal controls and on efforts to mitigate exposures to fraud. No instances of fraud were recorded during the 2012–13 financial year.

### Parliamentary committees

Before commencement, public works with an estimated value in excess of \$15.0 million require consideration by the Parliamentary Standing Committee on Public Works and approval from the Parliament. During 2012–13, DHA referred seven projects for consideration. They were the development and construction of housing for Defence members at Lindfield and Kellyville in Sydney, Weston in Canberra, Warner Springs and Samford Road in Brisbane, and the upgrade of on-base housing for Defence at Larrakeyah Barracks in Darwin and RAAF Base Tindal. DHA notified the Committee of medium works, valued between \$2.0 million and \$15.0 million, at 13 sites around Australia.

DHA comes under the scrutiny of the Senate Standing Committee on Foreign Affairs, Defence and Trade. DHA was not required to appear before the Committee during 2012–13.

### Freedom of information

DHA is required to comply with the *Freedom of Information Act 1982*. During 2012–13, eleven requests were made for access to information under the Act; two were withdrawn, one was pending a decision as at 30 June 2013, and the remaining eight were processed within statutory timeframes. Requests under the *Freedom of Information Act 1982* for access to information should be made in writing to:

**Company Secretary**

Defence Housing Australia  
26 Brisbane Avenue  
BARTON ACT 2600

Email [foi@dha.gov.au](mailto:foi@dha.gov.au)

### Privacy

DHA takes its custodianship of information on its staff and customers seriously and adheres to the policies and procedures for information release as detailed in the *Privacy Act 1988* and as overseen by the Office of the Australian Information Commissioner.

## Ombudsman

During 2012–13, the Commonwealth Ombudsman received a total of 19 approaches concerning DHA. Five of these were the subject of investigation. There were no investigations where a finding of administrative deficiency was recorded.

## Indemnities and insurance

DHA maintains directors' and officers' liability insurance. The insurance covers DHA officers and directors in respect of legal liabilities (including legal expenses) that a director or officer may be legally obliged to pay in certain circumstances. The policy has some exclusions, such as wilful breach of duty, breach of professional duty and any claim arising out of libel, slander or defamation.

## Access to documents

Copies of the DHA Act are available from Canprint Communications or over the counter from Information Victoria bookshop, Print Applied Technology or Service SA Government Legislation Outlet. Go to <http://australia.gov.au/publications/commonwealth-legislation> for contact details.

An online version of the DHA Act can be downloaded from the Attorney-General Department's website at [comlaw.gov.au](http://comlaw.gov.au). DHA's Annual Report is available free of charge and can be downloaded from [www.dha.gov.au](http://www.dha.gov.au). DHA also produces and distributes brochures and other promotional material. Requests for copies of DHA publications can be made to:

### **National Manager, Corporate Communication**

Defence Housing Australia  
26 Brisbane Avenue  
BARTON ACT 2600  
Telephone: (02) 6217 8444





# Financial statements



DEFENCE HOUSING AUSTRALIA  
FINANCIAL STATEMENTS  
For The Year Ended 30 June 2013

- Independent Auditor’s Report
- Statement by the Director’s Managing Director  
and the Chief Financial Officer
- Financial statements
  - Consolidated Statement of Comprehensive Income
  - Consolidated Balance Sheet
  - Consolidated Statement of Cash Flows
  - Consolidated Statement of Changes in Equity
  - Notes to the Consolidated Financial Statements



## INDEPENDENT AUDITOR'S REPORT

### To the Minister for Defence and the Minister for Finance and Deregulation

I have audited the accompanying financial statements of the Defence Housing Australia and the consolidated entity for the year ended 30 June 2013, which comprise: the Statement by the Directors, Managing Director and Chief Financial Officer; the Consolidated Statement of Comprehensive Income; Consolidated Balance Sheets; Consolidated Statement of Cash Flow; Consolidated Statement of Changes in Equity; Schedules of Commitments; Schedules of Contingencies; and Notes to the Consolidated Financial Statements comprising a Summary of Significant Accounting Policies and other explanatory information. The consolidated entity comprises the Defence Housing Australia and the entities it controlled at the year's end or from time to time during the financial year.

#### *The Board of Directors' Responsibility for the Financial Statements*

The directors of the Defence Housing Australia are responsible for the preparation of the financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Defence Housing Australia's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Defence Housing Australia's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***Independence***


In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

***Opinion***

In my opinion, the financial statements of the Defence Housing Australia and the consolidated entity:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Defence Housing Australia's and the consolidated entity's financial positions as at 30 June 2013 and of their financial performance and cash flows for the year then ended.

Australian National Audit Office



Jocelyn Ashford  
Executive Director

Delegate of the Auditor-General

Canberra  
8 August 2013

**Defence Housing Australia**  
**Statement by the Directors, Managing Director and Chief Financial Officer**  
**30 June 2013**

**Directors' report**

In our opinion the attached financial statements for the year ended 30 June 2013 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997* as amended.

In our opinion, at the date of this statement, there are reasonable grounds to believe that Defence Housing Australia will be able to pay its debts as and when they become due and payable.

This statement is made in accordance with a resolution of the directors.



Mr Derek Volker AO  
Chairman



Mr Peter Howman  
Managing Director



Mr Jon Brocklehurst  
Chief Financial Officer

8 August 2013



**Defence Housing Australia**  
**Consolidated Statement of Comprehensive Income**  
**For the year ended 30 June 2013**

	Notes	Consolidated entity		Parent entity	
		30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
<b>INCOME</b>					
<b>Revenue</b>					
Housing Services Provided	3	631,247	610,504	631,247	610,504
Allocation Services Provided	4	8,919	8,851	8,919	8,851
Sale of Inventories		348,315	245,740	348,315	245,740
Interest Received	5	14,493	14,732	14,477	14,732
Other Income		1,372	1,021	1,372	1,021
<b>Total Revenue</b>		<b>1,004,346</b>	<b>880,848</b>	<b>1,004,330</b>	<b>880,848</b>
<b>Gains</b>					
Net Gains from Disposal of Investment Properties	6	36,837	47,746	36,837	47,746
<b>Total Income</b>		<b>1,041,183</b>	<b>928,594</b>	<b>1,041,167</b>	<b>928,594</b>
<b>EXPENSES</b>					
Employee Benefits	7	63,693	53,266	63,693	53,266
Housing Services Lease Rentals		317,006	299,532	317,006	299,532
Rates, Repairs and Maintenance	8	169,902	160,917	169,902	160,917
Depreciation and Amortisation	9	13,185	13,880	13,185	13,880
Cost of Inventories Sold		321,245	235,086	321,245	235,086
Finance Costs	10	30,854	31,818	30,854	31,818
Write-Down and Impairment of Assets	11	2,988	4,987	2,988	4,987
Other Expenses		23,126	24,527	23,109	24,527
<b>Total Expenses</b>		<b>941,999</b>	<b>824,013</b>	<b>941,982</b>	<b>824,013</b>
Share of the Other Comprehensive Income of Associates and Joint Ventures accounted for using the Equity Method		1,317	720	1,317	720
<b>Profit Before Income Tax on Continuing Operations</b>		<b>100,501</b>	<b>105,301</b>	<b>100,502</b>	<b>105,301</b>
Income Tax Expense	12	15,381	22,543	15,381	22,543
<b>Profit After Income Tax</b>		<b>85,120</b>	<b>82,758</b>	<b>85,121</b>	<b>82,758</b>
<b>Total Comprehensive Income</b>		<b>85,120</b>	<b>82,758</b>	<b>85,121</b>	<b>82,758</b>

*The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*

**Defence Housing Australia  
Consolidated Balance Sheet  
As at 30 June 2013**

	Notes	Consolidated entity		Parent entity	
		30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	13	330,444	295,190	329,428	295,190
Trade and Other Receivables	14	9,340	12,704	9,340	12,704
Other Current Assets	16	31,905	26,813	31,905	26,813
Inventories	18	276,712	289,639	276,712	289,639
Investment Properties for Sale	15	21,522	25,876	21,522	25,876
<b>Total Current Assets</b>		<b>669,923</b>	<b>650,222</b>	<b>668,907</b>	<b>650,222</b>
<b>Non-Current Assets</b>					
Deferred Tax Assets	17	16,242	18,913	16,242	18,913
Inventories	18	672,466	602,240	672,465	602,240
Plant, Equipment and Intangibles	19	8,650	5,504	8,650	5,504
Investment Properties	19	757,424	848,676	757,424	848,676
Net Finance Lease Receivables	21	38,880	872	38,880	872
Other Receivables	14	-	227	-	227
Investments Accounted for Using the Equity Method	20	5,194	3,878	5,194	3,878
Investment in Subsidiary	39	-	-	1,000	-
<b>Total Non-Current Assets</b>		<b>1,498,856</b>	<b>1,480,310</b>	<b>1,499,855</b>	<b>1,480,310</b>
<b>Total Assets</b>		<b>2,168,779</b>	<b>2,130,532</b>	<b>2,168,762</b>	<b>2,130,532</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Trade and Other Payables	22	65,740	65,360	65,736	65,360
Current Tax Liabilities	23	8,191	4,039	8,191	4,039
Dividends	24	51,073	49,654	51,073	49,654
Borrowings	26	75,000	130,000	75,000	130,000
Other Financial Liabilities	27	29,068	25,791	29,068	25,791
Provisions	28	22,226	19,809	22,213	19,809
<b>Total Current Liabilities</b>		<b>251,298</b>	<b>294,653</b>	<b>251,281</b>	<b>294,653</b>
<b>Non-Current Liabilities</b>					
Borrowings	26	434,580	379,580	434,580	379,580
Trade and Other Payables	22	-	11,754	-	11,754
Other Financial Liabilities	27	959	1,111	959	1,111
Provisions	28	89,048	84,588	89,048	84,588
<b>Total Non-Current Liabilities</b>		<b>524,587</b>	<b>477,033</b>	<b>524,587</b>	<b>477,033</b>
<b>Total Liabilities</b>		<b>775,885</b>	<b>771,686</b>	<b>775,868</b>	<b>771,686</b>
<b>Net Assets</b>		<b>1,392,894</b>	<b>1,358,846</b>	<b>1,392,894</b>	<b>1,358,846</b>
<b>EQUITY</b>					
Contributed equity		403,863	403,863	403,863	403,863
Retained Earnings		989,031	954,983	989,031	954,983
<b>Total Equity</b>		<b>1,392,894</b>	<b>1,358,846</b>	<b>1,392,894</b>	<b>1,358,846</b>

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

**Defence Housing Australia  
Consolidated Statement of Cash Flows  
For the year ended 30 June 2013**

	Notes	Consolidated entity		Parent entity	
		30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash Received</b>					
Sales of Goods and Services		615,092	610,701	615,092	610,701
Sales of Inventory		341,769	246,522	341,769	246,522
Interest		14,985	14,071	14,969	14,071
Other Cash Received		2,151	215	2,151	215
Stamp Duty and Land Tax Equivalents Received		30,634	32,990	30,634	32,990
<b>Total Cash Received</b>		<b>1,004,631</b>	<b>904,499</b>	<b>1,004,615</b>	<b>904,499</b>
<b>Cash Used</b>					
Employees		60,952	52,620	60,952	52,620
Suppliers		466,430	470,473	466,430	470,473
Borrowing Costs		30,854	32,173	30,854	32,173
Income Taxes Paid		8,558	21,858	8,558	21,858
Other Revenue		46,327	-	46,327	-
Acquisition and Construction of Inventories		377,101	356,122	377,101	356,122
Stamp Duty and Land Tax Equivalents		27,135	30,095	27,135	30,095
<b>Total Cash Used</b>		<b>1,017,357</b>	<b>963,341</b>	<b>1,017,357</b>	<b>963,341</b>
<b>Net Cash Used By Operating Activities</b>	29	<b>(12,726)</b>	<b>(58,842)</b>	<b>(12,742)</b>	<b>(58,842)</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash Received</b>					
Proceeds from Sales of Investment Properties		118,023	142,891	118,023	142,891
Investment in Associates		-	1,888	-	1,888
Defence Annuities		-	36,945	-	36,945
<b>Total Cash Received</b>		<b>118,023</b>	<b>181,724</b>	<b>118,023</b>	<b>181,724</b>
<b>Cash Used</b>					
Acquisitions and Construction of Investment Properties		15,371	34,015	16,371	34,015
Defence Annuities		-	20,643	-	20,643
Acquisition of Plant and Equipment		5,018	3,396	5,018	3,396
<b>Total Cash Used</b>		<b>20,389</b>	<b>58,054</b>	<b>21,389</b>	<b>58,054</b>
<b>Net Cash from Investing Activities</b>		<b>97,634</b>	<b>123,670</b>	<b>96,634</b>	<b>123,670</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash Used</b>					
Dividend Paid		49,654	52,332	49,654	52,332
<b>Total Cash Used</b>		<b>49,654</b>	<b>52,332</b>	<b>49,654</b>	<b>52,332</b>
<b>Net Cash Used By Financing Activities</b>		<b>(49,654)</b>	<b>(52,332)</b>	<b>(49,654)</b>	<b>(52,332)</b>
<b>Net Increase in Cash Held</b>		<b>35,254</b>	<b>12,496</b>	<b>34,238</b>	<b>12,496</b>
Cash and Cash Equivalents at the Beginning of the Reporting Period		295,190	282,694	295,190	282,694
<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	13	<b>330,444</b>	<b>295,190</b>	<b>329,428</b>	<b>295,190</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

