





15 October 2011

The Hon. Stephen Smith MP
Minister for Defence
Parliament House
CANBERRA ACT 2600

Senator the Hon. Penny Wong
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 2010-11 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 1987* and our obligations under supply agreements with the Department of Defence. This report covers those activities for the 2010-11 financial year.

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

Yours sincerely



A handwritten signature in black ink that reads 'Derek Volker AO'. The signature is written in a cursive, slightly slanted style.

Derek Volker AO
Chairman
Defence Housing Australia

Contents

1	– DHA overview
2	– Who we are and what we do
3	– Our values
4	– Our capabilities
6	– Chairman and Managing Director’s report
8	– Highlights and events
10	– Sponsorship
11	– Meeting the Defence housing requirement
13	– The Defence housing requirement
15	– The DHA response
17	– DHA’s ‘Defence’ Portfolio
22	– Major Projects
25	– Property and tenancy management
28	– Property and tenancy management
32	– Rent Allowance
33	– DHA and Singles
34	– Other Government Agencies
35	– Information and communications systems
36	– Customer service
39	– Building for the nation
45	– Developing our people
57	– Investing with DHA
59	– Leasing operations

65	_	DHA financial performance
71	_	DHA governance
89	_	Financial statements
138	_	Statutory reporting compliance index
141	_	Acronyms and abbreviations
145	_	Index
154	_	DHA directory

Figures and Tables

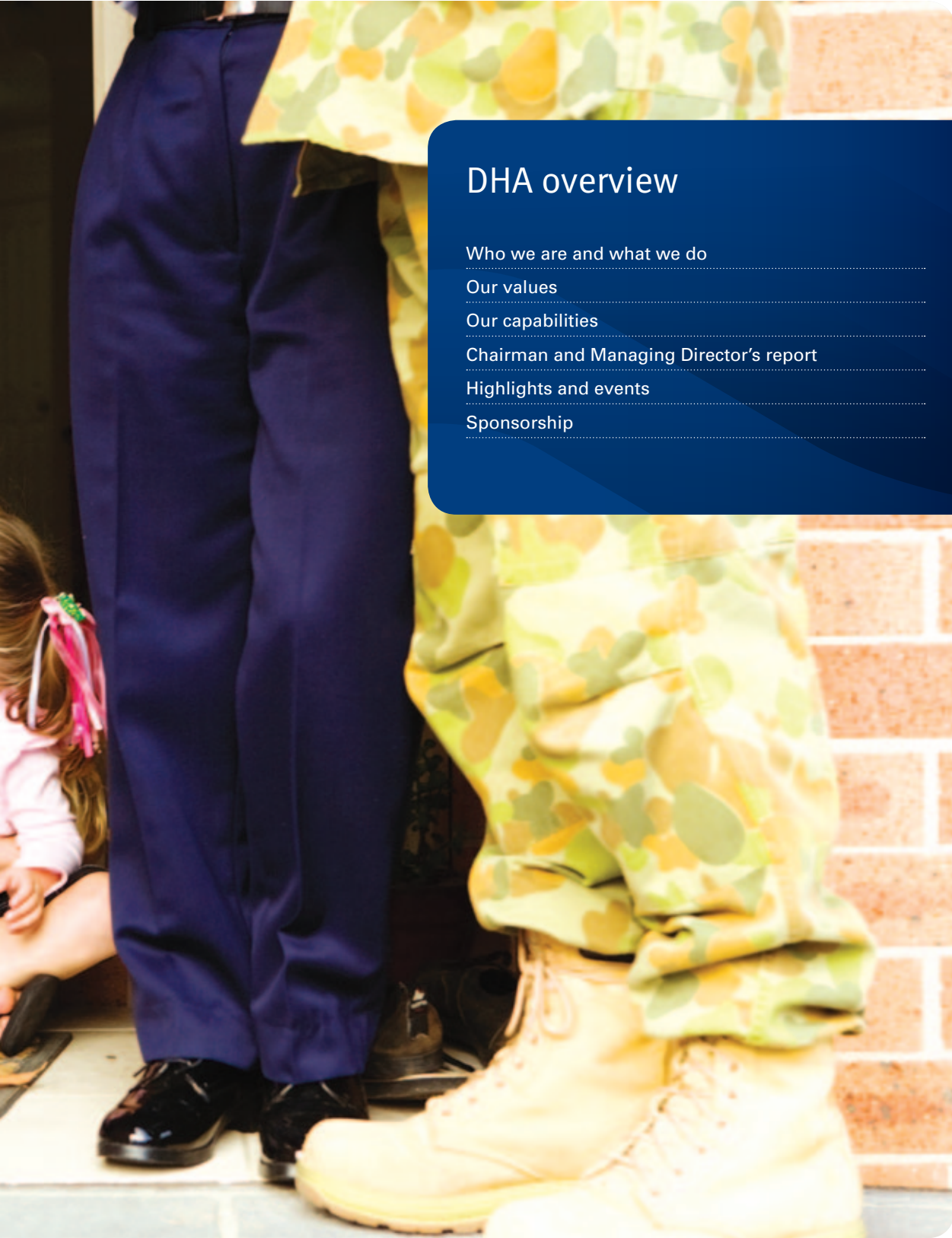
Figures

- 14 _ **Figure 1:** Successive DHFs compared to the actual housing requirement
- 19 _ **Figure 2:** Customer satisfaction with current DHA accommodation, 2006-07 to 2010-11
- 20 _ **Figure 3:** Customer satisfaction with newly acquired and constructed DHA accommodation, 2006-07 to 2010-11
- 31 _ **Figure 4:** Customer satisfaction with DHA's maintenance services, 2006-07 to 2010-11
- 38 _ **Figure 5:** Satisfaction with customer service, 2007-08 to 2010-11
- 43 _ **Figure 6:** House constructions – actual and forecast – Nation Building - Economic Stimulus Plan and Business as Usual (BAU)
- 48 _ **Figure 7:** Ongoing staff by length of DHA service and classification at 30 June 2011
- 48 _ **Figure 8:** DHA staff by classification and gender at 30 June 2011
- 55 _ **Figure 9:** OH&S Incidents

Tables

- 21 _ **Table 1:** DHA Housing Portfolio 2010-11
- 42 _ **Table 2:** Location and number of houses funded by the Nation Building – Economic Stimulus Plan
- 50 _ **Table 3:** CA salary ranges
- 53 _ **Table 4:** Annual Awards for Excellence 2010
- 70 _ **Table 5:** Financial summary
- 80 _ **Table 6:** Meetings attended by DHA Board members





DHA overview

Who we are and what we do

Our values

Our capabilities

Chairman and Managing Director's report

Highlights and events

Sponsorship

Who we are and what we do

Our vision

Excellence in Defence housing and related services.

Our mission

To deliver efficiently housing and related services that meet Defence operational and personnel needs.

The operational capability of the ADF is significantly dependent on its ability to recruit and retain skilled personnel and to move them around Australia on posting as required. The ready availability of high-quality housing for members and their families is thus a critical input to capability, contributing to the mobility of Defence families and enhancing the recruitment, and especially the retention, of highly-trained personnel.

The size and disposition of the ADF is not static. Accordingly, DHA must be ready to adjust its housing portfolio in response to change in the ADF as reflected in the Defence housing requirement.

DHA is active in Australian residential housing markets, acquiring and developing land, constructing and purchasing houses and financing its activities by selling and leasing back dwellings through its Sale and Leaseback program. The Defence housing requirement substantially determines locations and numbers and may require DHA to conduct its activities in places where commercial returns are below normally acceptable levels.

Corporate objectives

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

1. Housing supplied and managed effectively to meet the Defence Housing Forecast.
2. Sustainable long-term financial structure.
3. Enhancing customer service experience and perceptions.
4. Motivated and engaged staff.
5. Information technology solutions supporting business capabilities.

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

Our values

Respect**Excellence****Integrity****Enthusiasm****Innovation****Teamwork**

These values are applied 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 manages property.

Our capabilities

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

- Property and tenancy management – DHA provides housing to Defence members supported by inspection and maintenance programs
- Property provisioning – DHA buys land and with the assistance, as necessary, of the private sector, develops and constructs houses and, as required, purchases new and established houses
- Sale and leaseback – DHA generates capital to meet its provisioning commitments by promoting its sale and leaseback product through the media and, through a variety of channels, selling houses and leasing them back on long-term agreements
- Lease management – DHA manages nearly 12,000 leases, extends existing leases and, where expedient, negotiates new leases to meet requirements, and
- Portfolio management – DHA manages a portfolio of housing retained in DHA ownership for investment reasons (rather than sold under the SLB program).

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

Through a national network of Housing Management Centres, DHA manages a total portfolio of 18,394 properties (as at 30 June 2011) valued at around \$9.6 billion including off-base accommodation for ADF singles, and dwellings held for the Australian Customs and Border Protection Service (Customs) and the Australian Maritime Safety Authority (AMSA).

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.

During the year the DHA Board reported to the Hon. Stephen Smith MP (previously Senator the Hon. John Faulkner), Minister for Defence, and Senator the Hon. Penny Wong (previously 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 Science and Personnel, the Hon. Warren Snowdon MP (previously the Hon. Alan Griffin MP, Minister for Defence Personnel).



Chairman and Managing Director's report

DHA has had another successful year. We constructed 888 houses including the final 185 funded by the Nation Building – Economic Stimulus Plan. We met housing supply commitments for the relocation of the Seventh Battalion (7RAR) from Darwin to Adelaide. Despite the impact of natural disasters in Queensland and not being able to conclude arrangements for institutional sale and leaseback, we achieved record sale and leaseback revenues of \$367 million. We finalised the purchases of significant parcels of well-located land in Townsville and Sydney and made a good start on the construction of 97 houses on Larrakeyah Barracks, Darwin to replace 61 old houses. Approval was given for DHA to supply some off-base accommodation for ADF singles in Brisbane and Canberra.

DHA's main role is the supply of housing and related services to Defence members and their families in support of Defence operational, recruitment and retention goals. During 2010-11, DHA provided and maintained 18,394 dwellings of which 17,663 were for Defence members with dependants. In addition, DHA managed payment of Rent Allowance to a monthly average of 3,390 members with dependants. After more than 20 years of investment in the renewal and replacement of its Defence stock, in partnership with the Department of Defence, housing is no longer a principal cause of people leaving the Services, a state of affairs that DHA was established to remedy.

The middle part of the year was dominated by natural disasters in Queensland with more than 800 DHA houses affected by floods in South East Queensland and by Cyclone Yasi in North Queensland. DHA staff responded quickly and minimised the adverse impact on Defence families. Only about 30 houses suffered serious damage mainly because of a DHA practice to build above the 100-year flood line and to employ construction methods and materials to minimise damage from cyclones and floods. In this regard, most damage was from Cyclone Yasi and involved external structures such as fences, clothes lines and plants. DHA is reviewing "lessons learned" from the natural disasters to determine if changes to practices, construction methods and materials etc. are warranted.

DHA completed its part of the Government's Nation Building – Economic Stimulus Plan with the construction of the final 185 houses in 2010-11. The Acting Prime Minister, the Hon. Wayne Swan MP, officiated at the handover of the final house in the program at Everton Park, Brisbane on 9 December 2010. The total number of houses constructed was 829 compared with the target of 802. This was done within the revised budget of \$246 million. The program was completed six months ahead of schedule and it is estimated that 660 jobs were generated directly with a further 1,650 indirectly.

DHA continued a program of house construction in support of 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. The program delivered houses on time in early 2011 for the relocation of 7RAR from Darwin to Adelaide and work continues on the construction and acquisition of housing for the 8/9th Battalion (8/9RAR) in Brisbane and for the 3rd Battalion (3RAR), relocating from Sydney to Townsville in 2012.

DHA completed several major land acquisitions. The Rasmussen site in Townsville will provide 1,176 developed lots with a third intended for Defence housing. In Sydney the Lindfield site will yield about 345 townhouses and apartments of which more than half will be retained. The former Naval stores depot site on the Parramatta River at Ermington, Sydney, will provide 209 individual lots, all of which will be retained for Defence housing. These acquisitions will assist DHA with housing supply in these critical locations for the next few years.

The city of Darwin has continued to be an important focus of DHA activity. In 2010-11 work started on the new suburb of Muirhead with the first houses scheduled for completion by the end of 2012. The Parliamentary Standing Committee on Public Works has approved follow-on stages at Muirhead and an increase in project budget for new housing on Larrakeyah Barracks allowing construction work there to get under way. On RAAF Base Darwin and Defence Estate Berrimah, DHA is assuming responsibility for the maintenance of surplus housing pending advice regarding longer term plans for residential housing in these locations.

DHA has supplied about 100 off-base apartments for single members in Darwin since 2006. Initially a trial, it was sufficiently successful to become a long-term arrangement which DHA and Defence entered into in December 2008. Two years later, DHA has been given Ministerial approval to supply some singles accommodation in Canberra and Brisbane. The next Corporate Plan includes provision for investment of \$90 million over three years in these two places. With more than 11,000 singles living off-base in private rentals across Australia, this expansion of DHA's role is a significant growth opportunity.

In terms of its financial performance, DHA achieved a Net Profit after Tax of \$87.3 million and a Return on Equity of 6.7% against a Corporate Plan target of 6.3%. This was achieved through continued focus on efficiency at a time of increased production of houses, partly through Stimulus funding. For the first time DHA income exceeded \$1 billion.

The Board is proposing a dividend of \$52.4 million against a Corporate Plan target of \$49.1 million bringing total payments to Government for 2010-11 to \$120.6 million including income tax, State Tax Equivalent payments, land tax and dividends.

DHA continues to be dependent on capital raised through its individual sale and leaseback program and through disposal of properties that no longer meet Defence requirements. Sale and leaseback performance, in particular, has been strong with income of \$367 million from this source in 2010-11 compared to \$328 million in 2009–10. The Corporate Plan figure for sales revenue was \$375 million but included sales to institutions of \$100 million that were not able to be realised mainly because of State and Territory taxation issues. Accordingly, and especially in view of investor uncertainty in the wake of natural disasters in Queensland, the \$367 million final result was excellent. This is the highest annual income ever from this source.

There were no changes to the composition of the DHA Board in the financial year.

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 2011.



Derek Volker AO
Chairman



Michael Del Gigante
Managing Director

Highlights and events

12 August 2010



Brigadier Mark Holmes and DHA Board Director, Mr Peter Sharp, review the conclusion of the first phase of the upgrade program for on-base houses at Puckapunyal. The program involved the installation of gas heating to 147 houses and covered pergolas to 75. The occasion included an open house so that local Defence residents and their families could view upgrades.

Left to right, Mr Peter Sharp, Brigadier Mark Holmes and Ms Sharon Wilson (DHA).

7 October 2010



The Hon. Warren Snowdon MP turned the first sod on a construction site at Muirhead, Darwin. Under a Memorandum of Understanding with the Northern Territory (NT) Government, DHA will use 30% of the lots for Defence housing with up to 15% offered to the NT Government for affordable and community housing purposes. The remaining lots will be available for sale to the public.

Left to right, the Hon. Warren Snowdon MP and Mr Michael Del Gigante (DHA).

6 December 2010



The Hon. Warren Snowdon MP announced the development of 100 hectares of land in Rasmussen, Townsville. The site will provide more than 1,100 residential lots of which about one third will be reserved for Defence housing. The remainder will be available to the community.

Left to right, Mr Michael Del Gigante (DHA) and the Hon. Warren Snowdon MP.

7 December 2010



The Hon. Warren Snowdon MP handed over the keys of a new house built at Crace, ACT to Defence Families Australia representative Ms Danielle Cooper. Mr Andrew Leigh MP, Federal Member for Fraser, also attended. DHA is a member of Crace Developments Pty Ltd, a consortium that won the right to develop Crace in a joint venture with the ACT Government's Land Development Agency. DHA will be taking more than 100 lots for Defence housing.

Left to right, the Hon. Warren Snowdon MP, Ms Danielle Cooper and Mr Andrew Leigh MP.

9 December 2010



The Acting Prime Minister, the Hon. Wayne Swan MP, officially announced the completion of all 829 Defence houses in the Nation Building – Economic Stimulus Plan program. Defence Housing Australia was allocated \$245.58 million to build 802 houses. Program efficiencies enabled an additional 27 houses to be constructed. The program was completed six months ahead of schedule.

Left to right, Mr Tony Winterbottom (DHA), the Hon. Wayne Swan MP, Mr Peter Howman (DHA) and the Hon. Sandy Macdonald.

The Secretary of Defence, Dr Ian Watt AO, and Deputy Secretary Defence Support, Mr Simon Lewis PSM, visited Sydney to view future DHA developments at Lindfield and Ermington. Located alongside the University of Technology Sydney Campus and the Lane Cove National Park, the Lindfield development will embrace the principles of an environmentally sustainable community and provide some 345 dwelling units, more than half of which will be retained for Defence housing.

Left to right, Mr Simon Lewis, Mr Derek Volker, Dr Ian Watt, Mr Peter Howman (DHA) and Mr Steve Collins (DHA).



29 April 2011

The Hon. Warren Snowdon MP announced the redevelopment of residential housing on Larrakeyah Barracks, Darwin. After removal of 61 existing homes, the project will deliver 97 new family homes. Larrakeyah is a popular residential zone for Defence families living in Darwin because of its close proximity to the CBD.

Left to right, Mr Paul Henderson and the Hon. Warren Snowdon MP.



3 June 2011

Mr Michael Del Gigante, Managing Director, DHA, and Mr Wayne Gibbings, Chief Executive of the South Australian Land Management Corporation (LMC), signed a contract that awarded DHA the right to develop land at Largs North for residential housing. DHA has branded the development 'Bayriver'. The Public Works Committee has approved DHA's plans and civil works are programmed to commence mid-first quarter 2012.

Left to right, Mr Michael Del Gigante (DHA) and Mr Wayne Gibbings (LMC).



8 June 2011

DHA Chief Operating Officer, Mr Peter Howman, and Assistant Secretary, Property Services (Defence), Mr Michael Healy, signed a contract to transfer Defence land at Ermington, Sydney to DHA for use as residential housing. Ermington is a 14.3 hectare site on the north shore of the Parramatta River. The site is well located for personnel posted to Fleet Base East, to major Defence headquarters in the CBD and to other units and formations around Greater Sydney.

Left to right, Mr Michael Healy (Defence) and Mr Peter Howman (DHA).



9 June 2011

Prime Minister the Hon. Julia Gillard MP, and Minister for Defence Science and Personnel, the Hon. Warren Snowdon MP, visited Larrakeyah Barracks, Darwin, to view progress on the construction of 97 houses for Defence. The visitors were briefed on the project by the Managing Director and walked through the construction site. The project will deliver new tropical style houses and will be much sought after by Defence members and their families posted to Darwin.

Left to right, Mr Michael Del Gigante (DHA), the Hon. Julia Gillard MP, the Hon. Warren Snowdon MP and Mr Chris Giannikouris (Halikos Pty Ltd).



30 June 2011

Sponsorship programs

In 2010-11, DHA contributed more than \$80,000 to the support of Defence and community programs. Major sponsorships included:

A **\$40,000** sponsorship of Defence Families Australia.

A **\$25,000** contribution to Legacy to support an advertising campaign promoting its work with Defence families.

A **\$5,000** sponsorship of the Navy Cadets recruitment campaign.

A **\$2,500** sponsorship of the Construction Industry Training Centre (CITC) Training Excellence Awards.



Meeting the Defence housing requirement

The Defence housing requirement

The DHA response

DHA's 'Defence' Portfolio

Major projects

Objectives

Housing supplied and managed effectively to meet the Defence Housing Forecast.

KEY PERFORMANCE INDICATOR	2010-11 TARGET	2010-11 ACHIEVEMENT
% ADF member satisfaction with house	80%	87%
Stock provisioned for client against agreed provisioning plan	>95%	98.2%

Major outcomes

1. 17,663 houses provided to members with dependants in accordance with the agreed provisioning schedule.
2. Land for Defence housing purchased at Rasmussen, Townsville; Lindfield and Ermington in Sydney; and Largs North in Port Adelaide.
3. Housing acquired by construction or purchase for the relocation of 7RAR from Darwin to Adelaide.
4. Targets for acquisitions and constructions in support of the Enhanced Land Force for Ipswich and Townsville met and for Brisbane, substantially met.
5. Construction under the Nation Building - Economic Stimulus Plan of the final 185 houses six months ahead of schedule in December 2010.
6. Started construction of new housing on Larrakeyah Barracks, Darwin, following the removal of 61 existing dwellings and the completion of civil works.
7. Civil works begun on the first stage of the Muirhead project, a major development that will create a new suburb of Darwin.
8. Upgrades and new constructions of Defence-owned housing continued on- base at Enoggera, Brisbane; HMAS Creswell at Jervis Bay; and Puckapunyal in Victoria.
9. Defence-funded air conditioning provided in 1,786 service residences.

The Defence housing requirement

Overview

DHA's main role is to supply housing for Defence members and their families to meet Defence requirements. It provides and manages dwellings across the country in capital cities, major regional centres and remote localities. Houses are acquired by DHA through construction, by purchase and by lease of privately owned housing. Dwellings are allocated in accordance with Defence policy and DHA manages the resulting tenancies. Some houses are owned by Defence (e.g. on Defence bases). Others are owned by DHA. The majority are privately owned and leased to DHA, typically for periods of 9–12 years.

Defence Housing Forecast

Defence notifies DHA of its housing requirement in the Defence Housing Forecast (DHF). Its purpose is to inform DHA of how many members with dependants are expected to need accommodation in the next financial year (and the following four years) in terms of numbers, locations and housing classifications. For 2010-11, Defence forecast a requirement for housing for 18,444 Defence members and their families, similar to the number in the previous year. Figure 1 shows successive DHFs and illustrates the increase in the Defence housing requirement since 2006-07 – reflecting, in particular, growth in the size of the ADF. It also shows how the actual housing requirement has tended to exceed the forecast.

The DHF for 2010-11 confirmed the continuing focus on new housing in Brisbane, Ipswich and Townsville to support the Enhanced Land Force and on upgrades and replacement of Defence-owned housing. The DHF is the starting point of the DHA capital planning process and is used to justify new projects that require the approval of the Parliamentary Standing Committee on Public Works (PWC).

Figure 1: Successive DHFs compared to the actual housing requirement



The DHA response

DHA Provisioning Schedule

In response to the DHF, DHA prepares a draft provisioning schedule that takes account of supply-side factors such as expected vacancy rates, lease-ends, land-supply, availability of capital and the state of private rental markets. DHA aims to supply 85% of the Defence requirement expressed as a national average with the balance satisfied by private rental markets where members receive their housing entitlement as a Rent Allowance.

Following negotiation, DHA is contracted to supply an agreed level of housing via a Defence approved Provisioning Schedule. For 2010-11, DHA proposed, and Defence agreed, a program under which DHA would supply 17,980 dwellings which, after allowing for vacancies, would accommodate 15,849 Defence families. A further 2,595 families were expected to be accommodated in the private rental market.

