



**Defence Housing**  
**AUSTRALIA**



### **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 Defence Housing Australia (DHA) performance for the financial year as measured against stated objectives.
3. To provide information to Australian Defence Force (ADF) members, investors and potential investors and the general public about DHA's business.

### **Structure of the report**

This Annual Report relates to DHA's Corporate Plan. The financial statements are reported on a "for-profit basis" and, therefore, do not reflect the Portfolio Budget Statement (PBS) which is a "not-for-profit" forecast.

### **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)>.



**Defence Housing**  
**AUSTRALIA**



15 October 2009

Senator the Hon. John Faulkner  
Minister for Defence  
Parliament House  
CANBERRA ACT 2600

The Hon. Lindsay Tanner MP  
Minister for Finance and Deregulation  
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* (CAC Act), I submit the Defence Housing Australia 2008–09 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 DHA Act and our obligations under supply agreements with the Department of Defence. This report covers those activities for the 2008–09 financial year.

The year under review has been a challenging one for DHA, as it has been for the entire Australian economy. Despite what is considered the worst financial crisis since the Great Depression, DHA has met all its key strategic and financial targets, has delivered high levels of satisfaction with its services among ADF members and their families and generated strong financial returns to Government.

The announcement by the Australian Government on 3 February 2009 of the inclusion of Defence housing in the Nation Building – Economic Stimulus Plan was especially significant for DHA and the wider Australian Defence Force community. DHA is well advanced in the delivery of the 802 houses funded under the plan. Even with the reduction of \$6 million in this funding announced in August 2009, the DHA Board is hopeful that all 802 houses will be completed on time, while meeting business as usual targets.

The Board and all associated with DHA thank you for your interest in, and support of, the activities of the organisation.

Yours sincerely



**Derek Volker**  
Chairman  
Defence Housing Australia

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# DHA blueprint





# Who we are and what we do

## Our vision

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

## Our mission

**To deliver total housing and relocation services that meet Defence operational and client needs through a strong customer and business focus.**

The mission requires DHA to provide cost-effective housing that facilitates the movement of ADF personnel in response to Defence posting requirements and at a standard that supports Defence in the recruitment and retention of highly-trained personnel. In this regard, the mobility of members and their families contributes to the operational capability of the ADF.

Defence housing requirements can change and DHA must be able to adapt its portfolio as required. DHA is active in the very dynamic residential housing market where it develops land, constructs and acquires houses, and finances its operations via its Sale and Leaseback program. It needs to be flexible and from time-to-time may need to invest in housing where commercial returns may not be available.

## Corporate objectives

To achieve the mission and to fulfil the outcomes desired by the Shareholder Ministers, DHA set seven corporate objectives.

1. Provide housing and related services that enhance Defence operational capability, retention and recruitment objectives.
2. Provide relocation services that facilitate Defence mobility.
3. Meet agreed shareholder financial requirements.
4. Provide value to Defence and other clients.
5. Attract and retain lessors and other investors.
6. Operate commercially, efficiently and innovatively.
7. Attract, develop and retain commercially-minded, customer-focused staff.

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



## Our values



These values are recognised in DHA's recruitment processes and DHA encourages its staff to apply them consistently in all aspects of their behaviour in order to 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 to 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 has property management responsibilities.

## Our capabilities

The primary function of DHA is to supply housing and related services to ADF members and their families in accordance with the *DHA Act* and in line with Defence requirements and supply agreements between DHA and the Department of Defence. DHA recognises that ADF members, particularly those deployed, should not be unnecessarily distracted by housing and relocations matters affecting their families at home. In carrying out its role, DHA makes a significant contribution to Defence recruitment and retention goals.

At high levels of Defence operational activity the stress of relocation for ADF families is compounded. This is particularly the case when identifying a home in the family's new posting location. Through its internet-based HomeFind tool, DHA makes as many properties available as possible and enables Defence families to pre-select homes in their new locations.

DHA's contribution to capability and broader Defence personnel goals reflects the synergies associated with combining the provision of housing (DHA's core objective) with property and tenancy management. From 2009-10 these services will be amalgamated in a single supply agreement with the Department of Defence. In addition, DHA administers allowances paid to ADF members in satisfaction of their housing and relocation entitlements.

To meet its Defence housing obligations, DHA manages a substantial property development, construction and acquisition program. In 2008–09, 654 new properties were built or acquired.

DHA's capital program is based on the Defence housing requirement, expiring leases and the need to replace DHA properties that do not meet new Defence housing standards.

At 30 June 2009, DHA managed 17,365 properties in all States and Territories including dwellings held for the Australian Customs and Border Protection Service and properties scheduled for disposal. This portfolio is valued at \$7.8 billion. Of these dwellings 63% are owned by investors and leased back to DHA primarily through its Sale and Leaseback program. A small number are direct-leased from investors.

## DHA stakeholders

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

The DHA Board reports to Senator the Hon. John Faulkner (previously, the Hon. Joel Fitzgibbon MP), Minister for Defence, and the Hon. Lindsay Tanner MP, Minister for Finance and Deregulation, as Joint Shareholder Ministers of DHA. Responsibility for operational matters affecting DHA has been delegated to the Minister for Defence Personnel, Materiel and Science, the Hon. Greg Combet AM MP (previously the Hon. Warren Snowdon MP).

# Chairman and Managing Director's report

**In 2008–09 DHA started its third decade of service to Australian Defence Force (ADF) members and their families during which it has been called on to meet significant increases in demand for its housing services against the backdrop of the global financial crisis.**

DHA's main role is the supply of housing and related services to ADF members and their families in support of Defence operational, recruitment and retention goals. In a period of continuing high operational activity, DHA has to ensure that ADF members are not unnecessarily distracted in the performance of their missions by concerns about the housing and relocation of their families.

Housing is no longer a principal cause of members leaving the Services; indeed, housing is one of the headline attractions in Defence recruitment. In this regard, the New Housing Classification Policy, introduced by Defence in July 2007, has helped DHA to make a wider selection of quality properties available to all rank groups.

In fulfilling its mission to satisfy Defence housing needs, in 2008–09 DHA provided and maintained a total of 16,814 houses and managed the payment of Rent Allowance to an average of 2,800 members with dependants. During the same period, DHA administered the relocation of more than 35,000 ADF members including many with families.

During 2008–09, DHA successfully concluded its contribution to the establishment of the new Headquarters Joint Operations Command, adding 300 properties to its Canberra/Queanbeyan portfolio over a three-year period. DHA was also responsible for managing the relocation of approximately 300 ADF members and their families in the period leading up to December 2008 when the facility became fully operational. That this transition occurred with little fuss in a difficult housing market is testament to the close working relationship between DHA and Defence that characterised this project from its inception.

In 2008–09 DHA embarked on a very ambitious program to support the Enhanced Land Force, a Federal Government initiative to expand the size of the Army and to re-base major elements in Adelaide, Brisbane, Ipswich and Townsville. Over the next three years, DHA will construct or acquire more than 1,700 properties in these locations. In addition, DHA continues to make good progress with the delivery of houses in its Lyons Joint Venture, adding more than 70 properties in this suburb to its Darwin portfolio during 2008–09.

DHA is pleased to have been able to contribute during 2008–09 to the Government's Nation Building — Economic Stimulus Plan. DHA was given the task of building 802 houses by June 2011 and we have made an excellent start. By the end of 2008–09, contracts had been let for 457 houses and three were already finished. This is in addition to its 2008–09 business as usual program of 520 completed new house constructions.

Following negotiations with DHA, the Department of Defence gained approval to contract the provision of allocations and tenancy management services to DHA, the current agreement being due to expire in 2010. The new arrangements will see these services bundled with DHA's core housing services under an omnibus agreement signed in June 2009. Concurrently, DHA has responded to a major tender to supply relocations administration services, DHA having delivered these services under contract to Defence since 2001.

In terms of its financial performance, DHA achieved a Net Operating Surplus after Income Tax of \$78.9 million and a Return on Equity of 7.3% against a Corporate Plan target of 6.6%. This was achieved through a continued focus on efficiency at a time of increased production of houses due to the injection of stimulus funding. The Board is proposing a dividend of \$47.3 million against a Corporate Plan target of \$42.8 million.

Good results were also achieved across the Corporate Plan Key Performance Indicators (KPIs). In particular, DHA exceeded its targets for satisfaction with DHA managed housing, for overall satisfaction with the relocation experience, and for the provision of maintenance services.

In June 2009, following successful negotiations with DHA staff and the approval of the Minister, DHA implemented a new Collective Agreement for the period 2009–11. The new agreement incorporates initiatives that will result in improved productivity and better service delivery to customers and will contribute to DHA's corporate objective of becoming an "employer of choice".

DHA also faces significant challenges. During the year, interest in the Sale and Leaseback program varied. As uncertainty about the global financial crisis grew, there was a noticeable fall in buying interest. However, bolstered by targeted marketing emphasising security of the investment, yields of around 5% and the potential for capital gains, investors bought DHA houses in larger numbers as the year progressed. By the end of the financial year the revised sales target of \$276 million had been exceeded and buying demand was strong. As markets recover, however, DHA can expect increased competition for its Sale and Leaseback program. DHA intends to upgrade marketing but notes the potential for demand to weaken.

Another issue to be tackled is the difficulty of finding developed land in reasonable proximity to ADF bases and with access to employment for spouses and education and child care for the children of ADF members. DHA is entering into development arrangements as well as searching for suitable developed land in an endeavour to meet this challenge.

While DHA completely supports the Commonwealth's processes and activities to promote occupational health and safety, we note the growing problem of attracting and retaining builders accredited with the Federal Safety Commission on DHA building panels for business as usual projects costing at least \$3 million.

These emerging pressures occur at the same time as DHA faces challenges in meeting the Defence housing requirement, especially in relation to funding the upgrade and replacement of ageing on-base properties and to reducing the reliance on Rent Allowance in difficult housing markets such as Perth and Sydney.

As a result of changes to the Federal Ministry announced in early June 2009, Senator the Hon. John Faulkner became Defence Minister, replacing the Hon. Joel Fitzgibbon MP. The Hon. Greg Combet AM MP became Minister for Defence Personnel, Materiel and Science replacing the Hon. Warren Snowdon MP as Minister with direct responsibility for DHA. During 2008–09, two Directors retired from the DHA Board, each having made valuable contributions. Mr Wayne Stokes retired after five years of distinguished service including a period of three months as interim Chairman and the Hon. William Lloyd Lange's term ended in May 2009. He had served with distinction as the Chairman of the Audit Committee. New appointments to the Board were the Hon. J.A.L. (Sandy) Macdonald (August 2008) and Ms Margaret Walker (July 2009).

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 2009.



**Derek Volker**  
Chairman



**Michael Del Gigante**  
Managing Director



OCTOBER 2008



#### 14 homes delivered in Narraweena

DHA's newest development on Parr Parade in the Northern Sydney suburb of Narraweena was opened by Senator Mark Arbib, Senator for New South Wales. Senator Arbib cut a ceremonial ribbon to officially open the complex of three-bedroom townhouses.

'This new housing development by Defence Housing Australia will deliver 14 homes for Australian Defence Force personnel and their families,' Senator Arbib told guests. 'Today, DHA's homes are modern, meet the standard of quality, amenity and location required by the Department of Defence and most importantly, are of community standard – the same standard enjoyed by members' friends and families,' he said.



#### Gala finale for 20-year celebrations

A cocktail evening was held at the National Maritime Museum in Darling Harbour to mark the end of DHA's 20-year anniversary. The evening was a gathering of Defence representatives, members of the DHA Board, DHA staff and DHA contractors. It wound up a year of celebrations in offices around the country.

'When you look at the quality of housing today, you can see DHA provides housing that would even make your neighbours jealous,' DHA Chairman, Derek Volker told guests. 'Our servicemen and women are owed nothing less; that is why DHA has committed to improving its services over the last 20 years.'



FEBRUARY 2009

#### \$251.6 million to build additional homes

The Australian Government announced its Nation Building and Jobs Plan (later renamed the Nation Building – Economic Stimulus Plan) including funding for the construction of 802 additional homes for ADF members and their families. DHA will receive funding of \$251.6 million to build the new homes in metropolitan and regional centres over the next two years.

In responding to the announcement, DHA Chairman, Derek Volker, said 'The additional funding will assist DHA to meet the operational objectives of the ADF'.

'This investment will have a positive effect on the local construction industry in many different areas of Australia. There will be increased employment opportunities and flow-on effects to other industries,' Mr Volker said.

#### Six contracts signed in Darwin along with 20 new jobs announced

The Hon. Warren Snowdon MP, the then Minister for Defence Science and Personnel, accompanied by the Federal Member for Solomon, Damian Hale, witnessed the signing of the first six contracts for new Defence homes in Darwin to be built as part of the Nation Building – Economic Stimulus Plan.

Mr Snowdon said, 'These contracts mark the start of a \$76.2 million investment in 185 new homes in Darwin over the next two years. This is in addition to DHA's existing construction program of 150 homes, making a total of 335 new homes for our Darwin Defence families by June 2011.'

Mr Snowdon also announced the DHA Apprenticeship Support Scheme which will create 20 new jobs nationally, with five places in Darwin.

He said, 'These are new jobs for apprentices and DHA will provide 50% of the salary for each apprentice for the full four years of their apprenticeship'.



MAY 2009

### Minister visits Darwin construction site

The then Minister for Defence, the Hon. Joel Fitzgibbon MP, visited DHA construction sites in Darwin. DHA has committed \$76.2 million to build 185 homes over the next two years. DHA has responded very quickly to the Australian Government's plan to create jobs and provide an immediate impact on local communities. The first contracts for these houses were signed in mid April.



### Prime Minister visits Darwin construction sites

The Hon. Kevin Rudd MP, Prime Minister of Australia, visited a construction site in Darwin where new Defence homes were being built as part of the Nation Building – Economic Stimulus Plan.

'Construction is well underway in Darwin for the first 58 houses to be delivered under the Nation Building – Economic Stimulus Plan. This is evidence of the Government's commitment to making an immediate impact in local communities, from announcing the stimulus plan in February to construction well underway in May,' Mr Rudd said.

The local economy is expected to benefit from increased employment in construction and related industries. Defence Housing Australia has also introduced an Apprenticeship Support Scheme which will create 20 new jobs nationally. The four-year apprenticeships will be subsidised by DHA to support the increased level of construction in those areas where new Defence housing is being delivered.



JUNE 2009

### Prime Minister opens first NB – ESP house

The Hon. Kevin Rudd MP, Prime Minister of Australia, visited one of the first Defence homes to be completed under the Nation Building – Economic Stimulus Plan. The houses, located in Brisbane and Townsville, were finished in just 10 weeks, both three months ahead of schedule.

'These two houses are the first of 802 Defence homes being constructed with funding from the stimulus plan,' Mr Rudd said.

'A further 12 houses will be completed in this estate by the end of June, also well ahead of schedule.'

## Sponsorship



During the financial year DHA contributed more than \$48,000 in sponsorship to Defence-related projects around the country. Here is a list of some of the projects to which DHA has lent its support.



AUGUST 2008

**Donated \$5,000 for the creation of the Australian Peacekeeping Memorial.**

The national memorial will honour the sacrifice of Australian Peacekeepers in the service of international peace and security, and recognise the courage and professionalism of Australian Peacekeepers in the face of the particular challenges of their operations. The memorial will be the focus for recognising the continuing significant contribution by Australians to international peacekeeping.



OCTOBER 2008

**Presented the Australian Navy Cadets with \$5,000 for its national recruitment campaign.**

There are now 91 units including those formed under the Cadets in High Schools Scheme, with more than 2,000 staff and cadets undertaking training at locations in every state and territory throughout Australia. Many units are in isolated communities with limited youth facilities and others assist disadvantaged young people. Consequently the ANC plays a significant community support role and is held in high regard by Australians.



**The largest donation made during the financial year was \$20,000 to Legacy for a series of concerts in Darwin, Melbourne, Sydney and Townsville.**

The concerts featured the Army Concert Band, along with Australian Idol winner Guy Sebastian. Funds raised through the concerts contribute to the support of more than 126,000 widows and almost 1,900 children and disabled dependants of the men and women who have served our country in war and on peacekeeping and disaster relief missions.



NOVEMBER 2008

**DHA donated \$2,200 to support the Construction Industry Training Council's Graduating Apprentice and Industry Encouragement Awards.**



APRIL 2009

**The Riverina ADF Rugby Club was provided with \$2,000 in sponsorship.**

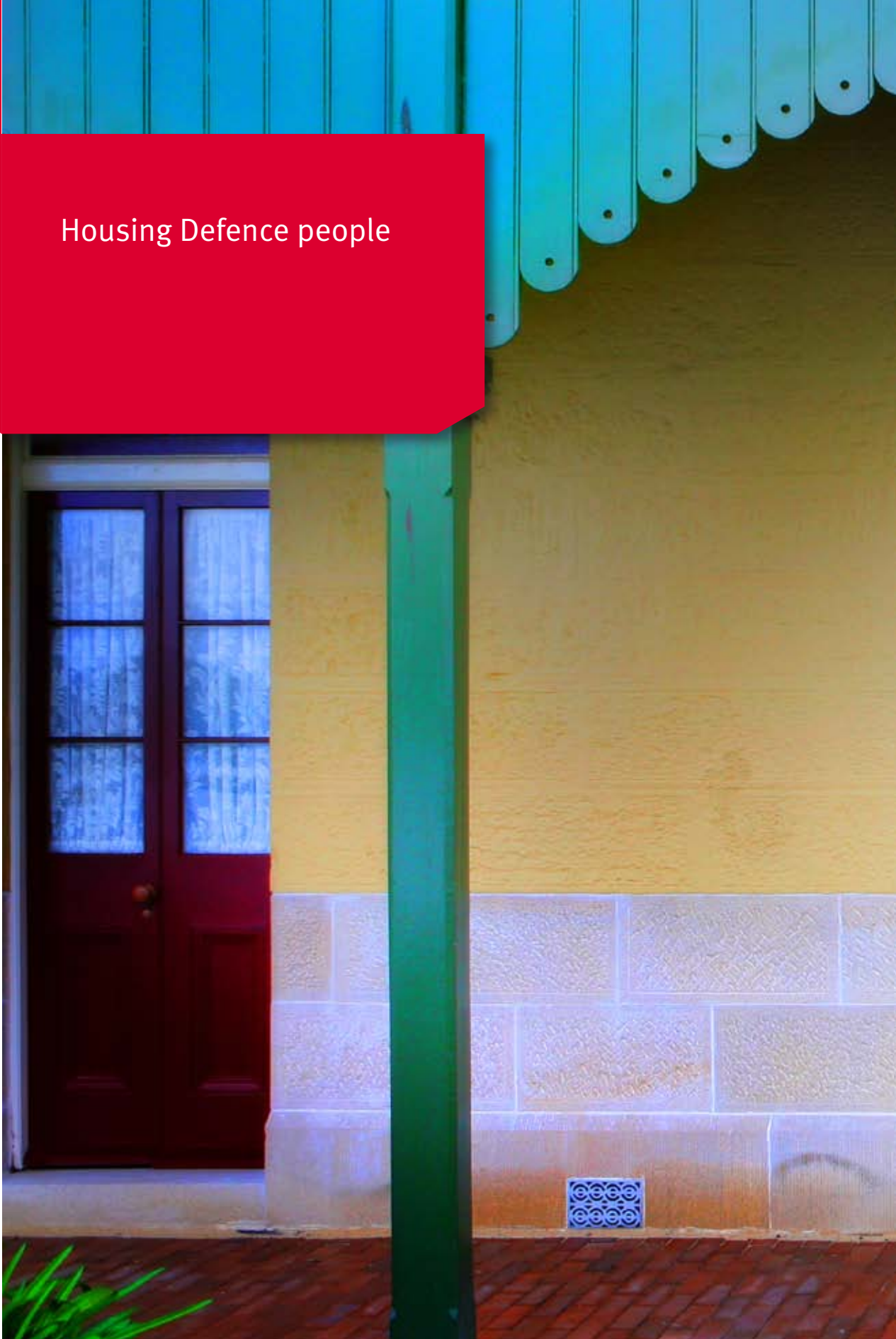
The club is made up of ADF members from the Army Recruit Training Centre, RAAF Base Wagga and the local community. The sponsorship contributes to improved sporting facilities at Kapooka.



JANUARY 2009

## Sponsorship

# Housing Defence people





## Objectives

- Provide housing and related services that enhance Defence's operational capability, recruitment and retention objectives.
- Provide value to Defence and other clients.
- Operate commercially, efficiently and innovatively.

KEY PERFORMANCE INDICATOR	2008-09 TARGET	2008-09 ACHIEVEMENT
% ADF member satisfaction with house	80%	88%
% ADF member satisfaction with maintenance	80%	98%
% of DHF provided	85%	92%
Maximising Pre-allocations (rolling 12 mth average)	>65%	90%
Stock provisioned for client against agreed provisioning plan	± 5%	-0.5%
Vacancy rate for Defence-owned and annuity houses off-base and available for occupancy (rolling 12 mth average)	<5%	2.4%
Revenue to Operating Cost Ratio	12.6	12.4%
Inventory Turnover (holding period)	2.09 years	1.94



## Major outcomes

1. A portfolio of 16,814 houses provided to members with dependants in accordance with targets in an agreed provisioning schedule.
2. Signed a long-term agreement to supply off-base housing for single members in Darwin with options for extensions to other locations by mutual agreement.
3. Entered a five-year agreement to bundle allocations and tenancy management services with DHA's core housing services.
4. Completed the acquisition and construction of dwellings in support of the new HQJOC, keeping RA in Canberra at 10% in the first year when the majority of members relocated.
5. Met targets in a substantial program of acquisitions and constructions in Adelaide, Brisbane, Ipswich and Townsville in support of the Enhanced Land Force.
6. Initiated a program of new constructions under the Nation Building - Economic Stimulus Plan, by 30 June 2009 contracting the construction of 457 houses for delivery in 2009-10.
7. Held RA level at 16.4% (30 June 2009) against a revised target of 17.6%.
8. Established a national maintenance call centre in the Hunter, with back-up in Perth, to improve the quality of service to Defence tenants.
9. Engaged consultants to benchmark the environmental footprint of current DHA-managed housing to assist in measuring environmental sustainability performance.
10. Delivered a vacancy rate of less than 6% for DHA-owned and leased housing, reflecting continuous improvement in business practices in allocations and tenancy management.
11. Held vacancy rates for nearly 700 Defence-owned off-base dwellings below the target level of 5% to deliver improved value for Defence.
12. Met financial targets and finished the year in a sound fiscal position with resources to cope with strong demand for Defence housing in the midst of global financial uncertainty.

## Overview

### Forecast and response

The Defence Housing Forecast (DHF) tells DHA how many ADF members will need to be accommodated in DHA-supplied and/or managed housing (including on-base housing) or with Rent Allowance (RA). DHA responds to the DHF with a draft provisioning schedule that takes account of supply-side factors including vacancy, capital, land and rental markets. Following negotiation, DHA is contracted to supply an agreed level of housing by location and classification with the balance to be met by RA. Typically, DHA aims to supply 85% of the Defence requirement.

### A large portfolio

For the year 2008–09, Defence forecast a requirement for housing assistance for a total of 17,366 ADF members with dependants. In response, DHA committed to provide 16,879 properties with a further 2,431 members on RA, while making provision for vacancy and other factors impacting on the supply of housing (e.g. construction delays). In the event, the total number of members requiring housing assistance was nearly 5% above the forecast. In a notable achievement, DHA was able to absorb a large proportion of this increase and hold RA at 16.4% at 30 June 2009.

### A diverse portfolio

Over the past 21 years DHA has significantly increased the quality and diversity of housing available to ADF members and their families. While most of the portfolio is traditional detached family homes, DHA also provides townhouses, courtyard style houses and apartments to meet the differing needs of ADF families. Townhouses and courtyard style developments, with minimal garden maintenance, are particularly suited to members who prefer well-located inner suburbs. In addition, within limits set by Defence, a small number of apartments with shared recreational amenities and undercover parking are available in inner-city locations.