**Defence Housing Australia**  
**Consolidated Statement of Changes in Equity**  
**For the year ended 30 June 2013**

<b>Consolidated entity</b>	<b>Retained earnings \$'000</b>	<b>Contributed equity \$'000</b>	<b>Total equity \$'000</b>
<b>Balance at 1 July 2011</b>	921,879	403,863	1,325,742
Profit for the Year	82,758	-	82,758
<b>Total Comprehensive Income</b>	<b>82,758</b>	<b>-</b>	<b>82,758</b>
<b>Transactions with Owners</b>			
<b>Distributions to Owners</b>			
Returns on Capital:			
Dividends	(49,654)	-	(49,654)
<b>Sub-Total Transactions with Owners</b>	<b>(49,654)</b>	<b>-</b>	<b>(49,654)</b>
<b>Balance at 30 June 2012</b>	<b>954,983</b>	<b>403,863</b>	<b>1,358,846</b>
<b>Closing Balance Attributable to the Australian Government</b>	<b>954,983</b>	<b>403,863</b>	<b>1,358,846</b>
<b>Balance at 1 July 2012</b>	954,983	403,863	1,358,846
Profit for the Year	85,120	-	85,120
<b>Total Comprehensive Income</b>	<b>85,120</b>	<b>-</b>	<b>85,120</b>
<b>Transactions with Owners</b>			
<b>Distributions to Owners</b>			
Returns on Capital:			
Dividends	(51,072)	-	(51,072)
<b>Sub-Total Transactions with Owners</b>	<b>(51,072)</b>	<b>-</b>	<b>(51,072)</b>
<b>Balance at 30 June 2013</b>	<b>989,031</b>	<b>403,863</b>	<b>1,392,894</b>
<b>Closing Balance Attributable to the Australian Government</b>	<b>989,031</b>	<b>403,863</b>	<b>1,392,894</b>

*The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

**Defence Housing Australia  
Schedule of Commitments  
As at 30 June 2013**

	Consolidated entity		Parent entity	
	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
<b>By Type</b>				
<b>Commitments Receivable</b>				
Sublease Rental Income	-	238	-	238
Operating Lease income	<b>3,117,868</b>	3,131,263	<b>3,117,868</b>	3,131,263
<b>Total Commitments Receivable</b>	<b>3,117,868</b>	3,131,501	<b>3,117,868</b>	3,131,501
<b>Commitments Payable</b>				
<b>Capital Commitments</b>				
Construction Commitments	<b>117,221</b>	73,624	<b>117,221</b>	73,624
<b>Total Capital Commitments</b>	<b>117,221</b>	73,624	<b>117,221</b>	73,624
<b>Other Commitments</b>				
House Operating Lease Rentals	<b>2,661,107</b>	2,643,454	<b>2,661,107</b>	2,643,454
Other Operating Leases	<b>25,608</b>	33,850	<b>25,608</b>	33,850
<b>Total Other Commitments</b>	<b>2,686,715</b>	2,677,304	<b>2,686,715</b>	2,677,304
<b>Net Commitments By Type</b>	<b>313,932</b>	380,573	<b>313,932</b>	380,573
<b>By Maturity</b>				
<b>Commitments Receivable</b>				
<b>Operating Lease Income</b>				
One Year or Less	<b>385,501</b>	369,087	<b>385,501</b>	369,087
From One to Five Years	<b>1,426,648</b>	1,416,642	<b>1,426,648</b>	1,416,642
Over Five Years	<b>1,305,719</b>	1,345,534	<b>1,305,719</b>	1,345,534
<b>Total Operating Lease Income</b>	<b>3,117,868</b>	3,131,263	<b>3,117,868</b>	3,131,263
<b>Other Commitments Receivable</b>				
One Year or Less	-	238	-	238
<b>Total Other Commitments Receivable</b>	-	238	-	238
<b>Commitments Payable</b>				
<b>Capital Commitments</b>				
One Year or Less	<b>90,646</b>	71,944	<b>90,646</b>	71,944
From One to Five Years	<b>26,575</b>	1,680	<b>26,575</b>	1,680
<b>Total Capital Commitments</b>	<b>117,221</b>	73,624	<b>117,221</b>	73,624
<b>Operating Lease Commitments</b>				
One Year or Less	<b>334,982</b>	316,068	<b>334,982</b>	316,068
From One to Five Years	<b>1,286,800</b>	1,268,067	<b>1,286,800</b>	1,268,067
Over Five Years	<b>1,064,933</b>	1,093,169	<b>1,064,933</b>	1,093,169
<b>Total Operating Lease Commitments</b>	<b>2,686,715</b>	2,677,304	<b>2,686,715</b>	2,677,304
<b>Net Commitments By Maturity</b>	<b>313,932</b>	380,573	<b>313,932</b>	380,573

NB: Commitments are GST inclusive where relevant

- 1 Amount received on a sub-let commercial property
- 2 Rent received under the Head Lease agreement with Department of Defence
- 3 Outstanding contractual payments for buildings under construction
- 4 Outstanding payments due on properties leased
- 5 Operating leases included are effectively non-cancellable and comprise leases for office accommodation and the provision of motor vehicles to staff

*The above schedule should be read in conjunction with the accompanying notes.*



**Defence Housing Australia  
Schedule of Contingencies  
As at 30 June 2013**

	<b>Consolidated entity</b>		<b>Parent entity</b>	
	<b>30 June 2013 \$'000</b>	<b>30 June 2012 \$'000</b>	<b>30 June 2013 \$'000</b>	<b>30 June 2012 \$'000</b>
<b>Contingent Assets</b>				
<b>Total Contingent Assets</b>	-	-	-	-
<b>Contingent Liabilities</b>				
Liabilities	<u>8,320</u>	<u>9,111</u>	<u>8,320</u>	<u>9,111</u>
<b>Total Contingent Liabilities</b>	<u>8,320</u>	<u>9,111</u>	<u>8,320</u>	<u>9,111</u>
<b>Net Contingent Assets (Liabilities)</b>	<u>(8,320)</u>	<u>(9,111)</u>	<u>(8,320)</u>	<u>(9,111)</u>

Details of each class of contingent liabilities and contingent assets listed above are disclosed in Note 30: Contingent Liabilities and Assets, along with information on significant remote contingencies that cannot be qualified.

*The above schedule should be read in conjunction with the accompanying notes.*

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**

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**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

## 1 Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Defence Housing Australia and its subsidiary.

### (a) Objectives of DHA

DHA is an Australian Government (Government) controlled entity. The objective of DHA is to provide housing and related services for members of the Australian Defence Force and their families in line with the Department of Defence operational requirements.

DHA is structured to meet one outcome:

To contribute to the Department of Defence's outcomes by providing total housing services that meet the Department of Defence operational and client needs through a strong customer and business focus.

The continued existence of DHA in its present form and with its present operations is dependent on Government policy.

### (b) Basis of Preparation of the Financial Statements

The financial statements are required by clause 1(b) of Schedule 1 to the Commonwealth Authorities and Companies Act 1997 and are general purpose financial statements.

The financial statements and notes have been prepared in accordance with:

- Finance Minister's Orders (or FMOs) applicable to for-profit entities for reporting periods ending on or after 1 July 2012; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets and liabilities, which as noted, are at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Unless an alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow to the entity or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executory contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the Schedule of Commitments or the Schedule of Contingencies.

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the Statement of Comprehensive Income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

### (c) Significant Accounting Judgements and Estimates

Preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management base their judgement on experience and historical information to ensure they are reasonable and fair; and continually monitor and reassess their judgements, estimates and assumptions. Management have identified the following significant accounting policies and judgements:

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

## 1 Summary of Significant Accounting Policies (continued)

### (c) Significant Accounting Judgements and Estimates (continued)

- The net realisable value of completed inventory properties is assessed annually by an independent valuer. Where the net realisable value for an individual property is less than its cost, the carrying value of the property is written down to its net realisable value.
- The net realisable value of an inventory development site is the finished product's gross realisation less costs to date, costs to complete and selling costs. Where the net realisable value is negative the costs to date for the development site are written down by the value of the estimated loss.
- The fair value of investment properties is assessed annually by an independent valuer and a value in use calculation is prepared internally for assets not identified for future sale. Where the fair value less costs to sell and the value in use calculation for an individual property is less than its costs, the carrying value of the property is written down to the higher of the two valuation methods.
- A liability is recognised for make good costs to be incurred on the expiry of long term leases. Management have made assumptions regarding the future economic outflows associated with the make good expenditure, based on historical data. These assumptions are detailed at note (j).

No other accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

### (d) New Australian Accounting Standards

No accounting standard has been adopted earlier than the application date as stated in the standard.

In the current year, DHA has adopted all of the new and revised standards issued by the AASB that are relevant to its operations and effective for the current annual reporting period. There are no new or revised standards or interpretations that were issued prior to the signing of the statements by the Board, and are applicable to the current reporting period, that have a financial impact on the entity.

The following new and revised standard was issued by the AASB prior to the signing of the statements by the Board, which is expected to have a financial impact on the entity in future reporting periods:

AASB 10 Consolidated Financial Statements - effective for annual reporting periods beginning on or after 1 January 2013.

AASB 11 Joint Arrangements - effective for annual reporting periods beginning on or after 1 January 2013.

AASB 13 Fair Value Measurement - effective for annual reporting periods beginning on or after 1 January 2013.

AASB 119 Employee Benefits - effective for annual reporting periods beginning on or after 1 January 2013.

Other new and revised standards that were issued prior to the signing of the statements by the Board and are applicable to the future reporting periods are not expected to have a future financial impact on the entity.

### (e) Revenue

All revenues are accounted for on an accrual basis. DHA recognises revenue when;

- a) The risks and rewards of ownership have been transferred to the buyer;
- b) DHA retains no managerial involvement or effective control over the goods;
- c) The revenue and transactions can be reliably measured; and
- d) It is probable that the economic benefits associated with the transaction will flow to DHA.

Interest revenue is recognised on an accrual basis using the effective interest method as set out in AASB 139 - Financial Instruments: Recognition and Measurement, taking into account the interest rates applicable to the financial assets.

Profits or losses from the disposal of investment and inventory properties are recognised when all specified conditions relating to the sale are satisfied and there is an unconditional sale. This is when settlement occurs.

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

## 1 Summary of Significant Accounting Policies (continued)

### (e) Revenue (continued)

Receivables for goods and services are recognised at the nominal amounts due, less any provision for bad and doubtful debts. Collectability of debts is reviewed at 30 June each year. Allowances are made when the debts recovery is judged to be no longer probable.

Revenue received from the Department of Defence is recognised as Revenue from the Department of Defence unless they are in the nature of an equity injection or a loan.

### (f) Transactions with the Government as owner

Amounts that are designated as equity injections for a year are recognised directly in contributed equity in that year.

### (g) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except:

- a. where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO), it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- b. receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from or payable to the ATO, is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from or payable to the ATO, are classified as operating cash flows.

### (h) Employee Benefits

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for 'short-term employee benefits' that is, wages and salaries and annual leave, expected to be settled within 12 months of the reporting date and termination benefits due within twelve months are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

All other employee benefit liabilities are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

#### (i) Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of DHA is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including DHA's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on an employee's departure.

The liability for long service leave has been determined by reference to Part E, Chapter 43 of the Finance Minister's Orders 2012-2013. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation. The non-current portion of the liability for long service leave in respect of all employees at 30 June 2013, is recognised and measured at the present value of the estimated future cash flows, based on the shorthand method.

#### (ii) Superannuation



**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

## 1 Summary of Significant Accounting Policies (continued)

### (h) Employee Benefits (continued)

#### (ii) Superannuation (continued)

Staff of DHA are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), Public Sector Superannuation accumulation plan (PSSap) or other funds chosen by staff.

The CSS and PSS are defined benefit schemes for the Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Government and is settled by the Government in due course. This liability is reported in the Department of Finance and Deregulation's administered schedules and notes.

DHA makes employer contributions to the Government Employee Superannuation Schemes at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of DHA's employees as they fall due.

From 1 July 2005, new employees are eligible to join the PSSap scheme.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the year.

### (i) Leases

#### *DHA as Lessee*

The determination of whether an arrangement is or contains a lease and whether the lease is an operating lease or a finance lease is based on the substance of the arrangement at inception date. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to the ownership of the asset.

#### *Operating Leases*

Operating lease payments are expensed on a straight line basis which is representative of the pattern of benefits derived from the leased assets.

DHA has three categories of operating leases:

- a. residential properties (mostly acquired through the sale and leaseback program) for the housing of Australian Defence Force members, under the Services Agreement on Housing and Related Matters (Services Agreement) between DHA and the Department of Defence;
- b. commercial property for the administration of DHA; and
- c. motor vehicles used in the operations of DHA.

#### *Finance Leases*

DHA does not have any finance leases payable.

#### *DHA as Lessor*

DHA finances on-base housing construction and certain off-base properties for the Department of Defence, under annuity arrangements provided for in the Services Agreement. Monthly payments are split - principal amounts are credited against the relevant receivable and the interest component is recorded as revenue under Housing Services Provided.

### (j) Sale and Leaseback Provision

DHA records the entire sale proceeds as revenue at the time of settlement.

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

## 1 Summary of Significant Accounting Policies (continued)

### (j) Sale and Leaseback Provision (continued)

DHA is required under the leaseback agreement to undertake prescribed maintenance (make good) at the end of the lease period.