Capital Program

The Capital Program sets out how DHA will adjust its housing portfolio to meet Defence requirements as agreed in the Provisioning Schedule. It takes account of expiring leases, lease extensions and renewals, direct leasing outcomes, the purchase of new dwellings and DHA's land acquisition and house construction program.¹ As far as possible, the Capital Program seeks to maintain stock numbers and increase DHA stock in response to changes in force disposition (e.g. relocation of 3RAR to Townsville). The result is a large development, construction, acquisition and disposal program that must be approved by the DHA Board in the annual Corporate Plan.

Under its 2010-11 Capital Program, DHA constructed 888 houses at a cost of approximately \$366 million and purchased a further 190 at a cost of \$107 million. At 888 houses, the construction achievement was less than the Corporate Plan figure of 919, mainly due to the impact of adverse weather conditions in Queensland. The remaining 31 houses will be available in time for the 2011-12 peak posting period. In addition to constructions and purchases, DHA direct leased 156 properties and wrote new leases on 456 existing properties where leases and options had expired. After taking account of expired leases and the exercise of 764 options at DHA's discretion, total stock under management was 18,394 properties. Of these, 17,663 were for Defence members with dependants which is 98% of the 17,980 proposed in the Provisioning Schedule and better than the 95% target set by the Services Agreement.

In addition to the Defence portfolio, DHA's total housing stock includes properties held for the Australian Customs and Border Protection Service, the Australian Maritime Safety Authority, the Darwin singles apartments, and properties scheduled for disposal.

¹ In the three-year period 2011–12 to 2013–14, some 6,400 off-base leases and lease options are due to expire. While DHA will seek to extend expiring leases where it is sensible to do so, more than 1,000 will need to be replaced, adding to the pressure on DHA's capital program.

Major land acquisitions

The acquisition of suitable, cost-effective land for Defence housing is an ongoing priority. During 2010-11 DHA had considerable success in this aspect of its business, acquiring development land at Rasmussen in Townsville and at Ermington and Lindfield in Sydney. The Rasmussen site will provide 1,176 lots, about a third of which will be retained for Defence housing. The site is close to Lavarack Barracks and will meet DHA land needs in this key location in the medium term. Development sites in Sydney are scarce so the acquisition of land at Ermington and Lindfield is important. The Ermington land is a former Defence property fronting the Parramatta River and will yield more than 200 lots for Defence housing. The Lindfield site in North Sydney has the capacity to provide 345 dwelling units of which more than half will be retained for Defence housing. DHA secured a development site at Largs North in Port Adelaide which is expected to provide 112 lots with at least 33% retained for Defence housing.

DHA's 'Defence' Portfolio

Overview

Over the past 20 years DHA has significantly increased the quality and diversity of housing available to Defence members and their families. Its success is reflected in the 2009 ADF Exit Survey which reported that the availability of housing was extremely low in a list of contributing reasons cited by members for leaving the ADF.

While most of DHA's Defence portfolio are detached family homes, in order to meet the needs of Defence families it also includes townhouses, courtyard style houses and apartments. Townhouses and courtyard style developments with minimal garden maintenance are particularly suited to members who prefer well-located inner suburbs. Within limits set by Defence, a small number of apartments with shared recreational amenities and undercover parking are available in inner-city locations.

Housing in the Defence portfolio is classified for allocation purposes. This enables Defence members to obtain accommodation in accordance with their ranks and family-based entitlements. Since 1 July 2007, the system of housing classification has been based on market rents. Known as the New Housing Classification Policy, properties are assigned to rent bands which are set by Defence, in consultation with DHA, and updated annually. The system enables location to be factored into classifications (previously houses were classified by amenity alone).

On-base housing

DHA manages 1,695 Defence-owned houses located on Defence bases around the country, including the Darwin properties mentioned below. The Defence-owned houses are owned outright by Defence or financed by DHA under annuity arrangements. Defence pays fees to cover the cost of the management and maintenance with special arrangements in place to cover 63 houses on the Defence heritage register.

In 2010-11 nearly 240 sub-standard properties on RAAF Base Darwin and Defence Estate Berrimah (Darwin) were transferred from DHA's Defence portfolio. Vacancy management has been contracted to DHA separately pending a decision on disposal action. The Northern Territory is still home to the largest proportion of the on-base portfolio (640 properties).

In 2010-11 DHA continued work on upgrading and replacing Defence-owned houses. Costing \$250 million over 10 years, the program will ensure that Defence-owned housing meets the new minimum amenity standards by 2017.

The replacement of housing on Larrakeyah Barracks, Darwin, was approved by the PWC on 24 November 2009 at a cost of \$58 million. The project involves the removal or demolition of 61 residences and the construction of 97 new houses. On 21 March 2011 the Committee approved an increase in the project budget to \$64 million. Civil works have been completed and construction commenced. A demonstration house will be opened late in 2011 and final deliveries will occur in 2012–13.

Work has continued on a major program of upgrades at Puckapunyal, Victoria. At Gallipoli Barracks, Enoggera (Brisbane), 18 houses are under construction and at HMAS Creswell, Jervis Bay, NSW, 10 houses are nearing completion. Planning for a major program of new housing and upgrades on RAAF Base Tindal is continuing.

Heritage housing

In August 2010, DHA completed a \$20 million, multi-year Defence Heritage Upgrade Program with the finalisation of major upgrades on two heritage-listed buildings at Victoria Barracks, Sydney. Managed by DHA, the program has invested in heritage housing across the Defence estate at the Royal Military College, Duntroon; HMAS Creswell, Jervis Bay; HMAS Watson on Sydney Harbour; HMAS Cerberus, Mornington Peninsula; Anglesea Barracks, Hobart; and, Victoria Barracks, Paddington. The 63 houses on the Defence Heritage Register will continue to be maintained by DHA under arrangements set out in the Services Agreement.

Sustainable housing

DHA focuses on five key sustainability areas: energy consumption, water consumption, effective waste management, human wellbeing and the biodiversity of local flora and fauna. The principles of sustainable development continued to be incorporated in the decision-making systems, practices and processes of DHA in 2010-11.

DHA ensures all newly constructed estates comply with environmental laws and standards. DHA's new construction dwellings incorporate environmental sustainability improvements including reduced energy consumption, reduction in potable water use through AAA rated fixtures and fittings and biodiversity in landscape. Water tanks are provided in accordance with State and Territory Government requirements.

At its April 2009 meeting, the Council of Australian Governments agreed to an increase in energy efficiency requirements for new residential buildings to six stars, after March 2011. All new DHA houses tendered since 1 July 2010 in all climate zones have been designed and constructed to achieve a minimum House Energy Rating of six stars.

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*.

Air conditioning and security upgrades

Since 1 July 2006, all new houses entering the DHA portfolio have been required to meet a higher standard of inclusions than applied before this date (most notably in respect of air conditioning). However, the change introduced a split standard; some dwellings fitted with air conditioning and others in the same location without air conditioning. In 2009–10, Defence agreed to fund a major program of upgrades to these older houses. By the end of 2010-11 air conditioning upgrades for 1,786 properties had been completed with the balance scheduled for completion in 2011–12.

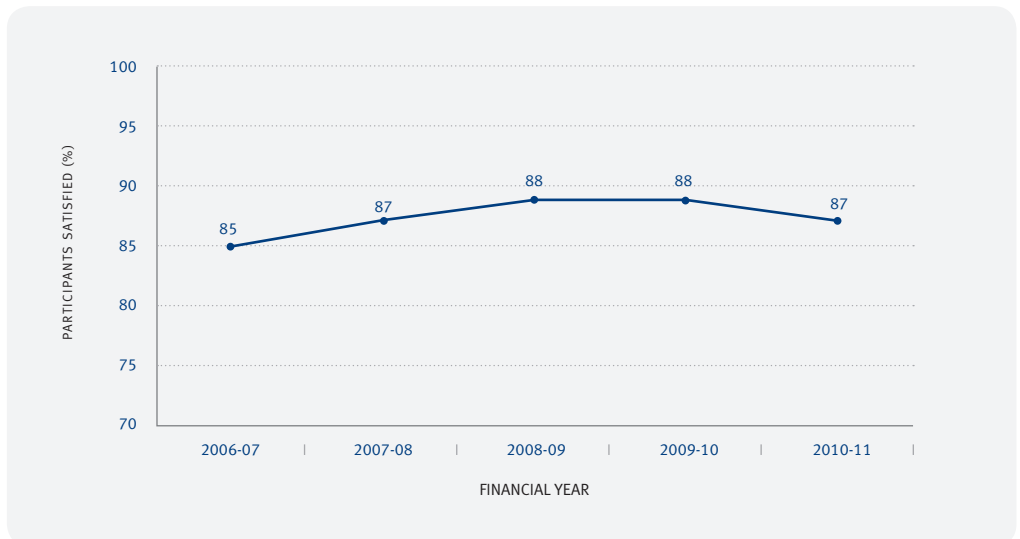
Portfolio management

DHA's Defence portfolio is managed from establishment of the housing requirement with Defence to exit from the portfolio when leases expire or properties are no longer required for ADF families. DHA maintains ownership of some properties to meet prudential requirements and uses financial benchmarks to determine the make-up of this part of the total portfolio. DHA also 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, from purchase, lease extensions or renewal and finally to return of properties at lease end.

Satisfied tenants

DHA's Annual Tenant Survey measures ADF members' satisfaction with their current service residences. In 2010-11, 87% of 2,964 respondents were satisfied with their current accommodation. This result is statistically similar to the result of 2009-10. In past years, sample sizes have ranged from 1635 to 4431.

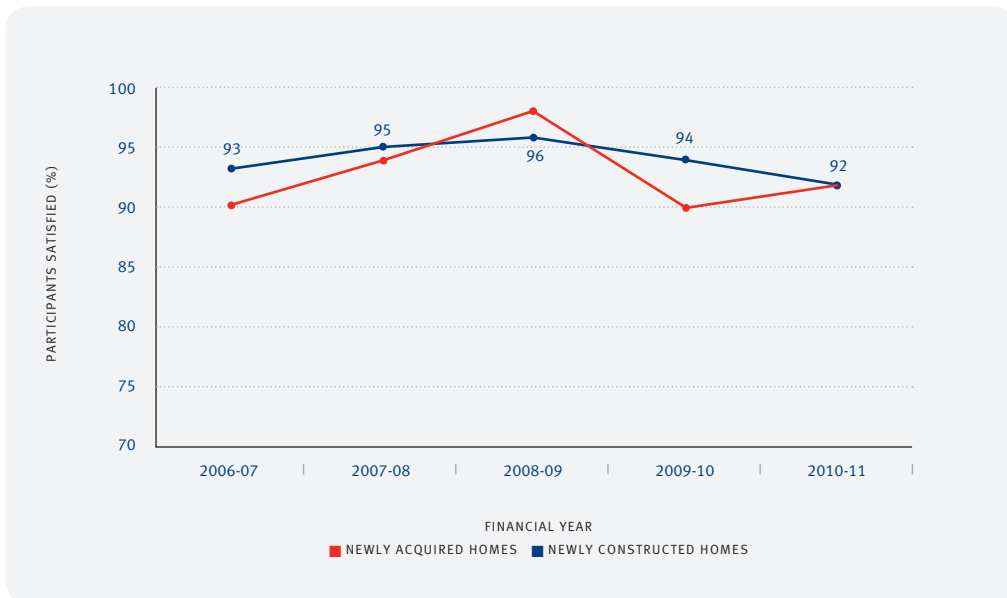
Figure 2: Customer satisfaction with current DHA accommodation, 2006-07 to 2010-11



Satisfaction with new housing

Properties acquired by DHA (constructions, acquisitions and direct leases) must satisfy Defence criteria in terms of the quality and level of amenity, inclusions and fittings including such aspects as security, heating, cooling and covered outdoor areas. Satisfaction of Defence members living in these dwellings has been consistently high. In 2010-11, sample sizes for the surveys of newly constructed and acquired properties were 93 and 73 respectively, with results in the graph below.

Figure 3: Customer satisfaction with newly acquired and constructed DHA accommodation, 2006-07 to 2010-11



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, for the Australian Maritime Safety Authority and for Defence singles (the Darwin apartments). The total DHA portfolio is summarised in Table 1.

Table 1: DHA Housing Portfolio 2010-11

	Purchases		Sales			Leases			Housing Stock at 30 June 2011					
	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	10	92	25	8	60	11	51	57	457	925	11	667	3	2063
TINDAL	0	0	0	4	0	0	4	27	3	93	96	193	0	385
CAIRNS	3	0	4	1	0	4	15	13	8	227	4	0	0	239
TOWNSVILLE	18	201	221	19	0	24	75	24	603	1384	33	7	19	2046
BRISBANE	28	162	176	10	4	17	74	20	458	1256	4	82	0	1800
IPSWICH	2	44	34	7	0	7	8	10	114	691	31	0	0	836
TOOWOOMBA	10	0	8	1	0	6	11	19	18	175	25	6	0	224
SYDNEY	44	29	56	63	0	10	191	111	997	2053	10	68	0	3128
HUNTER VALLEY	9	23	35	5	0	3	26	55	120	866	60	0	0	1046
NOWRA	0	3	17	1	8	8	19	7	0	303	28	31	0	362
CANBERRA	0	47	52	7	10	14	173	31	196	1595	0	184	2	1977
ALBURY/WODONGA	0	11	23	1	1	11	9	3	18	256	27	0	0	301
WAGGA WAGGA	5	1	3	3	5	6	17	1	6	237	116	80	0	439
MELBOURNE	21	16	53	9	3	11	38	19	285	605	138	419	0	1447
ADELAIDE	0	230	109	8	1	4	29	40	353	726	4	15	2	1100
PERTH	40	29	2	14	0	20	24	19	283	624	17	9	68	1001
AUSTRALIA TOTAL	190	888	822	161	92	156	764	456	3919	12016	604	1761	94	18394

Major projects

Lyons, Darwin

The development of Lyons and the construction of houses for Defence are substantially complete. The joint venture between DHA and the Canberra Investment Corporation Australia will result in the suburb eventually delivering 690 dwellings. Final deliveries in a program of 344 houses for DHA have occurred. The suburb is well located in relation to the Darwin CBD and is already proving popular with Defence families.

Larrakeyah Barracks, Darwin

This project required the removal of 59 existing residences and the demolition of two others. They will be replaced by 97 new homes. The project was approved by the PWC on 24 November 2009 at a cost of \$58 million with an increase to \$64 million approved on 21 March 2011. Civil works have been completed and initial construction started. Final deliveries are scheduled for 2012–13.

Muirhead, Darwin

Muirhead will be a new suburb of Darwin located about 15 kilometres from the CBD. The land was bought from Defence in June 2006 with a further 15 hectares added in January 2010. The suburb is master planned and will provide over 1,000 homes designed for Darwin's tropical climate. Under a Memorandum of Understanding with the Northern Territory Government, DHA will take 30% of lots for Defence housing. A further 15% will be designated for affordable housing initiatives and the balance sold on the open market. Stage one was approved by the PWC in June 2010 and civil works were contracted in May 2011. Delivery of 166 houses in this first stage is scheduled for 2012–13. Stages 2–7 were the subject of a public hearing of the PWC in Darwin on 3 May 2011.

Edgelea, Lindfield, Sydney

Edgelea is a 13 hectare development, 15 kilometres from the Sydney CBD, bounded by the Lane Cove National Park on three sides and adjacent to the historic University of Technology Sydney (UTS) Ku-ring-gai campus. The site was purchased from UTS in December 2010 and will produce 345 dwellings across 5 precincts. DHA expects to utilise more than half for Defence housing. Initial stages will be delivered in 2014 with project completion planned in 2017, subject to the necessary approvals from the PWC. Edgelea will provide high quality, predominantly apartment style housing for Defence members in the highly sought after North Shore area of Sydney.

Riverwalk Ave Ermington NSW

Purchased from Defence in June 2011, Ermington is a prime 14.3 hectare riverfront property, fronting the northern shore of the Parramatta River and bounded on the western side by Silverwater Road. The site is 15 kilometres from Central Sydney and 5 kilometres from the Parramatta CBD. The project has an approved master plan that allows for the development of up to 574 dwellings on the site, comprising townhouses and apartments. DHA expects to utilise approximately 50% of the dwellings for Defence housing. Referral to the PWC is expected in late 2011. Ermington will provide high quality Defence housing in a well serviced central location of Sydney.

Betty Cuthbert Estate, Sydney

This project involves the construction of 47 townhouses on the site of the former Riverview Nursery on Victoria Road in the Sydney suburb of Ermington. The constructions, which will comprise 42 three-bedroom and five two-bedroom dwellings, will complement the much larger development on the former Naval stores depot site on the Parramatta River. Together these two projects will provide very well located housing for Defence members posted to the Sydney central business district.

Voyager Point, Sydney

Voyager Point is a 16 hectare site that was purchased from Defence in 2003. Development and construction of housing for Defence was approved by the PWC in June 2010 and a Final Development Approval provided by the Liverpool City Council in May 2011. DHA expects to take 59 lots for Defence housing with the balance in a 120 lot development sold on the open market. The total project cost is around \$45 million. The DHA homes are scheduled for completion by mid-2014 and will mainly service ADF members at the nearby Holsworthy Army Base.

Rasmussen, Townsville Queensland

Purchased in December 2010, the 100 hectare Rasmussen property is a large residential development site in the Thuringowa corridor and suburb of Rasmussen. The site is 17 kilometres southwest from Townsville and 11 kilometres to Lavarack Barracks. An updated master plan has been drafted that is informed by experience with development planning for Muirhead in a similar climate zone. The project is expected to be referred to the PWC in late 2011.

Gordon Olive Estate, Brisbane

This \$27 million development is expected to provide 61 dwellings for DHA and one super lot (with potential for up to 41 units) that may be sold to the private market. The DHA houses will be a combination of detached housing (40), townhouses (17) and duplexes (4). The estate is well located in relation to Gallipoli Barracks, Enoggera and is expected to be very popular with Defence families. The development was approved by the PWC on 24 November 2009 and work on the project is now well advanced.

Crace, Canberra

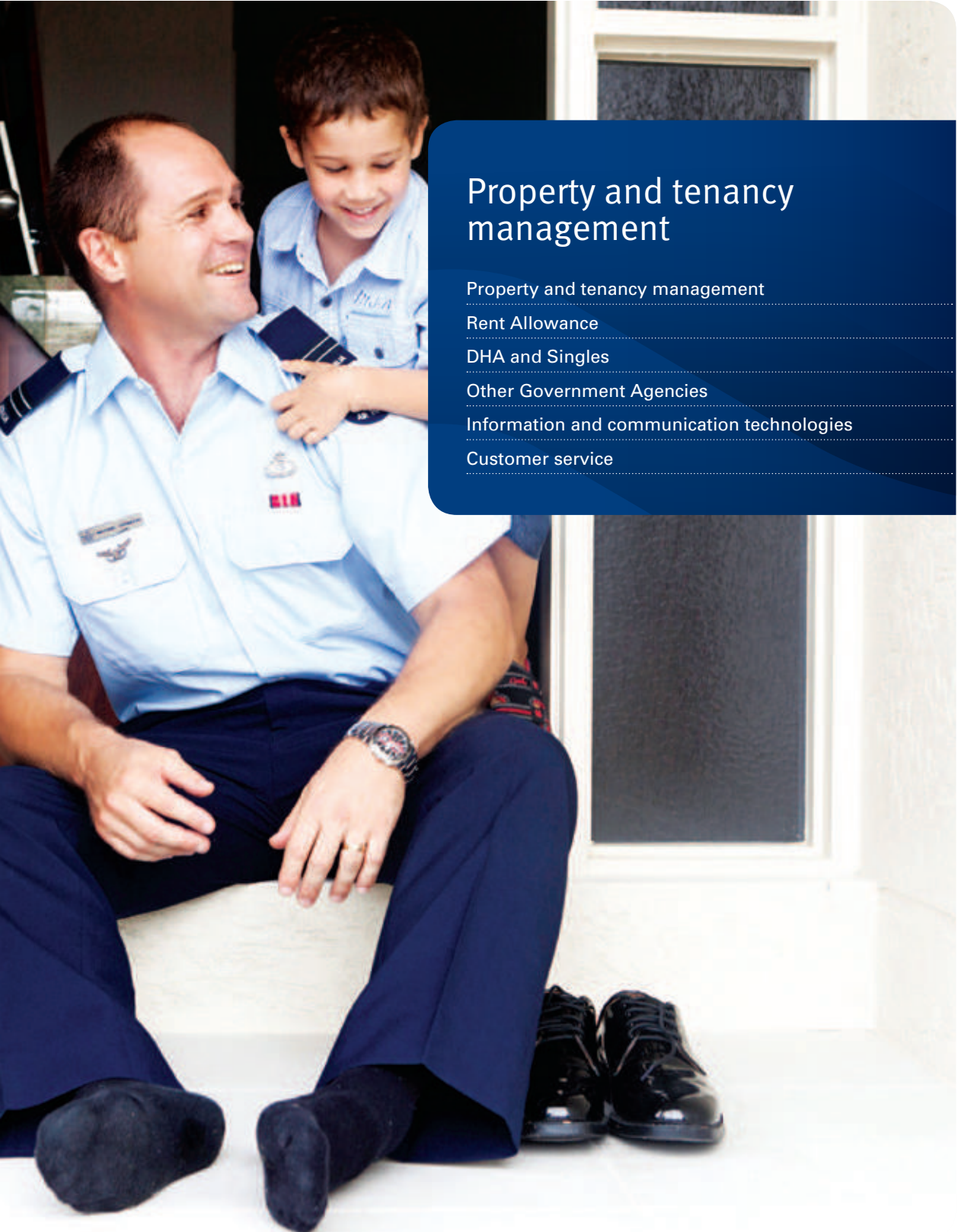
DHA is a member of Crace Developments Pty Ltd, a consortium that won the right to develop the new Canberra suburb of Crace in a joint venture with the ACT Government's Land Development Agency. 1,430 residential blocks are being released for sale in the development, with DHA likely to take up to 150 for Defence housing over a two-year period. The first stage of 35 houses for Defence is complete and work is well advanced on a second stage of 104 dwellings, most of which were handed over in 2010-11.

Weston Creek (ACT)

In 2009–10, DHA acquired an 8.2 hectare site in Weston Creek from the ACT Government in return for the transfer of another land parcel. The site is zoned for residential use and will be developed over the next three to four years. In addition to being very attractive and well located, the site is very close to the Australian Defence College site at Weston.

Bayriver Estate, Adelaide SA

DHA has acquired the development rights for a well located 9 hectare land parcel in the Port Adelaide suburb of Largs North. Owned by the Land Management Corporation of South Australia, the land is expected to yield a total of 123 allotments including 11 for medium density development. Costing \$38 million, the project was approved by the PWC in November 2010. Civil works are expected to be complete by late 2012 and house constructions by late 2013.



Property and tenancy management

Property and tenancy management

Rent Allowance

DHA and Singles

Other Government Agencies

Information and communication technologies

Customer service

Objectives

Housing supplied and managed effectively to meet the Defence Housing Forecast.

Information technology solutions supporting business capabilities.

Enhancing customer service experience and perceptions.