### A managed portfolio

The DHA portfolio is actively managed from establishment of the housing requirement with Defence through to exit when leases expire or properties are no longer required for ADF families. DHA maintains ownership of some properties to meet prudential requirements and uses a number of financial benchmarks to determine the make up of this important part of the total portfolio. DHA also carefully selects properties for its Sale and Leaseback program, the sale proceeds being the most important source of capital for financing its business. DHA works closely with investors to manage their properties through the leasing cycle, including at lease-end when decisions are made regarding the exercise of lease options, new leases and make good.

## A classified portfolio

Service Residences are classified for allocation purposes, allowing ADF members to access housing in accordance with their rank-based entitlement. Since 1 July 2007, the system of classification has been based on market rents. Known as the New Housing Classification Policy, the system is based on rent bands that vary according to location. These rent bands are set by Defence (in consultation with DHA) and are updated annually. Properties are placed in one of four rent bands based on their market rent and then allocated accordingly.

## A singles portfolio

In addition to its core business of providing housing for members with families, since 2006 DHA has provided about 100 apartments for single members posted to Darwin. These are offered as an alternative to RA and are known as Members without Dependants Choice Accommodation (MCA). The initial MCA trial proved a success and on 24 December 2008 DHA entered a long-term agreement to supply singles accommodation to Defence. Initially the arrangement is limited to the Darwin apartments but it provides an option to extend the supply of singles accommodation to other locations provided that both parties and Government agree.

## A value portfolio

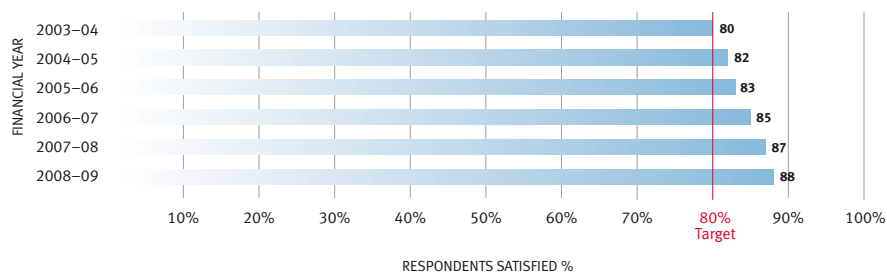
DHA is committed to providing value for Defence (and other) clients and does so by contributing to Defence recruitment and retention objectives. Every ADF member retained in the service helps to keep down the high cost of recruitment and training. Quality housing, at subsidised rates, is widely acknowledged to play a positive role. For example, the 2006 Defence Attitude Survey showed that the availability of subsidised housing was a significant influence on members' decisions to remain in the ADF. In the 2007 Defence Attitude Survey, subsidised housing was reported to exert an even stronger influence on these decisions.

DHA also measures its value to Defence by the proportion of Defence members having to be accommodated in the more expensive and generally less attractive private rental market and by the vacancy rate for Defence-owned off-base properties. At 30 June 2009, 16.4% of members requiring a housing solution were receiving RA compared to an adjusted target of 17.6%. The vacancy rate for Defence-owned, off-base stock was less than 3% against a target of 5%.

## Satisfaction with current DHA accommodation

DHA's annual tenant survey measures ADF members' satisfaction with their current Service Residences. In 2008–09, 88% of 4,431 respondents were satisfied with their current accommodation, a slight increase compared with 2007–08. In past years, sample sizes have ranged from 1,635 to 2,668.

### Customer satisfaction with current DHA accommodation, 2003–04 to 2008–09



## Headquarters Joint Operations Command – mission accomplished!

The formal opening in March 2009 of the new headquarters at Bungendore, near Queanbeyan, NSW, marked the conclusion of a major program of constructions and acquisitions to meet the housing requirements of members posted to the new facility. By December 2008, when the headquarters was fully operational, the DHA portfolio in Canberra/Queanbeyan had increased by 300 to nearly 2,000 properties, representing 20% growth over a three-year period. Importantly, following the 2008–09 peak posting period, the percentage of members in Canberra/Queanbeyan on RA was less than 10% underscoring DHA's achievement not just in providing new housing but also in successfully relocating members posted to the new headquarters.

## Enhanced Land Force

In 2008–09 DHA began a program of constructions and acquisitions in response to a major Government initiative to increase the size of the Army over the period to 2012. The Enhanced Land Force initiative will result in three infantry battalions, either newly established or relocated, in Adelaide (7RAR), in Brisbane (8/9RAR) and in Townsville (3RAR), bringing significant demand for new housing in these locations. In addition, an engineer unit will be re-based at RAAF Amberley, increasing demand for housing in Ipswich. In total, an additional 1,520 accommodation units (Service Residences or RA) will be required for families of ADF members including 540 in Adelaide (an increase of 75%), 400 in Brisbane (an increase of 27%), 500 in Townsville (an increase of 30%) and 80 in Ipswich (an increase of 10%).

## Building, acquiring, leasing

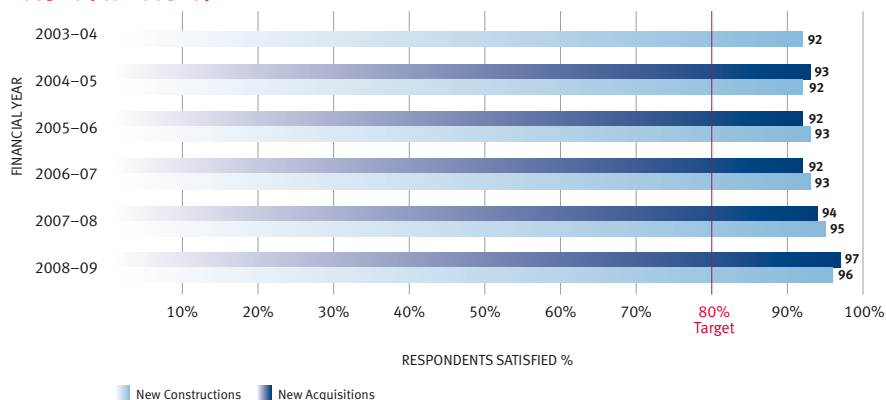
DHA manages a large development, construction and acquisition program, on and off-base, in order to satisfy Defence housing requirements and to replace properties where leases are coming to an end. Over the next three years 6,200 off-base leases are due to expire. While DHA will seek to extend expiring leases where it is sensible to do so, a large number will still need to be replaced. This will add significantly to the pressure on DHA's capital program which is estimated at \$1,280 million over the three-year period to 2011–12, not including \$251.6 million to be spent under the Nation Building – Economic Stimulus Plan.

During 2008–09, DHA constructed 524 houses at a cost of approximately \$240 million and purchased a further 130 at a cost of \$57 million. In addition, DHA direct leased 108 properties and wrote new leases on 265 existing properties where leases and options had expired and extended a further 103 leases by agreement with lessors. After taking account of expiring leases and the exercising of 1,414 options that were at DHA's discretion, net additions to the portfolio in 2008–09 resulted in total Defence stock under management for members with dependants of 16,814 properties, just under the target of 16,879 that was agreed with Defence. As noted at the end of this chapter, DHA's total housing portfolio of 17,365 properties is slightly larger than the stock under management for Defence. It includes properties held for the Australian Customs and Border Protection Service, the Darwin singles apartments and properties scheduled for disposal.

All properties acquired by DHA as Service Residences (constructions, acquisitions and direct leases) must satisfy exacting criteria in terms of the quality and level of amenity, inclusions and fittings including such aspects as security, heating, cooling and covered outdoor areas. Accordingly, satisfaction of ADF members living in newly constructed or newly acquired Service Residences has been consistently high. In 2008–09, sample sizes for these surveys were 202 and 64 respectively, with results in the graph on the next page.



### Customer satisfaction with newly acquired and constructed DHA accommodation, 2003–04 to 2008–09



### On-base housing

At 30 June 2009, Defence owned, and DHA managed, 1,880 properties located on Defence bases and establishments around the country. This on-base portfolio, nearly half of which is located in the Northern Territory, is either owned outright by Defence or financed by DHA under annuity arrangements. Defence pays fees to DHA to cover the cost of the management and maintenance of its on-base portfolio with special arrangements in place to cover 62 properties which are on the Defence heritage register.

During 2008–09, DHA continued a program of upgrades to Defence heritage-listed properties including at the Royal Military College, Duntroon where 11 properties have progressively been upgraded at a cost of approximately \$3 million. By June 2009, DHA had also completed upgrade works to the Commander’s residence ‘The Bungalow’ and begun detailed planning for upgrades to the other 11 heritage-listed properties at Victoria Barracks, Sydney.

In addition, during 2008–09, DHA completed a multi-phased program of upgrades to on-base properties on RAAF Tindal with the upgrade of 12 houses at a cost of \$2.5 million. The works have included the provision of additional living/family areas, master bedrooms, new kitchens and internal repainting. Further upgrades and additional housing are planned.

During 2008–09, work started on the demolition of 35 on-base houses at Bonegilla, Victoria and 35 Defence-owned off-base houses adjacent to RAAF Edinburgh in South Australia.

### Sustainable housing

During 2008–09, the Board approved a DHA Environmental Policy that sets down practices across five key areas: energy consumption, water consumption, effective waste management, human wellbeing, and the biodiversity of local flora and fauna. During 2008–09 DHA engaged consultants to benchmark the environmental footprint of current DHA-managed housing leading to improvements in the national construction specification for new houses.

Following the adoption of its environmental policy, DHA has decided to trial the introduction of 5,000 litre water tanks and will mandate low-water-use plants in gardens (drought-tolerant) in the Adelaide and Riverina areas from 2009–10.

DHA is responsible for the construction of on-base housing for Defence and in response to the Defence Environment Strategic Plan 2006–09 has agreed to comply with its “green building” and “waste” objectives. The new “green standards” will apply for all on-base constructions starting in 2009–10 and will be higher than equivalent standards in all States and Territories.

DHA has also agreed to the early adoption of six-star energy efficiency for its new construction houses. While required to supply four-star efficiency, DHA currently mandates a five-star energy rating. However, a Federal Government initiative through the Council of Australian Governments will see the introduction of mandatory six-star energy efficiency from 2011. DHA will adopt the higher standard in its 2010–11 construction program through an option in tenders that will be released to the market starting in July 2009. Where six-star efficiency can be achieved below an agreed threshold, the higher rating will be implemented. The DHA Board has allocated additional funds for this purpose for 2009–10.

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*.

## Property and tenancy management

### Overview

Since its inception, DHA has been a bulk supplier of houses to Defence and has been responsible for the maintenance of these properties on behalf of their owners – Defence, DHA and more than 11,000 lessors. In addition, since 2001 DHA has been responsible for the allocation of Defence housing stock to ADF members and the management of the resulting tenancies, from welcome to departure. These functions (supply of the portfolio, property maintenance, allocations and tenancy management) are closely related and DHA derives important economies from delivering them as a package.

### Maintenance Call Centre

In 2008–09, as part of a broader strategy to improve consistency in all tenant interactions with DHA irrespective of location, and especially to improve the responsiveness of its maintenance service, DHA established a Maintenance Call Centre (MCC) to take over from Housing Management Centres' responsibility for receiving and actioning maintenance calls from tenants.

Responsive maintenance is a critical component of property and tenancy management. DHA is contracted to provide a quality 24-hour maintenance service and it is obliged to deliver high levels of tenant satisfaction with that service. Further, responsive maintenance is an important component of our offering to the private owners from whom DHA leases most of its dwellings.

The MCC was fully operational on 17 November 2008, operating from DHA offices on the east and west coasts (Hunter and Perth) to provide extended hours coverage and back-up in the event of a major failure in either location. Staff are well trained in the policies and procedures that govern the delivery of maintenance services and can support front-line staff by raising work orders during property inspection to speed-up the turnaround of properties between tenancies. During 2008–09, the MCC received a total of 106,891 calls and processed 126,656 invoices for services provided.

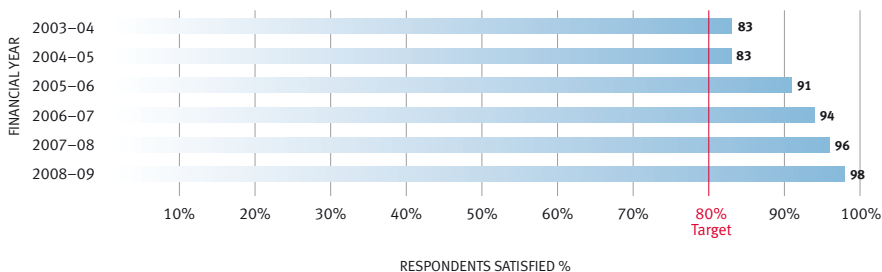
### Maintenance providers

Wherever possible, DHA uses local contractors to provide repair and maintenance services. Contractors are selected by a competitive tendering process and placed on maintenance panels by location and speciality. Panels are refreshed every three years. A national tender for cleaning, floor covering and grounds maintenance was completed in June 2009.

### Maintenance surveys

DHA continuously measures ADF member satisfaction with customer service, contractor service and overall satisfaction with the maintenance service. Satisfaction with completed and invoiced works remains strong, with 98% of 7,848 tenants in Service Residences expressing satisfaction with the overall service. Sample sizes in past years ranged from 2,548 to 6,928.

### Customer satisfaction with DHA's maintenance services, 2003–04 to 2008–09



### Housing Management Centres

DHA maintains a physical presence in capital cities, major regional centres, and on a number of ADF bases and establishments around Australia. These Housing Management Centres (HMCs) are the ADF member's first point-of-contact for relocation and housing services including housing allocations, rent allowance and house maintenance. In addition to managing the incoming member's relocation and the tenancy of their chosen housing solution, HMC staff members are a valued source of local knowledge on community services and housing market conditions.

### 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, a long-term agreement that was renewed on 1 July 2006. It provides a sound basis for dealing with the myriad issues facing the two agencies in the delivery of housing and related services to ADF members.

During 2008–09, Defence and DHA negotiated a major variation to the Services Agreement to provide for the inclusion of the allocations and tenancy management functions which, since 2001, have been contracted to DHA under the Relocations Services Agreement. That agreement expires in 2010.

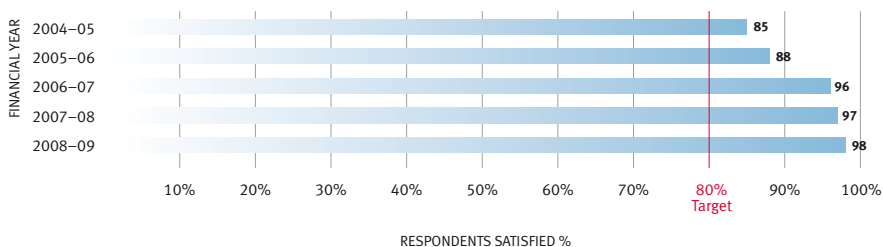
### Australian Customs and Border Protection Service

Since 2001, DHA has provided residential property management services to the Australian Customs Service, now the Australian Customs and Border Protection Service. It is a logical extension of DHA's core Defence business. The Australian Customs and Border Protection Service is increasingly managed as part of a broader national security framework and many of the remote locations are common to both agencies, offering economies of scale. Approximately 100 properties are involved.

During 2008–09 Customs advised that it would market test the provision of the residential property management services provided by DHA. Accordingly, in late 2008 DHA responded to a request for Expressions of Interest and in January 2009 was advised that it would be invited to participate in a select Request for Tender stage.

Customs Officers' satisfaction with DHA's maintenance service overall remains strong, with tenants being satisfied with 98% of 222 work orders nationally. Results for overall satisfaction are presented below. Sample sizes in past years ranged from 201 to 323.

### Overall Customs Officer satisfaction with DHA's maintenance service, 2004–05 to 2008–09



### Total Stock under Management

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

### DHA Housing Portfolio 2008–09

	Purchases		Sales			Leases			Housing Stock at 30 June 2009					
	Newly acquired properties	Newly constructed properties	Sale and Leaseback Program	Disposals (surplus properties)	Handback of on-base Defence stock	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	0	81	47	11	1	19	69	29	273	915	10	742	8	1948
TINDAL	0	0	0	6	0	0	42	1	3	113	103	193	0	412
CAIRNS	0	5	7	1	0	0	27	0	11	228	5	0	0	244
TOWNSVILLE	20	67	56	18	0	12	161	31	448	1119	33	7	28	1635
BRISBANE	66	34	80	4	1	7	103	12	335	1014	4	82	0	1435
IPSWICH	0	36	98	12	0	8	54	1	78	608	45	0	0	731
TOOWOOMBA	0	0	8	10	0	1	40	0	14	191	33	6	0	244
SYDNEY	0	80	9	120	0	13	339	118	1142	2162	11	52	0	3367
HUNTER VALLEY	5	22	26	13	0	7	109	27	121	861	70	0	0	1052
NOWRA	0	0	9	2	6	4	77	0	14	278	30	37	2	361
CANBERRA	10	102	119	6	0	12	161	33	324	1464	0	194	0	1982
ALBURY/WODONGA	3	8	19	1	23	7	9	3	14	236	28	13	0	291
WAGGA WAGGA	3	16	24	0	0	3	16	6	24	204	119	90	0	437
MELBOURNE	0	7	29	36	24	2	53	3	239	634	145	408	0	1426
ADELAIDE	23	53	82	9	0	2	90	0	178	597	5	47	2	829
PERTH	0	13	22	2	1	11	64	1	253	618	22	9	69	971
AUSTRALIA TOTAL	130	524	635	251	56	108	1414	265	3471	11242	663	1880	109	17365

## Major projects

### Fairview Rise, Ipswich

Construction of 162 houses continued in this estate through 2008–09. The final properties in the 68-lot Stage 1 were handed over in December 2008. Stage 2 civil works are also complete and 31 houses were handed over in June 2009. A further 54 lots are awaiting contract award with delivery scheduled for 2009–10.

### Dundas, Sydney

This 40 house development in Dorahy Street is proceeding with a contract awarded for the construction of the first 20 dwellings. Two detached houses and nine duplexes are expected to be delivered at the end of 2009. A second contract for the balance of 20 dwellings is expected to be awarded by July 2009. Funded by the Nation Building – Economic Stimulus Plan, a combination of detached houses and duplexes is scheduled for delivery in 2009–10.

### Narraweena, Sydney

This 14-townhouse development in Narraweena in the Northern Beaches area of Sydney was completed and handed over in October 2008 at a cost of nearly \$6 million.

### Dee Why, Sydney

Work on this 17-townhouse development in Dee Why, also in the Northern Beaches area of Sydney, was completed in June 2009 at a cost of \$7 million.

### Caringbah, Sydney

Work on this complex of 40 townhouses at a total cost of \$24 million continued through 2008–09. Due to significant rain delays, handover was delayed to May 2009. This development is well located in the Sutherland Shire, 22 kilometres to the south of the Sydney CBD and expected to be very popular with ADF families.

### Gordon Olive Estate, Brisbane

This \$27 million development is expected to provide 51 properties to DHA with the residual to be sold to the private market. The DHA houses will be a combination of detached housing, townhouses and duplexes. The estate is well located in relation to Gallipoli Barracks, Enoggera and is expected to be very popular with ADF families. Work on the project is well advanced and delivery of houses is expected to be complete by June 2011.

### Everton Park, Brisbane

The Everton Park development site was acquired in February 2008 with development approval for 32 townhouses. Like Gordon Olive Estate, it is well-located in relation to Gallipoli Barracks, Enoggera and is only eight kilometres from the Brisbane CBD. Work on the development is well advanced with contract award expected in July 2009 and final deliveries due by December 2010. Funding of \$12 million is from the Nation Building – Economic Stimulus Plan.

### Pickering Hill, Brisbane

This 63-lot development is the final stage in the much larger Pickering Hill Estate in the northwest of Brisbane. Located about eight kilometres from Enoggera, the estate features attractive rural views and includes two significant parks and a naturalised creek bed for stormwater runoff. The constructions are detached houses and are either complete, nearing completion or under contract for completion in 2009–10. Two-thirds are funded by the Nation Building – Economic Stimulus Plan, including the first stimulus-funded house to be handed over to DHA. The Prime Minister officiated at the hand over in June 2009.

### **Lyons, Darwin**

The new Darwin suburb of Lyons, a Joint Venture between DHA and the Canberra Investment Corporation Pty Ltd, will yield a total of 690 dwellings of which 344 will be for DHA. The suburb is well located in relation to the Darwin CBD and is already proving popular with Defence families. During 2008–09, a further 70 houses were handed over bringing the total in Lyons to 120 properties as at 30 June 2009. Funding for house constructions is a combination of business as usual sources and the Nation Building – Economic Stimulus Plan.

### **Muirhead, Darwin**

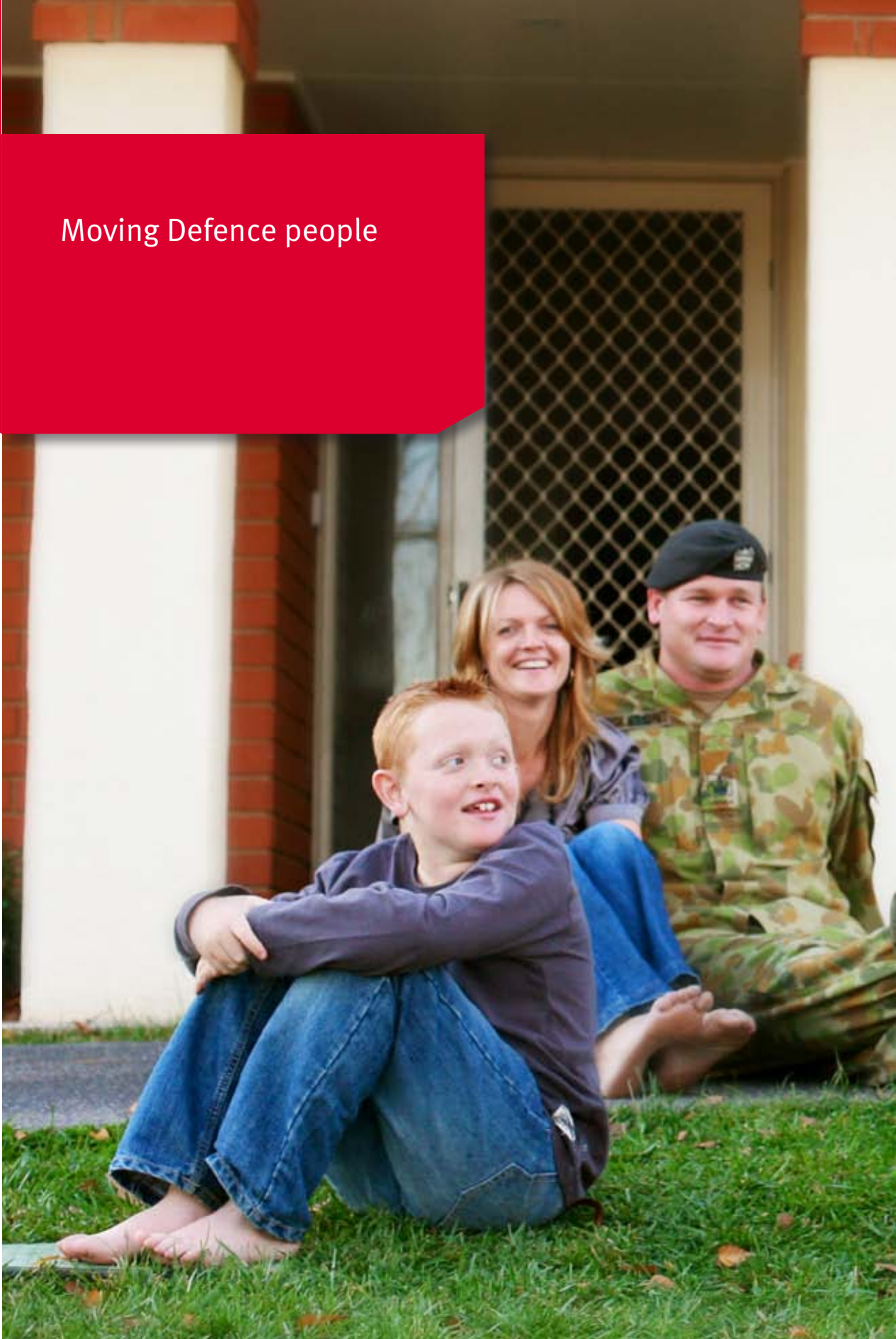
Muirhead will be a new suburb of Darwin located about 15 kilometres from the CBD. The land is owned by DHA, having been bought from Defence in June 2006. The suburb will be master planned and will provide about 1,000 homes designed for Darwin's tropical climate. About 30% of the development will be open space providing for both passive and active recreational activities. A master plan and rezoning application which provided for DHA to take 35% of lots in the new suburb was submitted to the Northern Territory Government in October 2008.