At the time of recording the sale, a provision is raised to recognise the make good obligation. The provision is based on an assessment of the present value of the necessary costs to make good properties at the end of their lease terms. The estimate includes an inflation factor of 2.5% (2012: 2.5%) and a discount rate of 3.65% (2012: 3.63%), being the 5 year swap rate as at 30 June 2013.

Actual make good expenditure is charged, as incurred against the provision. The estimate of future make good maintenance is reviewed annually to ensure that the make good provision is adequate to meet the liability.

### (k) Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. Subsequent recognition of loans and borrowings is at amortised cost and interest is charged as an expense as it accrues.

Borrowings are classified as current liabilities unless DHA has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### (l) Principles of consolidation

#### (i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Defence Housing Australia ('parent entity') as at 30 June 2013 and the results of all subsidiaries for the period then ended. Defence Housing Australia and its subsidiaries together are referred to in this financial report as the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

#### (ii) Associates

Associates are all entities over which DHA has significant influence but not control or joint control. Investments in associates are accounted for in the financial statements using the equity method of accounting, after initially being recognised at cost. DHA's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 38).

DHA's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as a reduction in the carrying amount of the investment.

When DHA's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, DHA does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

## 1 Summary of Significant Accounting Policies (continued)

### (l) Principles of consolidation (continued)

#### (ii) Associates (continued)

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

#### (iii) Joint ventures

##### *Jointly Controlled Entities*

Interest in Jointly controlled entities are accounted for under the equity method in the financial statements.

##### *Jointly Controlled Assets and Operations*

Interests in jointly controlled assets and operations are reported in the financial statements by including DHA's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses and revenues incurred in relation to the joint ventures in their respective classification categories.

### (m) DHA Investment Management Limited

On the 14th December 2012 DHA created a wholly owned subsidiary DHA Investment Management Limited (DHA IML) whose principal objective is to establish, operate and administer Managed Investment Schemes.

DHA IML holds a Australian Financial Services Licence and is the responsible entity, the manager and the issuer of the units in the DHA Residential Property Fund No. 1 (the Fund).

DHA IML is responsible for the operation and management of the Fund and must perform in accordance with the duties under the *Corporations Act 2001*, the Fund Constitution and, the Fund Compliance Plan. DHA IML must act honestly, with due care and diligence and in the best interest of unit holders.

### (n) Income Tax

DHA, following amendment of the Defence Housing Australia Act 1987, became a Commonwealth income tax payer on 1 July 2007.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

## 1 Summary of Significant Accounting Policies (continued)

### (o) Tax Consolidation

DHA is electing to consolidate with DHA IML for income tax purposes. DHA, as the head entity of the tax consolidated group, will lodge a single income tax return for the group. The ATO will be notified of the election upon lodgement of the consolidated income tax return.

DHA and DHA IML entered into a tax funding agreement in June 2013. The agreement outlines the terms on which DHA IML is required to contribute to the payment of the group's income tax liability. The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practical at the end of the financial year. The head entity may also request payment of interim funding amounts to assist with its obligations to pay income tax instalments. The funding amounts are recognised as current inter-company receivables or payables.

### (p) Dividends

A provision for dividend is recognised as a liability when dividends are appropriately authorised by the Board and are no longer at the discretion of the entity. The DHA Board resolved on 22 May 2013 to pay a dividend of 60% of net profit after tax. In accordance with paragraph 41.3 of the FMO's DHA has recognised a liability for the dividend. Refer to Note 2.

### (q) Cash and Cash Equivalents

Cash and Cash Equivalents means notes and coins held and any deposits held at call or readily convertible to cash with a bank or financial institution including term deposits with terms up to 12 months which can be redeemed on demand. Cash is recognised at its nominal amount.

### (r) Financial Assets

DHA classifies its financial assets as loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets are recognised and derecognised upon trade date.

#### *Effective Interest Method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset, or where appropriate, a shorter period.

Income is recognised on an effective interest rate basis.

#### *Loans and Receivables*

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

## **1 Summary of Significant Accounting Policies (continued)**

### **(r) Financial Assets (continued)**

#### *Impairment of Financial Assets*

Financial assets are assessed for impairment at each balance date.

Financial assets held at amortised cost - if there is objective evidence that an impairment loss has been incurred for loans and receivables held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

### **(s) Financial Liabilities**

DHA classifies its financial liabilities as Other Financial Liabilities. The financial liabilities are recognised and derecognised upon trade date.

#### *Other Financial Liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

#### *Trade and Other Payables*

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (irrespective of having been invoiced).

### **(t) Contingent Liabilities and Contingent Assets**

Contingent liabilities and contingent assets are not recognised in the Balance Sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

### **(u) Intangibles**

DHA's intangibles comprise internally developed software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight line basis over its anticipated useful life. All software assets were assessed for indicators of impairment as at 30 June 2013.

### **(v) Property, Plant and Equipment**

Property, plant and equipment are recognised initially at cost in the balance sheet, except for purchases costing less than \$1,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use. A net gain or loss from the disposal is recognised in the statement of comprehensive income in the year the asset is derecognised.

#### *Properties*

Properties held by DHA are classified as either Inventory or Investment Properties.

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

## 1 Summary of Significant Accounting Policies (continued)

### (v) Property, Plant and Equipment (continued)

DHA accounts for inventory properties under AASB 102 - Inventories. Inventories are properties which are held for provisioning and are available for sale in the short to medium term in order to free capital for reinvestment. Additional information on inventories can be found at note (y).

DHA accounts for investment properties under AASB 140 - Investment Properties. Investment properties are properties held for long-term provisioning requirements or for capital appreciation. Additional information on investment properties can be found at note (w).

#### *Depreciation*

Depreciable assets are written-off to their estimated residual values over their estimated useful lives using, in all cases, the straight-line method of depreciation. Office fitouts are depreciated on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the straight line method over the following useful lives:

	<b>2013</b>	<b>2012</b>
Investment Properties	50 Years	50 years
Office Fitouts	3 to 40 years	3 to 40 years
Plant and Equipment	2 to 19 years	2 to 19 years
Software	2.5 to 6 years	2.5 to 6 years

Capital improvements to DHA owned properties are capitalised and depreciated over the remaining life of the asset.

#### *Impairment*

All property, plant and equipment assets are tested for impairment on an individual basis at 31 December each financial year. Where there is an indicator of impairment, the asset's recoverable amount is estimated and an impairment adjustment made where the recoverable amount is less than the carrying amount. All property is reviewed as at reporting date to ensure that any impairment that was booked for the property at 31 December remains appropriate at reporting date.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset.

Where impairment write backs are identified, the adjustment is made to value the asset to the higher of cost or recoverable amount (but shall not exceed the carrying amount that would have been determined had no impairment loss been recognised).

### (w) Investment Properties

Investment properties are separated into the following categories:

- a. Completed properties;
- b. Land held for future development; or
- c. Work in progress - incomplete construction projects.

Investment properties are initially measured at cost. The carrying amount includes the cost of replacing parts of existing investment properties, at the time those costs are incurred. The carrying amount excludes costs of day-to-day servicing and maintenance of the investment property.



**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

## 1 Summary of Significant Accounting Policies (continued)

### (w) Investment Properties (continued)

Investment properties are subsequently recognised at the lower of cost and recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use where the property is not identified for future sale.

Investment properties are derecognised either when they have been disposed of or when the investment property is withdrawn from use and no future economic value is expected from its disposal.

Transfers from inventory to investment are made when there is a change in the circumstances of a property and it is deemed that the property is now held for capital growth or strategic provisioning.

### (x) Investment Properties for Sale

DHA holds a proportion of its investment properties for sale. Investment properties are deemed eligible for sale if identified as a sale and lease back property or when they have below average capital growth expectations; carry high repairs and maintenance expenditure; are permanently privately leased out; have no redevelopment opportunities or have low rental yield.

DHA applies AASB 5 - Non-Current Assets Held for Sale and Discontinued Operations to its investment properties held for sale. These properties are carried at the lower of cost and fair value less costs to sell and are not depreciated.

### (y) Inventories

Inventories are separated into the following categories:

- a. Completed properties - completed properties held for resale on normal trading cycle;
- b. Land held for future development; or
- c. Work in progress - incomplete construction projects.

Inventories are initially recognised at cost and are subsequently recognised at lower of cost or net realisable value. Net realisable value is the finished product's gross realisation less costs to date, costs to complete and selling costs.

#### *Development Projects*

Development projects are classified as inventory properties whilst in progress where a significant majority of the property on completion of the development is expected to be sold as inventory stock.

Development projects are classified as investment properties where it is anticipated that a significant majority of the property on completion of the development will be classified as investment property.

Development project costs include variable and fixed costs as they relate directly to specific contracts and those costs relating to general contract activity which can be allocated to the project on a reasonable basis.

### (z) Repairs and Maintenance

Repairs and maintenance costs are expensed in the period in which they are incurred.

### (aa) Provisions

Provisions are recognised when DHA has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

## 1 Summary of Significant Accounting Policies (continued)

### (aa) Provisions (continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

### (ab) Competitive Neutrality (State Tax Equivalent Payments)

DHA provides services on a for-profit basis. Under the Competitive Neutrality arrangements, DHA is required to make State Tax Equivalent payments, including payroll tax, land tax and stamp duty.

DHA includes State Tax Equivalent payments in the expenditure items to which they relate. Payroll tax is included in Employee Expenses and is detailed in Note 7. Land tax and stamp duty on property acquisitions are included in Rates, Repairs and Maintenance and are detailed in Note 8.

DHA capitalises stamp duty incurred on vacant land acquisitions.

DHA, in accordance with the Services Agreement, is entitled to recover from the Department of Defence the cost of land tax and stamp duty on property acquisitions. These recoveries form part of Defence Other Charges detailed in Note 3.

### (ac) Rounding

Amounts have been rounded to the nearest \$1,000 except in relation to the following:

- Remuneration of key management personnel; and
- Remuneration of auditors.

### (ad) Financial Risk Management

DHA's principle financial instruments comprise receivables, payables, government loans, finance leases, cash and short term deposits.

It manages its exposure to key financial risks in accordance with DHA's Treasury and Risk Management policy. The objective of the policy is to support the delivery of DHA's financial targets whilst protecting future financial security.

The main risks arising from DHA's financial instruments are interest rate risk, credit risk and liquidity risk. DHA uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring the level of exposure to interest rates and assessments of forecasts for interest rates. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with DHA's Treasurer who regularly reports to the DHA Board.

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

## 2 Final Dividends

The DHA Board has declared a final dividend for the year ending 30 June 2013 of \$51,072,946 (2012: \$49,653,952). The DHA Board resolved on 22 May 2013 to pay a dividend of 60 percent of net profit after tax. In accordance with paragraph 41.3 of the FMO's DHA has recognised a liability for the dividend.

	Consolidated entity		Parent entity	
	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
<b>Final Dividend</b>	<b>51,073</b>	49,654	<b>51,073</b>	49,654

## 3 Housing Services Provided

	Consolidated entity		Parent entity	
	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
Defence Rent and Charges	497,003	485,947	497,003	485,947
Defence Other Charges	78,454	66,958	78,454	66,958
Lessor Management Fees	45,807	43,215	45,807	43,215
Other Revenue	9,258	13,239	9,258	13,239
Annuity Revenue	725	1,145	725	1,145
<b>Total Housing Service Provided</b>	<b>631,247</b>	610,504	<b>631,247</b>	610,504

Defence Rent and Charges includes rent from investment properties of \$62,730,131 (2012: \$69,385,569)

	Consolidated entity		Parent entity	
	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
<b>Housing Services Provided are made up of:</b>				
Housing Services - Related Entities	575,457	554,050	575,457	554,050
Housing Services - External Parties	55,790	56,454	55,790	56,454
<b>Total Housing Services Provided</b>	<b>631,247</b>	610,504	<b>631,247</b>	610,504

## 4 Allocation Services Provided

	Consolidated entity		Parent entity	
	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
Allocation Administration Fees	8,919	8,851	8,919	8,851

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

**5 Interest Received**

	Consolidated entity		Parent entity	
	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
Interest on Deposits	14,494	14,632	14,478	14,632
Interest from Joint Ventures	(1)	100	(1)	100
<b>Total Interest Received</b>	<b>14,493</b>	<b>14,732</b>	<b>14,477</b>	<b>14,732</b>

**6 Net Gains from Disposal of Investment Properties**

	Consolidated entity		Parent entity	
	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
Proceeds from Sale	121,994	184,041	121,994	184,041
Carrying Value of Assets Sold	(81,328)	(131,622)	(81,328)	(131,622)
Selling Expenses	(3,829)	(4,673)	(3,829)	(4,673)
<b>Net Gains from Disposal of Investment Properties</b>	<b>36,837</b>	<b>47,746</b>	<b>36,837</b>	<b>47,746</b>

**7 Employee Benefits**

	Consolidated entity		Parent entity	
	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
Wages and Salaries	45,368	37,532	45,368	37,532
Superannuation:				
Defined Contribution Plans	5,210	4,784	5,210	4,784
Defined Benefit Plans	3,126	2,561	3,126	2,561
Leave and Other Entitlements	5,541	4,822	5,541	4,822
Payroll Tax Equivalent	3,758	3,200	3,758	3,200
Workers' Compensation Premiums	690	367	690	367
<b>Total Employee Benefits</b>	<b>63,693</b>	<b>53,266</b>	<b>63,693</b>	<b>53,266</b>

Payroll Tax Equivalent and Workers Compensation Premiums are related party transactions. All other employee benefits are incurred with external parties.