KEY PERFORMANCE INDICATOR	2010-11 TARGET	2010-11 ACHIEVEMENT
% ADF member satisfied with completed maintenance	80%	91%
Satisfaction with overall customer service	80%	89%
Maximising pre-allocation (rolling 12 mth average)	75%	90%
Customer complaints by volume:		
Allocations	<10%	0.25% ¹
Maintenance	<10%	0.21% ²

Notes:

- 1 Derived from complaints statistics provided to Defence and using as the denominator, the total number of allocation events for 2010-11 (24,850).
- 2 Derived from complaints statistics provided to Defence and using as the denominator, 'Maintenance Items Raised' as provided by the Housing Management System (200,046).

Major outcomes

1. Supplied 17,663 dwellings, housed 15,443 Defence families and administered Rent Allowance (RA) for a further 3,590 members with dependants (at 30 June 2011).
2. Administered the payment of RA to a monthly average of 11,250 single Defence members or members with dependants posted unaccompanied.
3. Minimised adverse impacts on Defence families from natural disasters in Queensland affecting more than 800 DHA-managed homes.
4. Successfully delivered allocations and tenancy management services in the context of new arrangements for provision of relocations administration services by other contractors.
5. Received approval from Defence and Government to expand DHA's involvement in the supply of off-base accommodation for Defence singles, initially in Canberra and Brisbane.
6. Achieved a pre-allocation rate of 90% (member chooses home in new location before departing old), reducing posting stress and costs for Defence.
7. Achieved an average monthly vacancy rate of 8.9% for DHA-owned and leased housing, a slight increase compared to 2009–10, attributable to new arrangements for management of relocations and the impact of production of new housing for Enhanced Land Force units.
8. Achieved a monthly average RA level of 18.1% which is within the acceptable range after adjusting for the difference between actual and forecast housing numbers.
9. Developed and implemented a new model for allocations providing better service delivery outcomes and mitigating adverse impacts identified during 2009–10 peak posting period.
10. Achieved an average monthly vacancy rate of 6.3% for just over 600 Defence-owned off-base houses, against a target of 5%.
11. Successfully re-tendered Residential Maintenance Services panels resulting in more than 1,100 contractors across 38 trade areas and 35 geographical areas.
12. Achieved response times for routine maintenance with an 82% completion rate within 15 days compared to a Services Agreement KPI target of 80% complete within 28 days.
13. Successfully negotiated a new two-year Memorandum of Understanding for the provision of residential property services for the Australian Customs and Border Protection Service.
14. Transferred nearly 240 vacant on-base properties in Darwin to new and separate vacancy management arrangements pending a Defence decision on disposal action.

Property and tenancy management

Overview

The property and tenancy business line accepts completed houses from DHA's provisioning group and is responsible for maintaining them, presenting them for allocation, tenating them and having them vacated at the end of tenancy. It is the customer-facing side of DHA's business with about 290 staff around the country interacting on a daily basis with current Defence tenants and talking to those on posting regarding housing in the new posting locality. This business also manages the payment of Rent Allowance (RA) to members with and without dependants who will be accommodated in the private rental market.

While the property provisioning group focus is on maintaining a supply of houses in response to the DHF – by constructing new houses on DHA-owned land, acquiring existing houses and by renewing leases – the property and tenancy business line is focused on matching the totality of the DHA housing portfolio to the demand for those houses as Defence families move on posting or as their changing personal circumstances affect their housing needs.

Defence Housing Forecast

The Defence Housing Forecast (DHF) is the starting point for the property and tenancy business as it is for property provisioning. It tells DHA how many ADF members with dependants are expected to need accommodation in the next financial year (and the following four years) in terms of numbers, locations and housing classifications. For 2010-11, Defence forecast a requirement for housing for 18,444 ADF members and their families, similar to the number in the previous year.

The DHF is a forecast of the Defence housing requirement. Its point of departure is the total number of Defence families in DHA-managed properties and in RA. It is informed by the best available information from within Defence about changes in the establishment (the number and rank of personnel) of headquarters, formations, units and bases and by changes in force disposition as a result of the creation of new force elements or changes in location of existing force elements.

The DHF attempts to estimate the proportion of Defence members who will require Defence-funded housing (DHA-managed or RA) as distinct from those who will live in their own housing (possibly purchased with Defence assistance). The accuracy of the DHF is thus affected by factors outside the control of Defence and DHA; for example, the state of residential property markets and the availability of bank finance.

Figure 1 in Chapter 1 (on page 14) illustrates the difficulty of forecasting the Defence housing requirement. In the year under review Defence estimated a housing requirement of 18,444. The actual number in Defence subsidised housing at 30 June 2011 was 19,033, an increase of 3.2% compared to forecast.

Meeting the Defence demand

In allocating housing, the property and tenancy team must manage tenanted, vacant and privately leased out stock in order to increase the number of Defence families in DHA-managed accommodation. An optimal outcome will maximise the number of available dwelling units during the peak posting period, minimise vacancy at other times by leasing vacant stock privately and minimise the number of Defence families receiving Rent Allowance (RA). At 30 June 2011, 81% of the total Defence demand was satisfied by DHA-managed housing with the balance in private rental accommodation (on RA). The 2010-11 monthly average of Defence families on RA was 18.1% which was within an acceptable range after adjusting for the difference between actuals and forecast housing requirements (3.2%).

Housing is allocated in accordance with a classification regime set down in Defence policy. Known as the New Housing Classification Policy, the system assigns DHA-managed properties to one of five rent bands which are set by Defence in consultation with DHA and updated annually. Rent bands are determined by geographical location with individual houses assigned to a rent band based on their market rent. The system enables Defence members to access housing in accordance with their ranks and family-based entitlements. Instead of classifying based on amenity alone (as was previously the case), the New Housing Classification Policy takes location into account.

Managing Defence tenancies

Since 1 October 2009, all Defence tenancies have been in the form of an agreement between DHA and the Defence member. Before then, DHA was an agent of Defence, administering tenancies between the Department and the Defence member. This is the first full year under the new arrangements, which has worked satisfactorily.

Housing Management Centres

Because property and tenancy management is focused on the particular and ongoing needs of individual Defence families, the business is sustained by a DHA workforce spread across 19 regional offices focused on geographical concentrations of Defence units and establishments. Nine are designated Housing Management Centres and the balance are smaller 'branch' offices. In 2010-11, the property and tenancy management business employed an average of 330, or 60% of the total DHA workforce (including the Maintenance Call Centre and Head Office). DHA staff regional offices provide a physical presence for Defence members seeking advice on housing matters including housing maintenance. DHA also maintains a sophisticated online service and a 24-hour telephone contact to handle these needs.

Responsive maintenance

Responsive maintenance is a critical component of property and tenancy management. DHA is contracted to provide a quality 24-hour maintenance service and to deliver high levels of tenant satisfaction with that service. To assist in achieving this objective, DHA established a Maintenance Call Centre (MCC) in 2008-09 to take over from Housing Management Centres responsibility for receiving and actioning maintenance calls from tenants. The MCC operates from the DHA office in the Hunter Valley (Newcastle) and provides extended hours coverage. 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 turn around of properties between tenancies. During 2010-11, the MCC received a total of 109,953 calls and made approximately 127,325 outgoing calls.

Contractor management

DHA is responsible to tenants and lessors for the provision of high quality and responsive maintenance service irrespective of location. To achieve this, DHA has established panel period contracts with maintenance service providers in each region. Known as Residential Maintenance Services, the arrangements are supported by sophisticated Contractor Management software (CTM) to assist Housing Management Centres to manage some 1,100 individual contractors and to deliver more consistent and timely maintenance support to tenants.

In 2010-11, DHA retendered its Residential Maintenance Services. When tenders closed on 25 March 2011, DHA had received a total of 979 responses covering 7,693 submissions across 38 trades and 35 geographical locations. The new arrangements were implemented on 1 July 2011 and will provide a greater number of contractors with increased capacity to deliver improved maintenance response times. In addition, the new arrangements will provide DHA with improved levels of contractor management and accountability.

Queensland Natural Disasters

The summer of 2010-11 saw serious and damaging flooding in South East Queensland, and the destructive winds of Cyclone Yasi in North Queensland, the most powerful cyclone to hit Australia in a hundred years. On both accounts, DHA staff responded quickly to address the needs of affected Defence families.

In North Queensland, 150,000 homes were left without power by Cyclone Yasi. Some 800 DHA-managed homes in Townsville, Mt Isa, Cairns, Tully and Mission Beach incurred some cyclone damage, most of it minor and external to fences, clothes lines, sheds and pergolas. DHA worked with its Residential Maintenance Services panel contractors to repair damage with the longest delays associated with fencing owing to high demand on contractors.

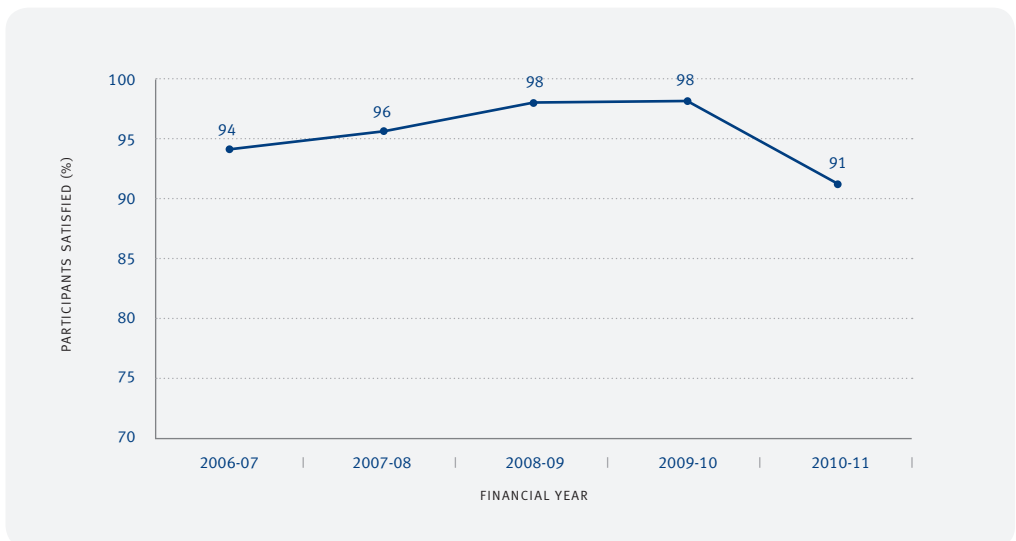
The South East Queensland floods are estimated to have caused damage to approximately 17,500 homes across the region. Serious water damage was sustained by 15 DHA-managed homes. The Defence tenants in these properties, along with 22 other Defence families living in their own homes or renting privately, were quickly relocated to temporary accommodation. Since the flooding, these families have either returned to their homes or been relocated to other DHA accommodation.

Overall, the impact of the flooding and cyclone on DHA-managed homes was less than it might have been because of a DHA policy to build above the 100-year flood line and employ construction methods and materials likely to withstand severe weather events. A “lessons learned” event will be conducted to ensure that DHA policies remain as effective as they can be.

Maintenance surveys

DHA measures ADF member satisfaction with customer service, contractor service and overall satisfaction with the maintenance service. Performance with completed and invoiced works remains strong, with 91% of 7,641 tenants in service residences expressing satisfaction with the overall service. Sample sizes in past years ranged from 2,548 to 7,848.

Figure 4: Customer satisfaction with DHA’s maintenance services, 2006-07 to 2010-11



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. Major elements of the Agreement were updated in 2009 to provide for the inclusion of allocations and tenancy management functions which had previously been contracted to DHA under the Relocations Services Agreement. The Services Agreement is due for a major review in early 2011-12 following its fifth anniversary in July 2011.

Rent Allowance

In addition to its core business of supplying and managing housing for Defence members, DHA has been contracted by Defence to administer the payment of Rent Allowance (RA) to Defence members with and without dependants who are accommodated in the private rental market. DHA is not responsible for assisting members to find private rental accommodation but rather gets involved when members seek approval to arrangements they have negotiated with agents and landlords.

In the normal course of events, administration of RA involves approving the commencement of a housing-related allowance, conducting an annual review to confirm a continuing entitlement and administering the cessation at the end of an approved arrangement. While this generally applies to the more stable tenancies entered by members with dependants, the administration of RA for single members can be more complex, often involving frequent changes to payment as members' circumstances change, e.g. because of deployment on operations, sharing arrangements and movement to/from Defence schools and courses.

In 2010-11, DHA administered the payment of RA to a monthly average of 3,390 members with dependants and an average of 11,250 singles (or members unaccompanied by dependants). Of particular note, single members receiving RA may apply for Defence approval of a relationship and consequently, become a member with dependants. This shift in categorisation involves a cessation and commencement of RA, often without a change in accommodation. Currently one third of members with dependants receiving RA are in this category.

DHA and singles

While DHA's core business is housing members with families, it has provided about 100 apartments for single members posted to Darwin since 2006. These provide an alternative to Rent Allowance 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 operation of the arrangement was limited to Darwin but it provided an option to extend the supply of singles accommodation to other locations provided both parties and the Minister for Defence agreed.

On 10 April 2011, the Minister for Defence agreed to a proposal by Defence to expand MCA to include Brisbane and Canberra. This is a strategic development. With some 11,250 Defence singles accommodated in the private rental market, expansion to Canberra and Brisbane is a stage in opening up this important market. DHA will spend \$30 million per annum over each of the next three years to construct and acquire off-base accommodation for singles in these places.

Other Government Agencies

A logical extension of DHA's core Defence business is the provision of residential property management services to other Federal Government agencies, especially in remote areas of northern and western Australia where several agencies can be operating from the same location. Thursday Island in the Torres Strait Islands is an example. While small by comparison with the Defence business, the cost-effective provision of services to these Federal agencies is a demonstration of DHA's relevance in the wider Government market place. Management fee revenue from these sources in 2010-11 was \$1.4 million.

Australian Customs and Border Protection Service

DHA has been providing residential property management services to the Australian Customs and Border Protection Service (Customs) since 2001. Many of the remote housing locations required to support Customs are common to Defence. About 115 properties are involved. During 2010-11, DHA and Customs signed a Memorandum of Understanding covering the provision of residential property management services for a new two-year period. The new agreement will provide a basis for both parties to refine residential management service delivery to Customs officers in remote locations.

During 2010-11, DHA completed a baseline assessment of all Customs properties to identify and scope maintenance needs and upgrade requirements. The project provided information for a strategic review of its residential housing by Customs. DHA also facilitated the acquisition and disposal of properties for the Customs portfolio and initiated work on a project to extend access to DHA's business systems by Customs.

During 2010-11, DHA logged nearly \$1.0 million in maintenance work on the Customs portfolio including work flowing from the baseline assessment activity.

Australian Quarantine Inspection Service

DHA was retained by the Department of Agriculture, Fisheries and Forestry (DAFF) to conduct a full baseline assessment of its AQIS property portfolio using DHA technical inspectors based in Perth, Darwin and Townsville. This activity may lead to an extension of DHA's Federal Government business.

Australian Maritime Safety Authority

In December 2009, DHA and the Australian Maritime Safety Authority (AMSA) executed an agreement for the delivery of residential property management services. AMSA officers are located in the same remote locations as Defence and Customs, so the economies of scale are beneficial for this new Government client. A full baseline assessment of all AMSA properties has been carried out to identify and scope improvements required for their portfolio.

Information and communication technologies

Overview

During 2010-11, DHA continued the development of new and improved information technology solutions while sustaining Business as Usual capabilities. DHA is dependent on robust systems to support and deliver services – property management, leasing operations, customer relationship management, staff training and development etc. These systems support thousands of interactions every week with Defence members as tenants, and with builders, contractors, lessors, valuers, staff and Government.

Secondary Data Centre

An important development during 2010-11 was the planning of a secondary data centre and its relocation from DHA's leased premises in Braddon, ACT to a specialist data centre facility in Dickson, ACT. The new centre will enable DHA to hand back the leased premises in Braddon.

New allocations model

An important new project in 2010-11 was the development of a new business model to better fit the changed circumstances of the allocations function following the transfer of relocations administration to another contractor. The details of the new model were negotiated with Defence in light of deficiencies that emerged during the first peak posting period under the new arrangements. The new business model will result in improved service to Defence members as a result of DHA gaining earlier notice of members who will be vacating DHA managed homes. Early notice will mean more homes on HomeFind and thus improved choice for members.

Customer service

Communicating with Defence members

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

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

DHA staff members are regular participants in briefings to Defence members in the lead up to the peak posting period and provide ongoing support. DHA also maintains an up-to-date web presence via a portal to the full range of its housing management services. Communication and marketing materials are used to inform Defence members and their families of the services available and how to use them.

DHA maintains hard copy publications and online information products to assist customers to understand and use housing and relocation services. These are distributed through the Housing Management Centres and stakeholder groups such as the Defence Special Needs Support Group, Defence Families of Australia and the Defence Community Organisation.

In recognition of the difficult circumstances Defence families face when moving to a new posting location, in 2010-11 DHA focussed case management training on the principles of customer service. Case managers were given practical tools to deal with the complex situations that can arise during intense periods of activity such as the annual peak posting period.

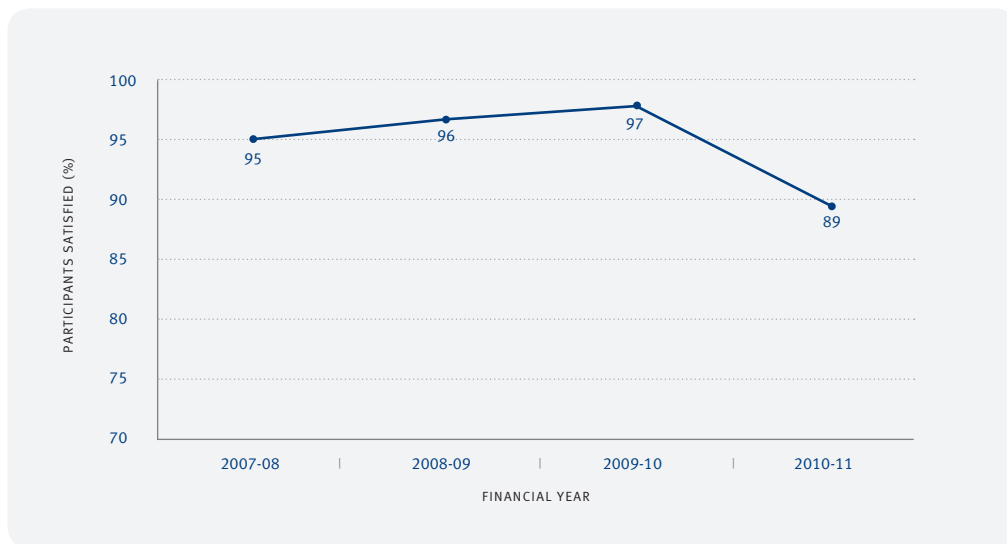
Complaints management

The majority of customers are satisfied with the services DHA provides, especially with the quality of our new housing. They tell us so through regular surveys. However, DHA also receives complaints, mainly in relation to outstanding maintenance, neighbourhood disputes and the application of Defence housing policy. Complaints can be referred directly to DHA by tenants themselves, other Defence personnel and lessors or via the Defence Ombudsman or Ministers. All DHA staff members are able to log complaints and may request assistance from Customer Relations Officers (CROs) in their region to handle complaints. DHA's objective is to manage complaints at the point at which customers first express dissatisfaction. Once a case has been logged in the automated electronic complaints management system, material relevant to the case cannot be altered. One of the roles of the CROs is to monitor and close off cases in the complaints management system. Logged complaints are reported to Defence on a monthly basis.

Satisfaction with customer service

DHA's quarterly housing survey measures satisfaction with overall customer service experienced while vacating, finding and occupying DHA-managed properties. Results in customer satisfaction remain above the target of 80% with 89% of 4,369 participants indicating that they were satisfied with their experience of DHA's customer service. Sample sizes in past years ranged from 3,719 to 5,739.

Figure 5: Satisfaction with customer service, 2007-08 to 2010-11



Customer Service Institute of Australia

In recognition of the need to improve its performance at the customer interface, in 2005–06, DHA successfully 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 by the CSIA 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. Since 2005–06, DHA has been recertified twice – in 2007–08 and 2008–09. DHA will seek certification for the fourth time in 2011–12.



Building for the nation

Background

On 3 February 2009, the Australian Government announced that it would finance 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 benefited directly as a result of a decision to allocate \$251.6 million of stimulus funding to DHA for the construction of 802 houses over the two-year period to 2010-11. The funding was for construction costs only, with building taking place on land already held. DHA was also required to deliver its Business as Usual program of more than 1,000 house constructions over the same period.

Subsequently, the amount was reduced to \$245.6 million. Even so, as a result of cost savings through construction efficiencies, DHA was able to increase the number of houses to be delivered under the program to 829.

Getting on with the job

Following the Government's announcement in February 2009, DHA moved quickly to contract its 2009–10 construction program, so that by 30 June 2009, the first three of its NB-ESP houses had been handed over. Less than six months later, by 4 December 2009, all 829 houses in the revised NB-ESP program had either been completed or were committed for construction. The graph at Figure 6 illustrates the speed with which DHA ramped up its construction program.

By the end of December 2009, 303 houses (37%) had been handed over and by the end of 2009–10, a total of 644 (78%) had been completed. The balance of 185 houses were completed less than six months later with the final house at Everton Park, Brisbane, handed over at a ceremony attended by the Acting Prime Minister on 9 December 2010.

Passing the test

The NB-ESP program was an important test of DHA's ability in a short time to double its capacity to manage house constructions in support of a major Government initiative. DHA did well – 829 houses delivered under budget and ahead of schedule.

Land on hand was diverted to NB-ESP constructions putting significant pressure on DHA to find replacement land in time to deliver its Business as Usual program commitments. In 2010-11, those commitments amounted to the construction of 731 houses. At 30 June 2011, the Business as Usual program fell marginally short of the 731 target due to construction delays associated with adverse weather conditions in Queensland in early 2011.

Around the country

The largest single NB-ESP funded project was the construction of houses in the new Darwin suburb of Lyons. A joint venture between DHA and Canberra Investment Corporation, the suburb includes 344 houses for Defence families with 185 funded by NB-ESP including a tropical demonstration house to evaluate designs and test construction methods and energy efficiency. The experience gained will be deployed in an ongoing program of constructions in Darwin and Townsville.

A large project partially funded by NB-ESP was the construction of housing in Adelaide to support the relocation of 7RAR from Darwin. Focused in the northern suburbs of Adelaide in the general vicinity of RAAF Base Edinburgh, the new home of 7RAR, 127 dwellings for Defence families were funded by NB-ESP. Suburbs included Andrews Farm, Blakeview, Hewett, Evanston Gardens and Blake's Crossing.

Reflecting its importance as a current focus of Defence activity and, therefore, of DHA construction effort, more than 40% of DHA's NB-ESP program was concentrated in Queensland. In particular, the relocation of 3RAR from Sydney to Townsville in 2012 has required a large program of constructions above the sustainment of the current portfolio – 118 dwellings in Townsville were funded by NB-ESP. In Ipswich, as part of a much larger program to support an expanded Defence presence at RAAF Base Amberley, 111 houses were funded by NB-ESP. In Brisbane, where the Army is re-raising 8/9RAR at Gallipoli Barracks, Enoggera, the construction of 125 houses was funded by NB-ESP.