### **Crace Joint Venture**

DHA is a member of a consortium that won the right to develop this new suburb of Canberra as part of a Joint Venture with the ACT Government's Land Development Agency. A total of 1,430 residential blocks will be released for sale as a result of the development with DHA positioned to take up to 300 for Defence housing over a four-year period. The first release of land is expected in November 2009 when DHA expects to be allocated 39 lots. Work is under way to select a builder for these dwellings.



# Moving Defence people







## Objectives

- Provide relocation services that facilitate Defence mobility.
- Operate commercially, efficiently and innovatively.

KEY PERFORMANCE INDICATOR	2008–09 TARGET	2008–09 ACHIEVEMENT
ADF member satisfaction with overall DHA relocations	80%	95%
Satisfaction with customer service		
Relocations	80%	96%
Maintenance	80%	95%

## Major outcomes

1. Administered the relocation of more than 35,000 members (including relocations not at Defence expense) with very high levels of member satisfaction with the service provided.
2. Delivered a successful peak posting period as a direct result of a major drive to secure advance notice of member intentions following receipt of posting.
3. Provided direct support to high ADF operational activity especially in Darwin and Townsville, with coordination of large numbers of relocations including family support moves and movements to storage in connection with members deploying off-shore.
4. Achieved its highest rate of pre-allocation of homes (90%) in the new posting location before departure from the old, helping to reduce posting stress for ADF families.
5. Assisted Defence with the short-notice introduction of a new policy related to retention of RA properties by single members on deployment.
6. Supported the Defence Single LEAP program by arranging the relocation of more than 800 single members to their new Living-in Accommodation including a large number displaced by the closing of Endeavour House in Sydney.
7. Achieved recertification by the Customer Service Institute of Australia against international customer service benchmarks for the third year.
8. Submitted a bid for the provision of relocations administration services beyond July 2010 having been pre-qualified through an Invitation to Register Interest.

## Overview

In 2008–09 DHA completed its eighth year as provider of relocations services to Defence under the Relocations Services Agreement. During the period since it was engaged as relocations service provider, DHA has managed the relocation of more than 250,000 ADF members including many with their families.

A mobile workforce is vital to ADF operational capability. By facilitating the movement of ADF personnel on posting, DHA makes an important contribution to operational capability. This is especially the case in light of the increased involvement of the ADF in operations off-shore. Some relocations may have a direct connection with an operational deployment or redeployment and DHA is sensitive to the added burden this may place on ADF families.

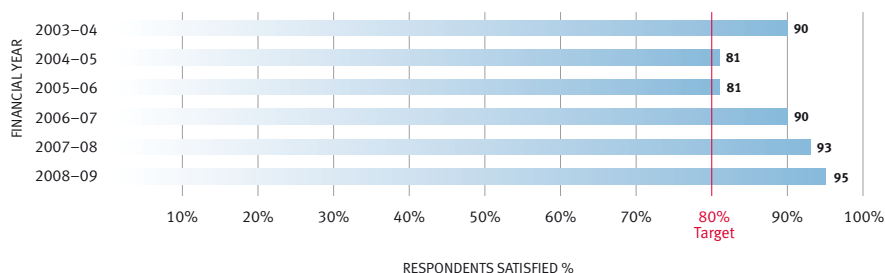
DHA performs the relocations administration function for members with and without dependants. While the majority of the 35,000 relocations administered during 2008–09 were posting-related, DHA also manages a sizeable number of non-posting related movements. These include relocations due to changes in personal circumstances (e.g. breakdown of a marriage), relocations due to purchase of own home and DHA-initiated moves (e.g. loss of a Service Residence due to end-of-lease).

The involvement of DHA in the relocation of members on posting is initiated when Defence provides DHA with a posting order and, in the case of a married member who selects a Service Residence in the new location, concludes with a welcome visit to their new home (see the process map on page 31). As part of this process, a DHA-appointed case manager will generate a movement plan, supervise the relocation process, approve inventories for removal, arrange temporary accommodation and payment of allowances and coordinate with other service providers to ensure a minimum of inconvenience.

Where relocation culminates in the occupation of a DHA-managed Service Residence, relocations administration gives way to tenancy management in a seamless transition. Families are met in their new Service Residence for a “welcome to your new home” meeting at which a DHA staff member provides a “Welcome Kit” and undertakes a condition report inspection of the home.

DHA’s relocations survey measures customer satisfaction with the complete relocation process. Positive results in customer satisfaction continued through 2008–09 with 95% of 4,854 participants indicating that they were satisfied with their total relocation experience. This exceeded the target of 80%. Sample sizes in past years ranged from 1,724 to 4,488.

### Customer satisfaction with total relocation experience, 2003–04 to 2008–09



## Successful peak-posting cycle

The 2008–09 peak-posting cycle was one of the most successful in the eight-year period that DHA has provided relocations administration services to Defence. In the period leading up to the peak, DHA processed some 11,500 posting orders that were to take effect in the peak period (December – February) generating some 9,000 relocations. The success was directly related to a determined campaign that started in July 2008 to make early contact with posted members to get them to submit their relocations paperwork. The result was an improvement of the order of 15% in the number of applications lodged with DHA before the end of September 2008 allowing early notification of removals to Toll and advance bookings for temporary accommodation. For members, the success meant more properties on HomeFind early in the process leading to historically high levels of pre-allocation rates.

## A customer service business

With thousands of interactions every day with ADF members and their families, with maintenance providers, builders, agents and accommodation providers, DHA is a customer service oriented business.

In 2005, in recognition of the need to improve its performance at the customer interface, DHA sought certification with the Customer Service Institute of Australia (CSIA), Australia's peak customer service organisation. The CSIA offers evaluation and certification by licensed assessors against 29 International Customer Service Standards. Certification provides independent recognition of the quality of customer focus across the organisation (service, learning and growth, financial and operational) and is a recognised benchmark in both the public and private sectors. In addition to the certification audit process, the CSIA offers valuable insight and coaching in customer service.



In 2008–09, following its third audit, DHA achieved an average score of 6.6 for the 29 attributes assessed. A score of six to 10 indicates that the organisation has integrated this attribute/criterion into everyday operations. In its audit report, the CSIA made a number of recommendations which DHA has implemented including further significant investment in customer service related training for its field staff. The CSIA said that DHA was on its way to becoming a leading customer service organisation. DHA's fourth assessment will occur in 2009–10.

## Communicating with ADF members

DHA communicates with ADF members, who are its primary customers, in a variety of ways reflecting the expectation that modern electronic communications will be available to support the relocations process. There is no substitute, however, for face-to-face meetings with DHA staff. DHA derives useful synergies by deploying its physical and human presence in capital and major regional centres to also support the relocations function.

Staff members are regular participants at briefings to ADF members in the lead up to the peak posting period and subsequently as required. DHA maintains an up-to-date web presence via a portal to the full range of its relocations services. Communication and marketing materials are also used to inform ADF members and their families of the services available and how to use them.

DHA maintains hard copy publications and online information products to assist customers understand and access housing and relocation services. Hard copy publications are distributed via the HMCs and stakeholder groups such as the Defence Special Needs Support Group, Defence Families of Australia and the Defence Community Organisation.



## Relocations Services Agreement

Under the Relocations Services Agreement with Defence, DHA provides two broad categories of service to relocating ADF members: allocations and tenancy management and relocations administration.

Allocations and tenancy management are closely related to DHA's core business as housing provider for members with dependants. As mentioned in Chapter 1, and with the approval of the Government, these functions were transferred during 2008–09 to the Services Agreement for a five-year term, renewable at Defence discretion.

Relocations administration on the other hand is provided to all categories of relocating Defence members and includes the functions of itinerary management and removals coordination. These functions are currently being market tested before expiry of current arrangements on 30 June 2010. DHA has submitted a tender response following its pre-qualification through an Invitation to Register Interest process.



## E-channel capability (online services)

DHA continues to extend its e-channel capability with new and improved systems that provide both Defence members and DHA staff with better and more efficient access during the relocation process.

### HomeFind

HomeFind is DHA's online housing selection tool enabling ADF members and their families to search on the internet for a suitable DHA home in the location to which they are being posted, before actually moving. HomeFind is an interactive website displaying details of all DHA homes that are or will be available for occupancy in each location, within each member's entitlement. HomeFind also explains Defence and DHA policies affecting house selection and includes improved mapping capabilities and information on local facilities.

Early selection of a new home increases the opportunity for door-to-door removals which are less stressful for members and reduce the cost to Defence of temporary accommodation and storage. This "pre-allocation" also enables earlier selection of schools, better opportunities for securing spouse employment, child care and other arrangements that need to be made in the new location. During 2008–09, 90% of ADF members who moved into a Service Residence used HomeFind to pre-select their homes against a target of 65%.

### Online Application for Relocation

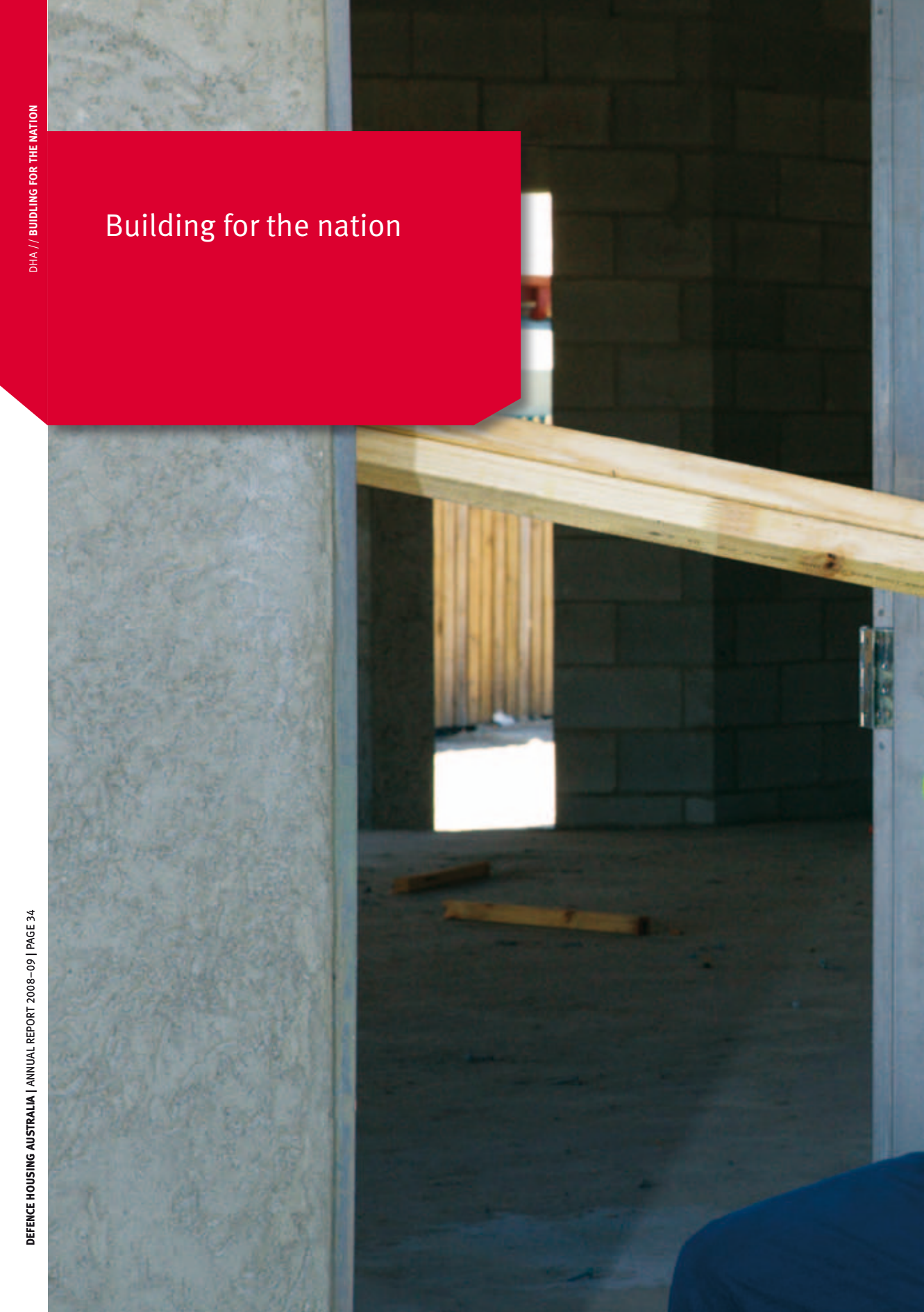
The online Application for Relocation form (AFR) is now a significant means by which members communicate information to DHA. Members are guided through the application to ensure that relevant questions are answered. More than 38% of members submitted their AFR online during 2008–09.

### Fast Connect

Fast Connect is a free, non-compulsory disconnection and connection service for telephone, electricity and gas utilities. DHA facilitates access to the services provided by Fast Connect for ADF members who are relocating. ADF members receive a choice of utility providers (if available) and can elect for connection of internet, pay television and message bank services. Fast Connect also includes early notification of new home phone numbers.



# Building for the nation







## Overview

On 3 February 2009, the Australian Government announced that it would deliver a \$42 billion Nation Building – Economic Stimulus Plan (NB-ESP) to support jobs and invest in future long-term economic growth. Projects to be funded were expected to deliver lasting benefits for communities across the nation, while boosting local infrastructure and supporting job creation.

The Australian Defence Force community will benefit directly from the stimulus plan as a result of a decision to allocate \$251.6 million to DHA to fund the construction of 802 houses over the two-year period to 2010–11. The funding is for construction costs only, with building taking place on land already held. DHA must also deliver its business as usual program of more than 1,000 house constructions over the same period.

The additional funds come at a time of significant ADF expansion in places such as Adelaide, Brisbane and Townsville, and will assist DHA to meet the growth in the Defence housing requirement in these and other locations across the country (see Table 1 below).

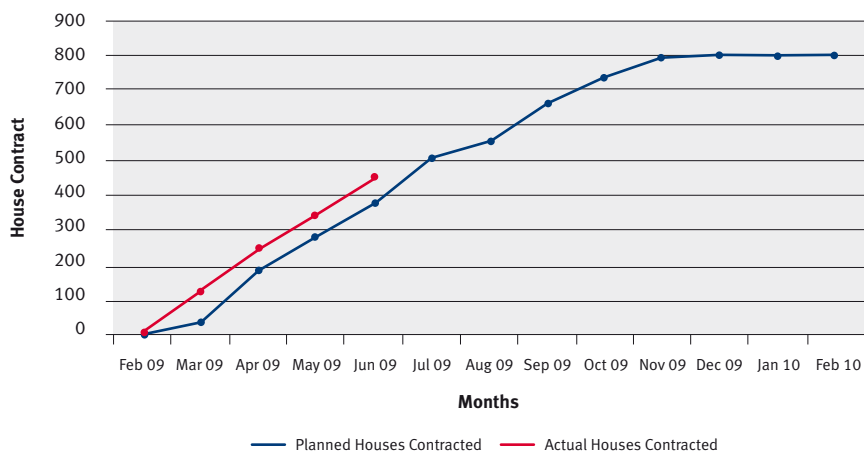
**Table 1: Location and number of houses funded by the Nation Building – Economic Stimulus Plan**

	2008–09	2009–10	2010–11	TOTAL PROGRAM
	CONTRACTS AWARDED	SCHEDULED COMPLETION	SCHEDULED COMPLETION	
Adelaide	28	62	38	100
Brisbane	41	71	32	103
Cairns	5	5		5
Canberra	10	10		10
Darwin	126	145	40	185
Hunter	14	28		28
Ipswich	53	61	72	133
Melbourne	41	43		43
Hobart		10		10
Sale	13	13		13
Nowra		16		16
Singleton		2		2
Sydney		20		20
Toowoomba		8		8
Townsville	118	118		118
Wagga Wagga	2	2		2
Wodonga	6	6		6
<b>Total</b>	<b>457</b>	<b>620</b>	<b>182</b>	<b>802</b>

## Getting in front of the game

With the residential construction sector of the economy expected to make a major contribution to the delivery of the NB-ESP, DHA moved quickly following the Government's announcement to place tenders in the market such that by 30 June 2009 57% of the total program of 802 houses had been contracted including all scheduled constructions for 2009–10. Three houses were completed and handed over by 30 June 2009. This progress is illustrated in Figure 1. The total value of contracts let to 30 June 2009 is estimated at \$142 million.

**Figure 1: NB-ESP House Construction (Volume): Planned versus Actual (as at 30 June 2009)**



## Economic stimulus and job creation

In accordance with advice provided by consultants Essential Economics Pty Ltd<sup>1</sup>, DHA estimates that in the period to 30 June 2009, its contribution to NB-ESP has been responsible for the creation of 348 jobs directly and a further 871 jobs indirectly.

## Communication

DHA maintains its own NB-ESP website at [www.dha.gov.au](http://www.dha.gov.au) and contributes to the Federal Government NB-ESP website at [www.economicstimulusplan.gov.au](http://www.economicstimulusplan.gov.au). In addition, DHA provides weekly updates to the Department of Prime Minister and Cabinet, Department of Finance and Deregulation and the Department of Defence.

<sup>1</sup> Essential Economics Pty Ltd, *Measuring Economic Benefit of Dwelling Construction and Maintenance Programs of DHA*, Final Draft Report dated January 2009

## Opportunities for apprentices

In March 2009, DHA initiated a scheme to support the creation of 20 new apprenticeship places in the residential construction industry. Under the DHA Apprenticeship Support Scheme (DASS), DHA will subsidise the cost of creating 20 new apprenticeship places. DHA will meet 50% of the costs of each apprentice who will be engaged as far as practicable on DHA residential construction sites.

The scheme will support the Australian Government's job creation and training objectives and is complementary to the announcement in early 2009 of Federal funding for an additional 802 DHA homes as part of the NB-ESP.

DASS will assist DHA to meet its charter of providing accommodation for Defence families through the construction of service homes by:

- helping to strengthen the construction industry, particularly in areas where DHA has a high demand for Defence homes
- enhancing construction industry skills through on the job opportunities for apprentices
- developing DHA's relationship with the construction industry, particularly the individual builders who engage the apprentices, and
- promoting knowledge of DHA's activities and assisting with the sale of investment properties.

The locations of the 20 new apprenticeships are based on the key areas of DHA construction activity, i.e. ACT (two places), Adelaide (five), Brisbane (four), Darwin (five) and Townsville (four).

The scheme is operated locally, on DHA's behalf, by a number of existing group apprenticeship schemes. This administrative model has been chosen by DHA because it provides maximum flexibility and takes advantage of the knowledge of the local construction industry and apprentice system and their demonstrated ability to provide ongoing apprentice support and mentoring. Apprentices will be employed by the group schemes under the same conditions of employment as are available generally to apprentices.



# Looking after our people





## Objectives

- Attract, develop and retain commercially-minded, customer-focused staff.

KEY PERFORMANCE INDICATOR	2008–09 TARGET	2008–09 ACHIEVEMENT
Retention of staff	>75%	82%
% of salaries spent on training of DHA staff	>0.90% of total salaries paid	1.72%

## Major outcomes

1. Adopted a Human Resource Strategic Plan 2009-12. The plan recognises the need to meet changing workforce needs, legislative requirements and demographic trends.
2. Negotiated and implemented a new Collective Agreement for 2009-11. This will contribute to DHA's corporate objective of positioning itself as an "employer of choice".
3. Endorsed the Learning and Development (L&D) Strategy 2009-12.
4. Developed and successfully implemented a web-based online recruitment system that enables applicants to search for positions, obtain position descriptions and lodge applications online.
5. Revised Procurement Guidelines were developed and implemented. The guidelines assist DHA staff in obtaining best commercial outcomes and value-for-money in the procurement process.
6. Enhanced fleet management processes to improve service delivery to staff and achieve cost savings.



## Overview

DHA's future success depends on the skills, energy and commitment of its people. Accordingly, DHA aims to attract, develop and retain employees of the highest calibre and to provide a working environment that enables its staff to maximise their contribution to the achievement of corporate objectives.

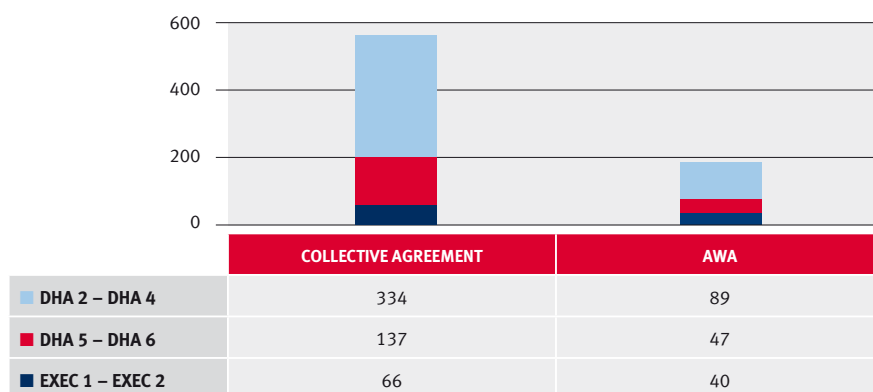
DHA recognises the importance of providing a safe, supportive and stimulating work environment for all its employees. This approach is reflected in the Human Resource Strategic Plan 2009–12 which aligns DHA's service delivery culture and organisational structure with its business approach.

## Staffing profile

The new *DHA Collective Agreement 2009–2011* (CA) commenced operation in early June 2009 and is the primary instrument of employment of DHA staff. Our Senior Executive Service (SES) staff are primarily employed under individually negotiated Common Law Contracts (CLCs). Some SES staff remain employed under an Australian Workplace Agreement (AWA).

During the CA negotiations, DHA provided staff with the option of remaining on their AWA or transitioning to the new CA. All new non-SES employees are engaged under the CA.

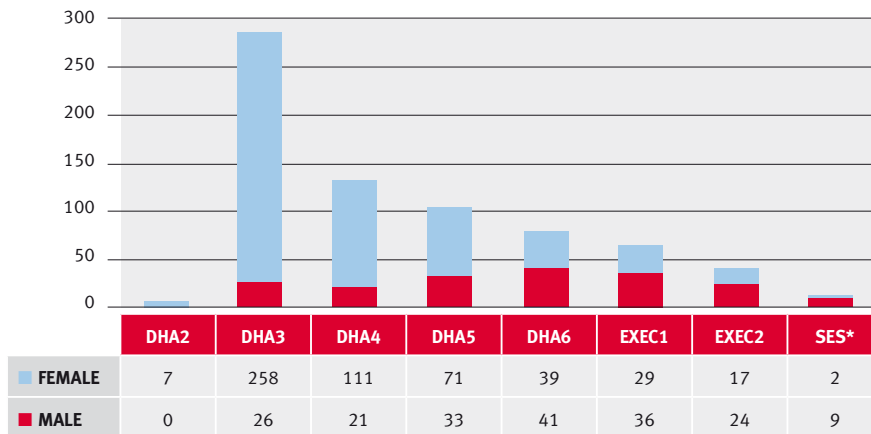
### DHA Staff by Agency Agreement and Classification at 30 June 2009



- Nine Senior Executive Service (SES) staff are employed under a CLC and two SES are employed under an AWA. One trainee is employed under the Collective Agreement.

As at 30 June 2009, the number of non-SES staff employed under the CA was 538, with 176 employed under an individual AWA. DHA continues to make available to staff the option of terminating their AWA and transitioning to the CA. As a result, 311 staff have terminated their AWA and this number will increase.

### DHA Staff by Classification and Gender at 30 June 2009



- Senior Executive Service (SES) figures include one female and four males classified at the SES band 1 level, one female and four males classified at the SES band 2 level, and one male at the SES band 3 level. DHA has one female trainee who is not included in the tabled figures.