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

**8 Rates, Repairs and Maintenance**

	Consolidated entity		Parent entity	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	\$'000	\$'000	\$'000	\$'000
Heritage Property Upgrades for Defence	-	564	-	564
Other Property Charges	93,539	84,093	93,539	84,093
Rates and Municipal Charges	9,975	9,958	9,975	9,958
Stamp Duty and Land Tax Equivalents	26,997	29,655	26,997	29,655
Repairs and Maintenance	39,391	36,647	39,391	36,647
<b>Total Rates, Repairs and Maintenance</b>	<b>169,902</b>	<b>160,917</b>	<b>169,902</b>	<b>160,917</b>

Stamp Duty and Land Tax Equivalents are related party transactions associated with the Department of Defence. All other expenses are incurred with external parties. Other Property Charges includes expenditure incurred by DHA and recovered from Department of Defence.

Rates, Repairs and Maintenance includes expenditure for investment properties of \$17,678,968 (2012: \$18,801,298).

**9 Depreciation and Amortisation**

	Consolidated entity		Parent entity	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	\$'000	\$'000	\$'000	\$'000
<b>Depreciation</b>				
Investment Properties	11,354	12,008	11,354	12,008
Plant and Equipment	943	826	943	826
<b>Total Depreciation</b>	<b>12,297</b>	<b>12,834</b>	<b>12,297</b>	<b>12,834</b>
<b>Amortisation</b>				
Software	888	1,046	888	1,046
<b>Total Amortisation</b>	<b>888</b>	<b>1,046</b>	<b>888</b>	<b>1,046</b>
<b>Total Depreciation and Amortisation</b>	<b>13,185</b>	<b>13,880</b>	<b>13,185</b>	<b>13,880</b>

**10 Finance Costs**

	Consolidated entity		Parent entity	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	\$'000	\$'000	\$'000	\$'000
Interest on Loans	30,854	31,818	30,854	31,818

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

**11 Write-Down and Impairment of Assets**

	<b>Consolidated entity</b>		<b>Parent entity</b>	
	<b>30 June 2013 \$'000</b>	30 June 2012 \$'000	<b>30 June 2013 \$'000</b>	30 June 2012 \$'000
<b>Non-Financial Assets</b>				
<b>Write-downs and Impairments</b>				
Investment Property	799	2,658	799	2,658
Inventories	8,085	12,940	8,085	12,940
Plant and Equipment	-	122	-	122
<b>Total Write-Downs and Impairments</b>	<b>8,884</b>	<b>15,720</b>	<b>8,884</b>	<b>15,720</b>
<b>Reversals</b>				
Investment Property Reversal	<b>(2,557)</b>	(4,630)	<b>(2,557)</b>	(4,630)
Inventories Reversal	<b>(3,339)</b>	(6,103)	<b>(3,339)</b>	(6,103)
<b>Total Reversals</b>	<b>(5,896)</b>	<b>(10,733)</b>	<b>(5,896)</b>	<b>(10,733)</b>
<b>Net Write-Down and Impairment of Assets</b>	<b>2,988</b>	4,987	<b>2,988</b>	4,987

To ensure compliance with AASB 140 - Investment Properties, an independent assessment of investment properties was undertaken by registered valuers as at 31 December 2012, in addition a value in use calculation has been prepared internally for assets not identified for future sale. The carrying value of individual properties, where the cost of the property exceeded the recoverable amount, have been impaired accordingly. Refer also to Note 19.

To ensure compliance with AASB 102 - Inventories, an independent assessment of inventory properties was undertaken by registered valuers as at 31 December 2012. The carrying value of individual properties, where the cost of the property exceeded the net realisable value, have been adjusted accordingly. Refer also to Note 18.

To ensure compliance with AASB 116 - Property, Plant and Equipment, the carrying values of plant, equipment and software were reviewed and adjusted as appropriate to reflect fair value. The carrying amount of the assets were compared to the recoverable amounts or value in use and adjusted where it was considered that these amounts were in excess of the carrying amount. Refer also to Note 19.

DHA assesses at each reporting date for impairment indicators. If any such indication exists, DHA makes an estimate of the asset's recoverable amount and adjusts where required.



**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

## 12 Income Tax Expense

### (a) Income Tax Expense

	Consolidated entity		Parent entity	
	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
Current Tax	21,256	22,702	21,253	22,702
Deferred Tax	2,671	7,297	2,674	7,297
Adjustments for Current Tax of Prior Periods	(8,546)	(7,456)	(8,546)	(7,456)
	<b>15,381</b>	<b>22,543</b>	<b>15,381</b>	<b>22,543</b>

Income Tax Expense is Attributable to:

Profit from Continuing Operations	15,381	22,543	15,381	22,543
Aggregate Income Tax Expense	<b>15,381</b>	<b>22,543</b>	<b>15,381</b>	<b>22,543</b>

### (b) Reconciliation of Income Tax Expense to Prima Facie Tax Payable

	Consolidated entity		Parent entity	
	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
Profit from Continuing Operations before income Tax Expense	100,501	105,301	100,502	105,301
Tax at the Australian Tax Rate of 30.0%	30,150	31,590	30,150	31,590
Tax Effect of Amounts which are not Deductible (Taxable) in Calculating Taxable Income:				
Tax Cost Base Valuations	(11,015)	(8,410)	(11,015)	(8,410)
Adjustments for Current Tax of Prior Periods	(3,776)	(659)	(3,776)	(659)
Other	22	22	22	22
<b>Income tax expense</b>	<b>15,381</b>	<b>22,543</b>	<b>15,381</b>	<b>22,543</b>

As a result of DHA becoming a taxable entity on 1 July 2007, an unrecognised temporary difference (Deferred Tax Asset) was created between the accounting carrying value and the tax values for property held as Investment Property. The unrecognised value of the temporary difference at 30 June 2013 is \$526,241,535 (2012: \$554,384,676). The tax effect of this temporary difference is \$157,872,460 (2012: \$166,315,403).

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

**13 Current assets - Cash and Cash Equivalents**

	Consolidated entity		Parent entity	
	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
Cash at Bank	1,928	674	912	674
Cash on Hand	16	16	16	16
Short Term Deposits	328,500	294,500	328,500	294,500
<b>Total Cash and Cash Equivalents</b>	<b>330,444</b>	<b>295,190</b>	<b>329,428</b>	<b>295,190</b>

**14 Current assets - Trade and Other Receivables**

	Consolidated entity		Parent entity	
	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
<b>Current</b>				
Department of Defence Debtors	1,659	1,620	1,659	1,620
Accrued Income	6,311	10,010	6,311	10,010
Other Receivables	1,370	1,265	1,370	1,265
Provision for Impairment of Receivables	-	(191)	-	(191)
<b>Total Receivables for Goods and Services</b>	<b>9,340</b>	<b>12,704</b>	<b>9,340</b>	<b>12,704</b>
<b>Non- Current</b>				
Receivables	-	227	-	227
Total Receivables for Goods and Services	-	227	-	227
<b>Total Trade and Other Receivables (Net)</b>	<b>9,340</b>	<b>12,931</b>	<b>9,340</b>	<b>12,931</b>
<b>Good and Services</b>				
Goods and Services - Related Entities	4,977	8,651	4,977	8,651
Goods and Services - External Parties	4,363	4,280	4,363	4,280
<b>Total Trade and Other Receivables (Net)</b>	<b>9,340</b>	<b>12,931</b>	<b>9,340</b>	<b>12,931</b>

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

**14 Current assets - Trade and Other Receivables (continued)**

**(a) Receivables are expected to be recovered in:**

	Consolidated entity		Parent entity	
	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
Less than 12 Months	9,340	12,704	9,340	12,704
More than 12 Months	-	227	-	227
	<b>9,340</b>	<b>12,931</b>	<b>9,340</b>	<b>12,931</b>

Credit Terms are between 7 and 30 days.

**Reconciliation of the Impairment Allowance Account:**

	Consolidated entity		Parent entity	
	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
At 1 July	191	87	191	87
Provision for Impairment Recognised during the Year	-	104	-	104
Unused Amounts Reversed	(191)	-	(191)	-
At 30 June	-	191	-	191

**(b) Receivables are aged as follows:**

	Consolidated entity		Parent entity	
	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
Less than 30 Days	9,340	12,931	9,340	12,931
More than 120 Days	-	191	-	191
	<b>9,340</b>	<b>13,122</b>	<b>9,340</b>	<b>13,122</b>

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

**15 Investment Properties for Sale**

	<b>Consolidated entity</b>		<b>Parent entity</b>	
	<b>30 June 2013 \$'000</b>	<b>30 June 2012 \$'000</b>	<b>30 June 2013 \$'000</b>	<b>30 June 2012 \$'000</b>
Investment Properties - at Cost	16,179	17,228	16,179	17,228
Investment Properties - at Cost (Less Impairment)	5,343	8,648	5,343	8,648
	<b>21,522</b>	<b>25,876</b>	<b>21,522</b>	<b>25,876</b>

The amount represents investment properties that are currently available for sale.

**16 Other Current Assets**

	<b>Consolidated entity</b>		<b>Parent entity</b>	
	<b>30 June 2013 \$'000</b>	<b>30 June 2012 \$'000</b>	<b>30 June 2013 \$'000</b>	<b>30 June 2012 \$'000</b>
<b>Other Current Assets</b>				
Finance Lease Receivables	2,951	190	2,951	190
Other Prepayments	966	872	966	872
Prepaid Property Rentals	27,988	25,751	27,988	25,751
	<b>31,905</b>	<b>26,813</b>	<b>31,905</b>	<b>26,813</b>

**17 Non-current assets - Deferred Tax Assets**

	<b>Consolidated entity</b>		<b>Parent entity</b>	
	<b>30 June 2013 \$'000</b>	<b>30 June 2012 \$'000</b>	<b>30 June 2013 \$'000</b>	<b>30 June 2012 \$'000</b>
<b>The balance comprises temporary differences attributable to:</b>				
Employee benefits	5,028	4,267	5,028	4,267
Doubtful Debts	-	57	-	57
Make Good Provisions	27,719	26,118	27,719	26,118
Provisions	986	1,047	986	1,047
Lease Incentive	341	386	341	386
Property Plant and Equipment	148	454	148	454
	<b>34,222</b>	<b>32,329</b>	<b>34,222</b>	<b>32,329</b>
Set-off of deferred tax liabilities pursuant to set-off provisions	<b>(17,980)</b>	<b>(13,416)</b>	<b>(17,980)</b>	<b>(13,416)</b>
Net deferred tax assets	<b>16,242</b>	<b>18,913</b>	<b>16,242</b>	<b>18,913</b>

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

**17 Non-current assets - Deferred Tax Assets (continued)**

	<b>Consolidated entity</b>		<b>Parent entity</b>	
	<b>30 June 2013 \$'000</b>	30 June 2012 \$'000	<b>30 June 2013 \$'000</b>	30 June 2012 \$'000
Deferred tax assets expected to be recovered within 12 months	(1,027)	(4,474)	(1,027)	(4,474)
Deferred tax assets expected to be recovered after more than 12 months	<b>17,269</b>	23,387	<b>17,269</b>	23,387
	<b>16,242</b>	18,913	<b>16,242</b>	18,913

Movements - Consolidated entity	Make Good Provision \$'000	Employee Benefits \$'000	Provisions \$'000	Property Plant and Equipment \$'000	Other \$'000	Total \$'000
At 1 July 2011	\$25,172	\$3,793	\$804	\$798	\$308	\$30,875
(Charged)/credited Charge to the Income Statement	\$946	\$474	\$243	(\$344)	\$135	\$1,454
At 30 June 2012	\$26,118	\$4,267	\$1,047	\$454	\$443	\$32,329

Movements - Consolidated entity	Make Good Provision \$'000	Employee Benefits \$'000	Provisions \$'000	Property Plant and Equipment \$'000	Other \$'000	Total \$'000
At 30 June 2012	\$26,118	\$4,267	\$1,047	\$454	\$443	\$32,329
(Charged)/credited Charge to the Income Statement	\$1,601	\$761	(\$61)	(\$306)	(\$102)	\$1,893
At 30 June 2013	\$27,719	\$5,028	\$986	\$148	\$341	\$34,222

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

**18 Inventories**

	Consolidated entity		Parent entity	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	\$'000	\$'000	\$'000	\$'000
Completed Properties - at Cost	<b>198,302</b>	184,935	<b>198,302</b>	184,935
Completed Properties - at Net Realisable Value	<b>306,199</b>	322,547	<b>306,199</b>	322,547
Land Held for Sale - at Cost	<b>31,847</b>	13,540	<b>31,847</b>	13,540
Work in Progress - at Cost	<b>403,533</b>	358,083	<b>403,532</b>	358,083
Work in Progress - at Net Realisable Value	<b>9,297</b>	12,774	<b>9,297</b>	12,774
<b>Total Inventories</b>	<b>949,178</b>	<b>891,879</b>	<b>949,177</b>	<b>891,879</b>
	Consolidated entity		Parent entity	
Current Inventories	<b>276,712</b>	289,639	<b>276,712</b>	289,639
Non-Current Inventories	<b>672,466</b>	602,240	<b>672,465</b>	602,240
	<b>949,178</b>	<b>891,879</b>	<b>949,177</b>	<b>891,879</b>

The Total Fair value of Inventory as at 30 June 2013 is \$1,117,297,239 (2012: \$1,000,916,896)