Between them, these five major centres of activity accounted for 80% of DHA's total NB-ESP funded house constructions. The balance was made up of smaller packages in places such as Melbourne (43), Newcastle (30), Canberra (10) and Hobart (10).

Table 2: Location and number of houses funded by the Nation Building – Economic Stimulus Plan

	2008–09 Completed houses	2009–10 Completed houses	2010-11 Scheduled completion	Total program
ADELAIDE		75	52	127
BRISBANE	1	85	39	125
CAIRNS		5		5
CANBERRA		10		10
DARWIN		149	36	185
HOBART		10		10
HUNTER		30		30
IPSWICH		75	36	111
MELBOURNE		54	2	56
NOWRA		16		16
SYDNEY			20	20
TOOWOOMBA		8		8
TOWNSVILLE	2	116		118
WAGGA WAGGA		2		2
WODONGA		6		6
TOTAL	3	641	185	829

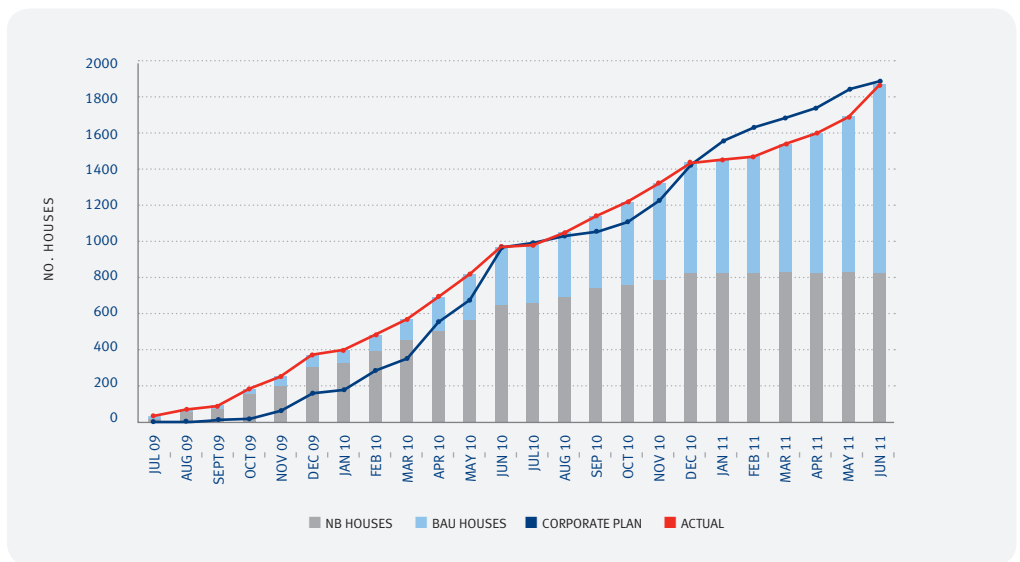
Opportunities for apprentices

Coinciding with NB-ESP, in March 2009 DHA initiated a scheme to support the creation of apprenticeship places in the residential construction industry. Under the DHA Apprenticeship Support Scheme (DASS), DHA decided to subsidise the cost of creating or sustaining 20 apprenticeships. DHA meets 50% of the costs of each apprentice who are engaged, as far as practicable, on DHA residential construction sites. The apprenticeships are based in Brisbane, Townsville, Canberra, Adelaide and Darwin.

More energy efficient homes

The stimulus plan coincided with a major initiative by the Australian Government to improve the energy efficiency of residential houses by mandating a six-star energy efficiency rating for new houses from 2011. DHA agreed to early adoption of the higher standard by specifying a six-star rating as an option for all new houses in its 2010-11 new construction program. Some houses have been constructed to an even higher standard of efficiency. At 30 June 2011, 853 houses in the 2010-11 program had been constructed to six-star or higher energy efficiency rating.

Figure 6: House constructions – actual and forecast – Nation Building - Economic Stimulus Plan and Business as Usual (BAU)



Economic stimulus and job creation

In accordance with advice provided by consultants Essential Economics Pty Ltd², DHA estimates that its NB-ESP funded construction activity generated some 660 jobs directly, and a further 1,650 jobs indirectly.

Communication

DHA maintained its own NB-ESP website at dha.gov.au and, during the program, contributed regular updates to the Australian Government NB-ESP website at www.economicstimulusplan.gov.au. In addition, DHA participated in an extensive reporting and reviewing regime including providing regular reports to the Department of Prime Minister and Cabinet, Department of Finance and Deregulation and the Department of Defence.

² Essential Economics Pty Ltd, *Measuring Economic Benefit of Dwelling Construction and Maintenance Programs of DHA*, Final Draft Report dated January 2009 which estimates one direct job created for every \$370,000 spent on construction, and a multiplier of 2.5 for indirect jobs.



Developing our people

Objective

Motivated and engaged staff.

KEY PERFORMANCE INDICATOR	2010-11 TARGET	2010-11 ACHIEVEMENT
Retention of staff*	85%	85.4%
% of current employees with DHA tenure > 2 years	>70%	91%
Occupational Health & Safety incident rate (per 100 employees)	<2.0 incidents resulting in time off work	0.71 incidents
% of salaries spent on training DHA staff	>1.00%	1.62%

* Target figure excludes the impact of the discontinuation of the relocation business.

Major outcomes

1. Delivered the second year of the Human Resources (HR) Strategic Plan 2009–2012, with special priority given to staff development.
2. Reviewed and evaluated the operation of the DHA *Collective Agreement for 2009–11* (CA). The consultative process with staff will provide a foundation for our new enterprise agreement.
3. Accomplished the key objectives of the transition strategy developed in response to the loss of the relocations business, including the delivery of vocational support, coaching, retraining and skills development programs to DHA staff in positions at risk.
4. Designed and implemented the Learning and Development Plan for 2010-11, including the roll out of a Certificate IV/Diploma accredited course to 25% of DHA staff providing broad based operational skills, management and supervision training.
5. Concluded the review of Health and Safety Management Arrangements and promoted DHA's Occupational Health & Safety (OH&S) strategy directly to managers and staff, highlighting well-being programs and raising mental health awareness.
6. A very positive result from the April 2001 internal audit of DHA's suite of payroll and HR systems.

Overview

DHA continued to focus on the delivery of its Human Resource (HR) Strategic Plan 2009–2012 (the Plan), adopted in November 2008. The Plan identified the following HR challenges over the three year period:

- remaining a competitive employer
- attracting and retaining staff with required skills and expertise
- creating and maintaining a more flexible workplace
- developing staff to ensure they can 'work smarter' and are considered under succession planning strategies, and
- ensuring that the business is able to respond to human resource requirements.

Programs conducted in 2010-11 responded to these challenges. Specific and ongoing programs were undertaken to:

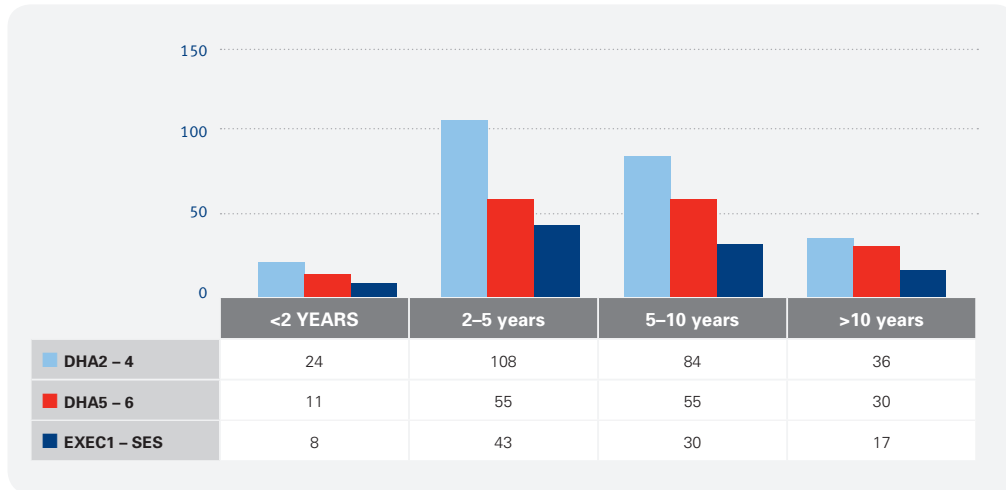
- improve the alignment of individual skill sets with corporate objectives, particularly in light of new business directions
- realign skills sets of those staff redeployed in 2010, including retraining where needed
- reinvigorate employee commitment and motivation after a period of major adjustment (the loss of the relocations business)
- ensure systems and processes provide support for maximum motivational effect, and
- underpin our corporate responsibilities.

Staffing Profile

The *DHA Collective Agreement 2009–2011 (CA)* covers non-Senior Executive Service (SES) staff. At 30 June 2011, the number of non-SES staff under the CA was 596 (99.5%), with three staff (0.5%) employed under an Australian Workplace Agreement (AWA). DHA continues to offer staff the option of remaining on their AWA or transitioning to the CA. DHA's SES staff are covered under individually negotiated Common Law Contracts (CLCs).

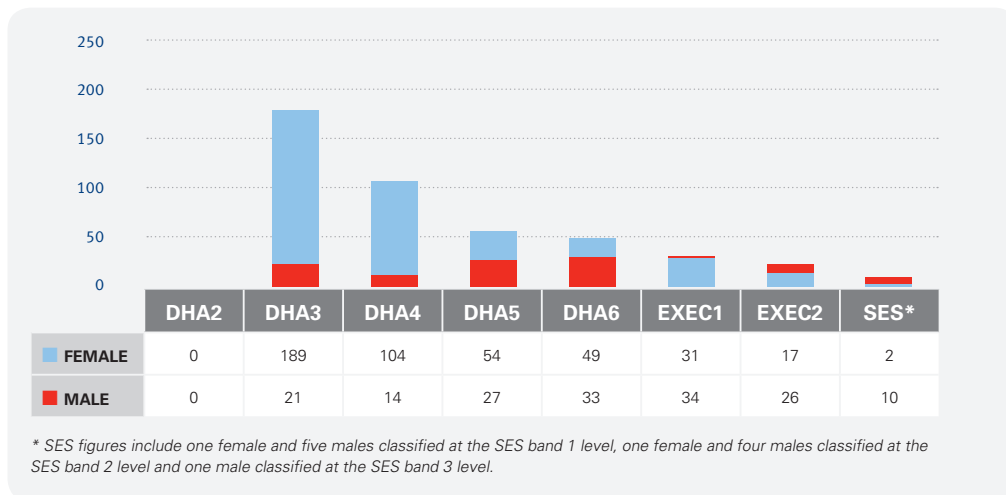
DHA has undertaken a range of staff training and development initiatives in 2010-11 including effective communication and employee support programs. As a result, DHA was able to provide a high level of service delivery during a time of significant change. Productivity continued to improve as a result of skills acquisition and fewer employee cessations, thereby lifting the experience base and stability of our staff. Over 91% of ongoing staff have more than two years service, with 50% having more than five years.

Figure 7: Ongoing staff by length of DHA service and classification at 30 June 2011



DHA also benefits from 91% of the management group, represented by ongoing staff at classification levels Executive Level 1 to SES, having more than two years of DHA corporate knowledge and experience.

Figure 8: DHA staff by classification and gender at 30 June 2011



DHA's Collective Agreement

The Collective Agreement (CA) is in its third and final year of operation and based on feedback is assessed as meeting its key objectives of flexibility and enhancement of a high performance culture. The CA supports improved work-life balance through a variety of leave provisions including rostered days off, parental and maternity leave, annual leave service recognition, elderly or disabled care leave and career break leave.

During 2010-11 DHA conducted a series of CA 'health check' forums across Australia. The sessions were well attended with over 90% of operational staff participating. The objective was to review and evaluate the operation of the CA and to remind staff of its terms and conditions. Feedback confirmed that the current CA plays an important role in motivating and retaining DHA's staff.

Conditions and entitlements

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

The CA remuneration package includes guaranteed salary increases, access to performance bonuses, employer superannuation contributions, special allowances and a higher annual salary increase for eligible exceptional performers. DHA staff also have access to flexible remuneration packaging and a choice of superannuation funds.

Special allowances

The CA recognises appropriately trained and qualified staff undertaking additional duties that support a safe and healthy DHA work environment. These include Occupational Health and Safety (OH&S) Officers, First Aid Officers, Fire Wardens, Deputy Fire Wardens and Workplace Harassment Contact Officers.

Northern Territory payment

In 2005 DHA initiated a retention bonus program in the Northern Territory to motivate and retain skilled staff in this challenging region during periods of peak workload. Its success resulted in its inclusion in the CA. The second CA payment was made to 85% of Northern Territory staff in February 2011. This was an increase of 14% from the previous year, reflecting continuing improvement in the retention rate of staff in the NT.

Performance bonus

DHA's Performance Development Scheme is intended to foster high performance and capability development. In consultation with managers, staff prepare and agree an annual Performance Development Agreement which identifies key performance indicators against which staff are subsequently assessed. High performing staff across all classification levels are rewarded with a performance bonus. For the 2010 appraisal year more than 90% of eligible staff received a performance bonus. DHA provides staff with the option of salary-sacrificing their performance bonus into their choice of an approved superannuation fund, subject to Australian Taxation Office legislation.

Table 3: CA salary ranges

CA CLASSIFICATIONS	JUNE 2010	
	MINIMUM OF RANGE:	MAXIMUM OF RANGE:
Trainee Junior	\$38,564	\$43,920
Broadband 1:		
DHA Level 2	\$44,220	\$49,580
DHA Level 3	\$49,804	\$55,184
DHA Level 4	\$55,030	\$61,492
Broadband 2:		
DHA Level 5	\$61,997	\$67,668
DHA Level 6	\$68,441	\$78,691
Executive Levels:		
Executive Level 1	\$82,550	\$101,406
Executive Level 2	\$95,748	\$126,698

The Collective Agreement salary ranges will increase by 3.5% on 1 October 2011.

Maternity Leave Handbook

A large number of staff accessed DHA's Maternity Leave Handbook (the handbook) since its launch in 2010. The handbook provides staff with useful information on maternity and parental entitlements and provides advice for staff planning leave and those considering a return to the workplace. The handbook is regularly reviewed to ensure information is current. For example, it now tells staff how to find out more about the Government's Paid Parental Leave Scheme. Feedback from staff is very positive, particularly in regional DHA locations where the taking of maternity leave has increased.

HR Information Systems and Payroll

DHA's HR Management Information System is managed in-house and provides accurate and timely HR related reports and supports the administration of staff remuneration and conditions of service. An internal audit in 2010-11 concluded that the system was robust, that support to payroll processing was sound and that there were no significant issues to be addressed.

Exit Survey

In 2010-11 DHA introduced an electronic exit survey to gather information that would assist in the measurement of attraction and retention strategies. The revised survey included a more detailed focus on factors influencing staff in their decision to leave DHA. The exit survey was reviewed in early 2011 and was found to be providing greater measurability of information important to DHA in relation to its competitive position in the broader employment market, both at a national and regional level.

HR Network

The HR Network was launched in 2009 and provides middle and senior managers with up to date, bi-monthly communication on topics which, in 2010-11, included:

- Relocations Transition Project
- Learning and Development
- OH&S, and
- HR systems such as Employee Self Service.

The forum also provides managers with an opportunity to raise their views and seek assistance regarding management issues and matters affecting the workplace.

Staff Consultative Group

DHA staff elect employee representatives from each region to form the Staff Consultative Group (SCG). Where possible the representatives comprise staff at varying classification levels. It convenes on a regular basis to consult on issues that impact the work environment.

During 2010-11 the SCG met four times to consider workplace issues including staff redeployment, implementation of the Learning and Development Plan 2010-11 and input to HR policy adjustments.

The Charter of the SCG has been reviewed recently with a view to aligning its role to the Government's Enterprise Bargaining Framework and to defining the tenure of delegates.

Learning and Development

In accordance with the key objectives outlined in the DHA Human Resource (HR) Strategic Plan 2009-2012, DHA launched a series of major Learning and Development initiatives in 2010-11. These were aimed at:

- Addressing identified skill gaps.
- Ensuring the opportunity was available for each staff member to reach full potential and to maximise contributions.
- Developing increased capability in response to new business directions.
- Offering significant skill enhancement opportunities as part of DHA's attraction and retention strategy.

These initiatives were consolidated into the Learning and Development Plan 2010-11 (L&D Plan). The L&D Plan reflected significant consultation with managers across DHA. In addition to the continuation of past programs, the key initiatives delivered under the L&D Plan include:

- Provision of nationally accredited training at the Certificate IV and Diploma level (to date 150 employees have participated in the program).
- Delivery of staff management and leadership skills training to the middle management and supervisor level.
- Delivery of specifically tailored national training solutions which target commonly identified administrative and operational issues.
- Design and delivery of business line specific skill requirements such as Property Development Feasibility, Policy Writing, Workplace Trainer Development.
- A major increase in the delivery of personal development requirements as identified in individual Performance Development Agreements.

Significant investment was made in the establishment of partnerships with quality providers for the delivery of the L&D Plan. Understanding our business and ongoing commitment were considered important in supporting the longer term stability and dynamism of the overall L&D program.

DHA also provided significant assistance to staff via the Studies Assistance Program, providing financial assistance for approved tertiary courses that enhance our capability and business outcomes.

Feedback

The current L&D Plan and associated programs reflect the increased level of commitment sought by managers and staff in the design stage. Centralised management of the L&D Plan and the successful delivery of structured programs has generated enthusiasm for training and a proactive approach to participation from both managers and staff.

Evaluation indicates that the program has delivered significant improvements in individual capability. In particular, improvements in communication skills and ability to manage DHA's customer base and to apply newly acquired skills in other areas of the business have been observed.

Rewards and Recognition

In addition to the rewards and incentives available under the CA, DHA rewards exceptional staff achievement through:

- Service awards for five, 10, 15 and 20 years of employment with DHA, and
- Annual DHA Awards for Excellence for exceptional individual staff performance in their respective business units. The 2010 award winners are listed in Table 4.

Table 4: Annual Awards for Excellence 2010

EMPLOYEE OF THE YEAR	
Sales and Marketing	Janice Hinson
BUSINESS UNIT RECIPIENTS	
Corporate Affairs	Christine Holley
Client Relations	Heather Swanston
Business Solutions and Technology	Niran James
Sales and Marketing	Janice Hinson
Finance	Jo Edwards
Property Provisioning Group	Dave Sutherland
Operations Service Delivery	Margaret Smith
New South Wales Region	Houda Darwich
Victoria/Tasmania Region	Linda Ferguson
South Queensland Region	Ann Kenrick
North Queensland Region	Shane Humphreys
Northern Territory Region	Kellie Hay
South Australia Region	Mary Radak
Western Australia Region	Deanna Forward
Riverina HMC	Paul Haddrick
Canberra HMC	Myra Cooper

Occupational Health and Safety

In accordance with its obligations under the Occupational Health and Safety Act 1991 and associated Regulations, Codes of Practice and Australian Standards, DHA is committed to a safe and healthy workplace for all staff, visitors and contractors who may enter or work near a DHA workplace.

DHA provides training to staff responsible for promoting and maintaining health and safety values and for providing practical input to occupational health and safety issues. Staff who take on roles such as First Aid Officers, Harassment Contact Officers and Health and Safety Representatives perform a critical role in the maintenance of a DHA's health and safety record.

Staff members have access to well-being programs that fall under the OH&S banner including:

- Quit Smoking Program
- Eye Health
- Flu Vaccination Program

DHA engaged SRC Solutions to provide workplace rehabilitation services.

OH&S Management

To ensure that managers and staff fully understand their OH&S obligations, DHA undertook an OH&S presentation to all staff in 2011, building on the updated policy information and presentations provided in 2010. The purpose was to 'de-risk' the workplace as much as possible through the early identification and resolution of potential OH&S issues.

Mental Health Awareness

During 2010-11, DHA undertook a mental health awareness promotion campaign. It included the distribution of awareness material and the engagement of selected staff in mental health awareness training in order to increase both awareness and response capacity in relation to this issue.

Occupational Health and Safety Committee

A national OH&S Committee with 19 members includes health and safety representatives from DHA's 11 designated work groups. It meets via teleconference every three months to review OH&S performance across the business and discuss current issues. The Committee meets at other times as required.

Maintenance Call Centre

During 2010-11, the specific OH&S needs of the Hunter Valley Maintenance Call Centre were reviewed and specialist advice sought to apply industry best practice in this important facility. Additional OH&S guidelines and education were provided to managers and staff to assist them with recognising and handling call centre OH&S issues.

Health and safety management arrangements

To comply with obligations under the *Occupational Health and Safety Act 1991*, DHA's Health and Safety Management Arrangements (HSMAs) were reviewed and updated by the National OH&S Committee in October 2010. Feedback from staff was positive and reflected the effectiveness of arrangements in place. The review identified some improvements to the way OH&S matters are handled within DHA. Updated HSMAs were published on the intranet so that staff could familiarise themselves with their responsibilities under the revised arrangements.

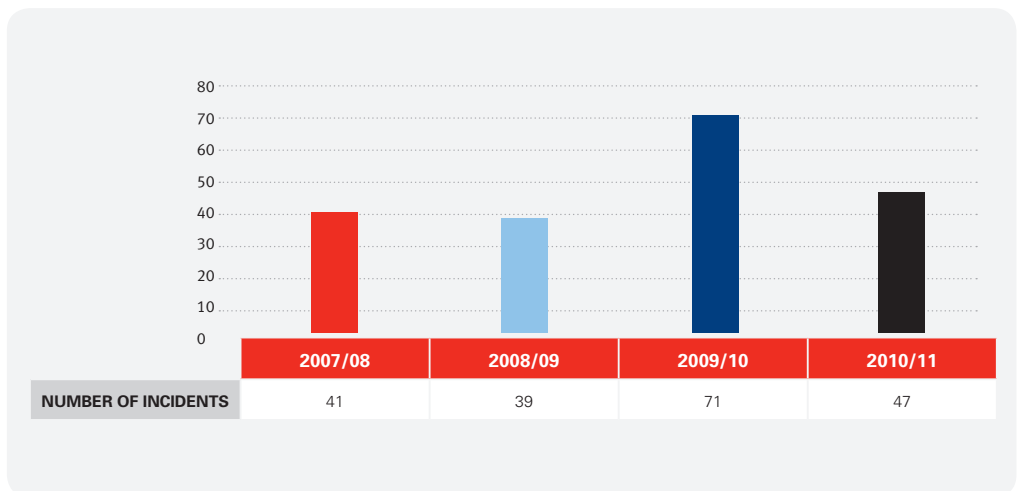
Incident Reports

DHA demonstrated its commitment to preventing incidents occurring in the workplace through initiatives including:

- Health and Safety Management Arrangements
- Regular Premise Inspections
- All staff OH&S information articles in DHA News
- National and Regional OH&S Committee meetings
- Signage in prominent areas
- Regular promotion of specific issues (e.g. mental health awareness), and
- Relevant and easy to understand OH&S subject matter available on the intranet.

There was a significant reduction in reported incidents in 2010-11 compared to 2009–10, as illustrated in the chart below.

Figure 9: OH&S Incidents



Of the 47 reported incidents, 22 related to falls, trips and slips by individuals. These were mainly attributed to slippery surfaces. DHA has taken preventative action including increasing staff awareness and improving signage in these common areas.