At 30 June 2009, the total number of staff engaged by DHA under the *Public Service Act 1999* was 725, of whom 131 were employed on a non-ongoing basis. DHA staff are selected on the basis of merit with due regard to the principles of workplace diversity.

## New Collective Agreement

After extended and comprehensive consultations with all staff during the year, DHA successfully negotiated a new CA. This was approved by staff and the Minister and commenced operation on 8 June 2009. The key objectives of the CA are flexibility, particularly in relation to the attraction and retention of staff, and introduction of better succession planning strategies. This will result in improved service delivery and substantial savings in direct recruitment costs, as well as increased individual employee productivity due to the higher average experience base of employees. The productivity gains will meet the cost of improvements in employment conditions mentioned on the next page.

The CA includes competitive and flexible remuneration and employment conditions consistent with the value DHA attaches to individual staff members' skills, qualifications, knowledge and other desired attributes. The remuneration component of the CA package comprises salary payments, guaranteed annual salary increases, access to performance bonuses, employer superannuation contributions and potential annual salary increases based on exceptional performance.

DHA provides staff with a competitive remuneration and employment conditions package which includes access to performance bonuses, employer superannuation contributions and, in some instances, special allowances.

All staff have access to a choice of superannuation, salary sacrifice and leave arrangements.



## Employment conditions

Important initiatives in the new CA include:

- a 3.5% pay increase in October 2009, 2010 and 2011
- automatic advancement of staff engaged at DHA level two to DHA level three, subject to successful completion of their probation
- formalised provision for the engagement of cadets, trainees and graduates
- enhanced overtime provisions, and
- access to additional role allowances for staff in key positions such as fire wardens and first aid, workplace harassment and health and safety officers.

## Special allowances

In recognition of the specific skills, expertise and credentials required by DHA, special allowances are provided to a number of staff. This enables DHA to attract specialists to key roles, maintain its depth of corporate knowledge and retain high performing staff.

## Additional role allowances

Selected DHA staff in each DHA office have been appointed to key roles created to support the safety and wellbeing of our people in the workplace. These roles include Occupational Health and Safety (OH&S) Officer, First Aid Officer, Fire Warden, Deputy Fire Warden and Workplace Harassment Contact Officer.

To undertake these roles, staff members are required to undertake approved training and secure necessary qualifications. In recognition of the important contribution of these staff, provision is made in the new CA for payment of a fortnightly allowance. To encourage sharing of responsibilities and ensure the role aligns with DHA's Business Continuity Plan, staff may only perform one of these additional roles.

## Northern Territory retention bonus

A two-year retention bonus was implemented in the Northern Territory in 2005 and, because of its success, the program was extended to 2009. The initiative was designed to increase motivation and retention of our skilled staff members in the Northern Territory during the peak posting period from October through to February each year. In February 2009, 72% of ongoing Northern Territory staff received a retention bonus.

Because of its success, the Northern Territory retention bonus has been incorporated into DHA's new CA.

## Performance bonus

During CA negotiations, DHA staff advised that they appreciated recognition for high levels of performance. Accordingly, performance bonuses have been incorporated into DHA's new CA and are used by DHA to reward exceptional performance by staff across all classification levels. The bonus payments are based on each staff member's work performance and achievements against their annual Performance Development Agreement (PDA). All staff are required to enter into an annual PDA which is the key component of DHA's Performance Development Scheme.

DHA provides staff with the option to salary-sacrifice their performance bonus into an approved superannuation fund of their choice, taking into account Australian Taxation Office rules.

## CA remuneration ranges

CA CLASSIFICATIONS	JUNE 2009	
	MINIMUM OF RANGE	MAXIMUM OF RANGE
Trainee/Junior	\$36,000	\$41,000
Broadband 1		
DHA Level 2	\$41,280	\$46,283
DHA Level 3	\$46,493	\$51,515
DHA Level 4	\$51,371	\$57,403
Broadband 2		
DHA Level 5	\$57,875	\$63,169
DHA Level 6	\$63,890	\$73,459
Executive Levels		
Executive Level 1	\$77,061	\$94,664
Executive Level 2	\$89,382	\$118,274

The Collective Agreement salary ranges will increase by 3.5% on 1 October 2009.

## Payroll and HR Information Systems

DHA manages a high-quality HR Management Information System. During 2008-09 upgrades were successfully implemented so that staff continue to have access to a modern, secure electronic environment in which to view and update their personal, payroll and leave details. DHA met its internal and external reporting obligations with system-derived reports.

DHA manages the delivery of payroll services that include processing and reconciling the fortnightly payroll, managing employee entitlements, administering employee superannuation, ensuring compliance with taxation legislation relating to employee salaries, preparing payment summaries and transitioning to the new CA.

## Ethics Contact Officer

During 2009 the Australian Public Service Commission launched an Ethics Advisory Service (EAS). This service is available to all APS employees to assist them in identifying emerging ethical issues and in making ethical decisions. To complement the EAS, DHA has appointed an Ethics Contact Officer to assist staff on a confidential basis in seeking advice on ethical issues that may arise in the course of their work.

## Staff Consultative Group

The Staff Consultative Group (SCG) comprises staff-elected representatives and plays an important role in facilitating consultation on issues affecting the workplace. During the year the primary task of the SCG was to represent staff in negotiating the CA with management. The SCG facilitated the delivery by management of a series of staff forums, consistent with the collaborative approach adopted by staff and management in developing the CA.

## Rewards and recognition

High achievers are recognised through of individual and team-based awards. DHA is proud of these significant achievements and outstanding contributions. The awards include:

- Service Awards – for committed staff who have achieved the significant service milestones of five, 10, 15 and 20 years of service, and
- annual DHA Awards for Excellence – which recognise high-performing business units and individuals who have made a positive difference to the business.

### *Annual Awards for Excellence, 2008*

<b>Employee of the year</b>	Julie Ryan (Finance)
<b>Business unit recipients</b>	
People and Corporate Resources	Lyndy Page
Client Relations	Ellen Robson
Business Solutions and Technology	Catherine Jenkins
Sales and Marketing	Gai Stone
Finance	Julie Ryan
Development and Construction	Ruth Grey
Head office – Operations	Fil Petriella
Wodonga HMC	Kathleen May
Canberra HMC	Anthony Zanetti
Northern Territory	Ruth Lantzke
North Queensland Region	Ken Whelan
South Queensland Region	Steve McMeikan
Hunter HMC	Gaye Smith
Victoria/Tasmania Region	Sean O’Hearn
Adelaide HMC	Allan Johnston
Western Australia	Mark Turtle

### **Business Unit Awards**

Head office business unit of the year	Business Solutions and Technology
Head office most improved business unit	Finance
Best HMC	Townsville
Most improved HMC	Darwin
Best team	Adelaide Relocations

## Recruitment panel

During the year DHA established a new panel of preferred providers of recruitment services. The panel consists of 25 specialist recruitment providers throughout Australia. This initiative should increase DHA's ability to attract suitably qualified candidates to fill short-term, non-ongoing and permanent vacancies and provide value-for-money.

## Occupational Health & Safety

### OH&S Management

During 2008–09, DHA undertook a gap analysis of its OH&S management. This project followed up an initial gap analysis conducted in 2005 and will help DHA to assess its compliance with OH&S requirements, identify areas for improvement and streamline services with the objective of realising cost savings.

In comparison with the results of the 2005 analysis, DHA's OH&S performance has improved considerably. Recent initiatives include the establishment of an OH&S national committee, the development of Health & Safety Management Arrangements and regular staff consultation, regular hazard inspections and the appointment of trained first aid officers and health and safety representatives.

An OH&S Action Plan 2009–10 has been developed and is being implemented.

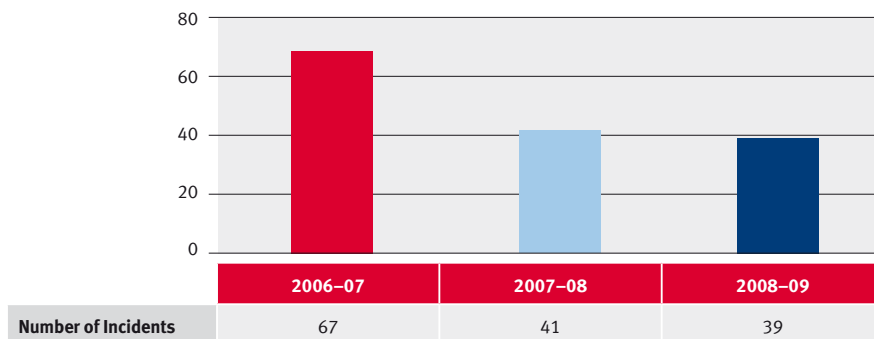
### Incident reports

In 2008–09, 39 OH&S related incidents were reported. This was a decrease of two on the number of reported incidents in the previous year.

### Workers compensation

During 2008–09, 12 DHA employees submitted workers compensation claims of which Comcare has accepted liability for 11.

### Occupational Health & Safety Incidents



### OH&S directions, audits and investigations

No directions, notices or investigations under the *Occupational Health and Safety Act 1991* were given to DHA in 2008–09.



## Other Activities

### Lease management

DHA manages 28 commercial leases for its offices across Australia. During the year DHA reduced the number of leases by four, before the end-of-lease term, owing to changes in business and client requirements. Following negotiation with the landlords, DHA secured the early surrender of these leases with either minimal or no penalty.

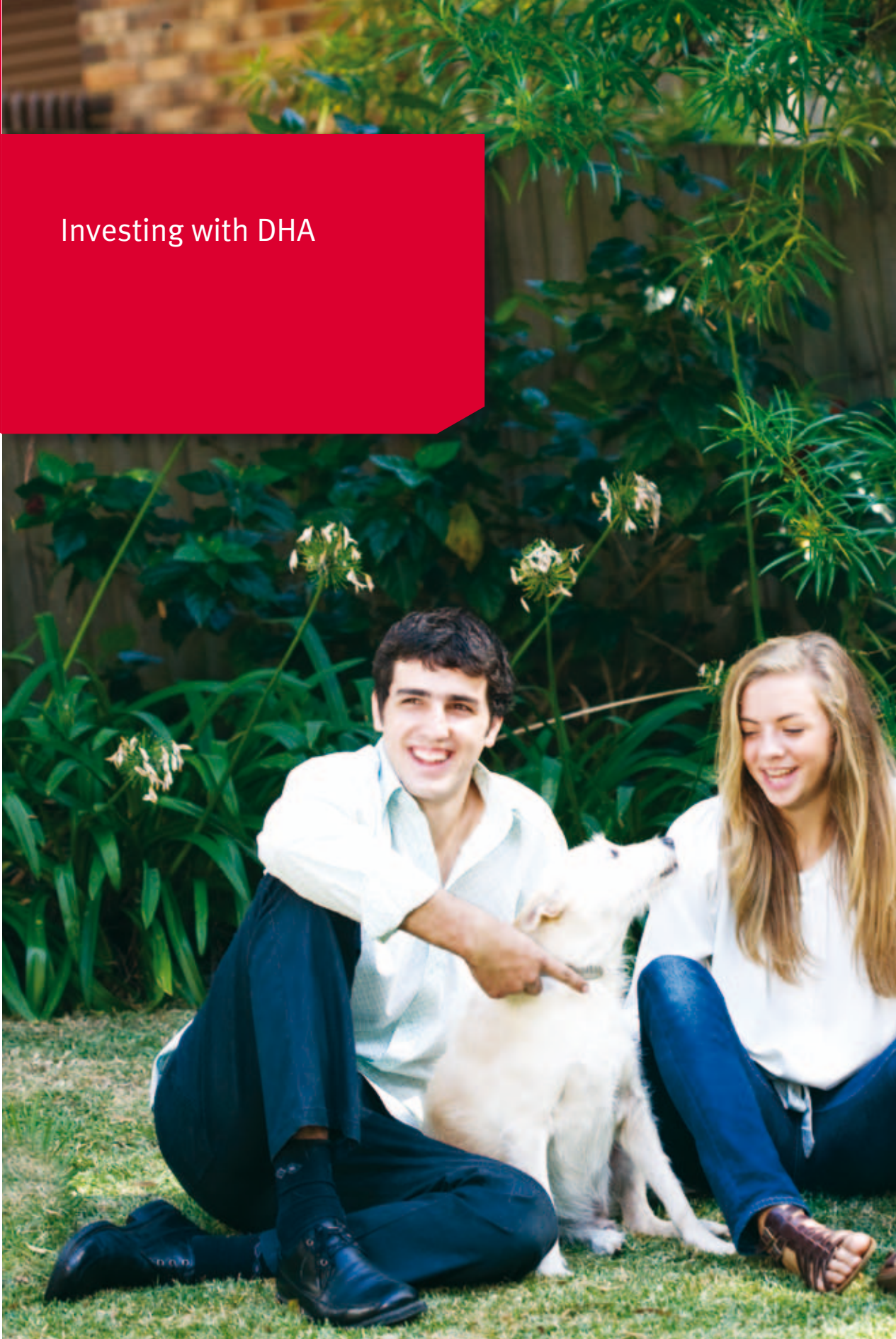
### Procurement

DHA undertakes a variety of procurement activities ranging from low-cost purchases through to the acquisition and construction of housing stock. Competitive tendering plays a crucial role in the delivery of effective and efficient services to clients.

DHA staff are required to meet standards of professionalism, transparency, probity and accountability, while maximising value-for-money. During the year DHA revised and updated the guidelines. These guidelines assist staff with their procurement activities on behalf of DHA to:

- achieve value-for-money
- encourage competition among suppliers
- use resources effectively and ethically, and
- maintain accountability and transparency in decision making.

## Investing with DHA







## Objectives

- Attract and retain lessors and other investors.

KEY PERFORMANCE INDICATOR	2008–09 TARGET	2008–09 ACHIEVEMENT
Percentage of lessors satisfied with overall property management service	90%	96%

## Major outcomes

1. Adjusted the individual Sale and Leaseback (SLB) offer in light of deteriorating market conditions to provide additional incentives to investors thus stimulating demand for DHA investment properties.
2. Promoted the SLB program in national media, successfully drawing attention to a sound investment opportunity.
3. Appointed consultants to advise DHA on institutional SLB opportunities.
4. Established a major initiative to increase the rate of lease conversions on properties reaching lease expiry with a view to increasing supply of properties and lowering costs.

## Overview

Revenue generated from the sale and leaseback of property plays a vital role in enabling DHA to provide quality housing for ADF members and their families. During 2008–09, in difficult economic conditions, DHA continued to develop its Sale and Leaseback (SLB) and leasing programs. This action ensured sufficient demand was generated, particularly for properties sold under the individual SLB program.

At the end of the reporting period, more than 11,000 properties, or around 63% of DHA's property portfolio were managed on behalf of investors. Staff in HMCs are responsible for day-to-day management of all leased properties, including lessor relations and private leasing enquiries. Financial services and rental revaluations are managed centrally from head office. Staff and licensed real estate agents, located in most Australian capital cities, are responsible for transacting the sale of properties under DHA's individual SLB program and all related enquiries. Free call 13 and 1800 numbers are provided to enable prospective investors and lessors to contact DHA.

## Leasing programs

DHA's leasing programs are about more than just bricks and mortar. DHA investors gain peace of mind knowing their property's rental income is assured for the life of the lease with a Government Business Enterprise. DHA's property management and maintenance service is mutually beneficial to investors and Defence tenants ensuring high-quality housing.

Key features of a DHA lease are:

- a long-term agreement (between three and 12 years)
- rent paid from the date of settlement until the end of the lease
- annual rent reviews to market valuation
- no loss of rent when tenants change, including no advertising or re-letting costs
- property management and maintenance for a single fee, and
- the property returned in good condition (subject to normal wear and tear) at the expiry of the lease term.

## Sale and Leaseback program

Each year DHA sells properties to investors under a leaseback arrangement. Properties sold under this program have been built or acquired by DHA in locations where housing is required for ADF members. They meet Defence requirements in terms of size, amenity and inclusions when sold.

In 2008–09, DHA continued to focus on selling properties to private investors. A total of 635 settlements were achieved during the period generating \$277.87 million revenue. This was an excellent achievement in light of difficult financial and property market conditions. The SLB program also achieved significant national media coverage as the security of DHA's lease terms were recognised in comparison to other investments.



## Private leasing program

Each year DHA leases properties directly from private owners. Like all DHA housing, leased properties must meet Defence requirements in terms of location, size, amenity and inclusions (which may include items not commonly available in private-market rental properties).

In 2008–09, in order to increase supply and lower costs, a major initiative was undertaken to increase the rate of lease conversion on existing properties where lease terms would otherwise expire. During the reporting period: 108 properties were leased directly from private owners; DHA exercised options on 1,414 leases; and 265 leases were renewed following the expiry of the original lease agreement.

## Lessor satisfaction

Satisfaction with DHA's ongoing management of leased properties is measured by an annual lessor survey. The results of this survey aid in improved lessor relations and product development. Since surveying began in 2004, satisfaction with overall property management has consistently been above the target of 90%. In 2008–09, satisfaction with DHA's maintenance service exceeded the target (94% of 1,403), while satisfaction with value-for-money of the property management fee (90% of 1,455), and feedback from annual property inspections (90% of 1,417) achieved the target.

The 2008–09 lessor survey also indicated that 63% of respondents (920) had contacted DHA within the preceding 12 months. Satisfaction with staff courtesy and helpfulness (95% of 911), accessibility (92% of 909), knowledge (94% of 889) and timeliness of response (88% of 911) were similar to results achieved in 2007-08. Lessors were significantly more likely to be satisfied with the outcome of the annual rental revaluation in 2009 (90% of 1,447) than with those in 2008 (85% of 1,775).

Lessors' positive view of DHA was also demonstrated by 78% (1,130) of respondents indicating that they would be likely to lease another property with DHA in the future and 87% (1,255) indicating they would be willing to negotiate a new lease with DHA once their current lease had expired.



## Promotion of leasing programs

### Websites

DHA websites provide information on its sales and leasing programs as follows:

#### **[www.invest.dha.gov.au](http://www.invest.dha.gov.au)**

This website is dedicated to the promotion of the SLB program. It outlines leasing arrangements; provides a description, photographs, floor plan and a location map for each property listed for sale; and provides a number of tools and additional information resources. Prospective investors can register to receive property alerts, newsletters and other promotional material via email.

#### **[www.dha.gov.au](http://www.dha.gov.au)**

DHA's core website has a dedicated section for private investors to source information about DHA's leasing programs. It provides information about private leasing arrangements and includes a list of current requirements by region. Private owners can offer their property to DHA by completing and submitting an online questionnaire. Information about the SLB program is provided with a link to [www.invest.dha.gov.au](http://www.invest.dha.gov.au).

### Advertising

Testimonial and case study advertising of investors' experiences was a key tool in promoting the SLB program in 2008–09. Minimal advertising was undertaken to attract private owners to lease their property to DHA. Mainstream media, including press, radio and online advertising were the most common channels used resulting in improved brand awareness and an increase in "hits" on DHA websites. The SLB program enjoyed significant media attention throughout the period as the security of DHA's lease terms was recognised in comparison to other investments. Publications covering the program included *The Australian*, *Your Investment Property* magazine and *Money* magazine.

### Information sessions

During 2008–09 DHA hosted "boot camp" information sessions for prospective investors in most capital cities and many regional centres throughout Australia. Remote areas of South Australia, Western Australia and Queensland, where mining activity is prevalent, were also visited. The sessions provide an overview of DHA and the SLB program, the benefits of the DHA lease and the type and location of properties available for sale. Formal and informal question and answer sessions are a vital part of this marketing strategy.

# Meeting shareholder requirements





## Objective

- Meet agreed shareholder financial requirements.

KEY PERFORMANCE INDICATOR	2008–09 TARGET	2008–09 ACHIEVEMENT
Return on Equity (ROE)	6.6%	7.3%
Earnings Before Interest and Tax (EBIT)	\$112.5m	\$113.7m
Profit Before Tax (PBT)	\$88.3m	\$92.3m
Net Operating Surplus after Income Tax	\$71.4m	\$78.9m
Debt:Equity Ratio (including off balance sheet debt)	57%	58%
Percentage of DHA Ownership	20.8%	20.0%
Ordinary Dividends	\$42.8m	\$47.3m

## Major outcomes

1. Met or exceeded targets for full-year return on equity, earnings before interest and tax, profit before tax, net operating surplus after income tax and annual dividends.



## Overview

DHA's net operating surplus after income tax for 2008–09 was \$78.9 million against a target of \$71.4 million. This result compared with a net operating surplus after income tax of \$73.8 million in 2007–08.

DHA's operating result was underpinned by housing services revenues, the sale of surplus investment properties and the sale and leaseback of inventory properties. Total housing services revenue was \$467.5 million, compared with \$445.4 million in 2007–08. Gearing was 36.9% compared with 36.5% in 2007–08. Interest times cover was 4.6. DHA operates under Australian-equivalent International Financial Reporting Standards (AeIFRS) which enable effective comparison of financial performance between 2008–09 and 2007–08.

## Operating results

DHA's total income in 2008–09 was \$863.3 million compared with \$824.8 million in 2007–08. The increase was due to improved sales of investment properties and an increase in housing services revenues.

Expenses in 2008–09 were \$770.9 million, compared with \$740.6 million in 2007–08. The increase was due to a number of factors including higher rental expenses and an increase in impairment of assets, \$7.8 million of which is on vacant land in Yamanto, Ipswich.

DHA purchased Yamanto in late 2006 (settled in March 2007) with the intention of building houses to accommodate an expanded Defence presence at nearby RAAF Amberley. Subsequently, the Government announced its decision to purchase the Super Hornet. As a consequence, the Australian Noise Exposure Forecast contours for RAAF Amberley are being revised, the result of which is likely to be that this land at Yamanto will be unacceptable for housing. On this basis, the DHA Board decided to suspend further development pending the outcome of the revision process and to recognise the impairment.

Under AeIFRS, inventories are held at the lower of cost and net realisable value and investment properties are held at the lower of cost and fair value. Both property groups are assessed on an individual asset basis rather than by class. DHA's inventory and investment properties and land holdings were reviewed by licensed property valuers at year end. The DHA Board agreed with the assessment of "fair value" and consequently wrote down the carrying values of inventory and investment properties by \$14.7 million (excluding Yamanto). The write-down in 2007–08 of inventory and investment properties totalled \$10.5 million.

Rental outlays to lessors for residential properties increased by \$26.5 million or 12.3%. They increased for three reasons:

- 1) a general increase in assessed rent
- 2) improvement in the quality of housing stock, and
- 3) additional leases year-on-year.

DHA's administrative costs decreased year on year. Employee expenses increased by \$1.0 million, or 1.8%.

## Returns to shareholders

The amendments to the *Defence Housing Australia Act 1987* in 2006 removed DHA's tax exemption for company tax. As a result, DHA submitted its first company tax return to the Australian Taxation Office (ATO) for the 2007–08 year. DHA also complies fully with the Commonwealth Fringe Benefits Tax and the Goods and Services Tax legislation, providing these payments to the ATO.

DHA is required to comply with the Australian 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 Government Business Enterprise. In accordance with this policy, DHA makes State Tax Equivalent payments to the Australian Government in respect of applicable State taxes.

Total dividends and State Tax Equivalent payments attributable to the 2008–09 operating result amount to \$69.6 million, a decrease of \$6.0 million or 7.9% over the 2007–08 result. These payments comprise an ordinary dividend of \$47.3 million, an increase of \$3.0 million, and State Tax Equivalents totalling \$22.3 million, a decrease of \$9.0 million.

## Sale of surplus housing

An important element of DHA's asset-management strategy is the sale of surplus properties. In 2008–09, \$78.9 million in revenue was generated from this source. Surplus housing stock is identified on the basis that it no longer meets the requirements of Defence, is positioned in an unsuitable location, or does not meet Defence minimum amenity standards.

## Residential investment markets

DHA's financial performance depends upon land development, construction, property sales and property portfolio management. All four activities are in turn dependent on the state of residential property markets across Australia. During the 2008–09 financial year residential property markets in Darwin and Adelaide performed best. Over the same period Perth was the slowest market.

## DHA stock

DHA managed a portfolio of 17,365 properties across Australia as at 30 June 2009. The total "fair value" of these assets was approximately \$7.8 billion with properties owned by DHA valued at \$1.8 billion. Off-base property ownership stood at 20.0% at year end against a Corporate Plan target of 20.8%. Off-base properties include DHA investment properties (14%) and DHA inventory properties for sale (6%).