**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

**19 Non-current assets - Plant, Equipment and Intangibles**

	Consolidated entity		Parent entity	
	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
<b>Consolidated</b>				
<b>Investment Properties</b>				
Investment Properties - at Cost	724,807	778,996	724,807	778,996
Less: Accumulated Depreciation	<u>(82,380)</u>	<u>(77,636)</u>	<u>(82,380)</u>	<u>(77,636)</u>
	<b>642,427</b>	<b>701,360</b>	<b>642,427</b>	<b>701,360</b>
<b>Investment Properties - Impaired</b>				
Investment Properties - at Cost	122,396	158,225	122,396	158,225
Less : Accumulation Depreciation	<u>(4,248)</u>	<u>(3,851)</u>	<u>(4,248)</u>	<u>(3,851)</u>
Less Impairments	<u>(3,151)</u>	<u>(7,058)</u>	<u>(3,151)</u>	<u>(7,058)</u>
	<b>114,997</b>	<b>147,316</b>	<b>114,997</b>	<b>147,316</b>
<b>Total Investment Properties</b>	<b>757,424</b>	<b>848,676</b>	<b>757,424</b>	<b>848,676</b>
<b>Plant and Equipment</b>				
Plant and Equipment - at cost	11,369	11,175	11,369	11,175
Less: Accumulation Depreciation	<u>(5,762)</u>	<u>(7,145)</u>	<u>(5,762)</u>	<u>(7,145)</u>
	<b>5,607</b>	<b>4,030</b>	<b>5,607</b>	<b>4,030</b>
<b>Software</b>				
Software Development - at Cost	24,206	21,657	24,206	21,657
Less: Accumulated Amortisation	<u>(21,163)</u>	<u>(20,183)</u>	<u>(21,163)</u>	<u>(20,183)</u>
	<b>3,043</b>	<b>1,474</b>	<b>3,043</b>	<b>1,474</b>
<b>Impaired Software</b>				
Software Development - at Cost	-	155	-	155
Less: Accumulated Depreciation	-	(91)	-	(91)
Less: Impairment	-	(64)	-	(64)
Total Impaired Software	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Impaired Plant and Equipment</b>				
Plant and Equipment - at cost	-	137	-	137
Less: Accumulated Amortisation	<u>-</u>	<u>(137)</u>	<u>-</u>	<u>(137)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Plant, Equipment and Software</b>	<b>8,650</b>	<b>5,504</b>	<b>8,650</b>	<b>5,504</b>
<b>Total Property, Plant and Equipment</b>	<b>766,074</b>	<b>854,180</b>	<b>766,074</b>	<b>854,180</b>

The total fair value of Investment Properties (including Investment Properties - Held for Sale in Note 15) as at 30 June 2013 is \$1,480,625,794 (2012: \$1,604,075,929).

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

**19 Non-current assets - Plant, Equipment and Intangibles (continued)**

	Investment Properties \$'000	Plant and equipment \$'000	Software \$'000	Total \$'000
<b>At 1 July 2011</b>				
Cost or Fair Value	1,067,099	10,910	20,918	1,098,927
Accumulated Depreciation	(87,914)	(8,373)	(19,292)	(115,579)
Net Book Amount	979,185	2,537	1,626	983,348
<b>Year ended 30 June 2012</b>				
Additions	104,840	2,684	894	108,418
By Transfer to/ from Inventory	(115,747)	-	-	(115,747)
Depreciation/ Amortisation Charge	(12,008)	(826)	(1,046)	(13,880)
Impairment Loss recognised in the Operating Result	1,929	(122)	-	1,807
Transfer (to)/ from Assets Held for Sale	(86,070)	-	-	(86,070)
Other Disposals	(32,901)	(2,282)	-	(35,183)
Depreciation/ Impairment Written Back on Disposal or Transfer	9,448	2,039	-	11,487
Closing Net Book Value 30 June	848,676	4,030	1,474	854,180
<b>At 30 June 2012</b>				
Cost or Fair Value	937,221	11,312	21,812	970,345
Accumulated Depreciation	(88,545)	(7,282)	(20,338)	(116,165)
Net Book Amount	848,676	4,030	1,474	854,180
<b>Consolidated entity</b>				
<b>At 1 July 2012</b>				
Cost or Fair Value	937,221	11,312	21,812	970,345
Accumulated Depreciation	(88,545)	(7,282)	(20,338)	(116,165)
Net book amount	848,676	4,030	1,474	854,180
<b>Year ended 30 June 2013</b>				
Additions	13,261	2,595	3,725	19,581
By Transfer to/ from Inventory	(15,177)	-	-	(15,177)
Depreciation/ Amortisation Charge	(11,354)	(943)	(888)	(13,185)
Impairment Loss recognised in the Operating Result	1,792	-	63	1,855
Transfer (to)/ from Assets Held for Sale	(85,090)	-	-	(85,090)
Other Disposals	(3,012)	(2,538)	(1,331)	(6,881)
Depreciation/ Impairment Written Back on Disposal or Transfer	8,328	2,463	-	10,791
Closing Net Book Value as at 30 June	757,424	5,607	3,043	766,074
<b>At 30 June 2013</b>				
Cost or Fair Value	847,203	11,369	24,206	882,778
Accumulated depreciation	(89,779)	(5,762)	(21,163)	(116,704)
Net Book Amount	757,424	5,607	3,043	766,074

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

**20 Non-current assets - Investments Accounted for Using the Equity Method**

	Consolidated entity		Parent entity	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	\$'000	\$'000	\$'000	\$'000
Crace Developments Pty Ltd (note 38)	5,194	3,878	5,194	3,878
<b>Total Share in Associates</b>	<b>5,194</b>	<b>3,878</b>	<b>5,194</b>	<b>3,878</b>

Investment in Associates are accounted for in the financial statements using the equity method of accounting and are carried at cost plus accumulated earnings.

**21 Finance Lease Receivables**

	Consolidated entity		Parent entity	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	\$'000	\$'000	\$'000	\$'000
<b>Current Finance Lease Receivables</b>				
Due not later than one year	2,951	190	2,951	190
<b>Total Current Finance Lease Receivables</b>	<b>2,951</b>	<b>190</b>	<b>2,951</b>	<b>190</b>
<b>Non-Current Finance Lease Receivables</b>				
Due not later than one year but not later than five years	38,880	872	38,880	872
<b>Total Non-Current Finance Lease Receivables</b>	<b>38,880</b>	<b>872</b>	<b>38,880</b>	<b>872</b>
<b>Total Finance Lease Receivables</b>	<b>41,831</b>	<b>1,062</b>	<b>41,831</b>	<b>1,062</b>
	Consolidated entity		Parent entity	
<b>Current</b>				
Annuities - Receivable (C)	4,863	243	4,863	243
Annuities - Unearned Inter (C)	(1,912)	(53)	(1,912)	(53)
Current Finance Lease Receivables	<b>2,951</b>	<b>190</b>	<b>2,951</b>	<b>190</b>
Annuities - Receivable (NC)	49,833	971	49,833	971
Annuities - Unearn Inter (NC)	(10,953)	(99)	(10,953)	(99)
Non-Current Finance Lease Receivables	<b>38,880</b>	<b>872</b>	<b>38,880</b>	<b>872</b>
<b>Total Finance Lease Receivables</b>	<b>41,831</b>	<b>1,062</b>	<b>41,831</b>	<b>1,062</b>

DHA finances on-base housing constructions and certain off-base properties for the Department of Defence, under annuity arrangements provided for in the Services Agreement. Monthly payments are split - principal amounts are credited against the relevant receivable and the interest component is recorded as Other Revenue under Housing Services Provided.

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

**22 Trade and Other Payables**

	Consolidated entity		Parent entity	
	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
Trade Creditors	6,510	7,018	6,514	7,018
Accrued expenses	49,662	63,459	49,654	63,459
Accrued Repairs and Maintenance	1,872	1,253	1,872	1,253
Stamp Duty and Land Tax Payable	7,696	5,384	7,696	5,384
<b>Total Trade and Other Payables</b>	<b>65,740</b>	<b>77,114</b>	<b>65,736</b>	<b>77,114</b>

	Consolidated entity		Parent entity	
	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
<b>Supplier payables expected to be settled within 12 months:</b>				
Related Entities	13,232	54,383	13,232	54,383
External Parties	52,508	10,977	52,504	10,977
<b>Total</b>	<b>65,740</b>	<b>65,360</b>	<b>65,736</b>	<b>65,360</b>

<b>Supplier payables expected to be settled in more than 12 months:</b>				
External Parties	-	11,754	-	11,754
<b>Total Trade and Other Payables:</b>	<b>-</b>	<b>11,754</b>	<b>-</b>	<b>11,754</b>

<b>Total Supplier Payables</b>	<b>65,740</b>	<b>77,114</b>	<b>65,736</b>	<b>77,114</b>
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**23 Current Tax Liabilities**

	Consolidated entity		Parent entity	
	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
Current Tax Liabilities	8,191	4,039	8,191	4,039

**24 Dividends**

	Consolidated entity		Parent entity	
	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
Provisions - Dividends	51,073	49,654	51,073	49,654

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

**25 Non-current liabilities - Deferred Tax Liabilities**

	Consolidated entity		Parent entity	
	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
<b>The balance comprises temporary differences attributable to:</b>				
Investment property	8,499	5,947	8,499	5,947
Prepayments	6	8	6	8
R&D Expense	-	676	-	676
Accrued Income	-	777	-	777
Inventory	9,475	6,008	9,475	6,008
	<b>17,980</b>	<b>13,416</b>	<b>17,980</b>	<b>13,416</b>
Set-off of deferred tax liabilities pursuant to set-off provisions (note 17)	<b>(17,980)</b>	<b>(13,416)</b>	<b>(17,980)</b>	<b>(13,416)</b>
Net deferred tax liabilities	-	-	-	-

Movements - Consolidated entity	Investment property \$'000	Accrued Income \$'000	R&D expenses \$'000	Inventory \$'000	Other \$'000	Total \$'000
<b>At 1 July 2011</b>	2,445	609	-	1,605	6	4,665
Charged/(credited)						
- Charged to the income statement	3,502	168	676	4,403	2	8,751
<b>At 30 June 2012</b>	<b>5,947</b>	<b>777</b>	<b>676</b>	<b>6,008</b>	<b>8</b>	<b>13,416</b>
<b>At 1 July 2012</b>	5,947	777	676	6,008	8	13,416
Charged/(credited)						
- Charged to the income statement	2,552	(777)	(676)	3,467	(2)	4,564
<b>At 30 June 2013</b>	<b>8,499</b>	<b>-</b>	<b>-</b>	<b>9,475</b>	<b>6</b>	<b>17,980</b>

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

**26 Current liabilities - Borrowings**

	Consolidated entity		Parent entity	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	\$'000	\$'000	\$'000	\$'000
Loans from Department of Defence (Current)	75,000	130,000	75,000	130,000
Loans from Department of Defence (Non-Current)	434,580	379,580	434,580	379,580
<b>Total current borrowings</b>	<b>509,580</b>	<b>509,580</b>	<b>509,580</b>	<b>509,580</b>

	Consolidated entity		Parent entity	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	\$'000	\$'000	\$'000	\$'000
<b>Maturity Schedule for Borrowings Payable:</b>				
Within one year	75,000	130,000	75,000	130,000
In one to five years	179,580	254,580	179,580	254,580
In more than five years	255,000	125,000	255,000	125,000
<b>Total Borrowings</b>	<b>509,580</b>	<b>509,580</b>	<b>509,580</b>	<b>509,580</b>

DHA has an unsecured borrowing facility with the Department of Finance and Deregulation, incorporating all borrowings, underpinned by a Loan Agreement dated 31 August 2006. The Loan Agreement affords DHA the flexibility to borrow at either fixed or floating interest rates at market rates which includes a competitive neutrality charge. Government policy requires all loan arrangements to be appropriated through and borrowed from the Department of Defence.

**27 Other financial liabilities**

	Consolidated entity		Parent entity	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
Revenue in Advance	28,891	25,614	28,891	25,614
Lease Incentive	177	177	177	177
<b>Total Current</b>	<b>29,068</b>	<b>25,791</b>	<b>29,068</b>	<b>25,791</b>
<b>Non-Current</b>				
Lease Incentive	959	1,111	959	1,111
<b>Total Non-Current</b>	<b>959</b>	<b>1,111</b>	<b>959</b>	<b>1,111</b>
	<b>30,027</b>	<b>26,902</b>	<b>30,027</b>	<b>26,902</b>



**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

**28 Provisions**

	<b>Consolidated entity</b>		<b>Parent entity</b>	
	<b>30 June 2013 \$'000</b>	<b>30 June 2012 \$'000</b>	<b>30 June 2013 \$'000</b>	<b>30 June 2012 \$'000</b>
<b>Employee Benefits</b>				
Annual Leave	4,871	4,466	4,871	4,466
Long Service Leave	5,105	4,528	5,105	4,528
	<u>9,976</u>	<u>8,994</u>	<u>9,976</u>	<u>8,994</u>
<b>Other</b>				
Make Good Provision	7,305	5,977	7,305	5,977
Other General Provisions	4,945	4,838	4,932	4,838
	<u>12,250</u>	<u>10,815</u>	<u>12,237</u>	<u>10,815</u>
<b>Total Current</b>	<u>22,226</u>	<u>19,809</u>	<u>22,213</u>	<u>19,809</u>
<b>Non-Current</b>				
<b>Other</b>				
Make Good Provision	84,873	81,085	84,873	81,085
Other General Provisions	1,319	1,093	1,319	1,093
	<u>86,192</u>	<u>82,178</u>	<u>86,192</u>	<u>82,178</u>
<b>Employee Benefits</b>				
Long Service Leave	2,856	2,410	2,856	2,410
	<u>2,856</u>	<u>2,410</u>	<u>2,856</u>	<u>2,410</u>
<b>Total Non-Current</b>	<u>89,048</u>	<u>84,588</u>	<u>89,048</u>	<u>84,588</u>
<b>Total Provisions</b>	<u>111,274</u>	<u>104,397</u>	<u>111,261</u>	<u>104,397</u>

**(a) Make Good Provision**

Other general provisions include amount set aside for:

- Make good on commercial tenancies at the expiration of the lease term; and
- Other sundry provisions.