There were no notifiable incidents to report to Comcare in this period.

Workers Compensation

A total of eight workers compensation claims were submitted in 2010-11. The majority of these claims related to minor injuries, such as falls, trips and slips. Comcare accepted liability for all eight claims.

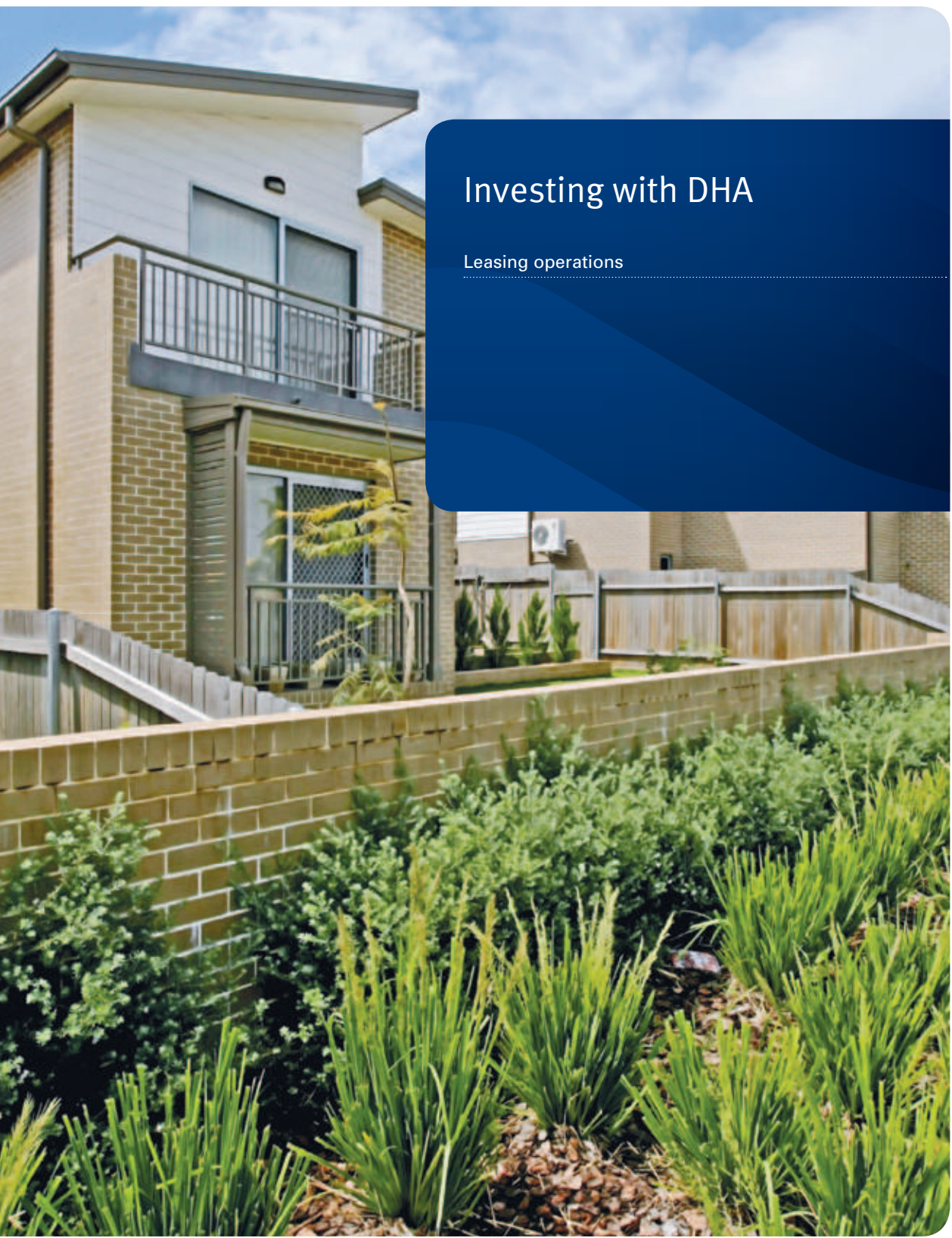
OH&S directions, notices and investigations

No directions, notices or investigations under the *Occupational Health and Safety Act 1991* were conducted or given to DHA in 2010-11.

Records Management

DHA complies with the *Archives Act 1983* requiring staff to make and keep records. To assist DHA to meet these and related obligations, it has developed a team of in-house records specialists. Specific initiatives in 2010-11 have included:

- developing records management resources such as:
 - tailored procedural user documentation
 - administrator troubleshooting guidelines
 - enhanced records information management system functionality, and
 - improved in-house training and support
- investing in the relationships that DHA has with its stakeholders resulting in improved business relationships with other Government agencies and service providers
- implementing controls to identify and address inconsistent record practices to ensure consistent application across the business
- the sentencing of 9,453 records that can now be scheduled for destruction, and
- reducing the number of record types DHA uses by 111 and successfully merging and reclassifying 296,672 impacted records, increasing efficiencies by making it easier for staff to create and maintain records.



Investing with DHA

Leasing operations

Objectives

Sustainable long-term financial structure.

KEY PERFORMANCE INDICATOR	2010-11 TARGET	2010-11 ACHIEVEMENT
Percentage of lessors satisfied with overall property management service	90%	95%

Major outcomes

- Generated \$367 million in revenue from the Sale and Leaseback (SLB) program despite not being able to conclude sales to institutions and the impact of natural disasters.
- Achieved 456 lease renewals against the Corporate Plan target of 295.
- Exceeded DHA lessor satisfaction targets with almost all aspects of sales, leasing and customer service (circa 79% to 99% nationally).
- Established a leasing ‘centre of excellence’ at Head Office with dedicated training, policy and process personnel.
- Launched a SLB marketing campaign focussed on the unique selling proposition and long-term performance of residential property in comparison to other assets.
- Established cooperative SLB marketing and sales agreements with financial institutions increasing SLB settlements and reinforcing DHA as a credible investment option.
- Launched a recognition program for lessors with three or more properties to encourage repeat purchases and to service unique needs of lessors with a portfolio of properties.
- Launched a new product to enable lease commitment before development completion.
- Provided timely, relevant information to lessors affected by natural disasters in South East Queensland, Victoria, North Queensland and the Northern Territory.
- Completed a major refresh of lessor personal and property information in preparation for the launch of DHA’s new online leasing portal in 2011–12.
- Commissioned an independent functional review of DHA’s sales program confirming that DHA is operating in line with industry best practice.
- Commissioned an independent audit to benchmark DHA brand equity, particularly with respect to DHA’s property investment offering.

Leasing Operations

Overview

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

At the end of the reporting period, approximately 65% of DHA's property portfolio (over 11,000 properties) was managed on behalf of investors. Lessor satisfaction with almost all aspects of DHA sales, leasing and customer service remains consistently high (circa 79% to 99%). This, combined with positive capital and rental growth, has contributed to significant repeat purchases (28% in 2009–10³) and referrals year-on-year.

Following a solid performance in 2009–10, during 2010-11 DHA focussed efforts on developing sales and leasing programs and channels. This helped to drive demand for sale and leaseback which, along with the high rate at which expiring leases were renewed, confirmed DHA's reputation in the industry as a credible investment option.

DHA's competitive advantage

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

Distinguishing features of the DHA Lease Agreement are:

- a long-term lease (typically between nine and 12 years; greater when lease extension is exercised)
- guaranteed rental income during the lease term, with rent payable from settlement and no loss of income when Defence tenants change⁴, and
- DHA Property Care services⁵ provided during the lease term, comprising:
 - property and tenancy management, including periodic inspections, itemised statements and a complimentary bill paying service
 - organising and covering the cost of most non-structural maintenance, including the repair and replacement of fixed appliances as required
 - annual rent review to market valuation by an independent accredited valuer
 - emergency repair to preserve the property and protect human health, safety and security as required, and
 - restoration at lease-end to ensure the property is returned in good order, including professional cleaning, repainting and recarpeting⁶.

3 SLB post-purchase survey conducted by DHA, 2009–10. Percentages relate to the 366 DHA investors who responded.

4 Rent subject to abatement in limited circumstances.

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

6 Subject to the length of the lease and the obligations of a Body Corporate.

Sale and Leaseback program

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

In 2010-11, DHA launched an integrated marketing campaign focusing on its unique selling proposition and the long-term performance of residential property in comparison to other asset classes. Collateral was refreshed, emphasising the transparency of DHA's Sale and Leaseback (SLB) product and a website refresh is scheduled to occur in 2011-12. An external functional review confirmed DHA is largely delivering best practice in its sales program.

During the reporting period, DHA's sales activity focused on private investors, achieving strong sales orders despite a change in market sentiment following interest rate rises and natural disasters. Repeat purchase and referral from existing lessors was consistently high. Cooperative marketing and sales agreements with financial institutions yielded a small number of settlements; these activities are expected to ramp up in 2011-12. In total, DHA settled sales on 822 properties in 2010-11, generating \$367 million in revenue.

Private leasing programs

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

In 2010-11, DHA focussed on improving overall lease management and launched targeted programs, products and campaigns to meet specific leasing needs. In particular, a formal program was launched to recognise lessors who lease three or more properties to DHA. Some of these assisted in a review of the plain English lease agreement implemented in October 2009 and by piloting new online services for lessors, to be launched in 2011–12.

DHA also undertook a campaign to refresh lessor personal and property information. The accuracy of this information is always important but especially in the aftermath of natural disasters such as those experienced in 2010-11. DHA was able to provide timely advice to all affected lessors and subsequently to manage the repair of disaster-related damage.

During 2010-11, DHA continued to focus on increasing the number of lease renewals. This is where a new *Lease Agreement* is negotiated with a lessor before their current lease expires because DHA wishes to retain the property in its portfolio. A total of 456 leases were renewed in 2010-11, 261 above the Corporate Plan target.

To ensure DHA has the flexibility to meet its Defence housing obligations and minimise disruption to Defence tenants, the *Lease Agreement* gives DHA the right to vary the lease by extending or reducing the term. The current *Lease Agreement* allows DHA to extend the term by up to 36 months and reduce or extend the term by up to 12 months; each option can be exercised once. During the reporting period, DHA extended the term of 927 leases (759 leases were extended by DHA exercising its right to vary and 168 were extended by mutual agreement).

Each year, as part of its capital program, DHA leases properties directly from private owners in selected locations. In 2010-11, 158 such leases were negotiated. Historically, DHA has committed to leasing a property directly from a developer only following completion. In 2010-11, DHA changed this by launching a product to facilitate pre-commitment. This is expected to assist with meeting leasing targets in 2011–12.

Lessor satisfaction

DHA undertakes surveys to measure lessor satisfaction. The largest of these is the annual lessor survey which measures satisfaction with ongoing management of leased properties, one of DHA's key performance indicators. The results of this survey aid in improving lessor relations and product development.

Since surveying began in 2004, satisfaction with overall property management has consistently been above the target of 90% (nationally). In 2010-11, this trend continued with 95% of the 1,620 respondents reporting satisfaction. In addition, 92% (1,566) of respondents indicated satisfaction with DHA's maintenance service. Satisfaction with value-for-money of the DHA Property Care fee and feedback from annual property inspections fell slightly compared to 2009–10, but was still above the target of 80% nationally (85% of 1,613 and 83% of 1,576 respectively).

Nationally, 65% of respondents (1,055) indicated they had contacted DHA within the preceding 12 months regarding their property. Satisfaction with all aspects of communication (accessibility, knowledge, timeliness of response and courtesy and helpfulness of DHA staff) increased in 2010-11 from the outcomes in 2009–10, with results ranging from 89% to 95%.

Satisfaction with all aspects of rental payments (timeliness, accuracy, and format and detail of monthly statements) continued to be exceptionally high in 2010-11, with results ranging from 98% to 100%.

There was no significant difference in satisfaction with all aspects of the annual rent review service (process, outcome and information in the rent review notification), with results ranging from 79% to 88% nationally. Statistical analysis confirmed a strong correlation between the results of the rent review and satisfaction or dissatisfaction with the process of conducting and notifying lessors of updated rental income.

In 2010-11, respondents were as likely to recommend investing in a DHA property as they were in 2009–10 (92% of 1,619 compared to 92% of 1,453). The likelihood of respondents leasing another DHA property or negotiating a new lease increased slightly from 2009–10 (74% of 1,608 compared to 73% of 1,446 and 86% of 1,615 compared to 84% of 1,440 respectively). This is an excellent outcome and continues to be evident in DHA's sales and leasing achievements.



Promotion of leasing programs

www.invest.dha.gov.au

This website is dedicated to the promotion of the SLB program. It sets out leasing arrangements and provides a description, photographs, floor plan and a location map for each property listed for sale. In 2010-11, prospective investors were able to visit this website and view properties for sale a week before their release date, aiding their decision-making process. Prospective investors can also use this website to access a number of tools and additional information resources, and register to receive newsletters and other promotional material from DHA via email.

www.dha.gov.au

DHA's core website has a dedicated section for private investors to source information about its 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 application. Information about the SLB program is provided, with a link to <www.invest.dha.gov.au>.

Advertising and media

Most of DHA's advertising and media activity in 2010-11 focussed on promotion of the SLB product. Mainstream media, including press, radio and online advertising, were the most common channels used.

Despite significant investor demand during the reporting period, DHA undertook a targeted advertising campaign to maintain brand awareness and ensure sufficient future demand. Testimonial and case study advertising of investors' experiences continued to be a key tool used.

The SLB product enjoyed considerable media attention throughout the reporting period, as the security of DHA's lease continued to be recognised in comparison to other investments. Publications covering the program included *Money* and *Your Investment Property* magazines; the product was also promoted on the Sky Business Channel program *Your Money, Your Call*.

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

Investment seminars

During 2009–10, DHA continued to host investment seminars for prospective private investors in most capital cities and many regional centres throughout Australia. The sessions provided an overview of DHA; residential property as an asset class; the benefits of the DHA Lease Agreement; and how to buy. Highlights of the new seminar presentation were a virtual tour of a DHA property and video testimonials from lessors. Attendees were able to ask questions of contracted DHA sales consultants and staff and were provided a comprehensive information pack.

Brand Awareness

During the reporting period, DHA sought to benchmark its brand awareness, particularly in relation to its leasing programs, by commissioning an independent researcher to undertake a brand audit. DHA will use this information to benchmark and track awareness, and contribute to product development and promotional campaigns.

Of those surveyed, 11% (800) recognised the abbreviated name 'DHA' and 56% (771) recognised the full name 'Defence Housing Australia'. Of these, 84% (526) were aware of DHA's core business; the provision of housing for Defence personnel.

Over a third of respondents who recognised 'DHA' or 'Defence Housing Australia' (36% of 526 respondents) were aware DHA offered property investment opportunities and an investment property management service. However, 28% (526) of respondents believed these opportunities and services were only available to Defence personnel.

Prospective investors (those who own or previously owned an investment property and those looking to buy an investment property in the next two to five years) were asked to rate appealing aspects of the DHA lease. The highest rating aspects were rental income backed by the Australian Government, the ability to sell the property at any time (to another investor who takes over the balance of the lease) and the length of the lease being up to 12 years.



DHA Financial Performance

Objectives

Sustainable long term financial structure.

KEY PERFORMANCE INDICATOR	2010-11 TARGET	2010-11 ACHIEVEMENT
Return on Equity	6.3%	6.7%
Earnings Before Interest and Tax (EBIT)	\$131.6 million	\$127.6 million
Profit Before Tax (PBT)	\$105.8 million	\$113.5 million
Net Profit after Tax	\$81.8 million	\$87.3 million
Debt : Equity Ratio	52.1%	56.3%
Percentage of DHA Ownership	22.1%	22.6%
Ordinary Dividend	\$49.1 million	\$52.4 million

Major outcomes

1. Total revenues of \$1,012.2 million in the 2010-11 financial year, including \$367.0 million of sales generated through DHA's Sale and Leaseback program.
2. Net Profit after Tax of \$87.3 million representing a 7% improvement on the Corporate Plan target.
3. Return on equity of 6.7% compared to the Corporate Plan target of 6.3%.
4. Proposed a dividend to Government of \$52.4 million compared to the Corporate Plan target of \$49.1 million.
5. Paid or provided to Government for 2010-11: \$26.2 million in income taxes, \$16.5 million in Stamp Duty, \$3.6 million in Payroll Tax and \$21.9 million as Land Tax.
6. Maintained its capital structure consistent with targets for Debt: Equity ratio and the percentage of the property portfolio owned by DHA.

Overview

DHA's Net Profit after Tax for 2010-11 was \$87.3 million against a target of \$81.8 million. This result compared with a net operating surplus after income tax of \$87.8 million in 2009–10.

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 \$572.3 million, compared with \$510.8 million in 2009–10. Gearing was 36.7% compared with 34.6% in 2009–10 with interest cover at 4.5 times. DHA operates under Australian-equivalent International Financial Reporting Standards (AIFRS) which allows for effective comparison of performance between 2010-11 and 2009–10.

Operating results

DHA's income totalled \$1,012.2 million in 2010-11 compared with \$984.0 million in 2009–10 following improved property sales performance and increased housing services revenue.

Expenses in 2010-11 totalled \$869.1 million, compared with \$844.4 million in 2009–10. The increased expenditure was a result of a number of factors including higher property rental expenses and costs associated with increased sales of properties.

Under AIFRS, inventories are held at the lower of cost and net realisable value and investment properties are held at the lower of cost and recoverable value (fair value or value in use). 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 carrying value of DHA's investment and inventory properties was \$1,352.3 million at 30 June 2011 compared to \$1,254.9 million at 30 June 2010. DHA has recognised impairment to the carrying values of inventory and investment properties of \$3.5 million. The write-down in 2009–10 of inventory and investment properties totalled \$4.1 million.

Rental outlays to lessors for residential properties of \$287.8 million increased by \$17.9 million or 6.6%. Rental outlays increased for three reasons: 1) a general increase in assessed rent; 2) improvement in the quality of housing stock; and, 3) additional number of leases. DHA's administrative costs decreased year on year.

Returns to shareholders

In accordance with Guidelines for Government Business Enterprises, DHA makes an annual dividend payment to the Australian Government as owner of DHA. The Board of DHA has approved a dividend of \$52.4 million in respect of the 2010-11 financial year, representing 60% of Net Operating Surplus after Income Tax.

DHA fully complies with the Commonwealth's Income Tax, Fringe Benefits Tax and the Goods and Services Tax legislation. DHA is also 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 Government in respect of State taxes that would be applicable except for the exemption provision in the DHA Act.

Income tax expense of \$26.2 million was \$2.2 million above the Corporate Plan figure. This was directly attributable to the strong net operating surplus achieved for the year. DHA has provided for State Tax Equivalent payments including Stamp Duty (\$16.5 million), Land Tax (\$21.9 million), Payroll Tax (\$3.6 million) and the proposed dividend (\$52.4 million) – a total of \$120.6 million payable to the Government in relation to the 2010-11 financial year.

Sale of surplus housing

An important element of DHA's asset and portfolio management strategy is the sale of surplus properties. In 2010-11, \$55.6 million in revenue was generated from this source. Surplus housing stock is identified on the basis that it no longer meets the operational requirements of Defence, is positioned in an unsuitable location, or does not meet the Defence minimum amenity standards.

Residential investment markets

DHA's financial performance is reliant on land development, construction, property sales and property portfolio management. All four areas are dependent on the state of residential property markets across Australia. During the 2010-11 financial year, residential property markets have generally experienced softening conditions relative to previous years.

DHA stock

DHA managed a portfolio of 18,394 properties across Australia as at 30 June 2011. The total 'fair value' of these assets was approximately \$9.6 billion at 30 June 2011. Off-base property ownership was 22.6% at year end against a Corporate Plan target of 22.1%. Off-base properties include DHA investment properties (17.1%) and DHA inventory properties (5.5%).

Capital structure

DHA has \$1,325.7 million in equity comprising \$921.9 million in accumulated profits and \$403.8 million in contributed equity (which includes \$161 million in NB–ESP funds). DHA's dividend policy is to pay 60% of net operating surplus after income tax to shareholders as dividends.

DHA continues to focus on maintaining the attractiveness of the sale and leaseback product to individual investors. The overall sales objective is to achieve sufficient revenues from the sale and leaseback of inventory properties and to keep net cash from operating activities positive over the cycle.

DHA has loan arrangements through the Department of Finance and Deregulation and the Department of Defence. DHA does not have a commercial overdraft facility or access to re-drawable loan facilities. New borrowings in 2010-11 totalled \$44.1 million associated with the NB–ESP. Borrowings outstanding totalled \$509.6 million as at 30 June 2011.

Standard & Poor's credit rating

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

Table 5: Financial summary

	2006–07	2007–08	2008–09	2009–10	2010–11
Net Profit after Tax	\$101.8m	\$73.8m	\$78.9m	\$87.8m	\$87.3m
Annual Dividend	\$36.5m	\$44.3m	\$47.3m	\$52.7m	\$52.4m
Return on Equity (ROE)	5.4%	6.8%	7.3%	7.3%	6.7%
Return on Capital Employed (ROCE)	5.4%	7.4%	8.2%	8.8%	8.4%
Value of Portfolio under Management	\$7.0b	\$7.6b	\$7.8b	\$8.6b	\$9.6b
Total Managed Stock (stock numbers)	17,005	17,393	17,365	18,058	18,394
Acquisitions (stock numbers)	482	421	130	165	190
Constructions (stock numbers)	508	658	524	965	888
Revenue – Disposal of Surplus Stock	\$68.4m	\$42.0m	\$78.9m	\$40.9m	\$55.6m
Revenue – Sale and Leaseback	\$315.7m	\$265.1m	\$277.9m	\$327.6m	\$367.0m
Contracted Maintenance to DHA Houses	\$33.6m	\$30.8m	\$40.3m	\$44.2m	\$43.7m

Notes:

1. Prior to 2007–08 the State Tax Equivalent payments were reported below EBIT.
2. Prior to 2007–08 Income Tax was paid as an equivalent dividend. DHA became an ATO Tax Entity on 1 July 2007.



DHA Governance

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

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

- *Defence Housing Australia Act 1987*; and the
- *Commonwealth Authorities and Companies Act 1997*

and is consistent with the Governance Arrangements for Commonwealth Government Business Enterprises.

Defence Housing Australia Act 1987

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

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

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

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

On 9 November 2006, the 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 the employees of FMA Act agencies and their families.

No Ministerial determinations or directions were issued during 2010-11.

Commonwealth Authorities and Companies Act 1997

DHA complies with the requirements of the *Commonwealth Authorities and Companies Act 1997* (CAC Act) with respect to:

- reporting to Ministers and Parliament
- contents of the Annual Report
- audit of DHA's financial statements by the Auditor-General
- banking and investment powers of authorities
- general policies of the Australian Government, and
- conduct of directors and officers.

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

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

CAC Act Compliance

DHA reports annually to its Shareholder Ministers on compliance with the provisions of the CAC Act, including in respect of DHA's financial sustainability.

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

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

Where DHA has not fully complied with a direction or general policy during the financial year, the report is required to include an explanation of the extent of, and reasons for, the non-compliance.