## Capital structure

For the last four years DHA has used the Australian Investment Property Standard (AASB 140) to account for its investment properties. These properties are now recorded at cost and depreciated accordingly. This facilitates a better understanding of DHA's property holdings and makes the setting of targets and the reporting of results more transparent. DHA will focus on maintaining the attractiveness of the Sale and Leaseback program to individual investors in the face of difficult residential property market conditions and changes in tax structures for individual investors. The overall sales objective is to achieve a sufficient increase in revenues from the sale and leaseback of inventory properties to ensure there is no build up of DHA inventory holdings and that net cash from operating activities remains positive over the cycle.

DHA has loan arrangements through the Department of Finance and Deregulation and the Department of Defence. However, DHA does not have a commercial overdraft; nor does it have access to re-drawable loan facilities. New borrowings in 2008–09 totalled \$25 million. Borrowings outstanding totalled \$425 million as at 30 June 2009 leaving \$125 million in undrawn funds.

## 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 intermediaries.

## Financial summary

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Earnings Before Interest and Tax (1)	\$81.2m	\$74.2m	\$82.3m	\$110.3m	\$108.7m	\$99.1m	\$113.7m
Annual Dividends	\$33.1m	\$28.4m	\$27.0m	\$39.9m	\$36.5m	\$44.3m	\$47.3m
State Tax Equivalents (1,2)	\$3.2m	\$23.7m	\$23.0m	\$25.4m	\$26.4m	\$31.3m	\$22.3m
Income Tax Expense (3)	\$25.9m	\$19.0m	\$17.1m	\$11.5m	\$15.6m	\$10.4m	\$13.4m
Total Managed Stock	17,311	16,756	16,824	16,875	17,005	17,393	17,365
Acquisitions	539	489	451	460	482	421	130
Constructions	420	620	520	510	508	658	524
Sale of Surplus Stock	573	468	412	327	241	165	251
Revenue – Disposal of Surplus Stock (4)	\$136.0m	\$111.4m	\$101.3m	\$69.2m	\$42.3m	\$45.3m	\$78.9m
Revenue – Sale and Leaseback (5)	\$338.3m	\$322.7m	\$246.9m	\$353.6m	\$315.7m	\$265.1m	\$277.9m
Contracted Maintenance to DHA Houses	\$33.6m	\$32.3m	\$29.5m	\$32.0m	\$33.6m	\$30.8m	\$40.3m

### Notes:

1. Prior to 2007-08 the State Tax Equivalent payments were reported below EBIT.
2. State Tax Equivalents includes Payroll Tax, and from 2003-04 onwards Land Tax and Stamp Duty.
3. Prior to 2007-08 Income Tax was paid as an equivalent dividend. DHA became an ATO Tax Entity on 1 July 2007.
4. Revenue –Disposal of Surplus Stock does not include the sale of Defence-owned annuity financed stock.
5. Prior to 2008-09 Revenue - Sale and Leaseback did not include the Sale Price Adjustment (SPA) charge.



## Good governance

# Defence

# AUSTRALIA

# ce Housing

ALIA



## Overview

DHA operates within a governance framework intended to ensure accountable business outcomes and enhanced organisational performance. The DHA Board makes decisions on DHA's direction and formalises the process for holding managers accountable and measuring performance.

### Enabling legislation

#### Defence Housing Australia Act 1987

DHA is established under the *Defence Housing Australia Act 1987* (formerly known as the *Defence Housing Authority Act 1987*), and started operation on 1 January 1988. Under the Act, DHA's main function is to provide adequate and suitable housing for:

- members of the ADF and their families
- officers and employees of the Department of Defence and their families, and
- people contracted to provide goods or services to the Defence Force and the Department of Defence, and their families.

Under the Act, DHA also has the additional 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 the Department of 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.

On 9 November 2006, the Minister for Defence at the time, 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 any FMA Act agency.

#### Commonwealth Authorities and Companies Act 1997

DHA also complies with the requirements of the *Commonwealth Authorities and Companies Act 1997* 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
- general policies of the Australian Government, and
- conduct of directors and officers, including the civil consequences of any breach of their duties by the directors and officers.





## Corporate Plan

DHA has a three-year rolling Corporate Plan that is updated annually. The process commences with environmental scanning, including collaboration with key external stakeholders. The Corporate Plan is based on a balanced scorecard in which objectives and strategies are developed. KPIs and targets enable the measurement of achievement against the objectives. The Corporate Plan is approved by the DHA Board and provided to DHA's Shareholder Ministers for noting.

A companion document, the Executive Management Plan, is prepared to set out the activities required to implement the strategies, and to allocate responsibilities for the activities and KPIs.

## Business plans

Each Business Unit develops an annual 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.

## Performance Development Agreements

Every staff member has a Performance Development Agreement, setting out their individual responsibilities under the relevant business plan. The agreement also sets out training and professional development requirements.

## Reporting framework

DHA's external and internal reporting is focused on the objectives set out in the Corporate Plan and associated KPIs, targets, budgets and forecast associated financial statements. Key initiatives and issues are reported where relevant.

## Annual Report

The Annual Report sets out DHA's performance in delivering the objectives (as measured through KPIs) and strategies set out in the Corporate Plan. It provides the annual financial statements, 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* and the *Public Service Act 1999*.

## Quarterly reports to Shareholder Ministers

DHA provides a quarterly report to its Shareholder Ministers, setting out progress year-to-date in delivering the Corporate Plan, together with key initiatives and issues for the organisation.

## Reporting to the DHA Board

The DHA Board receives regular reports on financial and other performance against Corporate Plan targets, together with papers on initiatives and issues as required.

## Management reporting

Each Business Unit receives detailed financial and other performance data monthly, with some KPIs reported weekly. Ad hoc reports can be accessed as required. Each business unit reports progress monthly to the Managing Director. The executive management team monitors overall performance.



SENATOR THE HON. JOHN FAULKNER MP

THE HON. LINDSAY TANNER MP

THE HON. GREG COMBET AM MP

## Shareholder Ministers

### **DHA sits within the Defence portfolio.**

The DHA Board reports to Senator, the Hon. John Faulkner (previously, the Hon. Joel Fitzgibbon MP), Minister for Defence, and the Hon. Lindsay Tanner MP, Minister for Finance and Deregulation, as Joint Shareholder Ministers of DHA. Responsibility for operational matters affecting DHA has been delegated to the Minister for Defence Personnel, Materiel and Science, the Hon. Greg Combet AM MP (previously, the Hon. Warren Snowdon MP).

## CAC Act Compliance

Under section 12 of the *Commonwealth Authorities and Companies (Report of Operations) Orders 2008*, DHA is required to provide particulars of Ministerial directions issued under the DHA Act or other legislation, and also of general policies of the Australian Government notified by the responsible Minister under section 28 of the CAC Act:

- (i) during the financial year
- (ii) since the end of the financial year, and
- (iii) continuing from previous financial years.

Where a direction or general policy reported under subclause (1) has not been fully complied with, the report is required to include an explanation of the extent of, and reasons for, the non-compliance. No directions have been issued during 2008–09.

### **DHA is subject to the following general policies:**

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

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

During 2008–09 there were two instances of non-compliance of a general policy of the Australian Government under section 28 of the *Commonwealth Authorities and Companies Act 1997*. Both instances related to the requirements of the *National Code of Practice for the Construction Industry (Code)*.

DHA received advice on 16 December 2008 from the Australian Building and Construction Commissioner (ABCC) drawing attention to the requirement for the Code to be listed as an agenda item for project/site meetings and suggesting that DHA did not have mechanisms in place to check that this was being done. DHA wrote to the ABCC on 25 May 2009 outlining the steps taken to rectify the issue.

## DHA Board of Directors

**During 2008–09 the DHA Board met seven times. These meetings were held in Canberra. In addition, the members of the Board visited Adelaide in July 2008 and Cairns/Brisbane in June 2009 for briefings and a tour of key DHA development housing sites.**

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 Departments of Defence and Finance and Deregulation, and
- the Managing Director of DHA (also the Chief Executive Officer) appointed by the Board, and who is the only Executive Director.

## Board Committees

### Board Audit Committee

**The Board Audit Committee is required to meet at least quarterly and reports to the full Board on its activities at least twice a year. During 2008–09, five 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.

### Nomination and Remuneration Committee

**During 2008–09, the Nomination and Remuneration Committee met twice.**

The key functions of the Nomination and Remuneration Committee are to:

- advise Ministers on the skills and experience necessary for new directors
- oversee and provide advice to the Managing Director on executive remuneration and overall remuneration strategies
- assist the Board in relation to the review of the Managing Director's performance and remuneration, and
- ensure the provision of appropriate induction and continuing education programs for directors.

### Property Committee

**The Property Committee meets at least quarterly and on an ad hoc basis. During 2008–09, it met six times. The Committee acts in an advisory capacity to the Board on major property transactions.**

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, and
- assist in developing a standard format for Board reporting.

The Committee also reviews management proposals relating to:

- land purchases or disposals that require Board approval (more than \$5 million)
- property projects that are environmentally or politically sensitive or carry a high-level of risk, and
- any other property project, if requested to do so by the Board or management.

### Meetings attended by DHA Board members

(number attended/number held while a board or committee member)

	RETIRED DURING 2008–09	BOARD	BOARD AUDIT COMMITTEE	BOARD PROPERTY COMMITTEE	BOARD NOMINATION & REMUNERATION COMMITTEE
No. of times board/committee met during 2008–09		7		6	2
Mr Derek Volker AO, Chairman		7/7		6/6	2/2
Mr Michael Del Gigante, MD		7/7			
The Hon. W. Lloyd Lange	Yes	7/7	5/5		2/2
AVM Gary Beck AO (Rtd)		7/7			
Mr William Bowness		6/7		6/6	1/2
Mr Gary Potts		6/7	5/5		1/2
Mr Peter Sharp		6/7	4/5	5/6	
The Hon. JAL (Sandy) Macdonald		7/7	4/5*	6/6	

\* Mr Macdonald had not been appointed when the committee first met.

### Board evaluation and review

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 Charter.



## DHA Board Members

### MR DEREK VOLKER AO

Chairman of the DHA Board

**Mr Volker was appointed Chairman of the DHA Board on 26 July 2008. He is also Chairman of the Nomination and Remuneration Committee and Chairman of the Property Committee.**

Mr Volker headed three Commonwealth Departments over the 15 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 Committees. He is the Chairman of the OzHelp Foundation Ltd.

### MR MICHAEL DEL GIGANTE

BCom (Hon), MCom, MBA,  
FCPA, FAICD

Managing Director

**Mr Del Gigante was appointed Managing Director of DHA in August 2006.**

Mr Del Gigante was appointed DHA's Chief Operating Officer in April 2004 and Acting Managing Director in September 2005. 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, both in Europe and the United States, and for the Banco di Santo Spirito in Italy. He is also a member of the Advisory Board of the Royal Australian Mint.

### THE HON. WILLIAM LLOYD LANGE

CPA

**Mr Lange was appointed to the DHA Board on 13 April 2006 and was reappointed on 4 December 2006. He was the Chairman of the Audit Committee. Mr Lange's term on the DHA Board ended in June 2009.**

Mr Lange has had extensive experience in public practice as an auditor and an accountant before entering the NSW Parliament, where he had a successful career spanning 20 years. He served as a Member of the Legislative Council, Shadow Minister for Mineral Resources and Energy, and Delegate to the Australian Constitutional Conventions in Hobart, Perth and Adelaide. He is also a Director of Abigroup Risk Management Services Ltd and serves as a Member of Council for the University of New England.



## DHA Board Members

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

GAICD

**AVM Beck (Rtd) was appointed to the DHA Board on 23 November 2006 following his nomination by the Chief of the Defence Force. He is Chairman of the DHA Advisory Committee.**

AVM Beck (Rtd) is a member of the ACT Council of Save the Children Australia, and is patron of Tandem, an organisation providing respite to carers of the handicapped in the ACT. AVM Beck (Rtd) concluded eight years with the Department of Veterans' Affairs in a statutory appointment as Director of War Graves. He earlier concluded a 38-year career in the RAAF, with his final posting as Commandant Australian Defence Force Academy. His two prior senior Defence appointments were Air Commander Australia and Chief of Air Force Personnel.

### **MR WILLIAM BOWNESS**

BCom, FCPA, FAPI, FAICD

**Mr Bowness was appointed to the DHA Board in April 2006, reappointed on 23 November 2006 and reappointed again on 23 May 2009 for a three-month period. He is a member of the Nomination and Remuneration Committee and the Property Committee.**

Mr Bowness was the founder, Chairman and Chief Executive Officer of Melbourne-based property developer Wilbow Corporation Pty Ltd. The company was established in 1976 and subsequently opened branch offices in Brisbane, Queensland, Dallas, United States and Auckland, New Zealand. Wilbow Corporation was sold to a major public company in late 2006. Mr Bowness has made various contributions to the Melbourne community over the past 25 years. In 1998, he was appointed Chairman of the Monash Gallery of Art Committee of Management. In 2007, Mr Bowness was appointed a Director of Melbourne Affordable Housing Ltd, and was made a member of the Australian Grand Prix Corporation.

### **MR GARY POTTS**

BEc (Hons), MSc

**Mr Potts was appointed to the DHA Board on 23 November 2006, is Chairman of the Audit Committee and a member of the Nomination and Remuneration Committee.**

Mr Potts has more than 30 years experience in public policy and government operations. Until recently, he was a Commissioner of the Productivity Commission. He is Chairman of the Australian subsidiary of a foreign owned general insurance company. Prior to leaving the Australian Public Service in 2002, Mr Potts was an Executive Director and Deputy Secretary in the Australian Department of the Treasury.



## DHA Board Members

### MR PETER SHARP

**Mr Sharp was appointed to the DHA Board on 23 November 2006 and is a member of the Audit and Property Committees.**

Mr Sharp has over 45 years experience in the Australian Army career 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.

### THE HON. J.A.L. (SANDY) MACDONALD

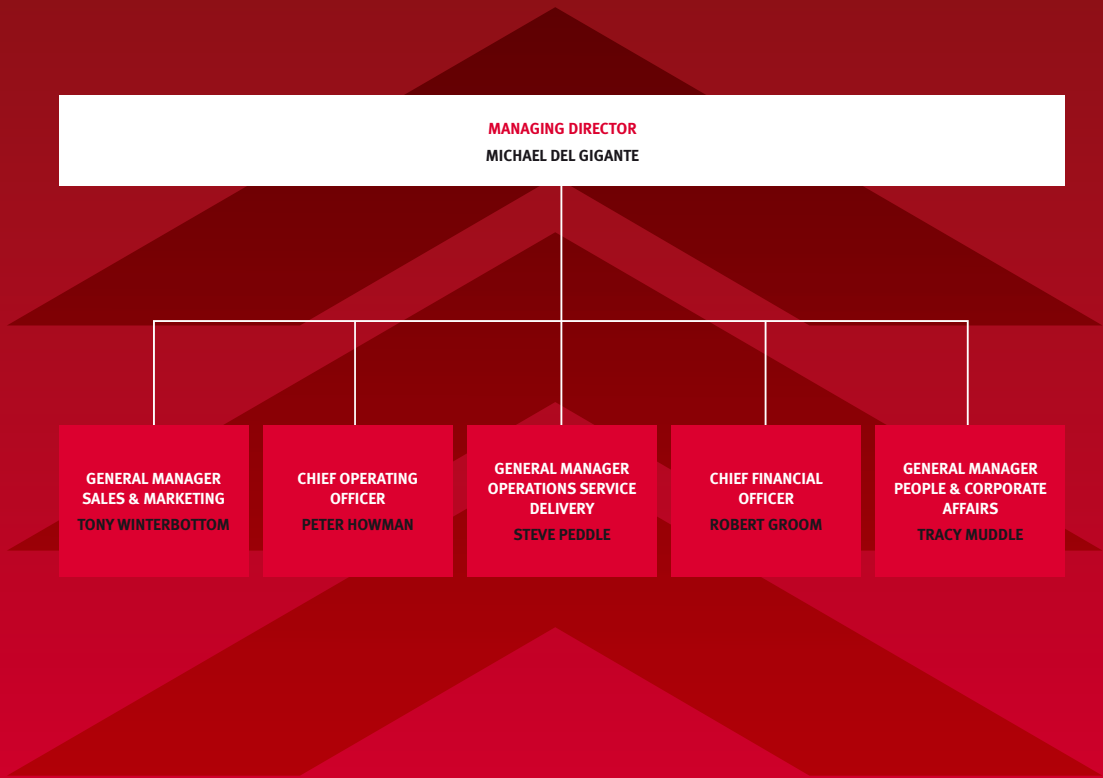
LLB (Sydney)

**Mr Macdonald was appointed to the DHA Board in August 2008 and is a member of the Audit and Property Committees.**

Mr Macdonald was elected to the Senate in 1993, selected for a casual vacancy in 2000, and re-elected in 2001. He retired from the Senate 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. He lives near Quirindi, New South Wales where he is a wool and beef producer.



## DHA Executive organisational structure





## DHA Executive

### MR PETER HOWMAN

Chief Operating Officer

#### *Educational qualifications:*

- Master of Business Administration
- Graduate Diploma in Computer Science
- Graduate Diploma of Business

#### *Key responsibilities include:*

- Capital portfolio planning
- Land and housing supply management
- Client relations, complaint resolution and performance management
- Information Communications Technology development and delivery, and
- Board Committees and Board reporting.

The Chief Operating Officer works closely with the Managing Director and contributes to the overall strategic direction setting and management of the organisation. The Division of the Chief Operating Officer delivers strategic direction for the organisation in relation to land and housing supply including acquisitions, construction, leasing and upgrades. The Chief Operating Officer also ensures accurate reporting to other government agencies particularly in relation to Defence housing progress as part of the Nation Building – Economic Stimulus Plan (NB-ESP).

### MR TONY WINTERBOTTOM

General Manager, Sales and Marketing

#### *Memberships:*

- Certified Practising Marketer
- Associate Member of the Australian Marketing Institute

#### *Key responsibilities include:*

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

The Sales and Marketing 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 of Sales and Marketing ensures that sale and leaseback targets are correctly forecasted and sustainably achieved to deliver consistent funding for both day-to-day operations and provisioning. This division also assures that DHA's brand and public relations are managed in line with agreed strategies.

### MR ROBERT GROOM

Chief Financial Officer

#### *Educational qualifications:*

- Certified Practising Accountant
- Master of Accounting
- Bachelor of Commerce

#### *Key responsibilities include:*

- Treasury and risk
- Investment management
- Financial accounting and tax
- Business planning and analysis
- Financial systems and solutions, and
- Corporate planning and transaction services.

The Finance Division is responsible for financial services across the organisation. This includes investment management, forecasting and modelling as well as performance reporting and evaluation. The role of the Chief Financial Officer is to ensure responsible fiscal management and planning, to maintain sound corporate governance and to ensure effective risk management for the organisation.



## DHA Executive

### **MR STEVE PEDDLE**

General Manager, Operations Service Delivery

#### *Key responsibilities include:*

- Lead and direct DHA's field operations and manage the Service Delivery business lines, including Property and Tenancy Management and Relocations;
- Delivery of high standards of customer service relating to property management, tenancy management, and the relocation of ADF Members, and
- Establish and monitor a range of financial objectives to ensure the commercial viability of DHA's Operations Service Delivery business lines.

The General Manager, Operations Service Delivery contributes strategically to DHA's objectives and is responsible for delivering services with a strong commercial focus. The Operations and Service Delivery division also has responsibility for reporting to the Department of Defence against Service Agreements including the monitoring and reporting of contractual Key Performance Indicators (KPIs), and liaises extensively with senior staff at the Department of Defence regarding operational issues.

### **MS TRACY MUDDLE**

General Manager, Corporate Affairs

#### *Educational qualifications:*

- Company Directors Course Diploma
- Master of Business Administration
- Bachelor of Management, Professional Studies
- Graduate Certificate in Management
- Diploma of Applied Science

#### *Key responsibilities include:*

- Internal audit
- Company Secretary and Board support
- People and corporate resources
- Legal Counsel, and
- Corporate services.

The General Manager, Corporate Affairs provides strategic direction in relation to effective people management as well as identifying organisational development opportunities. The Corporate Affairs Division is responsible for providing core support functions to DHA including human resources, learning and development, corporate support, legal counsel, board secretariat, internal audit and corporate governance. The division delivers facilities management with approximately 30 office leases, protective security, records management, procurement and national contract management including a fleet of 170 vehicles.

## Internal and external review

**DHA benefits from internal and external reviews of all processes, ensuring the business is operating in accordance with governing laws and procedures.**

### Internal audit

After the completion of a tender process DHA commenced a three-year contract with KPMG on 1 August 2008, with an option to extend for two further periods of one year each. KPMG, a specialist internal auditor, supports DHA with an independent and objective review and advisory internal audit service. The services include provision of assurance that DHA's financial and operational controls designed to manage the organisation's risks and achieve its objectives, are operating in an efficient, effective and ethical manner. During 2008–09 the internal audit program approved by the DHA Board focussed on compliance and performance reviews across DHA. This program included a number of internal audits to address areas of potential strategic and operational risk.

### 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 upon regular reviews of business processes and procedures, internal and external audits, as well as various policy/plan documents such as the Business Continuity Plan, Fraud Policy, Security Plan and Financial Delegations. Annually, a Strategic Corporate Risk Management Plan is prepared based on the methodology set out in the *Australian/New Zealand Standard AS/NZS 4360:2004*. It addresses both governance and business risks and is approved by the Board after endorsement by the Board Audit Committee.

A major initiative in 2008–09 was the commencement of online risk management training, for all staff.

### Fraud prevention measures

DHA undertakes a regular Fraud Risk Assessment (FRA) consistent with the requirements of the *Commonwealth Fraud Control Guidelines 2002*, the supporting *Better Practice Guide 2004* and in accordance with the *Australian/New Zealand Standard AS/NZS 4360:2004*. 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 DHA Fraud Control Plan (FCP) is based on the FRA and summarises DHA's fraud-control strategies. The FCP also provides guidance to staff on action to take to deter and detect fraud. The FRA and FCP are available to managers and staff via DHA's intranet. DHA treats fraud seriously and acknowledges in its FCP the significance of "whistleblowers" 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. During the year the FCP was reviewed and approved by the Board.

### Parliamentary committees and government inquiries

During the year, DHA provided details to the Joint Standing Committee on Public Works in relation to its medium housing works (\$2-15 million) and referred for consideration the Yamanto project which was subsequently withdrawn following a Board decision to suspend further development pending finalisation of revised noise contours associated with the introduction of the Australian Super Hornet to RAAF Base Amberley.

## Freedom of information

Like all other Australian Government organisations, DHA is required to comply with the *Freedom of Information Act 1982*. During 2008–09, two requests were made for access to certain information under the Act. Requests under the *Freedom of Information Act 1982* for access to information should be made in writing to:

Freedom of Information Officer  
Defence Housing Australia  
26 Brisbane Avenue  
BARTON ACT 2600

## Privacy

DHA takes its custodianship of information on its staff and customers very seriously and adheres to the policies and procedures for information release as detailed in the *Privacy Act 1988* and overseen by the Office of the Federal Privacy Commissioner. Like all Australian Government agencies, DHA lodges an annual Personal Information Digest entry with the Office of the Federal Privacy Commissioner.

## Ombudsman

During 2008–09, the Commonwealth Ombudsman received a total of 43 approaches concerning DHA. Of 41 approaches closed during 2008–09, 16 were the subject of investigation. There were no investigations where a finding of administrative deficiency was recorded.

## The courts and administrative tribunals

During the reporting period, there were no judicial decisions or decisions of administrative tribunals that had a significant impact on the operation of DHA.

## Consultancy services

DHA engages the services of a limited number of companies and consultancy services. A summary list of such consultancies is presented to the Board Audit Committee on a six-monthly basis.

## Indemnities and insurance

DHA maintains directors' and officers' liability insurance. The insurance covers DHA officers 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.

## Corporate documents

In accordance with the *CAC Act* and the *Public Service Act 1999*, DHA is required to prepare an Annual Report, Corporate Plan and Statement of Corporate Intent. Financial statements prepared by DHA are subject to audit by the Australian National Audit Office.