Make Good Provision - where the lease term of a property is six years or more, DHA undertakes to make good the property at the expiration of lease and any extension options. The make good provision provides for the cost of refurbishing the leased property as set out in the lease agreement.

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**28 Provisions (continued)****(b) Movements in provisions**

<b>Consolidated entity 2013</b>	<b>Make good provision \$'000</b>	<b>Other General Provisions \$'000</b>	<b>Total \$'000</b>
Carrying amount at start of year	87,062	5,931	92,993
Additional provisions recognised	11,146	5,076	16,222
Amount used	(6,030)	(4,743)	(10,773)
Carrying amount at end of period	<u>92,178</u>	<u>6,264</u>	<u>98,442</u>

<b>Consolidated entity 2012</b>	<b>Make good provision \$'000</b>	<b>Other General Provisions \$'000</b>	<b>Total \$'000</b>
Carrying amount at start of year	83,906	5,220	89,126
Additional provisions recognised	16,741	2,290	19,031
Amount used	(13,585)	(1,579)	(15,164)
Carrying amount at end of period	<u>87,062</u>	<u>5,931</u>	<u>92,993</u>

**29 Cash Flow Reconciliation**

	<b>Consolidated entity</b>		<b>Parent entity</b>	
	<b>30 June 2013 \$'000</b>	<b>30 June 2012 \$'000</b>	<b>30 June 2013 \$'000</b>	<b>30 June 2012 \$'000</b>
<b>Reconciliation of operating results to net cash from operating activities:</b>				
Profit for the Period	<b>85,120</b>	82,758	<b>85,121</b>	82,758
Depreciation - Plant and Equipment	<b>1,831</b>	1,872	<b>1,831</b>	1,872
Depreciation - Investment Properties	<b>11,354</b>	12,008	<b>11,354</b>	12,008
Impairment of Investment Properties	<b>(1,948)</b>	(3,445)	<b>(1,948)</b>	(3,445)
Gain on Disposal of Assets	<b>(40,665)</b>	(52,418)	<b>(40,665)</b>	(52,418)
Decrease on other Non Operating Cash Flow Revenue Items	<b>(1,315)</b>	(1,964)	<b>(1,317)</b>	(1,964)
Increase in other Non Operating Cash Flow Expense Items	<b>4,118</b>	4,678	<b>4,118</b>	4,678
Decrease in Net Receivables	<b>3,593</b>	13,934	<b>3,593</b>	13,934
Decrease in Deferred Tax Assets	<b>2,667</b>	7,297	<b>2,671</b>	7,297
Increase in Inventories	<b>(77,831)</b>	(159,803)	<b>(77,831)</b>	(159,803)
Increase in Prepayments	<b>(2,331)</b>	(1,350)	<b>(2,331)</b>	(1,350)
Increase in Provisions	<b>6,876</b>	4,503	<b>6,863</b>	4,503
Increase/(Decrease) in Supplier Payments	<b>(11,320)</b>	33,639	<b>(11,325)</b>	33,639
Increase in Other Liabilities	<b>2,975</b>	6,061	<b>2,974</b>	6,061
Increase/(Decrease) in Tax Liabilities	<b>4,150</b>	(6,612)	<b>4,150</b>	(6,612)
<b>Net Cash From / (Used by) Operating Activities</b>	<b>(12,726)</b>	(58,842)	<b>(12,742)</b>	(58,842)

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**Notes to the Consolidated Financial Statements**  
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**30 Contingent Liabilities and Assets**

	Guarantees		Total	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>Consolidated entity</b>				
<b>Contingent Assets</b>				
Balance from previous period	-	-	-	-
New	-	-	-	-
Expired	-	-	-	-
<b>Total Contingent Assets</b>	-	-	-	-
<b>Contingent Liabilities</b>				
Balance from previous period	9,111	1,893	9,111	1,893
New	7,520	8,165	7,520	8,165
Obligations Expired	(8,311)	(947)	(8,311)	(947)
<b>Total Contingent Liabilities</b>	8,320	9,111	8,320	9,111
<b>Net Contingent Assets (Liabilities)</b>	8,320	9,111	8,320	9,111

**Quantifiable Contingencies**

The Schedule of Contingencies in the Financial Statements reports a number of contingent liabilities in the form of bank guarantees which arise as a result of DHA's normal business operations. The amount disclosed represents the aggregate amount of such guarantees. No financial liabilities are expected to arise from provisions of the guarantees.

**Unquantifiable Contingencies**

As at 30 June 2012, DHA has no unquantifiable contingencies.

**Remote Contingencies**

As at 30 June 2013, DHA has no remote contingencies.

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### 31 Superannuation

Staff of DHA are employed under the Public Service Act 1999 and are entitled to benefits from the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) and the Public Sector Superannuation accumulation plan (PSSap), under the Superannuation (Productivity Benefit) Act 1988. DHA meets its liability for the employer share of benefits payable under the Superannuation Acts by fortnightly payments to the Commonwealth Superannuation Administration (COMSUPER) in accordance with Section 159(2) of the Superannuation Act 1976 and Section 15 of the Superannuation Act 1990, or to other superannuation funds nominated by employees.

The Department of Finance and Deregulation has advised the Commonwealth Superannuation Administration that for the purpose of actuarial costing of the CSS and PSS, it is essential to be able to identify employer superannuation contributions made under each scheme by the organisation. The separate CSS, PSS and PSSap employer superannuation contribution rates and contributions paid by DHA for the reporting period are:

- CSS members: Contributions at the rate of 20.3% (2012: 21.4%) of salary for superannuation purposes, amounting to \$134,750 (2012: \$132,517);
- PSS members: Contributions at the rate of 18.1% (2012: 15.2%) of salary for superannuation purposes, amounting to \$2,901,836 (2012: \$2,420,625); and
- PSSap members: Contributions at the rate of 15.4% (2012: 15.4%) of salary for superannuation purposes, amounting to \$4,436,612 (2012: \$3,867,731).

### 32 Key Management Personnel Remuneration

The Directors of DHA during the year were:

Mr Derek Volker AO	Chairman
Mr Peter Howman	Managing Director (appointed 4 February 2013)
Air Vice-Marshal Gary Beck AO (Ret'd)	Director
The Hon Arch Bevis	Director
Ms Carol Holley	Director
The Hon J A L (Sandy) Macdonald	Director
Mr Peter Sharp	Director
Ms Margaret Walker	Director
Ms Janice Williams	Director (appointed 12 December 2012)
Mr Gary Potts	Director (term expired 23 November 2012)
Mr Michael Del Gigante	Managing Director (term expired 3 February 2013)

The specified Executives of DHA during the financial year were:

Mr Peter Howman	Managing Director (appointed 4 February 2013) and Chief Operating Officer
Mr Jon Brocklehurst	Chief Financial Officer
Mr Tony Winterbottom	General Manager Sales & Marketing & Portfolio Management
Mr Brett Jorgensen	General Manager Property and Tenancy Services
Mr John Dietz	General Manager Property Provisioning Group
Mr Shane Nielsen	Chief Information Officer & General Manager Business Solutions & Technology
Mrs Lesley Pothan	General Manager Corporate Affairs (acting 1 July 2012 - 30 June 2013)
Mr Michael Del Gigante	Managing Director (term expired 3 February 2013)

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
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(continued)

### 32 Key Management Personnel Remuneration (continued)

The directors and other key management personnel of DHA IML during or since the end of the financial year were:

Ms Carol Holley	Chair, Non Executive Director - appointed 14 December 2012
Mr Peter Howman	Executive Director - appointed 14 December 2012
Mr Michael Del Gigante	Non Executive Director - appointed 14 December 2012
Mr Jon Brocklehurst	Public Officer - appointed 14 December 2012
Mr Ross Jordan	Company Secretary - appointed 14 December 2012
Mr Robert Henman	Compliance Officer - appointed 12 March 2013
Mr Daniel Jones	Chief Operating Officer - appointed 12 March 2013

#### Key management personnel compensation

The aggregate compensation made to the Directors of DHA is set out below:

	Consolidated entity		Parent entity	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	\$	\$	\$	\$
Short-term employee benefits	510,366	485,311	510,366	485,311
Post-employment benefits	29,037	33,514	29,037	33,514
	<b>539,403</b>	<b>518,825</b>	<b>539,403</b>	<b>518,825</b>

The Director's compensation includes wages and salaries, leave accruals, performance and other bonuses, superannuation, motor vehicles, any other allowances and fringe benefits included in remuneration agreements.

### 33 Senior Executive Remuneration

#### (a) Senior Executive Remuneration Expense for the Reporting Period

	Consolidated entity		Parent entity	
	2013	2012	2013	2012
	Number	Number	Number	Number
\$180,000 to \$209,999	-	1	-	1
\$210,000 to \$239,999	1	2	1	2
\$240,000 to \$269,999	2	4	2	4
\$270,000 to \$299,999	5	1	5	1
\$300,000 to \$329,999	1	2	1	2
\$330,000 to \$359,999	1	-	1	-
\$360,000 to \$389,999	2	1	2	1
\$390,000 to \$419,999	-	-	-	-
\$420,000 to \$449,999	-	-	-	-
\$450,000 to \$479,999	-	1	-	1
\$480,000 to \$509,999	1	-	1	-
<b>Total</b>	<b>13</b>	<b>12</b>	<b>13</b>	<b>12</b>

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(continued)

**33. Senior Executive Remuneration (continued)****(a) Senior Executive Remuneration Expense for the Reporting Period (continued)****Total expense recognised in relation to Senior Executive employment**

	<b>Consolidated entity</b>		<b>Parent entity</b>	
	<b>30 June 2013</b>	<b>30 June 2012</b>	<b>30 June 2013</b>	<b>30 June 2012</b>
<b>Short-Term Employee Benefits:</b>				
Salary	2,890,897	2,583,697	2,890,897	2,583,697
Annual Leave Accrued	228,421	218,168	228,421	218,168
Performance Bonus	399,561	318,604	399,561	318,604
Retention Bonus	30,000	95,360	30,000	95,360
<b>Total Short-Term Employee Benefits</b>	<b>3,548,879</b>	<b>3,215,829</b>	<b>3,548,879</b>	<b>3,215,829</b>
<b>Post-Employment Benefits</b>				
Superannuation (Post-Employment Benefits)	458,764	408,491	458,764	408,491
Long Service Leave	102,789	98,176	102,789	98,176
<b>Total Post-Employment Benefits</b>	<b>561,553</b>	<b>506,667</b>	<b>561,553</b>	<b>506,667</b>
Termination Benefits	-	-	-	-
<b>Termination benefits</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Employment Benefits</b>	<b>4,110,432</b>	<b>3,722,496</b>	<b>4,110,432</b>	<b>3,722,496</b>

**(b) Average Annual Remuneration Paid to Substantive Senior Executives during the Reporting Period****Reporting Period Ended 30 June 2013**

<b>Consolidated entity</b>	<b>Senior Executives No.</b>	<b>Reportable salary \$</b>	<b>Contributed superannuation \$</b>	<b>Bonus paid \$</b>	<b>Total \$</b>
<b>Total remuneration (including part-time arrangements)</b>					
\$180,000 - \$209,999	1	152,236	25,066	19,749	197,051
\$240,000 - \$269,999	5	198,740	31,328	24,906	254,974
\$270,000 - \$299,999	1	231,941	34,572	27,715	294,228
\$330,000 - \$359,999	2	261,261	42,065	35,027	338,353
\$420,000 - \$449,999	1	337,685	46,547	41,906	426,138
\$510,000 - \$539,999	1	396,737	32,116	95,467	524,320



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**33. Senior Executive Remuneration (continued)**

**(b) Average Annual Remuneration Paid to Substantive Senior Executives during the Reporting Period (continued)**

**Average Annual Remuneration Packages for Substantive Senior Executives as at 30 June 2012**

Reporting Period Ended 30 June 2012

Consolidated entity	Senior Executives No.	Reportable salary \$	Contributed superannuation \$	Bonus paid \$	Total \$
<b>Total remuneration (including part-time arrangements)</b>					
\$180,000 - \$209,999	2	169,000	28,000	10,000	207,000
\$240,000 - \$269,999	4	191,000	32,000	22,000	245,000
\$270,000 - \$299,999	2	227,000	33,000	17,000	277,000
\$300,000 - \$329,999	1	251,000	37,000	32,000	320,000
\$330,000 - \$359,999	1	273,000	20,000	38,000	331,000
\$450,000 - \$479,999	1	330,000	87,000	57,000	474,000

**(c) Other Highly Paid Staff**

Average Annual remuneration Packages for other highly paid staff as at 30 June 2013

Reporting Period Ended 30 June 2013

Consolidated entity	Other Highly Paid Staff No.	Reportable salary \$	Contributed superannuation \$	Bonus paid \$	Total \$
<b>Relevant remuneration bands</b>					
\$180,000 - \$209,999	18	152,706	24,044	16,628	193,378
\$210,000 - \$239,999	6	171,284	28,674	21,970	221,928
\$240,000 - \$269,999	1	214,889	26,313	11,851	253,053

Average Annual remuneration Packages for other highly paid staff as at 30 June 2012

Reporting Period Ended 30 June 2012

Consolidated entity	Other Highly Paid Staff No. \$'000	Reportable salary \$	Contributed superannuation \$	Bonus paid \$	Total \$
<b>Relevant remuneration bands</b>					
\$180,000 - \$209,999	14	146,000	31,000	15,000	192,000
\$210,000 - \$239,999	1	160,000	30,000	20,000	210,000

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### 34 Remuneration of Auditors

	Consolidated entity		Parent entity	
	30 June 2013 \$	30 June 2012 \$	30 June 2013 \$	30 June 2012 \$
Amount Received or Due and Receivable by Auditors				
Australian National Audit Office (ANAO) for the Audit of the Financial Statements	<b>212,300</b>	212,300	<b>212,300</b>	212,300
	<b>212,300</b>	212,300	<b>212,300</b>	212,300
Audit Fees relating to the Audit of Lyons Joint Venture are paid to ANAO. DHA is liable for 50% of these fees.	-	13,200	-	13,200
	-	13,200	-	13,200
Audit Fees relating to the audit of DHA IML are paid to the ANAO. DHA IML is liable for 100% of these fees.	<b>14,300</b>	-	-	-
	<b>14,300</b>	-	-	-

The amounts are GST inclusive.