During 2010-11 there were no instances of non-compliance with a general policy of the Australian Government under section 28 of the CAC Act.

DHA will now also report on related entity transactions by directors. Directors are required to disclose when DHA enters into a business transaction with an entity that is directly connected to a director. No such transactions have been disclosed for 2010-11.

Shareholder Ministers

The Hon. Stephen Smith MP, Minister for Defence, has portfolio responsibility for DHA. Under a dual shareholder model, overall responsibility is shared with Senator the Hon. Penny Wong, Minister for Finance and Deregulation. Senator the Hon. John Faulkner and the Hon. Lindsay Tanner MP served as the Minister for Defence and the Minister for Finance and Deregulation respectively until 14 September 2010.

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

The Hon. Warren Snowdon MP, the Minister for Defence Science and Personnel, has responsibility for operational matters affecting DHA. The Hon. Alan Griffin had responsibility for operational matters until 14 September 2010 as the Minister for Defence Personnel.

DHA Board

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

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

The DHA Board comprises nine directors:

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

At the end of 2010-11, there was one director position vacant.

During 2010-11 the DHA Board met six times in Canberra. The Board also conducted a planning day, in February 2011, at which key strategic objectives were identified and discussed.

In addition, the members of the Board visited Perth and environs in May 2011 for briefings with Defence personnel and a tour of key DHA development housing sites.

Board committees

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

Board Audit Committee

The Board Audit Committee meets at least quarterly and reports to the Board on its activities at least twice a year. During 2010-11, four meetings of the Committee were held.

The key functions of the Board Audit Committee are to:

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

Property Committee

The Property Committee meets at least quarterly and on an ad hoc basis as required. During 2010-11, it met 13 times to provide advice on a significant construction schedule. 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
- review land purchases or disposals that require Board approval
- consider property projects that are environmentally or politically sensitive or carry a high-level of risk, and
- examine any other property project, if requested to do so, by the Board or management.

Nomination and Remuneration Committee

During 2010-11, 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.

DHA Advisory Committee

During 2010-11, the DHA Advisory Committee met twice. The key function of the Committee is to give advice and information to DHA on the performance of DHA's functions. The Committee comprises:

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

Performance reporting

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

Corporate Plan

DHA's three year Corporate Plan sets the strategic direction of DHA and is reviewed on an annual basis. To achieve DHA's mission and fulfil the outcomes desired by the Shareholder Ministers, DHA has set five objectives within the Balanced Scorecard perspectives of: Financial Performance, Customer Satisfaction, Internal Business Processes and Learning & Growth. The Corporate Plan is approved by the DHA Board and provided to DHA's Shareholder Ministers.

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

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

Annual Report

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

Statement of Corporate Intent

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

Board performance

The DHA Board has agreed that there should be regular reviews of its performance and processes. The assessment also provides an independent confirmation that the Board, as a decision-making body, is working within the principles and practices of good governance as detailed in the Board Charter. An external review of Board performance was conducted in 2010-11 under the auspices of the Nomination and Remuneration Committee with the broad findings reported to DHA's Shareholder Ministers.

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 Committee. He is also Chairman of the Advisory Board for the Australian National Institute for Public Policy at the ANU.



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

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

Mr Del Gigante joined DHA as Chief Operating Officer in April 2004 and was appointed Managing Director in August 2006. Before joining DHA, he was Chief Executive Officer of TransACT Communications. Prior to this, he was Chief Financial Officer of ActewAGL, a large electricity, water and gas utility company in Canberra. Mr Del Gigante has held senior positions with the World Bank and the Inter-American Investment Corporation in Washington, DC. He has also held executive positions in Verizon (previously GTE), a large US telecommunications company, in both Europe and the United States. He is also a member of the Advisory Board of the Royal Australian Mint.



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, and was reappointed from 23 November 2009. He is the Chairman of the DHA Advisory Committee.

Gary Beck is the Policy Manager, Canberra Business Council. He 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. He concluded eight years with the Department of Veterans' Affairs in a statutory appointment as Director of War Graves and earlier concluded a 38-year career in the RAAF, with his final posting as Commandant Australian Defence Force Academy. His two prior senior Defence appointments were Air Commander Australia and Chief of Air Force Personnel.



MS CAROL HOLLEY, BA, FCA, FAICD

Ms Holley was appointed to the DHA Board on 23 November 2009 and was appointed to the Property Committee in July 2011.

Ms Holley's current Board appointments include Non-Executive Director and Chair of the Audit Committee of Australian Pharmaceutical Industries Limited, Non-Executive Director and Chair of the Audit Committee of Job Futures Limited and Independent Member of the Audit Committee of Sinclair Knight Merz. In addition, Ms Holley is the Independent Chair of the Risk Management and Audit Committees of Housing NSW, the NSW Department of Planning and Infrastructure and the NSW Police Force. Ms Holley was a Partner of Hill Rogers, Chartered Accountants, for 25 years, and holds a Bachelor of Arts from the University of Sydney. She is also a Chartered Accountant, a Fellow of the Australian Institute of Company Directors, a Registered Company Auditor, and a Registered Tax Agent.

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 and retired from the Parliament on 30 June 2008. During his parliamentary career he was Deputy Leader of the Nationals in the Senate, Parliamentary Secretary for Trade and Parliamentary Secretary for Defence. His committee experience was broad, but with particular reference to defence, international affairs, and security. He served for eight years as the Chair of the Senate Foreign Affairs, Defence and Trade Committee. He is also a Non-Executive Director of Incremental Oil & Gas Ltd. He lives near Quirindi, New South Wales where he is a wool and beef producer.



MR GARY POTTS BEd (Hons), MSc

Mr Potts was appointed to the DHA Board on 23 November 2006 and reappointed from 23 November 2009. He 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. He has served as 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.



MR PETER SHARP

Mr Sharp was appointed to the DHA Board on 23 November 2006 and reappointed from 23 November 2009. He is a member of the Audit and Property Committees.

Mr Sharp has over 45 years experience in the Australian Army and in the Department of Defence. His Army career spanned tours of duty in Vietnam, Malaysia and the United Kingdom. In the Department of Defence, he held senior positions as Inspector General, Head Defence Corporate Support and First Assistant Secretary Personnel. In 2002, he led the Defence Strategic Workforce Planning Review, the first of its type in the Commonwealth. Mr Sharp is the Defence representative on the Australian Bravery Decorations Council.



MS MARGARET WALKER, BCom, GAICD, CPA

Ms Walker was appointed to the DHA Board on 15 July 2009 and is a member of the Audit and Nomination and Remuneration Committees.

Concurrently, Ms Walker is a Non-Executive Director of Cystic Fibrosis Queensland and Cystic Fibrosis Australia. She holds a Bachelor of Commerce and is a member of the Australian Society of CPAs and a graduate member of the Australian Institute of Company Directors. Ms Walker has over 20 years senior executive experience with a variety of organisations, including 10 years in strategic roles as Executive Director and Director Operations of a Commonwealth Bank owned subsidiary, Tactical Global Management (TGM), a pre-eminent global macro hedge fund firm with offices in Brisbane and London and US\$1.2b funds under management.



Table 6: Meetings attended by DHA Board members

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

	BOARD	BOARD AUDIT COMMITTEE	BOARD PROPERTY COMMITTEE	BOARD NOMINATION & REMUNERATION COMMITTEE
No. of times Board/Committee met during 2010-11	6	4	13	2
Mr Derek Volker AO, Chairman	6/6		13/13	2/2
Mr Michael Del Gigante, MD	6/6			
AVM Gary Beck AO (Rtd)	6/6			
Ms Carol Holley	6/6		1/1*	
The Hon. JAL (Sandy) Macdonald	6/6	4/4	13/13	
Mr Gary Potts	6/6	4/4		2/2
Mr Peter Sharp	6/6	4/4	13/13	
Ms Margaret Walker	6/6	4/4		2/2

* Ms Holley was appointed to the Property Committee on 25 May 2011.

On seven occasions the Board considered recommendations of its Property Committee out-of-session.

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 as required.

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 JON BROCKLEHURST

Chief Financial Officer



Educational qualifications:

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

Key responsibilities include:

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

The Finance Division is responsible for financial services across the organisation. This includes 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.

MR BRETT JORGENSEN

General Manager, Property and Tenancy Services



Educational qualifications:

- Bachelor of Engineering Civil (Honours)
- Advanced Diploma of Business
- Diploma of Real Estate Management
- Diploma of Contract Management

Key responsibilities include:

- Property and Tenancy Management Services
- Housing Allocation and Maintenance Services
- Client Relations and Performance Management Reporting to Defence

The General Manager, Property and Tenancy Services is responsible for meeting DHA's objectives relating to the delivery of effective housing services to Defence members and their families. This includes the provision of housing allocation and maintenance services, portfolio and housing stock management and the administration of Rent Allowance. The Property and Tenancy division is also responsible for managing, maintaining and enhancing the relationship with the Department of Defence and improving the housing services.

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
- Support to Board Audit Committee
- 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, 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.

MR SHANE NIELSEN

General Manager,
Business Solutions
and Technology
Chief Information Officer

*Educational qualifications:*

- Bachelor of Applied Science (Computing Science)

Key responsibilities include:

- Information Communications and Technology development and delivery, and
- Business Process Management

The General Manager, Business Solutions and Technology is responsible for the delivery of Business as Usual activities and innovation driven initiatives that provide efficiencies to the broader organisation. The BS&T division are aligned to the business and the changing

dynamics and competing priorities of the organisation. The division supports project management, business contract fulfilment, staff development, productivity increases and enhanced customer service. The division provides an emphasis on delivering environmentally sustainable Information Communication and Technology (ICT) to the organisation and is responsible for the delivery of infrastructure, telephony and business solutions to the business.

MR JOHN DIETZ

General Manager, Property Provisioning Group



Educational qualifications:

- Bachelor of Economics
- Bachelor of Science
- Masters in Project Management (in progress)

Key responsibilities include:

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

The General Manager, Property Provisioning Group is responsible for driving DHA's development and construction agenda including leading the development of strategies to support DHA in a dynamic and changing environment. This includes developing and implementing a robust Development and Construction program which supports the business objectives of the organisation. The General Manager, Property Provisioning Group ensures that land and housing supply targets; including developments, acquisitions constructions, leasing and upgrades, are correctly forecasted and achieved.



Internal and external review

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

Internal Audit

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

Risk management

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

Fraud prevention measures

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

The Fraud Control Plan (FCP) is based on the FRA and summarises DHA's fraud-control strategies. Supporting the FCP is the Fraud Policy. They establish the framework for management and staff on DHA's approach to fraud control. The FCP and Fraud Policy provide guidance to staff on action to take to deter and detect fraud and are available on the DHA intranet. DHA treats fraud seriously and acknowledges the significance of '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. No instances of fraud were recorded during the 2010-11 financial year.

Parliamentary committees

Before commencement, public works with an estimated value in excess of \$15 million require consideration by the Parliamentary Standing Committee on Public Works (PWC) and approval from the Parliament. During 2010-11, DHA referred projects for consideration by the Committee at Muirhead in Darwin and at Largs North in Port Adelaide. In addition, DHA provides details to the Committee in relation to its medium housing works, which are valued between \$2 and \$15 million. For 2011-12, DHA provided details of the construction of 318 houses and the upgrade of 470 houses in various locations around Australia which met the Committee criteria for notification.

DHA also comes under the scrutiny of the Senate Standing Committee on Foreign Affairs, Defence and Trade. DHA was required to appear before the Committee on 31 May 2011 for Budget estimates.

Freedom of information

DHA is required to comply with the *Freedom of Information Act 1982*. DHA has introduced procedures to enable compliance with the changes to the *Freedom of Information Act 1982* which were introduced in 2010-11.

During 2010-11, six requests were made for access to 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 as overseen by the Office of the Australian Information Commissioner.

Ombudsman

During 2010-11, the Commonwealth Ombudsman received 31 approaches concerning DHA. During the course of the year, a total of 28 approaches were closed out (including carryover from previous years). Eight of these 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.

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.

Commonwealth Disability Strategy

In accordance with 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.

Access to documents

Copies of the *Defence Housing Australia Act 1987* are available from Canprint Communications or over the counter from Information Victoria bookshop, Print Applied Technology or Service SA Government Legislation Outlet. For contact details, go to <www.publications.gov.au/legislation.html>. An online version of the DHA Act can be downloaded from the Attorney-General Department's website at <www.comlaw.gov.au>.

DHA's Annual Report is available free of charge and can be downloaded from DHA's website at <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 Communications

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

Financial Statements



DEFENCE HOUSING AUSTRALIA
FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

- Independent Auditor's Report
- Statement by the Directors, Managing Director and Chief Financial Officer
- Statement of Comprehensive Income
- Balance Sheet
- Cash Flow Statement
- Statement of Changes in Equity
- Schedule of Commitments
- Schedule of Contingencies
- Notes to and forming part of the Financial Statements



INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of Defence Housing Australia for the year ended 30 June 2011, which comprise: a Statement by the Directors, Managing Director and Chief Financial Officer; the Statement of Comprehensive Income; Balance Sheet; Cash Flow Statement; Statement of Changes in Equity; Schedule of Commitments; Schedule of Contingencies; and Notes to and forming part of the Financial Statements comprising a Summary of Significant Accounting Policies and other explanatory information.

The Board of Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I 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 about whether the financial statements are free from material misstatement.

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

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

Independence


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

Opinion

In my opinion, the financial statements of 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 2011 and of 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
5 August 2011

**DEFENCE HOUSING AUSTRALIA
STATEMENT BY THE DIRECTORS, MANAGING DIRECTOR AND CHIEF FINANCIAL
OFFICER**

In our opinion, the attached financial statements for the year ended 30 June 2011 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

Date of signing
4 Aug. 2011.


Michael Del Gigante
Managing Director

Date of signing
4-8-2011


Jon Brockelhurst
Chief Financial Officer

Date of signing
4-8-2011

DEFENCE HOUSING AUSTRALIA
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2011

		30 June 2011	30 June 2010
	Notes	\$'000	\$'000
INCOME			
Revenue			
Housing Services Provided	3	572,313	510,827
Allocation Services Provided	4	8,655	8,710
Sale of Inventories		241,465	301,813
Interest Received	5	17,402	17,276
Total Revenue		<u>839,835</u>	<u>838,626</u>
Gains			
Net Gains From Disposal of Investment Properties	6	48,361	30,014
Other Income		919	1,191
Total Income		<u>889,115</u>	<u>869,741</u>
EXPENSES			
Employee Expenses	7	49,761	49,074
Housing Services Lease Rentals		287,815	269,899
Rates, Repairs and Maintenance	8	135,684	109,103
Depreciation and Amortisation	9	15,525	13,582
Cost of Inventories Sold		235,428	272,618
Finance Costs	10	31,462	29,311
Write-Down and Impairment of Assets	11	3,486	3,948
Other Expenses		17,126	17,046
Total Expenditure		<u>776,287</u>	<u>764,581</u>
Share of the Other Comprehensive Income of Associates and Joint Ventures accounted for using the Equity Method		385	49
Profit Before Income Tax on Continuing Operations		<u>113,213</u>	<u>105,209</u>
Income Tax Expense	12	26,113	23,370
Profit After Income Tax on Continuing Operations		<u>87,100</u>	<u>81,839</u>
Discontinued Operations: Post Tax Profit or Loss and Post Tax Gains and/or Losses	13	198	5,916
Profit After Income Tax		<u>87,298</u>	<u>87,755</u>
Other Comprehensive Income		-	-
Total Comprehensive Income		<u>87,298</u>	<u>87,755</u>

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

**DEFENCE HOUSING AUSTRALIA
BALANCE SHEET**

as at 30 June 2011

		30 June 2011	30 June 2010
	Notes	\$'000	\$'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	14	282,694	272,222
Trade and Other Receivables	15	30,564	20,725
Other Current Assets	17	26,480	31,716
Inventories	19	220,990	176,817
		<u>560,728</u>	<u>501,480</u>
Investment Properties for Sale	16	47,430	45,365
Total Current Assets		<u>608,158</u>	<u>546,845</u>
Non-Current Assets			
Deferred Tax Assets	18	26,210	30,162
Inventories	19	454,857	301,105
Plant, Equipment and Intangibles	20	4,163	5,985
Investment Properties	22	979,185	966,298
Finance Lease Receivables	23	18,936	141,925
Other Receivables	15	370	555
Investments Accounted for Using the Equity Method	21	4,946	4,776
Total Non-Current Assets		<u>1,488,667</u>	<u>1,456,806</u>
Total Assets		<u>2,096,825</u>	<u>1,997,651</u>
LIABILITIES			
Current Liabilities			
Trade and Other Payables	24	77,576	51,824
Current Tax Liabilities	25	10,651	24,014
Dividends	26	52,332	52,653
Borrowings	28	130,480	150,000
Other Financial Liabilities	29	20,221	18,444
Provisions	30	23,103	17,890
Total Current Liabilities		<u>314,363</u>	<u>314,825</u>
Non-Current Liabilities			
Borrowings	28	379,180	315,480
Other Financial Liabilities	29	830	-
Provisions	30	76,790	76,524
Total Non-Current Liabilities		<u>456,720</u>	<u>392,004</u>
Total Liabilities		<u>771,083</u>	<u>706,829</u>
NET ASSETS		<u>1,325,742</u>	<u>1,290,822</u>
EQUITY			
Contributed Equity		403,863	403,863
Retained Earnings		<u>921,879</u>	<u>886,959</u>
TOTAL EQUITY		<u>1,325,742</u>	<u>1,290,822</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 2011

	30 June 2011	30 June 2010
Notes	\$'000	\$'000
OPERATING ACTIVITIES		
Cash Received		
Sales of Goods and Services	541,623	569,299
Sales of Inventory	240,458	300,335
Interest	19,202	14,207
Other Cash Received	228	465
Stamp Duty and Land Tax Equivalents Received	26,488	20,728
Total Cash Received	<u>827,999</u>	<u>905,034</u>
Cash Used		
Employees	49,262	53,944
Suppliers	431,218	452,821
Interest	31,107	29,311
Income Taxes Paid	35,609	16,225
Stamp Duty and Land Tax Equivalents Paid	27,873	25,493
Acquisition and Construction of Inventories	418,866	249,611
Total Cash Used	<u>993,135</u>	<u>827,405</u>
Net Cash From Operating Activities	31 <u>(165,136)</u>	<u>77,629</u>
INVESTING ACTIVITIES		
Cash Received		
Proceeds from Sales of Investment Properties	182,463	78,733
Proceeds from Sales of Plant and Equipment	6	6
Investment in Associates	390	-
Defence Amnities	146,108	28,003
Total Cash Received	<u>328,927</u>	<u>106,742</u>
Cash Used		
Acquisition and Construction of Investment Properties	125,300	220,770
Defence Amnities	18,166	6,888
Acquisition of Plant and Equipment	1,253	1,085
Investment in Associates	-	208
Total Cash Used	<u>144,719</u>	<u>228,951</u>
Net Cash (Used By) Investing Activities	<u>184,208</u>	<u>(122,209)</u>
FINANCING ACTIVITIES		
Cash Received		
Proceeds from Debt	44,100	40,480
Contributed Equity	-	161,000
Total Cash Received	<u>44,100</u>	<u>201,480</u>
Cash Used		
Dividend Paid	52,700	47,344
Total Cash Used	<u>52,700</u>	<u>47,344</u>
Net Cash From / (Used By) Financing Activities	<u>(8,600)</u>	<u>154,136</u>
Net Increase in Cash Held	<u>10,472</u>	<u>109,556</u>
Cash and Cash Equivalents at the Beginning of the Reporting Period	272,222	162,666
Cash and Cash Equivalents at the End of the Reporting Period	14 <u>282,694</u>	<u>272,222</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 2011

	Retained Earnings		Contributed Equity		Total Equity	
	2011	2010	2011	2010	2011	2010
Opening Balance	\$ 600	\$ 000	\$ 800	\$ 000	\$ 900	\$ 000
886,959	851,857	403,863	249,148	1,290,822	1,101,005	
Adjusted opening balance	886,959	851,857	403,863	249,148	1,290,822	1,101,005
Comprehensive Income	-	-	-	-	-	-
Other Comprehensive Income	87,298	87,255	-	-	87,298	87,255
Profit for the Period	87,298	87,255	-	-	87,298	87,255
Total Comprehensive Income of which:	-	-	-	-	-	-
Attributable to the Australian Government:	-	-	-	-	87,298	87,255
Transactions with Owners						
Distributions to Owners	(52,378)	(52,653)	-	-	(52,378)	(52,653)
Rebonds on capital:						
Dividends	-	-	-	-	-	-
Returns of capital:						
Transfer to Department of Defence ¹	-	-	(6,285)	-	(6,285)	-
Contributions From Owners						
Equity injection:						
Sub-total transactions with owners	(52,378)	(52,653)	-	-	(52,378)	(52,653)
Closing Balance as at 30 June:	921,879	886,959	403,863	249,148	1,290,822	1,101,005
Closing Balance Attributable to the Australian Government	921,879	886,959	403,863	249,148	1,290,822	1,101,005

¹ DHA transferred land, originally received via an equity contribution, to the Department of Defence. The land was held at Ingleburn, NSW.
² DHA received an equity injection of \$161,000,000 under the Nation Building Economic Stimulus Package.

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

DEFENCE HOUSING AUSTRALIA
SCHEDULE OF COMMITMENTS
as at 30 June 2011

	30 June 2011 \$'000	30 June 2010 \$'000
BY TYPE		
Commitments Receivable		
Sublease Rental Income ¹	1,008	399
Operating Lease Income ²	3,277,736	2,946,409
Total Commitments Receivable	3,278,744	2,946,808
Commitments Payable		
Capital Commitments		
Construction Commitments ³	139,151	122,123
Total Capital Commitments	139,151	122,123
Other Commitments		
House Operating Lease Rentals ⁴	2,649,290	2,312,510
Other Operating Leases ⁵	27,770	16,396
Total Other Commitments	2,677,060	2,348,906
Net Commitments By Type	462,533	475,779
BY MATURITY		
Commitments Receivable		
Operating Lease Income		
One Year or Less	354,253	336,798
From One to Five Years	1,487,532	1,284,075
Over Five Years	1,515,951	1,325,536
Total Operating Lease Income	3,277,736	2,946,409
Other Commitments Receivable		
One Year or Less	756	399
From One to Five Years	252	-
Total Other Commitments Receivable	1,008	399
Commitments Payable		
Capital Commitments		
One Year or Less	67,156	121,548
From One to Five Years	71,995	575
Total Capital Commitments	139,151	122,123
Operating Lease Commitments		
One Year or Less	304,865	287,307
From One to Five Years	1,228,700	1,121,342
Over Five Years	1,143,495	940,257
Total Operating Lease Commitments	2,677,060	2,348,906
Net Commitments by Maturity	462,533	475,779

NB: Commitments are GST inclusive where relevant.

¹ Amount receivable on sub-let commercial property.

² Rent receivable under the head lease agreement with the Department of Defence.

³ Outstanding contractual payments for buildings under construction.

⁴ Outstanding payments due on properties leased.

⁵ Operating leases included are effectively non-cancellable and comprise leases for office accommodation and the provision of motor vehicles to staff.

This schedule should be read in conjunction with the accompanying notes.