### *Categories of documents*

DHA holds no registers or similar documents that are open to the public on payment of a fee, nor does DHA hold any documents that are available for purchase.

### *Access to documents*

Copies of the *Defence Housing Australia Act 1987* are available from Canprint Information Services or over the counter from Standards Australia outlets, Information Victoria bookshop or Goprint. For contact details, go to [www.publications.gov.au/legislation](http://www.publications.gov.au/legislation). An online version of the Act can be downloaded from the Attorney-General's Department website at [www.ag.gov.au](http://www.ag.gov.au). DHA's Annual Report is available free of charge and can be downloaded from DHA's website at [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, Marketing Communication  
Defence Housing Australia  
26 Brisbane Avenue  
BARTON ACT 2600  
Telephone: (02) 6217 8444

## Commonwealth Disability Strategy

In accordance with the Commonwealth Disability Strategy DHA ensures that, wherever possible, policies, programs and services are as accessible to people with a disability as they are to every other member of the Australian community.

### **Role as an employer**

DHA seeks to have a highly-skilled and motivated workforce. Its workplace practices provide equitable working conditions for all staff. One of DHA's major strengths is its diverse staff. DHA strives to create an inclusive environment that values, respects and uses the contribution of people with different backgrounds, experiences and perspectives. DHA is an equal opportunity employer. In recruitment and selection of staff, an equitable, merit based and transparent process ensures that fair consideration is given to all applicants.

Recruitment information is provided in formats that promote accessibility to potential applicants and to attract the maximum number of candidates.



# Financial Statements

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## DEFENCE HOUSING AUSTRALIA FINANCIAL STATEMENTS For The Year Ended 30 June 2009

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## INDEPENDENT AUDITOR'S REPORT

To the Minister for Defence and Minister for Finance and Deregulation

### Scope

I have audited the accompanying financial statements of Defence Housing Australia for the year ended 30 June 2009, which comprise: a Statement by the Directors; Income Statement; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; and Notes to and forming part of the Financial Statements, including a Summary of Significant Accounting Policies.

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

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including the Australian Accounting Standards (which include the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial 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 Defence Housing Australia's preparation and fair presentation of the financial statements 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 Defence Housing Australia's internal control. An audit also includes evaluating the appropriateness of 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***

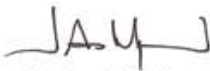
In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

#### **Auditor's Opinion**

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

- (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 Defence Housing Australia's financial position as at 30 June 2009 and its financial performance and cash flows for the year then ended.

Australian National Audit Office



Jocelyn Ashford  
Executive Director  
Delegate of the Auditor-General

Canberra  
10 August 2009

**DEFENCE HOUSING AUSTRALIA  
STATEMENT BY DIRECTORS**

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In our opinion, the attached Financial Statements for the year ended 30 June 2009 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.



**Derek Volker AO**  
Chairman

7 August 2009



**Michael Del Gigante**  
Managing Director

7 August 2009

**DEFENCE HOUSING AUSTRALIA**  
**INCOME STATEMENT**

*for the year ended 30 June 2009*

	Notes	30 June 2009 \$'000	30 June 2008 \$'000
<b>INCOME</b>			
<b>Revenue</b>			
Housing Services Provided	4	467,542	445,410
Relocation Services Provided	5	90,731	89,728
Sales of Inventories		257,053	255,383
Interest Received	6	6,064	7,638
<b>Total Revenue</b>		<b>821,390</b>	<b>798,159</b>
<b>Gains</b>			
Net Gains From Disposal of Investment Properties	7	41,238	25,309
Other Income		712	1,441
<b>Total Income</b>		<b>863,340</b>	<b>824,909</b>
<b>EXPENSES</b>			
Employee Expenses	8	53,959	52,997
Housing Services Lease Rentals		241,298	214,789
Rates, Repairs and Maintenance	9	92,896	94,216
Depreciation and Amortisation	10	12,564	12,168
Defence Member Relocation Services		62,922	63,783
Cost of Inventories		237,738	247,732
Finance Costs	11	27,517	22,455
Write-Down and Impairment of Assets	12	22,496	10,620
Other Expenses		19,471	21,791
<b>Total Expenditure</b>		<b>770,861</b>	<b>740,551</b>
Share of Operating Result of Associates Accounted for using the Equity Method		(188)	(115)
<b>Operating Surplus Before Income Tax</b>		<b>92,291</b>	<b>84,243</b>
Income Tax Expense	13	13,385	10,445
<b>Net Operating Surplus After Income Tax</b>		<b>78,906</b>	<b>73,798</b>

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

**DEFENCE HOUSING AUSTRALIA**  
**BALANCE SHEET**  
*as at 30 June 2009*

	Notes	30 June 2009 \$'000	30 June 2008 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	14	162,666	55,370
Trade and Other Receivables	15	18,233	29,141
Other Current Assets	17	33,392	29,759
Inventories	19	257,376	350,708
		<u>471,667</u>	<u>464,978</u>
Investment Properties for Sale	16	16,304	77,862
<b>Total Current Assets</b>		<u>487,971</u>	<u>542,840</u>
<b>Non-Current Assets</b>			
Deferred Tax Assets	18	35,966	33,114
Inventories	19	265,192	294,057
Plant and Equipment	20	8,626	11,173
Investment Properties	22	790,560	644,352
Finance Lease Receivables	23	152,541	153,474
Investments Accounted for Using the Equity Method	21	4,568	4,579
<b>Total Non-Current Assets</b>		<u>1,257,453</u>	<u>1,140,749</u>
<b>Total Assets</b>		<u>1,745,424</u>	<u>1,683,589</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	24	44,412	36,550
Current Tax Liabilities	25	20,139	23,755
Dividends	26	47,344	44,279
Borrowings	28	135,000	65,000
Other Financial Liabilities	29	18,370	17,928
Provisions	30	15,471	17,069
<b>Total Current Liabilities</b>		<u>280,736</u>	<u>204,581</u>
<b>Non-Current Liabilities</b>			
Borrowings	28	290,000	335,000
Other Financial Liabilities	29	1,944	6,673
Provisions	30	71,739	67,892
<b>Total Non-Current Liabilities</b>		<u>363,683</u>	<u>409,565</u>
<b>Total Liabilities</b>		<u>644,419</u>	<u>614,146</u>
<b>NET ASSETS</b>		<u>1,101,005</u>	<u>1,069,443</u>
<b>EQUITY</b>			
Contributed Equity		249,148	249,148
Retained Surpluses		851,857	820,295
<b>TOTAL EQUITY</b>		<u>1,101,005</u>	<u>1,069,443</u>

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

**DEFENCE HOUSING AUSTRALIA**  
**CASH FLOW STATEMENT**

*for the year ended 30 June 2009*

	Notes	30 June 2009 \$'000	30 June 2008 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash Received</b>			
Sales of Goods and Services		534,525	491,043
Sales of Inventory		260,909	256,440
Interest		5,189	9,597
Other Cash Received		143	45
State Tax Equivalents Received		19,457	25,481
<b>Total Cash Received</b>		<u>820,223</u>	<u>782,606</u>
<b>Cash Used</b>			
Employees		52,526	49,063
Suppliers		428,272	363,977
Interest		27,517	27,546
Income Taxes Paid		19,854	-
State Tax Equivalents Paid		22,009	24,931
Acquisition of Inventories		125,135	344,321
<b>Total Cash Used</b>		<u>675,313</u>	<u>809,838</u>
<b>Net Cash From / (Used By) Operating Activities</b>	31	<u>144,910</u>	<u>(27,232)</u>
<b>INVESTING ACTIVITIES</b>			
<b>Cash Received</b>			
Proceeds from Sales of Investment Properties		110,111	61,929
Proceeds from Sales of Plant and Equipment		2	46
Defence Annuities		36,480	30,427
<b>Total Cash Received</b>		<u>146,593</u>	<u>92,402</u>
<b>Cash Used</b>			
Acquisition of Investment Properties		148,383	119,247
Defence Annuities		14,505	55,284
Acquisition of Plant and Equipment		2,109	2,154
Investment in Associates		(69)	4,695
<b>Total Cash Used</b>		<u>164,928</u>	<u>181,380</u>
<b>Net Cash (Used By) Investing Activities</b>		<u>(18,335)</u>	<u>(88,978)</u>
<b>FINANCING ACTIVITIES</b>			
<b>Cash Received</b>			
Proceeds from Debt		25,000	60,000
<b>Total Cash Received</b>		<u>25,000</u>	<u>60,000</u>
<b>Cash Used</b>			
Dividend Paid		44,279	58,701
<b>Total Cash Used</b>		<u>44,279</u>	<u>58,701</u>
<b>Net Cash (Used By) / From Financing Activities</b>		<u>(19,279)</u>	<u>1,299</u>
<b>Net Increase / (Decrease) in Cash Held</b>		<u>107,296</u>	<u>(114,911)</u>
Cash and Cash Equivalents at the Beginning of the Reporting Period		55,370	170,281
<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	14	<u>162,666</u>	<u>55,370</u>

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



**DEFENCE HOUSING AUSTRALIA**  
**STATEMENT OF CHANGES IN EQUITY**  
*for the year ended 30 June 2009*

	Retained Surpluses		Contributed Equity		Total Equity	
	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Balance	820,295	849,476	249,148	249,148	1,069,443	1,098,624
Net Operating Surplus after Income Tax for the Period	78,906	73,798	-	-	78,906	73,798
Sub-total Income and Expenses	78,906	73,798	-	-	78,906	73,798
Transactions with Owners						
Dividend <sup>1</sup>	(47,344)	(102,979)	-	-	(47,344)	(102,979)
Sub-total Transactions with Owners	(47,344)	(102,979)	-	-	(47,344)	(102,979)
Closing Balance as at 30 June	851,857	820,295	249,148	249,148	1,101,005	1,069,443
Closing Balance Attributable to the Australian Government	851,857	820,295	249,148	249,148	1,101,005	1,069,443

<sup>1</sup>Due to a change in accounting policy, dividends in 2007/2008 were provided for, whereas in 2006/2007 they were not. The 2008 dividend of \$102,979,000 comprised the 2008 dividend \$44,279,000, 2007 dividend \$36,500,000 and the 2007 state tax equivalent \$22,200,000.

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

**DEFENCE HOUSING AUSTRALIA  
SCHEDULE OF COMMITMENTS**
*as at 30 June 2009*

	30 June 2009 \$'000	30 June 2008 \$'000
<b>BY TYPE</b>		
<b>Commitments Receivable</b>		
Sublease Rental Income <sup>1</sup>	1,059	625
Operating Lease Income	<u>2,928,044</u>	<u>2,635,191</u>
<b>Total Commitments Receivable</b>	<u>2,929,103</u>	<u>2,635,816</u>
<b>Capital Commitments</b>		
Inventories - Construction Commitments <sup>2</sup>	<u>154,349</u>	<u>117,356</u>
<b>Total Capital Commitments</b>	<u>154,349</u>	<u>117,356</u>
<b>Other Commitments</b>		
House Lease Rentals <sup>3</sup>	2,347,825	1,967,557
Other <sup>4</sup>	<u>11,671</u>	<u>9,322</u>
<b>Total Other Commitments</b>	<u>2,359,496</u>	<u>1,976,879</u>
<b>Net Commitments By Type</b>	<u>415,258</u>	<u>541,581</u>
<b>BY MATURITY</b>		
<b>Commitments Receivable</b>		
<b>Operating Lease Income</b>		
One Year or Less	303,044	277,734
From One to Five Years	1,176,585	1,057,060
Over Five Years	<u>1,448,415</u>	<u>1,300,397</u>
<b>Total Operating Lease Income</b>	<u>2,928,044</u>	<u>2,635,191</u>
<b>Other Commitments Receivable</b>		
One Year or Less	673	-
From One to Five Years	<u>386</u>	<u>625</u>
<b>Total Other Commitments Receivable</b>	<u>1,059</u>	<u>625</u>
<b>Commitments Payable</b>		
<b>Capital Commitments</b>		
One Year or Less	150,773	113,786
From One to Five Years	<u>3,576</u>	<u>3,570</u>
<b>Total Capital Commitments</b>	<u>154,349</u>	<u>117,356</u>
<b>Other Commitments</b>		
One Year or Less	259,223	230,614
From One to Five Years	1,045,892	908,493
Over Five Years	<u>1,054,381</u>	<u>837,772</u>
<b>Total Operating Lease Commitments</b>	<u>2,359,496</u>	<u>1,976,879</u>
<b>Net Commitments by Maturity</b>	<u>415,258</u>	<u>541,581</u>

NB: Commitments are GST inclusive where relevant.

<sup>1</sup> Amount receivable on sub-let commercial property.

<sup>2</sup> Outstanding contractual payments for buildings under construction.

<sup>3</sup> Outstanding payments due on properties leased.

<sup>4</sup> 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 2009*

Contingent Assets	Guarantees		Total	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Balance from Previous Period	-	-	-	-
New	-	-	-	-
<b>Total Contingent Assets</b>	-	-	-	-
Contingent Liabilities	Guarantees		Total	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Balance from Previous Period	1,836	1,372	1,836	1,372
New	206	695	206	695
Obligations Expired	(397)	(231)	(397)	(231)
<b>Total Contingent Liabilities</b>	<b>1,645</b>	<b>1,836</b>	<b>1,645</b>	<b>1,836</b>
<b>Net Contingent Assets (Liabilities)</b>	<b>(1,645)</b>	<b>(1,836)</b>	<b>(1,645)</b>	<b>(1,836)</b>

Details of each class of contingent liability and asset, including those not included above because they cannot be quantified or considered remote, are disclosed in Note 42: Contingent Liabilities and Assets.

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

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## Notes to and forming part of the Financial Statements

### Note 1: Summary of Significant Accounting Policies

#### 1.1 Basis of Preparation of the Financial Report

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

The Financial Statements and notes have been prepared in accordance with:

- Finance Minister's Orders (or FMOs) for reporting periods ending on or after 1 July 2008; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial report has been prepared on an accrual basis and is 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 report is presented in Australian dollars and values are rounded to the nearest thousand dollars unless disclosure of the full amount is specifically required.

Unless alternative treatment is specifically required by an accounting standard, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies (other than unquantifiable or remote contingencies, which are reported at Note 42).

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

#### 1.2 Significant Accounting Judgement and Estimates

In the process of applying the accounting policies listed in this note, DHA has made the following judgements that have the most significant impact on the amounts recorded in the financial statements:

- The net realisable value of completed inventory properties has been assessed by an independent valuer. Where the assessed value for an individual property is less than its cost, the carrying value of the property is written down to net realisable value.
- The fair value of investment properties has been assessed by an independent valuer. Where the assessed value for an individual property is less than its cost, the carrying value of the property is written down to the fair value less costs to sell.
- A liability is recognised for make good costs to be incurred on the expiry of long term leases.

No 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.

## Notes to and forming part of the Financial Statements

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### 1.3 Changes in Australian Accounting Standards

In the current year, DHA has adopted all of the new and revised standards issued by the Australian Accounting Standard Board (AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised standards and interpretations have not had any impact on DHA accounting policies or amounts reported in current or prior years.

At the date of authorisation of the financial report, the following standards and interpretations were in issue but not yet effective:

- Interpretation 15 "Agreements for the Construction of Real Estate" - effective for annual reporting periods beginning on or after 1 January 2009.
- Interpretation 16 "Hedges of a Net Investment in a Foreign Operation" - effective for annual reporting periods beginning on or after 1 October 2008.
- Interpretation 17 "Distributions of Non-cash Assets to Owners" - effective for annual reporting periods beginning on or after 1 July 2009.
- Interpretation 18 "Transfer of Assets from Customers" - effective for annual reporting periods ending on 1 July 2009.
- AASB 2007-3 "Amendments to Australian Accounting Standards arising from AASB 8" - effective for annual reporting periods beginning on or after 1 January 2009.
- AASB 2007-6 "Amendments to Australian Accounting Standards arising from AASB 123" - effective for annual reporting periods beginning on or after 1 January 2009.
- AASB 2007-8 "Amendments to Australian Accounting Standards arising from AASB 101" - effective for annual reporting periods beginning on or after 1 January 2009.
- AASB 2007-10 "Further Amendments to Australian Accounting Standards arising from AASB 101" - effective for annual reporting periods beginning on or after 1 January 2009.
- AASB 2008-1 "Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations" - effective for annual reporting periods beginning on or after 1 January 2009.
- AASB 2008-2 "Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation" - effective for annual reporting periods beginning on or after 1 January 2009.
- AASB 2008-3 "Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127" - effective for annual reporting periods beginning on or after 1 July 2009.
- AASB 2008-5 "Amendments to Australian Accounting Standards arising from the Annual Improvements Project" - effective for annual reporting periods beginning on or after 1 January 2009.
- AASB 2008-6 "Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project" - effective for annual reporting periods beginning on or after 1 July 2009.
- AASB 2008-7 "Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate" - effective for annual reporting periods beginning on or after 1 January 2009.
- AASB 2008-8 "Amendments to Australian Accounting Standards - Eligible Hedged Items" - effective for annual reporting periods beginning on or after 1 July 2009.
- AASB 2008-9 "Amendments to AASB 1049 for Consistency with AASB 101" - effective for annual reporting periods beginning on or after 1 January 2009.
- AASB 2008-11 "Amendments to Australian Accounting Standard - Business Combinations Among Not-for-Profit Entities" - effective for annual reporting periods beginning on or after 1 July 2009.
- AASB 2008-13 "Amendments to Australian Accounting Standards arising from AASB Interpretation 17 - Distributions of Non-cash Assets to Owners" - effective for annual reporting periods beginning on or after 1 July 2009.

## Notes to and forming part of the Financial Statements

AASB 2009-1 "Amendments to Australian Accounting Standards - Borrowing Costs of Not-for-Profit Public Sector Entities" - effective for annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009.

AASB 2009-2 "Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments" - effective for annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009.

AASB 2009-4 "Amendments to Australian Accounting Standards arising from the Annual Improvements Project" - effective for annual reporting periods beginning on or after 1 July 2009.

AASB 2009-5 "Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project" - effective for annual reporting periods beginning on or after 1 January 2010.

AASB 2009-6 "Amendments to Australian Accounting Standards" - effective for annual reporting periods beginning on or after 1 January 2009 that end on or after 30 June 2009.

AASB 2009-7 "Amendments to Australian Accounting Standards" - effective for annual reporting periods beginning on or after 1 July 2009.

AASB 3 "Business Combinations" - effective for annual reporting periods beginning on or after 1 July 2009.

AASB 8 "Operating Segments" - effective for annual reporting periods beginning on or after 1 January 2009.

AASB 101 "Presentation of Financial Statements" - effective for annual reporting periods beginning on or after 1 January 2009.

AASB 123 "Borrowing Costs" - effective for annual reporting periods beginning on or after 1 January 2009.

AASB 127 "Consolidated and Separate Financial Statements" - effective for annual reporting periods beginning on or after 1 July 2009.

Pronouncements approved by the International Accounting Standards Board (IASB) / International Financial Reporting Interpretations Committee (IFRIC) where an equivalent pronouncement has not been issued by the AASB:

Improvements to International Financial Reporting Standards (IFRS) 2009.

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material financial impact on the financial statements of DHA but may change disclosures made.

These standards and interpretations will be first applied in the financial report of DHA that relates to the annual reporting period beginning after the effective date of each pronouncement.

### 1.4 Revenue

All revenues are accounted for on an accrual basis.

Interest revenue is recognised on an accrual basis taking into account the interest rates applicable to the financial assets.

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

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. Provisions are made when collectability of the debt is judged to be less rather than more likely.

## Notes to and forming part of the Financial Statements

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### 1.5 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 taxation authority, 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 taxation authority, 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 taxation authority, are classified as operating cash flows.

### 1.6 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.

#### 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, 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 termination.

The liability for long service leave has been determined by reference to Part E, Chapter 43 of the Finance Minister's Orders 2008-2009. 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 2009, is recognised and measured at the present value of the estimated future cash flows, based on the shorthand method.

#### Separation and Redundancy

Provision is made for separation and redundancy benefit payments in accordance with DHA's People and Corporate Resources policy.



## **Notes to and forming part of the Financial Statements**

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### Superannuation

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

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

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance and Deregulation as an administered item.

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

From 1 July 2005, new employees are eligible to join the PSSap scheme, which is a defined contribution scheme.

The liability for superannuation recognised as at 30 June 2009 represents outstanding contributions for the final fortnight of the year.

### **1.7 Leases**

#### **DHA as Lessee**

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased non-current assets. Operating leases result in the lessor substantially retaining all such risks and benefits 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 Commonwealth Department of Defence (Defence);
- b. commercial property for the administration of DHA; and
- c. motor vehicles used in the operations of DHA.

DHA does not have any finance leases payable.

#### **DHA as Lessor**

#### Finance Leases

DHA finances on-base housing construction and certain off-base properties for 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.

## Notes to and forming part of the Financial Statements

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### 1.8 Sale and Leaseback Provision

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

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 3.2% (2008: 3.6%) and a discount rate of 5.5% (2008: 6.5%), being the 5 year swap rate as at 30 June 2009.

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 emerging liability.

### 1.9 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.

### 1.10 Income Tax

DHA, following amendment of the Defence Housing Australia Act 1987, became a Commonwealth income taxpayer 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.

## Notes to and forming part of the Financial Statements

### **1.11 Dividends**

A provision for dividend is recognised as a liability when dividends are appropriately authorised by the Board and is no longer at the discretion of the entity. DHA determines dividend liability annually and is required to pay 60 per cent of after tax profits to shareholders as a dividend. In accordance with paragraph 41.3 of the FMOs and a DHA Board resolution, DHA has recognised the liability for the 2009 dividend at balance date. Refer to Note 2.

### **1.12 Cash and Cash Equivalents**

Cash means notes and coins held and any deposits held at call or readily convertible to cash with a bank or financial institution. Cash is recognised at its nominal amount.

### **1.13 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.

#### 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 or held to maturity investments 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 Income Statement.

## Notes to and forming part of the Financial Statements

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### 1.14 Financial Liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

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.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

#### 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 (and irrespective of having been invoiced).

### 1.15 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.

### 1.16 Software Development

Costs relating to the development of new software are deferred to future periods to the extent that future benefits are expected. The deferred costs are amortised over future periods to match related benefits. The costs are reviewed each year for impairment and, to the extent that they exceed the recoverable amount, are written off.

### 1.17 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).

#### Properties

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

DHA adopts AASB 102 – Inventories for those properties that are provisioned with the specific purpose of sale within the short-medium term (1-5 years) in order to release capital for reinvestment.

DHA adopts AASB 140 – Investment Property for those properties that are held for long-term provisioning purposes or for capital appreciation.

## Notes to and forming part of the Financial Statements

### *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. Leasehold improvements 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 following useful lives:

	<u>2009</u>	<u>2008</u>
Off-Base Properties	50 years	50 years
Office Fitouts	40 years	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 assets were assessed for impairment on an individual basis as at 30 June 2009. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

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.

#### **1.18 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 valued at the lower of cost and fair value. The fair value represents the estimated selling price inclusive of GST less all estimated costs of completion and costs to be incurred in marketing and selling.

#### **1.19 Investment Properties for Sale**

DHA holds a proportion of its investment properties for sale. Investment properties are deemed eligible for sale 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 and are not depreciated.

## Notes to and forming part of the Financial Statements

### *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. Leasehold improvements 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 following useful lives:

	<u>2009</u>	<u>2008</u>
Off-Base Properties	50 years	50 years
Office Fitouts	40 years	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 assets were assessed for impairment on an individual basis as at 30 June 2009. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

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.

#### **1.18 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 valued at the lower of cost and fair value. The fair value represents the estimated selling price inclusive of GST less all estimated costs of completion and costs to be incurred in marketing and selling.

#### **1.19 Investment Properties for Sale**

DHA holds a proportion of its investment properties for sale. Investment properties are deemed eligible for sale 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 and are not depreciated.

## Notes to and forming part of the Financial Statements

### **1.20 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 valued at the lower of cost and net realisable value. Costs are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being assigned costs on an individual basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

### **1.21 Repairs and Maintenance**

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

### **1.22 Joint Ventures**

#### 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.

#### Jointly Controlled Entities

Interests in jointly controlled entities are accounted for under the equity method in the financial statements - refer note 1.27.