No other services were provided by the ANAO during the reporting period. Deloitte Touche Tohmatsu has been contracted by the ANAO to provide audit services for 2012/2013 on the ANAO's behalf. Fees for these services are included.

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### **35 Related Party Disclosures**

DHA forms part of the Department of Defence portfolio. DHA reports to two shareholders ministers - The Minister for Defence and the Minister for Finance and Deregulation.

Key management personnel are detailed in Note 32. DHA has entered into two joint ventures which are detailed in Note 37.

DHA IML has not provided remuneration to key management personnel. Key management personnel are provided to DHA IML by DHA under a Services Agreement.

DHA and DHA IML entered into the Service Agreement on the 23 May 2013 to assist in the running of the business.

The services to be provided by DHA to DHA IML include:

- The use of DHA employees to assist with compliance with regulatory obligations;
- Accounting, taxation reporting and other secretarial services;
- Allowing DHA IML to occupy DHA's premises as its registered office for the purpose of the Corporations Act;
- Provide material, equipment and services necessary for the administration of the business;
- Provide maintenance and administration of all equipment and assets used in the administration and provision of services;

The Service Fee for the 2013-14 financial year has been agreed by the two parties. The Service Agreement does not include any additional fees payable to DHA pertaining to the performance of the Company.

### **36 Economic Dependency**

DHA depends on the Department of Defence in accordance with the Services Agreement between the Department of Defence and DHA. DHA received 54.8% of its total revenue from the Department of Defence and from Defence members for the year ended 30 June 2013 (2012: 62.3%).

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### 37 Interests in Joint Venture Developments

#### (a) The Sanctuary - Wattle Grove

DHA holds a 50% interest in The Sanctuary Development (formerly referred to as Wattle Grove Development) near Moorebank in Sydney. The principal activity of the joint venture was to develop housing sites for the Department of Defence and private sector housing. The development activities of the joint venture ceased in December 2003. DHA's interest in the joint venture has been assessed as a jointly controlled asset. Accordingly, DHA's share of assets employed in the joint venture, the share of liabilities incurred in relation to the joint venture and the share of any expenses incurred in relation to the joint venture are disclosed in the respective classification categories.

Disposal of the final parcel of land was completed in December 2005. The joint venture continues pending receipt of final approval of the development from Liverpool City Council and Sydney Water.

The following represents DHA's total interest in the joint venture as at 30 June 2013.

The income statement and balance sheet items have been incorporated in the financial statements under their respective classifications.

	<b>Consolidated entity</b>		<b>Parent entity</b>	
	<b>30 June 2013 \$'000</b>	30 June 2012 \$'000	<b>30 June 2013 \$'000</b>	30 June 2012 \$'000
<b>Income Statement</b>				
Revenue	(1)	2	(1)	2
<b>Total Profit</b>	<b>(1)</b>	<b>2</b>	<b>(1)</b>	<b>2</b>
<b>Current assets</b>				
Cash	63	64	63	64
<b>Total Current Assets</b>	<b>63</b>	<b>64</b>	<b>63</b>	<b>64</b>
<b>Total Assets</b>	<b>63</b>	<b>64</b>	<b>63</b>	<b>64</b>
<b>Current Liabilities</b>				
Provisions	77	77	77	77
<b>Total Current Liabilities</b>	<b>77</b>	<b>77</b>	<b>77</b>	<b>77</b>
<b>Non-current liabilities</b>				
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>	<b>(14)</b>	<b>(13)</b>	<b>(14)</b>	<b>(13)</b>
<b>Equity</b>	<b>(14)</b>	<b>(13)</b>	<b>(14)</b>	<b>(13)</b>

There were no significant contingent liabilities or commitments for expenditure at 30 June 2013.

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**37 Interests in Joint Venture Developments (continued)**

**(b) Lyons Joint Venture**

In March 2005, DHA entered into a joint venture with a subsidiary of CIC Australia Ltd (CIC) for the development of land at Lee Point Road in Darwin. DHA's 50% contribution to the joint venture was \$14,250,000. DHA received \$28,500,000 from the joint venture in exchange for the rights to develop the land at Lee Point Road.

DHA's interest in the joint venture has been assessed as a jointly controlled operation. Accordingly, DHA's share of assets employed in the joint venture, the share of liabilities incurred in relation to the joint venture and the share of any expenses incurred in relation to the joint venture are disclosed in the respective classification categories.

	<b>Consolidated entity</b>		<b>Parent entity</b>	
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Income Statement</b>				
Revenues	126	616	126	616
Expenses	(1)	(14)	(1)	(14)
<b>Total Profit</b>	<b>125</b>	<b>602</b>	<b>125</b>	<b>602</b>
<b>Current assets</b>				
Cash	140	593	140	593
Receivables	1	-	1	-
<b>Total Current Assets</b>	<b>141</b>	<b>593</b>	<b>141</b>	<b>593</b>
<b>Non-current assets</b>				
Inventory	138	138	138	138
<b>Total Non-Current Assets</b>	<b>138</b>	<b>138</b>	<b>138</b>	<b>138</b>
<b>Total Assets</b>	<b>279</b>	<b>731</b>	<b>279</b>	<b>731</b>
<b>Current liabilities</b>				
Payables	141	342	141	342
<b>Total Current Liabilities</b>	<b>141</b>	<b>342</b>	<b>141</b>	<b>342</b>
<b>Non-current liabilities</b>				
<b>Total non-current liabilities</b>	-	-	-	-
<b>Net Assets</b>	<b>138</b>	<b>389</b>	<b>138</b>	<b>389</b>
<b>Equity</b>	<b>138</b>	<b>389</b>	<b>138</b>	<b>389</b>

There were no significant contingent liabilities or commitments for expenditure at 30 June 2013.

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### 38 Investments in associates

#### (a) Crace Developments

DHA acquired 10% of the issued capital of Crace Developments Pty Ltd (Crace) in 2008. It has been determined that Crace is an associate. Crace is 50% participant in Crace Joint Venture between Canberra Investment Corporation Ltd, Tatebrook Pty Limited, DHA and the Land Development Agency. The Crace Shareholders Agreement provides DHA significant influence over the management of the company.

	Consolidated entity		Parent entity	
	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
<b>Movements in Carrying Amounts</b>				
Carrying Amount at Beginning of Period	3,878	4,946	3,878	4,946
Share of Profit/(Loss) after Income Tax	1,316	720	1,316	720
Investments during the Year	-	100	-	100
Capital Repayment	-	(1,888)	-	(1,888)
	<b>5,194</b>	<b>3,878</b>	<b>5,194</b>	<b>3,878</b>

#### Summarised financial information of associates

DHA's share of the results of its principal associate and its aggregated assets (including goodwill) and liabilities are as follows:

	Ownership Interest %	Company's share of:			
		Assets \$'000	Liabilities \$'000	Revenues \$'000	Profit \$'000
<b>2013</b>					
Crace Developments Pty Ltd	10	6,193	1,063	1,864	1,316
<b>2012</b>					
Crace Developments Pty Ltd	10	5,885	2,033	1,179	720
<b>Contingent liabilities of associates</b>					

At balance date there were no contingent liabilities of the associate for which DHA is severally liable.



**Defence Housing Australia**  
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### 39 Subsidiaries

#### DHA Investment Management Limited

On the 14th December 2012 DHA created a wholly owned subsidiary DHA Investment Management Limited (DHA IML) whose principal objective is to establish, operate and administer Managed Investment Schemes.

DHA IML holds an Australian Financial Services Licence and is the responsible entity, the manager and the issuer of the units in DHA Residential Property Fund No. 1 (the Fund).

DHA IML is responsible for the operation and management of the Fund and must perform in accordance with the duties under the *Corporations Act 2001*, the Fund's Constitution and the Fund's Compliance Plan.

The following tables set out the Statement of Comprehensive Income and Statement of Financial Position for DHA IML for the period 14 December 2012 to 30 June 2013.

#### Statement of Comprehensive income

	<b>Year ended 30 June 2013</b>
Revenue	
Finance Income	16
<b>Total Revenue</b>	<b>16</b>
Expenses	
Other Expenses	17
<b>Total Expenses</b>	<b>17</b>
Income Tax expense	-
<b>(Loss) for the period</b>	<b>(1)</b>
Other Comprehensive Income	-
<b>Total Comprehensive Income for the Period</b>	<b>(1)</b>

#### Statement of Financial Position

	<b>As at 30 June 2013 \$'000</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	1,015
<b>Total Current Assets</b>	<b>1,015</b>
<b>Non Current Asset</b>	
Deferred Tax Assets	4
<b>Total Non Current Assets</b>	<b>4</b>
<b>Total Assets</b>	<b>1,019</b>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Trade and Other Payables	7
Provisions	13
<b>Total Current Liabilities</b>	<b>20</b>
<b>Total Liabilities</b>	<b>20</b>
<b>Net Assets</b>	<b>999</b>
<b>Equity</b>	
Contributed Equity	1,000
Retained Earnings	(1)
<b>Total Equity</b>	<b>999</b>

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

#### 40 Financial risk management

The carrying value of the entity's Financial Assets and Liabilities at the reporting date are as follows

	Consolidated entity		Parent entity	
	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
<b>Financial Assets</b>				
Cash at Bank	1,928	674	912	674
Cash on Hand	16	16	16	16
Short Term Deposits	328,500	294,500	328,500	294,500
Trade and Other Receivables	9,340	12,931	9,340	12,931
Finance Lease Current	2,951	190	2,951	190
Finance Lease Non- Current	38,880	872	38,880	872
Carrying Amount of Financial Assets	<b>381,615</b>	309,183	<b>380,599</b>	309,183
<b>Financial Liabilities</b>				
Borrowings	509,580	509,580	509,580	509,580
Trade and Other Payables (Current)	65,740	65,360	65,736	65,360
Trade and Other Payables (Non Current)	-	11,754	-	11,754
Other Financial Liabilities	29,068	25,791	29,068	25,791
Dividends	51,073	49,654	51,073	49,654
Other Financial Liabilities	959	1,111	959	1,111
	<b>656,420</b>	663,250	<b>656,416</b>	663,250
<b>Net Income from Financial Assets</b>				
Interest	14,493	14,732	14,477	14,732
Annuity Revenue	725	1,145	725	1,145
<b>Net Gain Loans and Receivables</b>	<b>15,218</b>	15,877	<b>15,202</b>	15,877

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

**40 Financial risk management (continued)**

	Consolidated entity		Parent entity	
	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
<b>Net Expenses from Financial Liabilities</b>				
Finance Expenses	30,854	31,818	30,854	31,818
Net Loss Financial Liabilities - Amortised Cost	<b>30,854</b>	<b>31,818</b>	<b>30,854</b>	<b>31,818</b>

**(a) Fair value of Financial Instruments**

	Carrying Amount 2013 \$'000	Fair Value 2013 \$'000	Carrying Amount 2012 \$'000	Fair Value 2012 \$'000
	<b>Consolidated entity</b>			
<b>Financial Assets</b>				
Cash at Bank	1,928	1,928	674	674
Cash on Hand	16	16	16	16
Short Term Investments	328,500	328,500	294,500	294,500
Receivables for Goods and Services	9,340	9,340	12,931	12,931
Finance Lease Receivable	41,831	44,268	1,062	1,132
<b>Total</b>	<b>381,615</b>	<b>384,052</b>	<b>309,183</b>	<b>309,253</b>

	Carrying Amount 2013 \$'000	Fair Value 2013 \$'000	Carrying Amount 2012 \$'000	Fair Value 2012 \$'000
	<b>Consolidated entity</b>			
<b>Financial Liabilities</b>				
Department of Defence Loans	509,580	520,647	509,580	530,724
Trade and Other Payables	65,740	65,740	77,114	77,114
Other Financial Liabilities	30,027	30,027	26,902	26,902
Dividends	51,073	51,073	49,654	49,654
<b>Total</b>	<b>656,420</b>	<b>667,487</b>	<b>663,250</b>	<b>684,394</b>

The fair value of financial assets and liabilities referred to in the above table has been derived as follows:

- The fair value of government loans is calculated by the Australian Office of Financial Management. The loans are valued by calculating the net present values of all future contracted payments at the relevant interest rate.
- The fair value of finance lease receivables are valued by calculating the net present values of all future contracted payments using the relevant interest rates.
- The Directors consider that the carrying amounts of all other financial assets and liabilities recorded at amortised cost in the financial statements approximates their fair values.