**DEFENCE HOUSING AUSTRALIA
SCHEDULE OF CONTINGENCIES**

as at 30 June 2011

	30 June 2011 \$'000	30 June 2010 \$'000
Contingent Assets	-	-
Total Contingent Assets	-	-
Contingent Liabilities		
Guarantees	1,893	1,055
Total Contingent Liabilities	1,893	1,055
Net Contingent Assets (Liabilities)	(1,893)	(1,055)

Details of each class of contingent liabilities and contingent assets listed above are disclosed in Note 32: Contingent Liabilities and Assets, along with information on significant remote contingencies and contingencies that cannot be quantified.

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

Index to the Notes of the Financial Statements

Note 1:	Summary of Significant Accounting Policies	12
Note 2:	Final Dividends	23
Note 3:	Housing Services Provided	23
Note 4:	Allocation Services Provided	23
Note 5:	Interest Received	23
Note 6:	Net Gains from Disposal of Investment Properties	23
Note 7:	Employee Expenses	24
Note 8:	Rates, Repairs and Maintenance	24
Note 9:	Depreciation and Amortisation	24
Note 10:	Finance Costs	24
Note 11:	Write-Down and Impairment of Assets	25
Note 12:	Income Tax Expense	25
Note 13:	Discontinued Operations	26
Note 14:	Cash and Cash Equivalents	27
Note 15:	Trade and Other Receivables	27
Note 16:	Investment Properties for Sale	29
Note 17:	Other Current Assets	29
Note 18:	Deferred Tax Assets	29
Note 19:	Inventories	30
Note 20:	Plant, Equipment and Intangibles	30
Note 21:	Investments Accounted for Using the Equity Method	32
Note 22:	Investment Properties	32
Note 23:	Finance Lease Receivables	33
Note 24:	Trade and Other Payables	34
Note 25:	Current Tax Liabilities	34
Note 26:	Dividends	34
Note 27:	Deferred Tax Liabilities	34
Note 28:	Borrowings	35
Note 29:	Other Financial Liabilities	35
Note 30:	Provisions	36
Note 31:	Cash Flow Reconciliation	37
Note 32:	Contingent Liabilities and Assets	37
Note 33:	Superannuation	38
Note 34:	Key Management Personnel Remuneration	39
Note 35:	Remuneration of Auditors	40
Note 36:	Related Party Disclosures	40
Note 37:	Economic Dependency	40
Note 38:	Interest in Joint Venture Developments	41
Note 39:	Investments in Associates	43
Note 40:	Financial Instruments	44
Note 41:	Subsequent Events	48

Notes to and forming part of the Financial Statements

Note 1: Summary of Significant Accounting Policies

1.1 Objectives of DHA

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

DHA is committed to meet one outcome:

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

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

1.2 Basis of Preparation of the Financial Statements

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

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

- Finance Minister's Orders (or FMOs) applicable to for-profit entities for reporting periods ending on or after 1 July 2010; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

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

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

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

1.3 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 fair value of completed inventory properties has been assessed by an independent valuer. Where the net realisable value for an individual property is less than its cost, the carrying value of the property is written down to net realisable value.

Notes to and forming part of the Financial Statements

- The fair value of investment properties has been assessed by an independent valuer and a value in use calculation has been prepared internally for assets not identified for future sale. Where the fair value less costs to sell and the value in use calculation for an individual property is less than its cost, the carrying value of the property is written down to the higher of the two valuation methods.
- A liability is recognised for make good costs to be incurred on the expiry of long term leases, based upon the expected future economic outflows for DHA.

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

1.4 New 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. There are no new or revised standards or interpretations that were issued prior to the signing of the statements by the Board, and are applicable to the current or future reporting periods, that are expected to have a future financial impact on the entity.

1.5 Revenue

All revenues are accounted for on an accrual basis. DHA recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met.

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. 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. Allowances are made when collectability of the debt is judged to be no longer probable.

1.6 Transactions with the Government as owner

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

1.7 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.

Notes to and forming part of the Financial Statements

1.8 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 in 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 an employee's departure.

The liability for long service leave has been determined by reference to Part E, Chapter 43 of the Finance Minister's Orders 2010-2011. 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 2011, is recognised and measured at the present value of the estimated future cash flows, based on the shorthand method.

Superannuation

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

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

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

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

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

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

Employee Benefit On Costs

A provision for employee benefit on costs is recognised in accordance with Part E, Chapter 43 of the Finance Minister's Orders 2010-2011. Payroll tax and workers compensation liabilities associated with employee benefits are required to be separately disclosed.

Notes to and forming part of the Financial Statements

1.9 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 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 the Department of Defence, under annuity arrangements provided for in the Services Agreement. Monthly payments are split – principal amounts are credited against the relevant receivable and the interest component is recorded as revenue under Housing Services Provided.

1.10 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 3.0% (2010: 3.0%) and a discount rate of 5.44 % (2010: 5.3%), being the 5 year swap rate as at 30 June 2011.

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

1.11 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.

Notes to and forming part of the Financial Statements

1.12 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 net 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.

1.13 Dividends

A provision for dividend is recognised as a liability when dividends are appropriately authorised by the Board and are no longer at the discretion of the entity. DHA determines the dividend liability annually and for the 2010-11 year has declared to pay 60 per cent of after tax profits to shareholders as a dividend. In accordance with paragraph 4.1.3 of the FMOs and a DHA Board resolution, DHA has recognised the liability for the 2010-11 dividend at balance date. Refer to Note 2.

1.14 Cash and Cash Equivalents

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

1.15 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.

Notes to and forming part of the Financial Statements

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 held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

1.16 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.

Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities 'at fair value through profit or loss' are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other Financial Liabilities

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

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).

1.17 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.

Notes to and forming part of the Financial Statements

1.18 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.

1.19 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.

Depreciation

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

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

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

	<u>2011</u>	<u>2010</u>
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 2011. 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.

1.20 Investment Properties

Investment properties are separated into the following categories:

- a. Completed properties;
- b. Land held for future development; or

Notes to and forming part of the Financial Statements

- c. Work in progress -- Incomplete construction projects.

Investment properties are recognised at the lower of cost and the recoverable amount. The recoverable amount of an investment property 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. DHA has determined future cash flows by applying assumptions derived internally and externally. These included rental growth, capital growth, construction costings and general property outgoings. The cash flows are discounted by DHA's weighted average cost of capital (9.7%).

1.21 Investment Properties for Sale

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

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

1.22 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.

1.23 Repairs and Maintenance

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

1.24 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 1.29.

1.25 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.

Notes to and forming part of the Financial Statements

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.

1.26 Competitive Neutrality (State Tax Equivalent Payments)

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

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

DHA capitalises stamp duty incurred on vacant land acquisitions.

DHA, in accordance with the 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 3.

1.27 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.

1.28 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 regularly reports to the DHA Board.

1.29 Investments in Associates

Associates are all entities over which DHA has significant influence but not control. Investments in associates are accounted for in the financial statements using the equity method of accounting, after initially being recognised at cost. DHA's investment in associates includes goodwill (net of any accumulated impairment less) identified on acquisition (refer to note 39).

DHA's share of its associates' post-acquisition profits or losses is recognised in the Statement of Comprehensive Income, 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.

Notes to and forming part of the Financial Statements

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

1.30 Nation Building Economic Stimulus Package (NB-ESP)

The Government committed funds of \$245,580,000 to DHA to construct dwellings for Australian Defence Force personnel in metropolitan and regional centres. DHA constructed 829 dwellings.

An equity injection of \$161,000,000 and a debt funded payment of \$40,480,000 was received by DHA during 2009-2010.

A final debt funded payment of \$44,100,000 was received by DHA in November 2010.

NB-ESP construction was completed in December 2010.

1.31 Write down 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. The financial statements for the year ended 30 June 2009 incorporated a write down of \$7,765,135 in relation to this land due to uncertainty associated with noise abatement requirements. These uncertainties have subsequently been resolved and a write down of \$7,367,756 has now been reversed based on an independent valuation as at 30 June 2011.

Notes to and forming part of the Financial Statements

	30 June 2011	30 June 2010
	<u>\$'000</u>	<u>\$'000</u>

Note 2: Final Dividends

The DHA Board has declared a final dividend for the year ending 30 June 2011 of \$52,378,619 (2010: \$52,653,045). The DHA Board resolved on 25 May 2011 to pay a dividend of 60 per cent of net profit after tax. In accordance with paragraph 41.3 of the FMO's, DHA has recognised a liability for the dividend.

Final Dividend	<u>52,378</u>	<u>52,653</u>
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Note 3: Housing Services Provided

Defence Rent and Charges	471,502	434,552
Defence Other Charges	46,505	27,134
Lessor Management Fees	41,348	38,899
Other Revenue	<u>12,958</u>	<u>10,242</u>
Total Housing Services Provided	<u>572,313</u>	<u>510,827</u>

Housing Services provided are made up of:

Housing Services - Related Entities	518,007	464,998
Housing Services - External Parties	<u>54,306</u>	<u>45,829</u>
Total Housing Services Provided	<u>572,313</u>	<u>510,827</u>

Note 4: Allocation Services Provided

Allocation Administration Fees	<u>8,655</u>	<u>8,710</u>
Total Allocation Services Provided	<u>8,655</u>	<u>8,710</u>

Note 5: Interest Received

Interest on Deposits	17,266	17,157
Interest from Crnce Developments Pty Ltd	<u>136</u>	<u>112</u>
Total Interest Received	<u>17,402</u>	<u>17,276</u>

Note 6: Net Gains from Disposal of Investment Properties

Proceeds from Sale	191,793	88,304
Carrying Value of Assets Sold	(136,974)	(56,093)
Selling Expenses	<u>(6,458)</u>	<u>(2,197)</u>
Net Gains from Disposal of Investment Properties	<u>48,361</u>	<u>30,014</u>

Notes to and forming part of the Financial Statements

	30 June 2011	30 June 2010
	\$'000	\$'000

Note 7: Employee Expenses

Wages and Salaries	34,709	33,978
Superannuation:		
Defined Contribution Plans	4,332	4,076
Defined Benefit Plans	2,667	2,779
Leave and Other Entitlements	4,193	4,647
Payroll Tax Equivalent	3,579	3,351
Workers' Compensation Premiums	281	243
Total Employee Expenses	49,761	49,074

Note 8: Rates, Repairs and Maintenance

Heritage Property Upgrades for Defence	1,973	5,839
Other Property Charges	62,033	36,573
Rates and Municipal Charges	9,396	8,032
Stamp Duty and Land Tax Equivalent	27,114	22,354
Repairs and Maintenance	35,168	36,305
Total Rates, Repairs and Maintenance	135,684	109,103

Stamp duty and land tax is a related party transaction associated with the Department of Defence. All other expenses are incurred with external parties.

Note 9: Depreciation and Amortisation

Depreciation		
Investment Property	12,466	10,309
Other Plant and Equipment	814	1,333
Total Depreciation	13,280	11,642
Amortisation		
Software	2,245	1,940
Total Amortisation	2,245	1,940
Total Depreciation and Amortisation	15,525	13,582

Note 10: Finance Costs

Interest on Loans	31,462	29,311
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Notes to and forming part of the Financial Statements

	30 June 2011	30 June 2010
	\$'000	\$'000

Note 11: Write-Down and Impairment of Assets

Non-Financial Assets

Write-Downs and Impairments

Investment Property	4,821	5,193
Inventories	11,880	4,596
Total Write-Downs and Impairments	16,701	9,789

Reversals

Investment Property	(2,836)	(3,493)
Inventories	(10,379)	(2,350)
Total Reversals	(13,215)	(5,843)

Net Write-Down and Impairment of Assets

	3,486	3,946
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To ensure compliance with AASB 140 - Investment Property, an independent assessment of investment properties was undertaken by registered valuers as at 30 June 2011, and a value in use calculation has been prepared internally for assets not identified for future sale. The carrying value of individual properties, where the cost of the property exceeded the recoverable amount, have been impaired accordingly. Refer also note 22.

To ensure compliance with AASB 102 - Inventories, an independent assessment of inventory properties was undertaken by registered valuers as at 30 June 2011. The carrying value of individual properties, where the cost of the property exceeded the net realisable value, have been adjusted accordingly. Refer also Note 19.

To ensure compliance with AASB 116 - Property Plant and Equipment, the carrying values of plant, equipment and software were reviewed and adjusted as appropriate to reflect fair value. The carrying amount of the assets were compared to the recoverable amounts or value in use and adjusted where it was considered that these amounts were in excess of the carrying amount. Refer also Note 20.

Note 12: Income Tax Expense

(a) Income Tax Expense

Current Tax	22,671	24,014
Deferred Tax	3,952	5,804
Adjustments for Current Tax of Prior Periods	(425)	(2,113)
	26,198	25,905

Income Tax Expense is Attributable to:

Profit from Continuing Operations	26,113	23,370
Profit from Discontinued Operations (Note 13)	85	2,535
	26,198	25,905

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

Comprises:		
Decrease (Increase) in Deferred Tax Assets (Note 18)	3,952	5,804
	3,952	5,804

Notes to and forming part of the Financial Statements

	30 June 2011 \$'000	30 June 2010 \$'000
(b) Reconciliation of Income Tax Expense to Prima Facie Tax Payable		
Profit from Continuing Operations Before Income Tax Expense	113,213	105,209
Profit from Discontinuing Operations Before Income Tax Expense	283	8,451
Tax at the Australian Tax Rate of 30% (2010: 30%)	34,049	34,098
Tax Effect of Amounts which are Not Deductible (Taxable) in Calculating Taxable Income:		
Tax Cost Base Valuations	(7,448)	(4,301)
Adjustments for Current Tax of Prior Periods	(425)	(3,913)
Other	22	21
Total Income Tax Expense	26,198	25,905

As a result of DHA becoming a taxable entity on 1 July 2007, an unrecognised temporary difference (Deferred Tax Asset) was created between the accounting carrying value and the tax values for property held as Investment Property. The unrecognised value of the temporary difference at 30 June 2011 is \$582,332,400 (2010: \$631,594,418). The tax effect of this temporary difference is \$174,699,720 (2010: \$189,478,325).

Note 13: Discontinued Operations**(a) Description**

In November 2009, the Department of Defence formally advised DHA of its unsuccessful tender submission for the ongoing provision of Relocation Administration Services (Pair B services) beyond 30 June 2010. As a result, DHA will no longer receive this revenue stream and accordingly will incur less expenditure, predominantly due to reduced staff numbers. The transition of the business to the successful tenderer occurred over a number of months, resulting in services being provided by DHA in July, August and September 2010.

Financial information relating to the discontinued operation is set out below.

(b) Financial Performance and Cash Flow Information

The financial performance and cash flow information presented are for the twelve months ended 30 June.

Revenue	5,805	82,596
Expenses	(5,522)	(74,145)
Profit Before Income Tax	283	8,451
Income Tax Expense	(85)	(2,535)
Profit after Income Tax of Discontinued Operations	198	5,916
Profit From Discontinued Operation	198	5,916

Notes to and forming part of the Financial Statements

	30 June 2011 \$'000	30 June 2010 \$'000
Note 13: Discontinued Operations (continued)		
Net Cash Inflow / (Outflow) From Operating Activities	(2,367)	4,789
Net Cash Inflow / (Outflow) From Investing Activities	-	-
Net Cash Inflow / (Outflow) From Financing Activities	-	-
Net Increase / (Decrease) in Cash Generated by the Division	(2,367)	4,789

(e) Carrying Amounts of Assets and Liabilities

The carrying amounts of assets and liabilities as at 30 June were:

Cash and Investments	-	-
Trade Receivables	-	258
Deferred Tax Asset	-	121
Total Assets	-	379
Trade Creditors	-	588
Provision for Employee Benefits	-	330
Provision - Other Taxes	-	2,265
Provision - Other	-	82
Total Liabilities	-	3,265
Net Assets	-	(2,886)
Net Equity	-	(2,886)

Note 14: Cash and Cash Equivalents

Cash at Bank	2,179	1,254
Cash on Hand	15	16
Short Term Deposits	280,500	270,952
Total Cash and Cash Equivalents	282,694	272,222

All cash recognised is a current asset.

Note 15: Trade and Other Receivables

Current		
Department of Defence Debtors	7,679	2,191
Accrued Income	16,976	17,328
Other Receivables	5,909	1,206
Total Receivables for Goods and Services	30,564	20,725
Non-Current		
Other Receivables from External Parties	370	555
Total Receivables for Goods and Services	370	555
Total Trade and Other Receivables (Net)	30,934	21,280

Notes to and forming part of the Financial Statements

	30 June 2011	30 June 2010
	\$'000	\$'000

Note 15: Trade and Other Receivables (continued)

Good and Services		
Goods and Services - Related Entities	26,665	15,699
Goods and Services - External Parties	4,269	5,581
Total Trade and Other Receivables (Net)	30,934	21,280

Receivables are expected to be recovered in:

Less than 12 Months	30,564	20,725
More than 12 Months	370	555
Total Trade and Other Receivables (Net)	30,934	21,280

Credit terms are between 7 and 30 days.

Receivables are aged as follows:

Less than 30 Days	30,827	21,165
30 to 60 Days	-	8
61 to 90 Days	-	-
91 to 120 Days	-	-
More than 120 Days	194	194
Total Trade and Other Receivables (Gross)	31,021	21,367

The impairment allowance account is aged as follows:

90 to 120 Days	-	-
More than 120 Days	87	87
Total Impairment Allowance Account	87	87

Reconciliation of the Impairment Allowance Account:**Movements in relation to 2011**

	Department of Defence \$'000	Other Receivables \$'000	Total \$'000
Opening Balance	-	87	87
Amounts Written Off	-	-	-
Amounts Recovered and Reversed	-	-	-
Increase/Decrease Recognised in Net Surplus	-	-	-
Closing Balance	-	87	87

Movements in relation to 2010

	Department of Defence \$'000	Other Receivables \$'000	Total \$'000
Opening Balance	-	116	116
Amounts Written Off	-	(29)	(29)
Amounts Recovered and Reversed	-	-	-
Increase/Decrease Recognised in Net Surplus	-	-	-
Closing Balance	-	87	87

Notes to and forming part of the Financial Statements

	30 June	30 June
	2011	2010
	<u>\$'000</u>	<u>\$'000</u>

Note 16: Investment Properties for Sale

Investment Properties - At Cost	39,266	38,865
Investment Properties - At Cost (Less Impairment)	<u>8,164</u>	<u>6,300</u>
Total Investment Properties for Sale	<u>47,430</u>	<u>45,165</u>

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

Note 17: Other Current Assets

Finance Lease Receivable (Note 23)	1,208	7,601
Other Prepayments	865	1,014
Prepaid Property Rentals	<u>24,407</u>	<u>23,101</u>
Total Other Current Assets	<u>26,480</u>	<u>31,716</u>

Note 18: Deferred Tax Assets

The balance comprises temporary differences attributable to:

Employee Benefits	3,793	3,353
Doubtful Debts	26	26
Make Good Provision	25,172	23,674
Provisions	804	1,082
Lease Incentive	282	-
Property, Plant and Equipment	798	378
Inventory Properties	-	3,179
Total Deferred Tax Assets	<u>30,875</u>	<u>31,692</u>

Set-off of deferred tax liabilities pursuant to set-off provisions (Note 27) (4,665) (1,530)

Net Deferred Tax Assets 26,210 30,162

Deferred Tax Assets expected to be recovered within 12 months 4,509 2,822

Deferred Tax Assets expected to be recovered after more than 12 months 21,701 27,340

Total 26,210 30,162

Reconciliation of Deferred Tax Assets	Employee	Make Good	Provisions	Property, Plant and	Inventory	Other	Total
	Benefits	Provision		Equipment	Properties		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Balance 1 July 2009	2,722	22,075	1,041	114	7,609	2,731	36,292
Charged to the Income Statement	631	1,599	41	264	(4,430)	(2,705)	(4,600)
Closing Balance 30 June 2010	<u>3,353</u>	<u>23,674</u>	<u>1,082</u>	<u>378</u>	<u>3,179</u>	<u>26</u>	<u>31,692</u>
Opening Balance 1 July 2010	3,353	23,674	1,082	378	3,179	26	31,692
Charged to income statement	440	1,498	(278)	420	(3,179)	282	(817)
Closing Balance 30 June 2011	<u>3,793</u>	<u>25,172</u>	<u>804</u>	<u>798</u>	<u>-</u>	<u>308</u>	<u>30,875</u>

Notes to and forming part of the Financial Statements

	30 June 2011 \$'000	30 June 2010 \$'000
Note 19: Inventories		
Completed Properties - At Cost	182,582	200,743
Completed Properties - At Net Realisable Value	256,763	153,286
Work in Progress - At Cost	200,942	96,460
Work in Progress - At Net Realisable Value	<u>35,560</u>	<u>29,433</u>
Total Inventories	<u>675,847</u>	<u>477,922</u>
Current	220,990	176,817
Non-Current	<u>454,857</u>	<u>301,105</u>
	<u>675,847</u>	<u>477,922</u>

The total fair value of inventory properties at 30 June 2011 is \$741,762,565 (2010: \$540,091,850).

Note 20: Plant, Equipment and Intangibles

Plant and Equipment - At Cost	10,910	10,485
Less: Accumulated Depreciation	<u>(8,373)</u>	<u>(7,579)</u>
	<u>2,537</u>	<u>2,906</u>
Software Development - At cost	20,763	19,972
Less: Accumulated Amortisation	<u>(19,137)</u>	<u>(16,893)</u>
	<u>1,626</u>	<u>3,079</u>
Impaired Software		
Software Development - At Cost	155	650
Less: Accumulated Amortisation	(91)	(458)
Less: Impairment	<u>(64)</u>	<u>(192)</u>
	<u>-</u>	<u>-</u>
Total Plant, Equipment and Intangibles (Non-Current)	<u>4,163</u>	<u>5,985</u>

Notes to and forming part of the Financial Statements

Reconciliation of the Opening and Closing Balances of Plant and Equipment

	30 June 2011 \$'000	30 June 2010 \$'000
Opening Balance		
Gross Book Value	18,485	11,162
Accumulated Depreciation and Impairment	(7,579)	(7,358)
Opening Net Book Value 1 July	2,906	3,804
Additions		
By Purchase	540	819
Depreciation Expense	(814)	(1,073)
Disposals		
Other Disposals	(115)	(1,495)
Depreciation/Impairment Written Back on Disposal	20	851
Closing Net Book Value 30 June	2,537	2,906
Closing Net Book Value 30 June represented by:		
Gross Book Value	10,910	10,485
Accumulated Depreciation and Impairment	(8,373)	(7,579)
Closing Net Book Value 30 June	2,537	2,906

Reconciliation of the Opening and Closing Balances of Software Development

	30 June 2011 \$'000	30 June 2010 \$'000
Opening Balance		
Gross Book Value	20,622	21,076
Accumulated Amortisation and Impairment	(17,543)	(16,254)
Opening Net Book Value 1 July	3,079	4,822
Additions		
By Purchase	792	1,056
Net Impairments Recognised in the Discontinued Operations Result	-	(192)
Amortisation Expense	(2,245)	(2,461)
Disposals		
Other Disposals	(496)	(1,509)
Amortisation/Impairment Written Back on Disposal	496	1,363
Closing Net Book Value 30 June	1,626	3,079
Closing Net Book Value 30 June represented by:		
Gross Book Value	20,918	20,622
Accumulated Amortisation and Impairment	(19,292)	(17,543)
Closing Net Book Value 30 June	1,626	3,079

Notes to and forming part of the Financial Statements

	30 June 2011	30 June 2010
	\$'000	\$'000

Note 21: Investments Accounted for Using the Equity Method

Crace Developments Pty Ltd	4,946	4,776
Total Share in Associates	<u>4,946</u>	<u>4,776</u>

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

Note 22: Investment Properties

Investment Properties - At Cost	875,725	858,752
Less: Accumulated Depreciation	<u>(72,336)</u>	<u>(67,661)</u>
	<u>803,389</u>	<u>791,091</u>
Impaired Investment Properties		
Investment Properties - At Cost	191,374	190,667
Less: Accumulated Depreciation	<u>(3,431)</u>	<u>(2,137)</u>
Less: Impairment	<u>(12,147)</u>	<u>(13,233)</u>
	<u>175,796</u>	<u>175,297</u>
Total Investment Properties	<u>979,185</u>	<u>966,298</u>

The total fair value of investment properties (including investment properties held for sale in Note 16) at 30 June 2011 is \$1,867,633,058 (2010: \$1,895,173,157).