### **1.23 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.

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.

### **1.24 Competitive Neutrality (State Tax Equivalent Payments)**

DHA provides services on a for-profit basis. Under the Competitive Neutrality arrangements and as required by the Finance Minister's Orders, 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 8. Land tax and stamp duty on property acquisitions are included in Rates, Repairs and Maintenance and are detailed in Note 9.

DHA capitalises stamp duty incurred on vacant land acquisitions.

## Notes to and forming part of the Financial Statements

DHA, in accordance with the Defence Services Agreement on Housing and Related Matters, 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 4.

### 1.25 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.

### 1.26 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 rate and assessments of forecasts for interest rate. 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 Treasury who report to the DHA Board within five business days after the last business day of the month. Breaches of DHA's cash investment policy are to be reported to the Chief Financial Officer immediately for consent of action proposed or undertaken with full details provided in the monthly report to the DHA Board.

### 1.27 Investments in Associates

DHA acquired 10 per cent of the issued capital of Crace Developments Pty Ltd (Crace) in 2008. It has been determined that Crace is an associate. Crace is a 50 per cent participant in the Crace Joint Venture between Canberra Investment Corporation Ltd, Tatebrook Pty Limited, Community Housing Canberra Limited, DHA and the Land Development Agency.

Associates are all entities over which DHA has significant influence but not control. The Crace Shareholders Agreement provides DHA significant influence over the management of the company. 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 39).

DHA's share of its associates' post-acquisition profits or losses is recognised in the Income Statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

Where 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.

Unrealised gains on transactions between DHA and its associates are eliminated to the extent of DHA's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.



## Notes to and forming part of the Financial Statements

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### 1.28 Nation Building Economic Stimulus Package (NB-ESP)

The Australian government will provide \$251,576,562 to DHA to construct 802 dwellings for Australian Defence Force personnel in metropolitan and regional centres.

An equity injection of \$161,000,000 and a debt funded payment of \$40,480,000 will be received by DHA in the financial year ending 30 June 2010.

A debt funded payment of \$50,096,562 will be received by DHA on 1 July 2010.

The construction is estimated to be completed by March 2011.

### 1.29 Impairment on Yamanto

DHA purchased land at Yamanto in late 2006 (settled in March 2007) with the intention of building houses to accommodate an expanded Defence presence at the nearby RAAF Base Amberley. Subsequently, Government announced its decision to purchase the Australian Super Hornet. As a consequence, the Australian Noise Exposure Forecast contours for RAAF Amberley are the subject of a revision process. The DHA Board view it likely that Yamanto will be rendered unsuitable for housing. On this basis, the DHA Board suspended further development and sought an independent valuation of the Yamanto land. The resulting valuation was \$1,060,000 and an impairment of \$7,765,135 has been recognised.

## Notes to and forming part of the Financial Statements

### Note 2: Final Dividends

The DHA Board has declared a final dividend for the year ending 30 June 2009 of \$47,343,538 (2008: \$44,278,800). The DHA Board resolved on 21 May 2009 to pay a dividend of 60 per cent net profit after tax in October 2009. In accordance with paragraph 41.3 of the FMO's, DHA has recognised a liability for the dividend.

	30 June 2009 \$'000	30 June 2008 \$'000
Final Dividend (Payable in October 2009)	<u>47,344</u>	<u>44,279</u>

### Note 3: Special Dividends

The DHA Board has not declared a special dividend for the year ending 30 June 2009 (2008: Nil).

### Note 4: Housing Services Provided

Defence Rent and Charges	408,094	386,226
Defence Other Charges	16,538	18,265
Lessor Management Fees	34,632	30,749
Other Revenue	8,278	10,170
<b>Total Housing Services Provided</b>	<u>467,542</u>	<u>445,410</u>

### Note 5: Relocation Services Provided

Relocation Administration Fees	18,059	16,896
Allocation Administration Fees	9,750	9,049
Relocation Services Recoverable	62,922	63,783
<b>Total Relocation Services Provided</b>	<u>90,731</u>	<u>89,728</u>

### Note 6: Interest Received

Interest on Deposits	5,820	7,484
Interest from Crace Developments Pty Ltd	244	154
<b>Total Interest Received</b>	<u>6,064</u>	<u>7,638</u>

**Notes to and forming part of the Financial Statements**

	30 June 2009 \$'000	30 June 2008 \$'000
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**Note 7: Net Gains from Disposal of Investment Properties**

Proceeds from Sale	127,062	79,304
Carrying Value of Assets Sold	(82,853)	(52,614)
Selling Expenses	(2,971)	(1,381)
<b>Net Gains from Disposal of Investment Properties</b>	<b>41,238</b>	<b>25,309</b>

**Note 8: Employee Expenses**

Remuneration for Services Provided	50,512	49,294
Separation and Redundancies	-	416
State Payroll Tax Equivalent	3,447	3,287
<b>Total Employee Expenses</b>	<b>53,959</b>	<b>52,997</b>

**Note 9: Rates, Repairs and Maintenance**

Rates and Municipal Charges	7,730	7,149
Repairs and Maintenance	40,023	30,791
Other Property Charges	23,315	24,180
Heritage Upgrades for Defence	2,929	4,099
State Tax Equivalents Payments	18,899	27,997
<b>Total Rates, Repairs and Maintenance</b>	<b>92,896</b>	<b>94,216</b>

**Note 10: Depreciation and Amortisation**

<b>Depreciation</b>		
Investment Properties	8,072	7,809
Other Infrastructure, Plant and Equipment	4,492	4,359
<b>Total Depreciation and Amortisation</b>	<b>12,564</b>	<b>12,168</b>

**Note 11: Finance Costs**

Interest on Loans	27,517	22,455
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## Notes to and forming part of the Financial Statements

	30 June 2009 \$'000	30 June 2008 \$'000
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### Note 12: Write-Down and Impairment of Assets

#### Non-Financial Assets

##### Write-Downs and Impairments

Investment <sup>1</sup>	8,345	7,205
Inventories <sup>2</sup>	17,905	6,056
Plant and Equipment <sup>3</sup>	-	94
<b>Total Write-Downs and Impairments</b>	<b>26,250</b>	<b>13,355</b>

##### Reversals

Investment <sup>1</sup>	(2,252)	-
Inventories <sup>2</sup>	(1,502)	(2,735)
<b>Total Reversals</b>	<b>(3,754)</b>	<b>(2,735)</b>
<b>Net Write-Down and Impairment of Assets</b>	<b>22,496</b>	<b>10,620</b>

<sup>1</sup>To ensure compliance with AASB 140 Investment Property, an independent assessment of investment properties was undertaken by registered valuers in June 2009. The carrying value of individual properties, where the cost of the property exceeded the fair value have been written down accordingly. Refer also Note 22.

<sup>2</sup>To ensure compliance with AASB 102 – Inventories, an independent assessment of inventory properties was undertaken by registered valuers in June 2009. The carrying value of individual properties, where the cost of the property exceeded the net realisable value, have been written down accordingly. Refer also Note 19.

<sup>3</sup>The carrying values of plant and equipment 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 Note 20.

### Note 13: Income Tax Expense

#### (a) Income Tax Expense

Current Tax	20,139	23,755
Deferred Tax	(2,852)	(13,310)
Adjustments for Current Tax of Prior Periods	(3,902)	-
	<b>13,385</b>	<b>10,445</b>

Income Tax Expense is Attributable to:

Profit from Continuing Operations	<b>13,385</b>	<b>10,445</b>
	<b>13,385</b>	<b>10,445</b>

Deferred Income Tax Expense (Revenue) Included in Income Tax Expense

Comprises:

Decrease (Increase) in Deferred Tax Assets (Note 18)	(2,852)	(13,310)
	<b>(2,852)</b>	<b>(13,310)</b>

## Notes to and forming part of the Financial Statements

	30 June 2009 \$'000	30 June 2008 \$'000
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**Note 13: Income Tax Expense (continued)****(b) Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable**

Profit from Continuing Operations Before Income Tax Expense	92,291	84,243
Tax at the Australian Tax Rate of 30% (2008:30%)	27,687	25,273
Tax Effect of Amounts which are Not Deductible (Taxable) in Calculating Taxable Income:		
Entertainment	27	10
Tax Cost Base Valuations	(10,427)	(14,838)
Adjustments for Current Tax of Prior Periods	(3,902)	-
<b>Total Income Tax Expense</b>	<b>13,385</b>	<b>10,445</b>

As a result of DHA becoming a taxable entity on 1 July 2007, an unrecognised temporary difference 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 2009 is \$664,861,005 (2008: \$698,551,246). The tax effect of this temporary difference is \$199,458,302 (2008: \$209,565,374).

**Note 14: Cash and Cash Equivalents**

Cash at Bank	4,099	2,651
Cash on Hand	16	16
Short Term Deposits	158,551	52,703
<b>Total Cash and Cash Equivalents</b>	<b>162,666</b>	<b>55,370</b>

All cash recognised is a current asset.

**Note 15: Trade and Other Receivables**

Department of Defence	6,520	5,454
Accrued Income	11,510	16,896
Other Receivables	203	6,791
<b>Total Trade and Other Receivables (Net)</b>	<b>18,233</b>	<b>29,141</b>

All receivables are current assets.

Credit terms are between 7 and 30 days.

Receivables are aged as follows:

Less than 30 Days	17,963	28,513
30 to 60 Days	3	18
60 to 90 Days	36	-
90 to 120 Days	-	166
More than 120 Days	347	785
<b>Total Trade and Other Receivables (Gross)</b>	<b>18,349</b>	<b>29,482</b>

## Notes to and forming part of the Financial Statements

30 June	30 June
2009	2008
<u>\$'000</u>	<u>\$'000</u>

**Note 15: Trade and Other Receivables (continued)**

The impairment allowance account is aged as follows:

90 to 120 days	-	-
More than 120 days	116	341
<b>Total Impairment Allowance Account</b>	<u>116</u>	<u>341</u>

**Reconciliation of the Impairment Allowance Account:****Movements in relation to 2009**

	Department of Defence 2009 \$'000	Accrued Income 2009 \$'000	Other Receivables 2009 \$'000	Total 2009 \$'000
<b>Opening Balance</b>	254	-	87	341
Amounts Written off	(254)	-	-	(254)
Amounts Recovered and Reversed	-	-	-	-
Increase/Decrease Recognised in Net Surplus	-	-	29	29
<b>Closing Balance</b>	-	-	116	116

**Movements in relation to 2008**

	Department of Defence 2008 \$'000	Accrued Income 2008 \$'000	Other Receivables 2008 \$'000	Total 2008 \$'000
<b>Opening Balance</b>	119	-	87	206
Amounts Written Off	-	-	-	-
Amounts Recovered and Reversed	-	-	-	-
Increase/Decrease Recognised in Net Surplus	135	-	-	135
<b>Closing Balance</b>	254	-	87	341

## Notes to and forming part of the Financial Statements

	30 June 2009 \$'000	30 June 2008 \$'000
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**Note 16: Investment Properties for Sale**

Investment Properties - At Cost	14,809	77,862
Investment Properties - At Cost (Less Impairment)	1,495	-
<b>Total Investment Properties for Sale</b>	<b>16,304</b>	<b>77,862</b>

This amount represents investment properties that are currently available for sale. No other investment properties have been identified for disposal in the next 12 months.

**Note 17: Other Current Assets**

Prepaid Property Rentals	25,824	24,142
Other Prepayments	373	296
Finance Lease Receivable (Note 23)	7,195	5,321
<b>Total Other Current Assets</b>	<b>33,392</b>	<b>29,759</b>

**Note 18: Deferred Tax Assets**

The balance comprises Temporary Differences attributable to:

Employee Benefits	2,722	1,851
Doubtful Debts	35	40
Make Good Provision	22,075	21,292
Provisions	1,041	1,087
Lyons Joint Venture	1,538	-
Property, Plant and Equipment	114	95
Inventory Properties	7,609	8,062
Investment Properties	1,158	802
<b>Total Deferred Tax Assets</b>	<b>36,292</b>	<b>33,229</b>

Set-off of deferred tax liabilities pursuant to set-off provisions

	(326)	(115)
<b>Net Deferred Tax Assets</b>	<b>35,966</b>	<b>33,114</b>

Deferred Tax Assets expected to be recovered within 12 months

	3,792	4,334
Deferred Tax Assets expected to be recovered after more than 12 months	32,174	28,780
	<b>35,966</b>	<b>33,114</b>

**Reconciliation of Deferred Tax Assets**

	2009 \$'000	2008 \$'000
<b>Opening Balance 1 July</b>	<b>33,114</b>	<b>19,804</b>
Charged to the Income Statement	2,852	13,310
<b>Closing Balance 30 June</b>	<b>35,966</b>	<b>33,114</b>

## Notes to and forming part of the Financial Statements

	30 June 2009	30 June 2008
	\$'000	\$'000

### Note 19: Inventories

Completed Properties – At Cost	295,873	309,244
Completed Properties – At Net Realisable Value	156,682	139,985
Work in Progress – At Cost	52,735	195,536
Work in Progress - At Net Realisable Value	17,278	-
<b>Total Inventories</b>	<b>522,568</b>	<b>644,765</b>
Current	257,376	350,708
Non-current	265,192	294,057
	<b>522,568</b>	<b>644,765</b>

The total fair value of completed inventory properties at 30 June 2009 is \$477,020,873 (2008: \$485,242,700).

### Note 20: Plant and Equipment

Plant, Equipment and Software Development - At Cost	32,238	36,784
Less: Accumulated Depreciation	(23,612)	(25,611)
<b>Total Plant and Equipment (Non-Current)</b>	<b>8,626</b>	<b>11,173</b>

### Reconciliation of the Opening and Closing Balances of Plant, Equipment and Software Development

	2009 \$'000	2008 \$'000
<b>Opening Balance</b>		
Gross Book Value	36,784	35,276
Accumulated Depreciation/Amortisation and Impairment	(25,611)	(21,783)
<b>Opening Net Book Value 1 July</b>	<b>11,173</b>	<b>13,494</b>
<b>Additions</b>		
By Purchase	2,109	2,154
Net Impairments Recognised in the Operating Result	-	(94)
Depreciation/Amortisation Expense	(4,492)	(4,359)
<b>Disposals</b>		
Other Disposals	(6,655)	(708)
Depreciation/Impairment Written Back on Disposal	6,491	686
<b>Closing Net Book Value 30 June</b>	<b>8,626</b>	<b>11,173</b>
<b>Closing Net Book Value 30 June represented by:</b>		
Gross Book Value	32,238	36,784
Accumulated Depreciation/Amortisation and Impairment	(23,612)	(25,611)
<b>Closing Net Book Value 30 June</b>	<b>8,626</b>	<b>11,173</b>



## Notes to and forming part of the Financial Statements

	30 June 2009	30 June 2008
	<u>\$'000</u>	<u>\$'000</u>

### Note 21: Investments Accounted for Using the Equity Method

#### Share in Associates (Note 39)

Crace Developments Pty Ltd	4,568	4,579
<b>Total Share in Associates</b>	<u>4,568</u>	<u>4,579</u>

Investments in associates are accounted for in the financial statements using the equity method of accounting and are carried at cost less accumulated losses.

### Note 22: Investment Properties

Investment Properties - At Cost	756,742	627,792
Less: Accumulated Depreciation	<u>(72,763)</u>	<u>(57,436)</u>
	<u>683,979</u>	<u>570,356</u>

Investment Properties - At Cost (Less Impairment)	108,429	74,891
Less: Accumulated Depreciation	<u>(1,848)</u>	<u>(895)</u>
	<u>106,581</u>	<u>73,996</u>

<b>Total Investment Properties</b>	<u>790,560</u>	<u>644,352</u>
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The total fair value of completed investment properties (including investment properties held for sale) at 30 June is \$1,330,783,748 (2008: \$1,344,083,274).

#### Reconciliation of the Opening and Closing Balances of Investment Properties

	2009 \$'000	2008 \$'000
<b>Opening Balance</b>		
Gross Book Value	709,888	652,134
Accumulated Depreciation/Amortisation and Impairment	<u>(65,536)</u>	<u>(59,567)</u>
<b>Opening Net Book Value 1 July</b>	<u>644,352</u>	<u>592,567</u>
<b>Additions</b>		
By Purchase	70,414	90,584
By Transfer from Inventory	90,963	51,026
Net Impairments Recognised in the Operating Result	<u>(6,033)</u>	<u>(7,205)</u>
Depreciation/Amortisation Expense	<u>(8,072)</u>	<u>(7,809)</u>
Transfer Assets Held For Sale	24,720	(71,933)
<b>Disposals</b>		
Other Disposals	<u>(30,874)</u>	<u>(11,923)</u>
Depreciation/Impairment Written Back on Disposal	5,090	9,045
<b>Closing Net Book Value 30 June</b>	<u>790,560</u>	<u>644,352</u>
<b>Closing Net Book Value 30 June represented by:</b>		
Gross Book Value	865,111	709,888
Accumulated Depreciation/Amortisation and Impairment	<u>(74,551)</u>	<u>(65,536)</u>
<b>Closing Net Book Value 30 June</b>	<u>790,560</u>	<u>644,352</u>

## Notes to and forming part of the Financial Statements

	30 June 2009	30 June 2008
	<u>S'000</u>	<u>S'000</u>

### Note 23: Finance Lease Receivables

Current Finance Lease Receivables		
Due not later than 1 year	<u>7,195</u>	<u>5,321</u>
<b>Total Current Finance Lease Receivables (Note 17)</b>	<u><b>7,195</b></u>	<u><b>5,321</b></u>

Non-Current Finance Lease Receivables		
Due later than 1 year not later than 5 years	<u>86,084</u>	<u>92,023</u>
Due later than 5 years	<u>66,457</u>	<u>61,451</u>
<b>Total Non-Current Finance Lease Receivables</b>	<u><b>152,541</b></u>	<u><b>153,474</b></u>
<b>Total Finance Lease Receivables</b>	<u><b>159,736</b></u>	<u><b>158,795</b></u>

<b>Current</b>		
Total Payments Receivables	<u>18,741</u>	<u>17,115</u>
Future Finance Charges	<u>(11,546)</u>	<u>(11,794)</u>
<b>Current Finance Lease Receivables</b>	<u><b>7,195</b></u>	<u><b>5,321</b></u>

<b>Non-Current</b>		
Total Payments Receivables	<u>226,025</u>	<u>237,180</u>
Future Finance Charges	<u>(73,484)</u>	<u>(83,706)</u>
<b>Non-Current Finance Lease Receivables</b>	<u><b>152,541</b></u>	<u><b>153,474</b></u>

DHA finances on-base housing construction and certain off-base properties for 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.

### Note 24: Trade and Other Payables

Trade Creditors	<u>7,273</u>	<u>11,300</u>
Accrued Expenses	<u>27,226</u>	<u>17,121</u>
Accrued Repairs and Maintenance	<u>2,905</u>	<u>1,625</u>
State Tax Equivalents Payable	<u>7,008</u>	<u>6,504</u>
<b>Total Trade and Other Payables</b>	<u><b>44,412</b></u>	<u><b>36,550</b></u>

Trade creditors are normally settled on 30 day terms.

### Note 25: Current Tax Liabilities

Income Tax Payable	<u>20,139</u>	<u>23,755</u>
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### Note 26: Dividends

Payable to the Australian Government	<u>47,344</u>	<u>44,279</u>
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## Notes to and forming part of the Financial Statements

	30 June 2009 \$'000	30 June 2008 \$'000
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### Note 27: Deferred Tax Liabilities

The Balance comprises Temporary Differences attributable to:

Prepayments	21	-
Accrued Income	305	115
<b>Total Deferred Tax Liabilities</b>	<b>326</b>	<b>115</b>
Set-off of deferred tax liabilities pursuant to set-off provisions	(326)	(115)
<b>Net Deferred Tax Liabilities</b>	<b>-</b>	<b>-</b>

### Note 28: Borrowings

Loans from Department of Finance and Deregulation	335,000	400,000
Loans from Department of Defence	90,000	-
<b>Total Borrowings</b>	<b>425,000</b>	<b>400,000</b>
Maturity Schedule for Borrowings Payable:		
Within one year	135,000	65,000
In one to five years	260,000	335,000
In more than five years	30,000	-
<b>Total Borrowings</b>	<b>425,000</b>	<b>400,000</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 value which includes a fixed competitor neutrality charge. During the financial year DHA borrowed \$25 million and refinanced a further \$65 million for terms between 4 and 10 years.

### Note 29: Other Financial Liabilities

Other Financial Liabilities are Represented By:

<b>Current</b>		
Revenue in Advance	18,370	17,928
<b>Non-Current</b>		
Revenue in Advance	1,944	6,673
<b>Total Other Financial Liabilities</b>	<b>20,314</b>	<b>24,601</b>

## Notes to and forming part of the Financial Statements

	30 June 2009 \$'000	30 June 2008 \$'000
<b>Note 30: Provisions</b>		
<b>Current</b>		
<b>Employee</b>		
Annual Leave	3,934	3,665
Long Service Leave	<u>2,826</u>	<u>2,475</u>
	<u>6,760</u>	<u>6,140</u>
<b>Other</b>		
Make Good Provision	5,410	6,330
Other General Provisions	<u>3,301</u>	<u>4,599</u>
	<u>8,711</u>	<u>10,929</u>
<b>Total current</b>	<u>15,471</u>	<u>17,069</u>
<b>Non-current</b>		
<b>Employee</b>		
Long Service Leave	<u>2,186</u>	1,950
	<u>2,186</u>	<u>1,950</u>
<b>Other</b>		
Make Good Provision	68,173	64,645
Other General Provisions	<u>1,380</u>	<u>1,297</u>
	<u>69,553</u>	<u>65,942</u>
<b>Total Non-Current</b>	<u>71,739</u>	<u>67,892</u>
<b>Total Provisions</b>	<u>87,210</u>	<u>84,961</u>

	Other General Provisions	Make Good Provision	Total
<b>Reconciliation of Provision Movement</b>			
<b>Opening Balance 1 July</b>	5,896	70,975	76,871
Additional provisions made	3,765	5,592	9,357
Amount used	<u>(4,980)</u>	<u>(2,984)</u>	<u>(7,964)</u>
<b>Closing Balance 30 June</b>	<u>4,681</u>	<u>73,583</u>	<u>78,264</u>

Other general provisions include amount set aside for:

- Make good on commercial tenancies at the expiration of the lease term;
- Redundancy payments; 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.

## Notes to and forming part of the Financial Statements

	30 June 2009	30 June 2008
	\$'000	\$'000

**Note 31: Cash Flow Reconciliation****Reconciliation of Operating Result to Net Cash From Operating Activities:**

Net Operating Surplus After Income Tax	78,906	73,798
Add:		
Depreciation - Investment Properties	8,072	7,809
Depreciation - Plant and Equipment	4,492	4,359
Write Down and Impairment of Assets	6,099	7,321
Gains on Disposal of Assets	(44,210)	(26,734)
Decrease in Other Non Operating Cash Flow Revenue Items	(12,238)	(13,221)
Increase in Other Non Operating Cash Flow Expense Items	(1,280)	-
Decrease in Net Receivables	10,898	1,476
Increase in Deferred Tax Assets	(2,852)	(13,425)
(Increase) / Decrease in Inventories	111,139	(65,562)
(Increase) / Decrease in Prepayments	(1,759)	1,562
(Decrease) / Increase in Provisions	(2,604)	4,863
Decrease in Supplier Payables	(4,664)	(3,076)
(Decrease) / Increase in Other Liabilities	(1,473)	3,708
Increase / (Decrease) in Investments in Associates	-	(4,579)
(Decrease) / Increase in Tax Liabilities	(3,616)	23,870
Reclassification of WIP from Inventory to Investment	-	(29,401)
<b>Net Cash From / (Used By) Operating Activities</b>	<b>144,910</b>	<b>(27,232)</b>

**Note 32: 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 27.6% (2008: 23.9%) of salary for superannuation purposes, amounting to \$202,922 (2008: \$230,805);
- PSS members: Contributions at the rate of 15.1% (2008: 14.8%) of salary for superannuation purposes, amounting to \$2,745,908 (2008: \$3,003,473); and
- PSSap members: Contributions at the rate of 15.4% (2008: 15.4%) of salary for superannuation purposes, amounting to \$3,287,217 (2008: \$2,493,048).