In accordance with AASB 7 - Financial Instruments Disclosures the fair value of government loans and finance leases have been determined using level 2 of the fair value hierarchy.

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

#### 40 Financial risk management (continued)

##### (b) Credit Risk

Credit risk arises from the financial assets of DHA, which comprise cash and cash equivalents and trade and other receivables. Exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

DHA does not hold any credit derivatives to offset its credit exposure.

DHA trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it policy to securitise its trade and other receivables. All customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that DHA's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within DHA and financial instruments are spread amongst a number of financial institutions to minimise the risk of default of counterparties.

**The following table illustrates DHA's gross exposure to credit risk, excluding any collateral or credit enhancement**

	Consolidated entity		Parent entity	
	2013 \$'000	2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
<b>Financial Assets</b>				
Cash at Bank	1,928	674	912	674
Cash on Hand	16	16	16	16
Short Term Investments	328,500	294,500	328,500	294,500
Receivables for Goods and Services	9,340	12,931	9,340	12,931
Finance Lease Receivable	41,831	1,062	41,831	1,062
<b>Total</b>	<b>381,615</b>	<b>309,183</b>	<b>380,599</b>	<b>309,183</b>

	Consolidated entity		Parent entity	
	2013 \$'000	2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
<b>Financial Liabilities</b>				
Department of Defence Loans	509,580	509,580	509,580	509,580
Trade and Other Payables	65,740	77,114	65,736	77,114
Other Financial Liabilities	30,027	26,902	30,027	26,902
Dividends	51,073	49,654	51,073	49,654
<b>Total</b>	<b>656,420</b>	<b>663,250</b>	<b>656,416</b>	<b>663,250</b>

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

**40 Financial risk management (continued)**

**(b) Credit Risk (continued)**

**Credit Quality of financial instruments past due or individually determined as impaired**

	<b>Not Past Due Nor Impaired 2013 \$'000</b>	<b>Not Past Due Nor Impaired 2012 \$'000</b>	<b>Past Due or Impaired 2013 \$'000</b>	<b>Past Due or Impaired 2012 \$'000</b>
<b>Consolidated entity</b>				
<b>Financial Assets</b>				
Trade Receivables	9,340	12,931	-	191
<b>Total</b>	<b>9,340</b>	<b>12,931</b>	<b>-</b>	<b>191</b>

Ageing of Financial Assets that are past due but not impaired for 2013

	<b>0 to 30 days \$'000</b>	<b>31 to 60 days \$'000</b>	<b>61 to 90 days \$'000</b>	<b>90+ days \$'000</b>	<b>Total \$'000</b>
<b>Consolidated entity</b>					
Receivables for Goods and Services (Net)	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Ageing of Financial Assets that are past due but not impaired for 2012

	<b>0 to 30 days \$'000</b>	<b>31 to 60 days \$'000</b>	<b>61 to 90 days \$'000</b>	<b>90+ days \$'000</b>	<b>Total \$'000</b>
<b>Consolidated entity</b>					
Receivables for Goods and Services (Net)	-	-	-	191	191

**(c) Liquidity Risk**

DHA manages liquidity risk by maintaining an appropriate level of marketable securities on hand to meet outgoing commitments in the event of failure to receive any revenue from the normal course of business and ensuring capacity exists to borrow under the Cash Advance Facility based upon annual cash flow forecasts prepared by DHA Finance.

<b>Maturities of financial Liabilities 2013</b>	<b>On Demand \$'000</b>	<b>With 1 Year \$'000</b>	<b>Between 1 and 2 years \$'000</b>	<b>Between 2 and 5 years \$'000</b>	<b>Over 5 years \$'000</b>
Trade and Other Payables	-	65,740	-	-	-
Department of Defence Loans	-	75,000	114,100	165,480	155,000
Other Financial Liabilities	-	30,027	-	-	-
Dividends	-	51,073	-	-	-
<b>Total non-derivatives</b>	<b>-</b>	<b>221,840</b>	<b>114,100</b>	<b>165,480</b>	<b>155,000</b>

**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

#### 40 Financial risk management (continued)

##### (c) Liquidity Risk (continued)

	On Demand \$'000	Within 1 Year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000
Maturities for Financial Liabilities 2012					
Trade and Other Payables	-	77,114	-	-	-
Department of Defence Loans	-	130,000	75,000	179,580	125,000
Other Financial Liabilities	-	25,805	171	476	450
Dividends	-	49,654	-	-	-
<b>Total non-derivatives</b>	-	<b>282,573</b>	<b>75,171</b>	<b>180,056</b>	<b>125,450</b>

##### Derivatives

The above tables detail the expected maturity at balance date for non-derivative financial liabilities. The tables are undiscounted cash flows of financial liabilities based upon their assumed debt rollover patterns and interest payments.

DHA has no derivative financial liabilities in both the current and prior year.

##### (d) Market Risk

DHA manages interest rate risk by ensuring that both investments and borrowings mature commensurate with cash flow requirements to minimise repricing risk arising from changes in interest rates. DHA also seeks to ensure an appropriate mix of maturities across the yield curve to avoid concentration of maturities on any given date and higher volatility inherent in longer dated investments.

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. DHA has exposure to interest rate risk arising from fluctuations in interest rates applicable to cash and borrowings. Interest rates on finance leases are fixed.

The table below details the interest rate sensitivity analyses of the entity at the reporting date, holding all other variables constant.

##### Sensitivity analysis of the risk that DHA is exposed to in 2013

Risk Variable	Change in risk variable	Effect on	
		Profit and Loss \$'000	Equity \$'000
Interest Rate risk	Interest	1.20	2,382



**Defence Housing Australia**  
**Notes to the Consolidated Financial Statements**  
**30 June 2013**  
(continued)

**40 Financial risk management (continued)**

**(d) Market Risk (continued)**

Sensitivity analysis of the risk that DHA is exposed to in 2012

	Risk Variable	Change in risk variable %	Effect on	
			Profit and Loss \$,000	Equity \$,000
Interest Rate risk	Interest	1.40	2,344	0

Interest rate sensitivity analysis has been calculated on a "reasonable possible" basis. The rate of 120 basis points (140 basis points 2012) was determined by using the standard parameters issued by the Department of Finance and Deregulation.

**41 Subsequent Events**

DHA IML established DHA residential Property Fund No.1 which received an application form on 24 July 2013 from Specialised Private Capital Limited, the Trustee for Centric DHA Residential Property Fund for 50 million units (\$50.0 million). The application monies are expected to be received and will be used to acquire residential property from DHA valued at \$47.1 million.

Other than the above, there have been no events post 30 June 2013 which would have a material impact on the financial statements or operations of the DHA business.

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The following table shows compliance with the *Commonwealth Authorities (Annual Reporting) Orders 2011* issued by the Minister for Finance and Deregulation on 22 September 2011.

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## Acronyms and abbreviations



AASB	Australian Accounting Standards Board
ACT	Australian Capital Territory
ADF	Australian Defence Force
AIFRS	Australian-equivalent International Financial Reporting Standards
AMSA	Australian Maritime Safety Authority
ANAO	Australian National Audit Office
AO	Officer of the Order of Australia
APS	Australian Public Service
ASIC	Australian Securities and Investment Commission
BAC	Board Audit Committee
BAU	Business As Usual
BS&T	Business Solutions and Technology
BSM	Business Support Manager
CAC	Commonwealth Authorities and Companies
CBD	Central Business District
CBE	Commander of the British Empire
CLC	Common Law Contract
COO	Chief Operating Officer
Cr	Councillor
CRA	Cardiac Risk Assessment
CRM	Customer Relations Manager
CSIA	Customer Service Institute of Australia
CSIRO	Commonwealth Scientific and Industrial Research Organisation
CSS	Commonwealth Superannuation Scheme
Cth	Commonwealth
CTM	Contractor Management System
Customs	Australian Customs and Border Protection Service
DASS	DHA Apprenticeship Support Scheme
DCO	Defence Community Organisation
DFA	Defence Families of Australia
DHA	Defence Housing Australia
DHF	Defence Housing Forecast
Dr	Doctor
EA	Enterprise Agreement
EBIT	Earnings Before Interest and Tax
FCP	Fraud Control Plan
FMA	Financial Management and Accountability
FMO	Finance Minister's Orders
FOI	Freedom of Information
FRA	Fraud Risk Assessment
GBE	Government Business Enterprise

GST	Goods and Services Tax
HMAS	Her Majesty's Australian Ship
HMC	Housing Management Centre
Hon.	Honourable
HR	Human Resources
ICT	Information Communication and Technology
IML	Investment Management Limited
KPI	Key Performance Indicator
L&D	Learning and Development
LCDR	Lieutenant Commander
LIA	Living In Accommodation
LSMUL	Legal Services Multi Use List
MCA	Members Choice Accommodation
MCC	Maintenance Call Centre
MD	Managing Director
MP	Member of Parliament
MWD	Member With Dependants
MWD(U)	Member With Dependants (Unaccompanied)
MWOD	Member Without Dependants
NB-ESP	Nation Building-Economic Stimulus Plan
NPAT	Net Profit After Tax
NSW	New South Wales
P&TS	Property and Tenancy Services
PBS	Portfolio Budget Statement
PHA	Personal Health Assessment
PPG	Property Provisioning Group
PSS	Public Sector Superannuation Scheme
PSSap	Public Sector Superannuation accumulation plan
PWC	Parliamentary Standing Committee on Public Works
RA	Rent Allowance
RAAF	Royal Australian Air Force
ROA	Return On Assets
ROCE	Return on Capital Employed
ROE	Return On Equity
Rtd	Retired
SCG	Staff Consultative Group
SES	Senior Executive Service
SLB	Sale and Leaseback
UDIA	Urban Development Institute of Australia
VC	Victoria Cross
WoG	Whole-of-Government
WHS	Work Health and Safety







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## DHA directory

### Housing enquiries

Phone: 139 342  
between 0830–1700  
Australian EST Monday to Friday  
International: + 61 8 9421 1099  
between 0900–1800  
Australian EST Monday to Friday

### Maintenance enquiries

Phone: 139 342

### General maintenance:

0830–1630  
Australian EST Monday to Friday

### Emergency maintenance:

24 hour service

### Investment enquiries

Phone: 133 342  
sales@dha.gov.au

### Head Office

Defence Housing Australia  
26 Brisbane Avenue  
BARTON ACT 2600  
Fax: (02) 6222 2200  
General enquiries: info@dha.gov.au

### Canberra HMC

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470 Northbourne Avenue  
DICKSON ACT 2602  
Fax: (02) 6222 2279

### Sydney HMC

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2-12 Macquarie Street  
PARRAMATTA NSW 2150  
Locked Bag 5033  
PARRAMATTA NSW 2124  
Fax: (02) 6222 2223

### Hunter Valley HMC

Suite 2, 45D Fitzroy Street  
CARRINGTON NSW 2294  
Fax: (02) 6222 2255

### Nowra HMC

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55-57 Berry Street  
NOWRA NSW 2541  
Fax: (02) 6222 2207

### Wagga Wagga HMC

11-15 Fitzmaurice Street  
WAGGA WAGGA NSW 2650  
Fax: (02) 6222 2245

### Brisbane HMC

Ground Floor,  
Suite 3-6 Highpoint Plaza  
240 Waterworks Road  
ASHGROVE QLD 4060  
Fax: (02) 6222 2273

**Ipswich HMC**

Shop 12, Yamanto Shopping Centre  
Corner Warwick and Powells Road  
YAMANTO QLD 4305  
Fax: (02) 6222 2273

**Toowoomba Office**

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Courtyard Tenancy – Suite 4  
138 Margaret Street  
TOOWOOMBA QLD 4350  
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**Townsville HMC**

63-65 Bamford Lane  
KIRWAN QLD 4817  
Fax: (02) 6222 2251

**Cairns Office**

Grove House 10 Grove Street  
CAIRNS QLD 4870  
Fax: (02) 6222 2201

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Beechmont Road  
CANUNGRA QLD 4275  
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**Darwin HMC**

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DARWIN NT 0800  
Fax: (02) 6222 2257

**Tindal Office**

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KATHERINE NT 0850  
Fax: (02) 6222 2265

**Melbourne HMC**

Suite 305, Level 3  
120 Bay Street  
PORT MELBOURNE VIC 3207  
Fax: (02) 6222 2231

**Puckapunyal Office**

Vivi Street  
PUCKAPUNYAL VIC 3662  
Fax: (02) 6222 2241

**Sale Office**

115 Catalina Street  
RAAF Base  
EAST SALE VIC 3852  
(PO Box 481)  
Fax: (02) 6222 2231

**Cerberus Office**

Shop Front Cerberus  
HMAS Cerberus Western Port  
CERBERUS VIC 3920  
Fax: (02) 6222 2260

**Wodonga HMC**

83 Hume Street  
WODONGA VIC 3690  
Fax: (02) 6222 2215

**Adelaide HMC**

Level 1, 1 Main Street  
MAWSON LAKES SA 5095  
Fax: (02) 6222 2209

**Perth HMC**

Unit 43, Level 1 Fremantle Malls  
27-35 William Street  
FREMANTLE WA 6160  
PO Box 1608  
FREMANTLE WA 6959  
Fax: (02) 6222 2221

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