## Notes to and forming part of the Financial Statements

### Note 33: Key Management Personnel Remuneration

Mr Derek Volker AO	Chairman (Appointed 24 July 2008)
Mr Michael Del Gigante	Managing Director
Mr William Bowness	Director
The Hon W Lloyd Lange	Director (Retired 22 May 2009)
Air Vice-Marshal Gary Beck AO (Ret'd)	Director
Mr Gary Potts	Director
Mr Peter Sharp	Director
The Hon J A L (Sandy) Macdonald	Director (Appointed 24 July 2008)

The specified Executives of DHA as at 30 June 2009 were:

Michael Del Gigante	Managing Director
Peter Howman	Chief Operating Officer (Appointed 1 October 2007)
Tracy Muddle	General Manager Corporate Affairs
Robert Groom	Chief Financial Officer (Appointed 1 February 2008)
Tony Winterbottom	General Manager Sales and Marketing
Steve Peddle	General Manager Service Delivery

#### Specified Directors Remuneration

The number of Directors of DHA is shown below in the relevant remuneration bands:

	<u>2009</u>	<u>2008</u>
\$45,001 - \$60,000	6	6
\$60,001 - \$75,000	-	2
\$90,001 - \$105,000	1	-
\$415,001 - \$430,000	-	1
\$460,001 - \$475,000	<u>1</u>	<u>-</u>
<b>Total Number of Directors of DHA</b>	<b>8</b>	<b>9</b>
<b>Total Remuneration Received or Due and Receivable by Directors shown above</b>	<b>\$ 888,226</b>	<b>\$ 878,660</b>

All directors receive remuneration from DHA.

#### Specified Executives Remuneration

The number of executives of DHA is shown below in the relevant remuneration bands:

\$150,001 - \$165,000	-	2
\$180,001 - \$195,000	-	1
\$195,001 - \$210,000	-	1
\$240,001 - \$255,000	-	4
\$285,001 - \$300,000	3	-
\$300,001 - \$315,000	1	-
\$315,001 - \$330,000	1	-
\$415,001 - \$430,000	-	1
\$460,001 - \$475,000	<u>1</u>	<u>-</u>
<b>Total Number of Executives of DHA</b>	<b>6</b>	<b>9</b>
<b>Total Aggregate Amount of Total Remuneration of Executives shown above</b>	<b>\$ 1,962,406</b>	<b>\$ 2,121,804</b>

## Notes to and forming part of the Financial Statements

### Note 33: Key Management Personnel Remuneration (continued)

#### Key Management Personnel Compensation

The aggregate compensation made to directors of DHA is set below:

	2009	2008
	\$	\$
Short-Term Employee Benefits	803,518	794,508
Post-Employment Benefits	73,108	73,003
Other Long-Term Benefits	11,600	11,149
Termination Benefits	-	-
Share-Based Payments	-	-
	<u>888,226</u>	<u>878,660</u>

The aggregate compensation made to executives of DHA is set below:

	2009	2008
	\$	\$
Short-Term Employee Benefits	1,728,716	1,852,386
Post-Employment Benefits	183,890	212,857
Other Long-Term Benefits	49,800	56,561
Termination Benefits	-	-
Share-Based Payments	-	-
	<u>1,962,406</u>	<u>2,121,804</u>

The Director and Executive compensation includes wages and salaries, leave accruals, performance and other bonuses, superannuation, motor vehicles, any other allowances and fringe benefits included in remuneration agreements. Executive remuneration includes performance pay relating to the prior year.

## Notes to and forming part of the Financial Statements

### Note 34: Remuneration of Auditors

	2009	2008
	\$	\$
Amount Received or Due and Receivable by Auditors <sup>1</sup>		
Australian National Audit Office (ANAO) for the audit of Financial Statements <sup>2</sup>	<u>203,500</u>	<u>197,500</u>
	<u>203,500</u>	<u>197,500</u>
Audit fees relating to the audit of Lyons Joint Venture are paid to ANAO. DHA is liable for 50% of these fees.	<u>42,700</u>	<u>34,452</u>
	<u>42,700</u>	<u>34,452</u>

<sup>1</sup>The amounts are GST inclusive.

<sup>2</sup>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 2008/09 on the ANAO's behalf. Fees for these services are included.

### Note 35: Related Party Disclosures

#### Directors

The Directors of DHA during the year were:

Mr Derek Volker AO	Chairman (Appointed 24 July 2008)
Mr Michael Del Gigante	Managing Director
The Hon W Lloyd Lange	Director (Retired 22 May 2009)
Air Vice-Marshal Gary Beck AO (Ret'd)	Director
Mr Gary Potts	Director
Mr Peter Sharp	Director
Mr William Bowness	Director
The Hon J A L. (Sandy) Macdonald	Director

There were no material related party transactions during the financial year.

### Note 36: Economic Dependency

DHA depends on the Department of Defence in accordance with the Services Agreement on Housing and Relocation Services between Defence and DHA.

### Note 37: Segment Reporting

DHA operates in a single segment within Australia providing housing and related services.



## Notes to and forming part of the Financial Statements

**Note 38: Interest in Joint Venture Developments****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 entity is to develop housing sites for 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 2009.

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

	30 June 2009 \$'000	30 June 2008 \$'000
<b>Income Statement</b>		
Revenues	3	1
<b>Total Profit</b>	<u>3</u>	<u>1</u>
<b>Balance Sheet</b>		
Current assets		
Cash	60	57
Receivables	-	-
<b>Total Current Assets</b>	<u>60</u>	<u>57</u>
Current liabilities		
Provisions	76	77
<b>Total Current Liabilities</b>	<u>76</u>	<u>77</u>
<b>Total Liabilities</b>	<u>76</u>	<u>77</u>
<b>Net Assets</b>	<u>(16)</u>	<u>(20)</u>
<b>Equity</b>	<u>(16)</u>	<u>(20)</u>

**Lyons**

In March 2005, DHA entered into a joint venture with a subsidiary of Canberra Investment Corporation 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. The title for the land remains with DHA and is carried in its Balance Sheet at \$1,204,474 (2008: \$4,118,800).

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.

	30 June 2009 \$'000	30 June 2008 \$'000
<b>Income Statement</b>		
Revenues	25,535	23,112
Expenses	(19,992)	(17,881)
<b>Total Profit</b>	<u>5,543</u>	<u>5,231</u>

## Notes to and forming part of the Financial Statements

	30 June 2009 \$'000	30 June 2008 \$'000
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**Note 38: Interest in Joint Venture Developments (continued)****Balance Sheet**

Current Assets		
Cash	3,793	2,237
Receivables	8	1,125
<b>Total Current Assets</b>	<b>3,801</b>	<b>3,362</b>
Non Current Assets		
Inventory	2,480	1,991
Property Plant and Equipment	47	28
<b>Total Non Current Assets</b>	<b>2,527</b>	<b>2,019</b>
<b>Total Assets</b>	<b>6,328</b>	<b>5,381</b>
Current Liabilities		
Payables	2,063	4,161
<b>Total Current Liabilities</b>	<b>2,063</b>	<b>4,161</b>
<b>Total Liabilities</b>	<b>2,063</b>	<b>4,161</b>
<b>Net Assets</b>	<b>4,265</b>	<b>1,220</b>
<b>Equity</b>	<b>4,265</b>	<b>1,220</b>

**Note 39: Investments in Associates****Crace Development Pty Ltd****(a) Movements in Carrying Amounts**

Carrying Amount at the Beginning of the Financial Year	4,579	-
Share of Profits/(Loss) after Income Tax	(188)	(115)
Investments during the Year	474	4,694
Capital Repayment	(297)	-
Carrying Amount at the End of the Financial Year	<b>4,568</b>	<b>4,579</b>

**(b) Summarised Financial Information of Associates**

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

	Ownership Interest %	DHA's Share of:			
		Assets	Liabilities	Revenues	Profit
<b>2009</b>					
Crace Developments Pty Ltd	10	4,549	1,852	8	(188)
		<u>4,549</u>	<u>1,852</u>	<u>8</u>	<u>(188)</u>
<b>2008</b>					
Crace Developments Pty Ltd	10	4,550	4,665	2	(115)
		<u>4,550</u>	<u>4,665</u>	<u>2</u>	<u>(115)</u>

**(c) Contingent Liabilities of Associates**

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

## Notes to and forming part of the Financial Statements

	30 June 2009	30 June 2008
	\$'000	\$'000

**Note 40: Financial Instruments****Note 40A: Categories of Financial Instruments****Financial Assets****Loans and Receivables Financial Assets**

Cash at Bank	4,099	2,651
Cash on Hand	16	16
Short Term Investments	158,551	52,703
Receivables for Goods and Services (Net)	18,233	29,141
Finance Lease Receivable	159,736	158,795
<b>Carrying Amount of Financial Assets</b>	<b>340,635</b>	<b>243,306</b>

**Financial Liabilities****At Amortised Cost:**

Government Loans	425,000	400,000
Trade and Other Payables	44,411	36,550
Revenue in Advance	20,314	24,601
Dividends	47,344	44,279
<b>Carrying Amount of Financial Liabilities</b>	<b>537,069</b>	<b>505,430</b>

**Note 40B: Net Income and Expense from Financial Assets****Loans and Receivables**

Interest Revenue	6,064	7,638
Annuity Income	12,181	11,546
<b>Net Gain Loans and Receivables</b>	<b>18,245</b>	<b>19,184</b>
<b>Net Gain from Financial Assets</b>	<b>18,245</b>	<b>19,184</b>

### Notes to and forming part of the Financial Statements

	30 June 2009 \$'000	30 June 2008 \$'000
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#### Note 40C: Net Income and Expense from Financial Liabilities

##### Financial Liabilities - At Amortised Cost

Interest Expense	(27,517)	(22,455)
<b>Net Loss Financial Liabilities - At Amortised Cost</b>	<b>(27,517)</b>	<b>(22,455)</b>
<b>Net Loss from Financial Liabilities</b>	<b>(27,517)</b>	<b>(22,455)</b>

#### Note 40D: Fair Value of Financial Instruments

	Carrying Amount 2009 \$'000	Fair Value 2009 \$'000	Carrying Amount 2008 \$'000	Fair Value 2008 \$'000
<b>Financial Assets</b>				
Cash at Bank	4,099	4,099	2,651	2,651
Cash on Hand	16	16	16	16
Short Term Investments	158,551	158,551	52,703	52,703
Receivables for Goods and Services (Net)	18,233	18,233	29,141	29,141
Finance Lease Receivable	159,736	178,467	158,795	158,795
<b>Total</b>	<b>340,635</b>	<b>359,366</b>	<b>243,306</b>	<b>243,306</b>
<b>Financial Liabilities</b>				
Government Loans	425,000	440,284	400,000	392,515
Trade and Other Payables	44,411	44,411	36,550	36,550
Revenue in Advance	20,314	20,314	24,601	24,601
Dividends	47,344	47,344	44,279	44,279
<b>Total</b>	<b>537,069</b>	<b>552,353</b>	<b>505,430</b>	<b>497,945</b>

The fair value of government loans is calculated by the Australian Office of Financial Management. The loans are valued by calculating the net present value of all future contracted payments at the relevant interest rate.

## Notes to and forming part of the Financial Statements

### Note 40E: 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

	2009 \$'000	2008 \$'000
<b>Financial Assets</b>		
Cash at Bank	4,099	2,651
Cash on Hand	16	16
Short Term Investments	158,551	52,703
Receivables for Goods and Services (Net)	18,233	29,141
Finance Lease Receivable	159,736	158,795
<b>Financial Liabilities</b>		
Government Loans	425,000	400,000
Trade and Other Payables	44,411	36,550
Revenue in Advance	20,314	24,601
Dividends	47,344	44,279

### Credit quality of financial instruments past due or individually determined as impaired

	Not Past Due Nor Impaired	Not Past Due Nor Impaired	Past Due or Impaired	Past Due or Impaired
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Financial Assets</b>				
Trade Receivables	17,963	28,513	270	628
<b>Total</b>	<b>17,963</b>	<b>28,513</b>	<b>270</b>	<b>628</b>

## Notes to and forming part of the Financial Statements

### Note 40E: Credit Risk (continued)

#### Ageing of financial assets that are past due but not impaired for 2009

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Receivable for Goods and Services (Net)	3	36	-	231	270
<b>Total</b>	<b>3</b>	<b>36</b>	<b>-</b>	<b>231</b>	<b>270</b>

#### Ageing of financial assets that are past due but not impaired for 2008

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Receivable for Goods and Services (Net)	18	-	166	444	628
<b>Total</b>	<b>18</b>	<b>-</b>	<b>166</b>	<b>444</b>	<b>628</b>

### Note 40F: 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.

#### Maturities for financial liabilities 2009

	On demand \$'000	Within 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	> 5 years \$'000	Total \$'000
<b>Financial Liabilities</b>						
Government Loans	-	135,000	130,000	130,000	30,000	425,000
Trade and Other Payables	-	44,411	-	-	-	44,411
Revenue in Advance	-	20,314	-	-	-	20,314
Dividends	-	47,344	-	-	-	47,344
<b>Total</b>	<b>-</b>	<b>247,069</b>	<b>130,000</b>	<b>130,000</b>	<b>30,000</b>	<b>537,069</b>

#### Maturities for financial liabilities 2008

	On demand \$'000	Within 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	> 5 years \$'000	Total \$'000
<b>Financial Liabilities</b>						
Government Loans	-	65,000	335,000	-	-	400,000
Trade and Other Payables	-	36,550	-	-	-	36,550
Revenue in Advance	-	24,601	-	-	-	24,601
Dividends	-	44,279	-	-	-	44,279
<b>Total</b>	<b>-</b>	<b>170,430</b>	<b>335,000</b>	<b>-</b>	<b>-</b>	<b>505,430</b>

## Notes to and forming part of the Financial Statements

### Note 40G: 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 ensures 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's exposure to interest rate risk arising from fluctuations in interest rates is nominal due to interest rates applicable to cash, borrowings and finance leases being fixed.

The table below details the interest rate sensitivity analyses of the entity at the reporting date, holding all other variables constant.

	Risk variable	Change in risk variable %	Effect on	
			Profit and loss 2009 \$'000	Equity 2009 \$'000
Interest Rate Risk	Interest	0.75	-	-

	Risk variable	Change in risk variable %	Effect on	
			Profit and loss 2008 \$'000	Equity 2008 \$'000
Interest Rate Risk	Interest	0.75	-	-

Interest rate sensitivity analysis has been calculated on a "reasonably possible" basis. The rate of 75 basis points was determined using both statistical and non-statistical analyses. The statistical analysis has been based on the cash rate for the past five years issued by the Reserve Bank of Australia (RBA) as the underlying data set. The information was revised and adjusted for reasonableness under the current economic circumstances.

## Note 41: Subsequent Events

DHA received an equity injection of \$161,000,000 on 1 July 2009. This equity injection forms part of the NB-ESP program.

There have been no other events post 30 June 2009 which would have a material impact on the financial statements or operations of the DHA business.

## Note 42: Contingent Liabilities and Assets

### Quantifiable Contingencies

The Schedule of Contingencies in the Financial Statements reports a number of contingent liabilities which arise as a result of DHA's interest in the Lyons Joint Venture, including guarantees made directly to financing organisations and statutory authorities in respect of the joint venture. The amount disclosed represents the aggregate amount of such guarantees. The extent to which an outflow of funds will be required is dependent on the future operation of the joint venture being more or less favourable than currently expected. No financial liabilities are expected to arise from provision of the guarantees.

### Remote Contingencies

DHA in April 2006 and December 2006 entered into a contract with a major Australian bank to sell a substantial number of properties and to lease them back for periods ranging from 9 to 12 years, with further extensions available at the option of DHA. In selling the properties, DHA has made certain warranties concerning the quality of properties sold. The Directors of DHA are not aware, as at the date of this report, of any liability to the purchaser in respect of warranties given.



## Statutory reporting compliance index

The following table shows compliance with the *Commonwealth Authorities and Companies (Report of Operations) Orders 2005* issued by the Minister for Finance and Administration on 30 June 2005.

### **Commonwealth Authorities and Companies Act 1997 Schedule 1 – reporting requirements**

SECTION	REPORTING REQUIREMENT	PAGE REFERENCE
s.1(a)	Report of operations	5–7
s.1(b)	Financial statements	84–129
s.1(c)	Auditor-General's report	85–86
s.2(3)	Directors' resolution on financial statements	87

### **Commonwealth Authorities and Companies (Report of operations) Orders 2005 Division 2 – General information about operations and activities**

SECTION	REPORTING REQUIREMENT	PAGE REFERENCE
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As a statutory authority, DHA is not required to fulfill the *Requirements for Departmental Annual Reports* approved by the Joint Committee of Public Accounts and Audit under subsections 63(2) and 70(2) of the *Public Service Act 1999*, however in an effort to improve transparency this has also been undertaken.

## Acronyms and abbreviations





ACCOM	Accommodation
ACS	Australian Customs Service
ADF	Australian Defence Force
ADO	Australian Defence Organisation
AFR	Application for relocation
ANAO	Australian National Audit Office
APS	Australian public service
AWA	Australian workplace agreement
BAC	Board Audit Committee
BDOM	Breakdown of marriage
BPW	Better practice workshops
BRL	Basic recreation leave
CA	Chief of Army
CA	Collective agreement
CAC	Commonwealth Authorities and Companies
CAF	Chief of Air Force
CCS	Choice contribution scheme
CDF	Chief of Defence Force
CN	Chief of Navy
COO	Chief operating officer
CPA	Certified practising accountant
CRA	Complaint resolution agency
CRM	Customer relationship manager
CRO	Client relations officer
CSI	Customer satisfaction index
CSIG	Customer service infrastructure group
CSM-R	Client service manager – relocations
DA	Disturbance allowance
DCA	Direct credit authorisation
DCA	Deputy Chief of Army
DCAF	Deputy Chief of Air Force
DCH	Defence Choice Housing
DCN	Deputy Chief of Navy
DCO	Defence Community Organisation
DE	Directorate of Entitlements
DEO	Direct entry officers
DETMAN	Determinations manual
DFA	Defence Families of Australia
DHA	Defence Housing Australia

DHF	Defence housing forecast
DHP	Director of housing policy
DHR	Defence housing requirement
DHRM	Defence housing relocation managers
DoD	Department of Defence
DOC	Domiciliary Operations Committee
DPE	Defence personnel executive
DRC	Defence Relocation Centre
DSNSG	Defence Special Needs Support Group
DVA	Department of Veteran's Affairs
EBIT	Earnings before interest and tax
EEO	Equal employment opportunities
EER	Energy efficiency rating
EL	Executive level
EOI	Expression of interest
FAQs	Frequently asked questions
FCP	Fraud control plan
FLO	Family Liaison Officer
FOI	Freedom of information
FRA	Fraud risk assessment
FMOs	Finance Minister's orders
FTE	Full-time equivalent
FWSN	Families with special needs
GBE	Government Business Enterprise
GRE	Group rank entitlement
GRS	Group rent scheme
HMC	Housing Management Centre
HMG	Housing management guidelines
HMI	Housing management instructions
IMP	Information management plan
INDMAN	Industrial manual
IOS	Interoperability operation system
IPMS	Integrated property management system
IT	Information technology
ITS	Information technology services
ISDN	Integrated switch digital network
KPI	Key performance indicator
L&D	Learning and development
LAN	Local area network

LWOP	Leave without pay
MFR	Military financial regulations
MQ	Married quarter
MSO	Military support officer
MWD	Member with dependants
MWD(U)	Member with dependants (unaccompanied)
MWOD	Member without dependants
MWOD +5	Member without dependants with five years service who can apply for RA approval
NatHERS	National house energy rating system
NFR	Naval financial regulations
NHCP	New housing classification policy
OBS	Off balance sheet
OH&S	Occupational health and safety
OM	Operations manager
ORA	Optional rent allowance
PACMAN	Payments and conditions manual
PBE	Portfolio baseline exercise
PC	Property consultant
PCC	Property completion certificate
PMS	Property management system
POA	Power of attorney
PP&E	Property plant and equipment
PPC	Property project committee
PPD	Principle policy document
PVI	Pre-vacation inspection
PWC	Public works committee
RA	Rent allowance
RAAF	Royal Australian Air Force
RAC	Relocations and accommodations cycle
RAN	Royal Australian Navy
RB	Rent band
RBChoice	Rent band choice
RBO	Realised benefit outcome
RC	Relocation consultant
RDFWA	Regular Defence Force Welfare Association
RLV	Realised land value
RMS	Residential management system
ROA	Return on assets
ROI	Return on investment

RPM	Real price movement
SA	Service agreement
SCG	Staff Consultative Group
SES	Senior executive service
SHR	Strategic human resources
SLB	Sale and leaseback
SOP	Standard operating procedure
SR	Service Residence
SVA	Shareholder value added
TAA	Temporary accommodation allowance
TAASA	Temporary accommodation allowance serviced apartment
TAF	Tenant acknowledgement form
TAPS	Tenancy and property system
TMS	Tenant management system
TOLL F&E	Toll furniture and effects
WEF	With effect date
WLS	Work level standards



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## DHA Directory

### National Customer Service Line

**1800 249 711**  
between 8.00am and 5.00pm  
Australian EST Monday to Friday

### Emergency Relocations Hotline

**Toll free: 1800 626 698**  
(24-hour hotline when in transit)

### Maintenance Line

**Toll free: 1300 366 615**  
(General maintenance:  
8.30am–4.30pm/Emergency  
maintenance: 24 hours)

### Head Office

Defence Housing Australia  
26 Brisbane Avenue  
BARTON ACT 2600  
**Switchboard: (02) 6217 8444**  
Fax: (02) 6217 8500  
General enquiries:  
info@dha.gov.au

### National Sales Office

80 George Street  
PARRAMATTA NSW 2150  
**Tel: (02) 9762 5600**  
Fax: (02) 9762 5688  
**Toll free: 133 DHA**  
Email: sales@dha.gov.au

### Leasing Account Enquiries

Toll free: 1800 064 635  
Fax: (02) 6217 8573  
Email: lease.accounts@dha.gov.au

### ACT Region

**Canberra HMC**  
26 Mort Street  
BRADDON ACT 2612  
**Phone: 02 6268 3700**  
Fax: 02 6268 3760

### Riverina Region

**Wagga Wagga HMC**  
11 - 15 Fitzmaurice Street  
WAGGA WAGGA NSW 2650  
**Phone: 02 6933 7200**  
Fax: 02 6933 7260

### NSW Region

**Sydney HMC**  
Level 5, 79 George Street  
PARRAMATTA NSW 2150  
**Phone: 02 8836 5700**  
Fax: 02 8836 5790

### Hunter Valley HMC

Corner Kangaroo  
& Adelaide Streets  
RAYMOND TERRACE NSW 2324  
**Phone: 02 4893 5300**  
Fax: 02 4893 5361

### South West Region

**Adelaide HMC**  
125 Port Road  
HINDMARSH SA 5007  
**Phone 08 8245 7800**  
Fax: 08 8245 7860

### Perth HMC

Unit 43, Level 1  
Fremantle Malls  
27-35 William Street  
FREMANTLE WA 6160  
**Phone: 08 9210 3400**  
Fax: 08 9210 3460

### Southern Region

**Melbourne HMC**  
Level 5, 181 Fitzroy Street  
ST KILDA VIC 3182  
**Phone: 03 9947 8100**  
Fax: 03 9947 8162

### Northern Territory Region

**Darwin HMC**  
1 Carey Street  
DARWIN NT 0800  
**Phone: 08 8901 7100**  
Fax: 08 8901 7162

### North Queensland Region

**Townsville HMC**  
63-65 Bamford Lane  
KIRWAN QLD 4817  
**Phone: 07 4726 1800**  
Fax: 07 4726 1860

### South East Queensland

**Brisbane HMC**  
Ground Floor, Suite  
3-6 Highpoint Plaza  
240 Waterworks Road  
Ashgrove QLD 4060  
**Phone: 07 3355 8800**  
Fax: 07 3355 8860



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