Notes to and forming part of the Financial Statements

Note 22: Investment Properties (continued)

Reconciliation of the Opening and Closing Balances of Investment Properties

	30 June 2011 \$'000	30 June 2010 \$'000
Opening Balance		
Gross Book Value	1,049,419	865,111
Accumulated Depreciation and Impairment	(83,121)	(74,551)
Opening Net Book Value 1 July	966,298	790,560
Additions		
By Purchase	140,196	232,310
By Transfer from Inventory	25,288	35,162
Net Impairments Recognised in the Operating Result	(1,985)	(1,556)
Depreciation Expense	(12,466)	(10,309)
Transfer (to)/from Assets Held for Sale	(87,741)	(54,740)
Disposals		
Other Disposals	(60,063)	(24,731)
Depreciation/Impairment Written Back on Disposal	9,658	608
Closing Net Book Value 30 June	979,185	966,298
Closing Net Book Value 30 June represented by:		
Gross Book Value	1,067,099	1,049,419
Accumulated Depreciation and Impairment	(87,914)	(83,121)
Closing Net Book Value 30 June	979,185	966,298

Note 23: Finance Lease Receivables

Current Finance Lease Receivables		
Due not later than 1 year	1,208	7,601
Total Current Finance Lease Receivables (Note 17)	1,208	7,601
Non-Current Finance Lease Receivables		
Due later than 1 year not later than 5 years	16,625	80,183
Due later than 5 years	2,311	61,742
Total Non-Current Finance Lease Receivables	18,936	141,925
Total Finance Lease Receivables	20,144	149,526
Current		
Total Payments Receivable	2,483	18,379
Future Finance Charges	(1,475)	(10,778)
Current Finance Lease Receivables	1,208	7,601
Non-Current		
Total Payments Receivable	23,639	203,528
Future Finance Charges	(4,703)	(61,603)
Non-Current Finance Lease Receivables	18,936	141,925

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

The Department of Defence repaid \$119,954,927 of principal outstanding on off-base and on-base annuities to DHA on the 31 May 2011. The on-base annuities were repaid in full. The off-base annuities were partially repaid and the agreements were amended to reflect a new expiration date of June 2017.

Notes to and forming part of the Financial Statements

	30 June 2011	30 June 2010
	\$'000	\$'000

Note 24: Trade and Other Payables

Trade Creditors	4,237	5,682
Accrued Expenses	54,480	36,334
Accrued Repairs and Maintenance	3,728	1,074
Stamp Duty and Land Tax Payable	15,131	8,734
Total Trade and Other Payables	77,576	51,824
Supplier payables expected to be settled within 12 months:		
Related entities	16,290	5,478
External parties	61,286	46,346
Total Trade and Other Payables	77,576	51,824

Note 25: Current Tax Liabilities

Income Tax Payable	10,651	24,014
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Note 26: Dividends

Payable to the Australian Government	52,332	52,653
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Note 27: Deferred Tax Liabilities

The Balance comprises Temporary Differences attributable to:

Investment Property	2,445	335
Prepayments	6	5
Accrued Income	609	1,190
Inventory	1,605	-
Total Deferred Tax Liabilities	4,665	1,530
Set-off of deferred tax liabilities pursuant to set-off provisions	(4,665)	(1,530)
Net deferred tax liabilities	-	-

Reconciliation of Deferred Tax Liabilities	Investment Property \$'000	Accrued Income \$'000	Inventory \$'000	Other \$'000	Total \$'000
Opening Balance 1 July 2009	-	305	-	21	326
Charged to the income statement	335	885	-	(16)	1,204
Closing Balance at 30 June 2010	335	1,190	-	5	1,530
Opening Balance 1 July 2010	335	1,190	-	5	1,530
Charged to the income statement	2,110	(581)	1,605	1	3,135
Closing Balance 30 June 2011	2,445	609	1,605	6	4,665

Notes to and forming part of the Financial Statements

	30 June 2011	30 June 2010
	\$'000	\$'000

Note 28: Borrowings

Loans from Department of Defence	509,580	465,480
Total Borrowings	509,580	465,480

Maturity Schedule for Borrowings Payable:

Within One Year	130,480	150,000
In One to Five Years	349,100	285,480
In More than Five Years	30,000	30,000
Total Borrowings	509,580	465,480

DHA has an unsecured borrowing facility with the Department of Finance and Deregulation, incorporating all borrowings, underpinned by a Loan Agreement dated 31 August 2006. The Loan Agreement affords DHA the flexibility to borrow at either fixed or floating interest rates at market rates which includes a competitor neutrality charge. A change in government policy has resulted in all loan arrangements appropriated to be borrowed from the Department of Defence. During the financial year DHA borrowed \$44,100,000 and refinanced a further \$150,000,000 for varying terms out to 4 years.

Note 29: Other Financial Liabilities

Other Financial Liabilities are Represented By:

Current

Revenue in Advance	20,112	18,444
Lease Incentive	109	-
Total Current	20,221	18,444

Non-Current

Lease Incentive	830	-
Total Non-Current	830	-

Total Other Financial Liabilities	21,051	18,444
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Notes to and forming part of the Financial Statements

	30 June 2011 \$'000	30 June 2010 \$'000
Note 30: Provisions		
Current		
Employee Benefits		
Annual Leave	4,351	3,978
Long Service Leave	3,599	3,437
Employee Benefits On Costs	<u>578</u>	<u>482</u>
	<u>8,528</u>	<u>7,897</u>
Other		
Make Good Provision	10,736	6,068
Other General Provisions	<u>3,839</u>	<u>3,925</u>
	<u>14,575</u>	<u>9,993</u>
Total Current	<u>23,103</u>	<u>17,890</u>
Non-Current		
Employee Benefits		
Long Service Leave	1,881	2,299
Employee Benefits On Costs	<u>358</u>	<u>149</u>
	<u>2,239</u>	<u>2,448</u>
Other		
Make Good Provision	73,170	72,844
Other General Provisions	<u>1,381</u>	<u>1,232</u>
	<u>74,551</u>	<u>74,076</u>
Total Non-Current	<u>76,790</u>	<u>76,524</u>
Total Provisions	<u>99,893</u>	<u>94,414</u>

Movements in each class of provision during the financial year, other than employee benefits, are below:

	Other General Provisions	Make Good Provision	Total
Opening Balance 1 July	5,157	78,912	84,069
Additional Provisions Made	3,610	11,169	14,779
Amount Used	<u>(3,547)</u>	<u>(6,175)</u>	<u>(9,722)</u>
Closing Balance 30 June	<u>5,220</u>	<u>83,906</u>	<u>89,126</u>

Other general provisions include amount set aside for:

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

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

Notes to and forming part of the Financial Statements

	30 June 2011	30 June 2010
	\$'000	\$'000

Note 31: Cash Flow Reconciliation

Reconciliation of operating result to net cash from operating activities:		
Profit After Income Tax	87,298	87,755
Add:		
Depreciation - Plant and Equipment	3,059	3,533
Depreciation - Investment Properties	12,466	10,309
Impairment of Investment Properties	2,002	3,575
Gain on Disposal of Assets	(54,842)	(33,917)
Decrease in Other Non Operating Cash Flow Revenue Items	(9,732)	(11,586)
Increase in Other Non Operating Cash Flow Expense Items	79	171
(Increase) / Decrease in Net Receivables	(6,366)	(3,069)
(Increase) / Decrease in Deferred Tax Assets	3,951	3,805
(Increase) / Decrease in Inventories	(212,763)	9,103
(Increase) / Decrease in Prepayments	(1,158)	2,082
(Decrease) / Increase in Provisions	9,159	5,925
Decrease in Supplier Payables	(5,927)	(2,000)
(Decrease) / Increase in Other Liabilities	21,002	(3,732)
(Decrease) / Increase in Tax Liabilities	(13,364)	3,875
Net Cash From / (Used By) Operating Activities	(165,136)	77,629

Note 32: Contingent Liabilities and Assets

	Guarantees		Total	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Contingent Assets				
Balance from Previous Period	-	-	-	-
New	-	-	-	-
Expired	-	-	-	-
Total Contingent Assets	-	-	-	-
Contingent Liabilities				
Balance from Previous Period	1,055	1,645	1,055	1,645
New	1,090	278	1,090	278
Obligations Expired	(252)	(868)	(252)	(868)
Total Contingent Liabilities	1,893	1,055	1,893	1,055
Net Contingent Assets (Liabilities)	(1,893)	(1,055)	(1,893)	(1,055)

Quantifiable Contingencies

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

Unquantifiable Contingencies

As at 30 June 2011, DHA has no unquantifiable contingencies.

Remote Contingencies

As at 30 June 2011, DHA has no remote contingencies.

Notes to and forming part of the Financial Statements

Note 33: 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 150(2) of the Superannuation Act 1976 and Section 15 of the Superannuation Act 1990, or to other superannuation funds nominated by employees.

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

- CSS members: Contributions at the rate of 20.6% (2010: 21.4%) of salary for superannuation purposes, amounting to \$132,051 (2010: \$160,534);
- PSS members: Contributions at the rate of 15.3% (2010: 15.5%) of salary for superannuation purposes, amounting to \$2,527,757 (2010: \$2,871,582); and
- PSSap members: Contributions at the rate of 15.4% (2010: 15.4%) of salary for superannuation purposes, amounting to \$3,342,647 (2010: \$3,652,268).

Notes to and forming part of the Financial Statements

Note 34: Key Management Personnel Remuneration

The Directors of DHA during the financial year were:

Mr Derek Vilkki AO	Chairman
Mr Michael Del Gigante	Managing Director
Air Vice-Marshal Gary Beck AO (Ret'd)	Director
Mr Gary Potts	Director
Mr Peter Sharp	Director
The Hon F A I. (Sandy) Macdonald	Director
Ms Margaret Walker	Director
Ms Carol Hotley	Director

The specified Executives of DHA during the financial year were:

Michael Del Gigante	Managing Director
Peter Howman	Chief Operating Officer
Jon Broeklehurst	Chief Financial Officer (Appointed 7 March 2011)
Tony Winterbottom	General Manager Sales & Marketing & Portfolio Management
Tracy Muddle	General Manager Corporate Affairs
Brett Joergensen	General Manager Property and Tenancy Services (Appointed 25 October 2010)
John Dietz	General Manager Property Provisioning Group (Appointed 14 February 2011)
Shane Nielsen	Chief Information Officer & General Manager Business Solutions & Technology
Daniel Jones	Chief Financial Officer (Acting 6 September 2010 to 4 March 2011)
Robert Groom	Chief Financial Officer (Resigned 3 September 2010)
Steve Peddle	General Manager Operations Service Delivery (Resigned 25 October 2010)

Key Management Personnel Compensation

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

	2011	2010
	\$	\$
Short-Term Employee Benefits	874,288	823,201
Post-Employment Benefits	77,307	76,264
Other Long-Term Benefits	12,520	12,007
Termination Benefits	-	-
Share-Based Payments	-	-
	<u>964,115</u>	<u>911,472</u>

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

	2011	2010
	\$	\$
Short-Term Employee Benefits	2,190,473	2,312,897
Post-Employment Benefits	246,834	263,033
Other Long-Term Benefits	62,296	64,138
Termination Benefits	101,117	-
Share-Based Payments	-	-
	<u>2,600,720</u>	<u>2,640,068</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 35: Remuneration of Auditors**

	2011	2010
	\$	\$
Amount Received or Due and Receivable by Auditors		
Australian National Audit Office (ANAO) for the audit of Financial Statements	<u>212,300</u>	<u>212,300</u>
	<u>212,300</u>	<u>212,300</u>
And it fees relating to the audit of Lyons Joint Venture are paid to ANAO, DHA is liable for 50% of these fees.		
	<u>52,800</u>	<u>44,170</u>
	<u>\$2,800</u>	<u>44,170</u>

The amounts are GST inclusive.

No other services were provided by the ANAO during the reporting period. Deloitte Touche Tohmatsu has been contracted by the ANAO to provide audit services for 2010/11 on the ANAO's behalf. Fees for these services are included.

Note 36: Related Party Disclosures

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

Key management personnel are detailed in Note 34. DHA has entered into two joint ventures and has an interest in an associate which are detailed in Note 38 and Note 39. There were no related party or related entity transactions.

Note 37: Economic Dependency

DHA depends on the Department of Defence in accordance with the Services Agreement between the Department of Defence and DHA. DHA received 61% of its total revenue from the Department of Defence and from defence members for the year ended 30 June 2011 (2010: 60%).

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 was to develop housing sites for the Department of Defence and private sector housing. The development activities of the joint venture ceased in December 2005. 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 2011.

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

	30 June 2011 \$'000	30 June 2010 \$'000
Statement of Comprehensive Income		
Revenues	1	1
Total Profit	1	1
Balance Sheet		
Current Assets		
Cash	62	61
Receivables	-	-
Total Current Assets	62	61
Current Liabilities		
Provisions	76	76
Total Current Liabilities	76	76
Total Liabilities	76	76
Net Assets	(14)	(15)
Equity	(14)	(15)

There were no significant contingent liabilities or commitments for expenditure at 30 June 2011.

Lyons

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

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

	30 June 2011 \$'000	30 June 2010 \$'000
Statement of Comprehensive Income		
Revenues	1,533	15,781
Expenses	(44)	(10,860)
Total Profit	1,487	4,921
Balance Sheet		
Current Assets		
Cash	660	834
Receivables	7	5

Notes to and forming part of the Financial Statements

	30 June	30 June
	2011	2010
	\$'000	\$'000
Note 38: Interest in Joint Venture Developments (continued)		
Total current assets	<u>667</u>	<u>839</u>
Non Current Assets		
Inventory	460	1,227
Property Plant and Equipment	-	18
Total non current assets	<u>460</u>	<u>1,245</u>
Total Assets	<u>1,127</u>	<u>2,084</u>
Current Liabilities		
Payables	1,041	2,959
Total current liabilities	<u>1,041</u>	<u>2,959</u>
Total Liabilities	<u>1,041</u>	<u>2,959</u>
Net Assets	<u>86</u>	<u>(875)</u>
Equity	<u>86</u>	<u>(875)</u>

There were no significant contingent liabilities or commitments for expenditure at 30 June 2011.

Notes to and forming part of the Financial Statements

Note 39: Investments in Associates

Crace Developments Pty Ltd

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

	30 June 2011	30 June 2010
	\$'000	\$'000
(a) Movements in carrying amounts		
Carrying Amount at the Beginning of the Financial Year	4,776	4,568
Share of Profit/(Loss) after Income Tax	385	49
Investments during the Year	135	159
Capital Repayment	(350)	-
Carrying amount at the end of the financial year	<u>4,946</u>	<u>4,776</u>

(ii) **Summarised financial information of associates**

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

	Ownership Interest %	DHA's Share of:			
		Assets	Liabilities	Revenues	Profit
2011					
Crace Developments Pty Ltd	10	6,767	395	749	385
		<u>6,767</u>	<u>395</u>	<u>749</u>	<u>385</u>
2010					
Crace Developments Pty Ltd	10	6,147	3,401	801	49
		<u>6,147</u>	<u>3,401</u>	<u>801</u>	<u>49</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**Note 40: Financial Instruments**

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

	30 June 2011 \$'000	30 June 2010 \$'000
Note 40A: Categories of Financial Instruments		
Financial Assets		
Loans and Receivables Financial Assets:		
Cash at Bank	2,179	1,254
Cash on Hand	15	16
Short Term Investments	280,500	270,952
Receivables for Goods and Services (Net)	30,934	21,280
Finance Lease Receivable	20,144	149,526
Carrying Amount of Financial Assets	333,772	443,028
Financial Liabilities		
At Amortised Cost:		
Department of Defence Loans	509,580	465,480
Trade and Other Payables	77,576	51,824
Other Financial Liabilities	21,051	18,444
Dividends	52,332	52,653
Carrying Amount of Financial Liabilities	660,539	588,401
Note 40B: Net Income from Financial Assets		
Loans and Receivables		
Interest Revenue	17,402	17,276
Annuity Income	9,211	11,249
Net Gain Loans and Receivables	26,613	28,525
Net Gain from Financial Assets	26,613	28,525

Notes to and forming part of the Financial Statements

	30 June 2011 \$'000	30 June 2010 \$'000
Note 40C: Net Expense from Financial Liabilities		
Financial Liabilities - At Amortised Cost		
Interest Expense	(31,462)	(29,311)
Net Loss Financial Liabilities - At Amortised Cost	(31,462)	(29,311)

Note 40D: Fair Value of Financial Instruments

	Carrying Amount 2011 \$'000	Fair Value 2011 \$'000	Carrying Amount 2010 \$'000	Fair Value 2010 \$'000
Financial Assets				
Cash at Bank	2,179	2,179	1,254	1,254
Cash on Hand	15	15	16	16
Short Term Investments	280,500	280,500	270,952	270,952
Receivables for Goods and Services (Net)	30,934	30,934	21,280	21,280
Finance Lease Receivable	20,144	22,602	149,526	173,219
Total	333,772	336,230	443,028	466,721
Financial Liabilities				
Department of Defence Loans	509,580	512,704	465,480	467,417
Trade and Other Payables	77,576	77,576	51,824	51,824
Other Financial Liabilities	21,051	21,051	18,444	18,444
Dividends	52,332	52,332	52,653	52,653
Total	660,539	663,663	588,401	590,338

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

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

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

	2011 \$'000	2010 \$'000
Financial Assets		
Cash at Bank	2,179	1,254
Cash on Hand	15	16
Short Term Investments	280,500	279,952
Receivables for Goods and Services (Net)	30,934	21,280
Finance Lease Receivable	20,144	149,526
Total	333,772	443,028
Financial Liabilities		
Department of Defence Loans	509,580	465,480
Trade and Other Payables	77,576	51,824
Other Financial Liabilities	21,051	18,444
Dividends	52,332	52,653
Total	660,539	588,401

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

	Not Past Due Nor Impaired 2011 \$'000	Not Past Due Nor Impaired 2010 \$'000	Past Due or Impaired 2011 \$'000	Past Due or Impaired 2010 \$'000
Financial Assets				
Trade Receivables	30,827	21,165	194	202
Total	30,827	21,165	194	202

Ageing of financial assets that are past due but not impaired for 2011

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Receivables for Goods and Services (Net)	-	-	-	194	194
Total	-	-	-	194	194

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 2010

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Receivables for Goods and Services (Net)	\$	-	-	194	202
Total	\$	-	-	194	202

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 2011

	On demand \$'000	Within 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	> 5 years \$'000	Total \$'000
Department of Defence Loans	-	130,480	130,000	219,100	30,000	509,580
Trade and Other Payables	-	77,576	-	-	-	77,576
Other Financial Liabilities	-	20,221	115	310	405	21,051
Dividends	-	52,332	-	-	-	52,332
Total	-	280,609	130,115	219,410	30,405	660,539

Maturities for financial liabilities 2010

	On demand \$'000	Within 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	> 5 years \$'000	Total \$'000
Department of Defence Loans	-	150,000	130,480	155,000	30,000	465,480
Trade and Other Payables	-	51,824	-	-	-	51,824
Other Financial Liabilities	-	18,444	-	-	-	18,444
Dividends	-	52,653	-	-	-	52,653
Total	-	272,921	130,480	155,000	30,000	588,401

The above tables detail the expected maturity at balance date for non-derivative financial liabilities. The tables are undiscounted cash flows of financial liabilities based upon their assumed debt rollover patterns and interest payments.

Defence Housing Australia has no derivative financial liabilities in both the current and prior year.

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 seeks to ensure an appropriate mix of maturities across the yield curve to avoid concentration of maturities on any given date and higher volatility inherent in longer dated investments.

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. DHA has exposure to interest rate risk arising from fluctuations in interest rates applicable to cash and borrowings. Interest rates on finance leases are fixed.

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

Sensitivity analysis of the risk that Defence Housing Australia is exposed to for 2011

Risk variable	Change in risk variable %	Effect on		
		Profit and loss \$'000	Equity \$'000	
Interest Rate Risk	Interest	1.75	3,073	0

Sensitivity analysis of the risk that Defence Housing Australia is exposed to for 2010

Risk variable	Change in risk variable %	Effect on		
		Profit and loss \$'000	Equity \$'000	
Interest Rate Risk	Interest	0.75	0	0

Interest rate sensitivity analysis has been calculated on a "reasonably possible" basis. The rate of 175 basis points was determined by using the standards parameters issued by the Department of Finance and Derogulation.

Note 41: Subsequent Events

There have been no events post 30 June 2011 which would have a material impact on the financial statements or operations of the DHA business.

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	6-7
s.1(b)	Financial statements	90-137
s.1(c)	Auditor-General's report	91-92
s.2(3)	Directors' resolution on financial statements	93

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

SECTION	REPORTING REQUIREMENT	PAGE REFERENCE
Enabling legislation and responsible Minister		
s.8(a)	Enabling legislation	72
s.8(b)	Ministerial responsibility	74
Organisational structure		
s.9	Organisational structure	74-76
s.9	Location of major activities and facilities	154
Review of operations and future prospects		
s.10(1)(a)(i)	Performance measured against statutory objectives	12, 26, 46, 58, 66
s.10(1)(a)(ii)	Performance measured against the Corporate Plan	12, 26, 46, 58, 66
s.10(1)(a)(iii)	Performance measured against principal outputs and contributions	12, 26, 46, 58, 66
s.10(1)(b)	Factors, events or trends, including risks and opportunities	8-70
s.10(c)	Significant events under s.15 of the CAC Act	8-9
s.10(d)(i)	Principal outputs	12, 26, 46, 58, 66

SECTION	REPORTING REQUIREMENT	PAGE REFERENCE
s.10(d)(ii)	Major investing and financing activities	58-70
s.10(d)(iii)	Key financial and non-financial performance indicators	12, 26, 46, 58, 66
s.10(e)	Significant changes in state of affairs or principal activities	6-7
s.10(f)(i)(ii)(iii)	Significant developments since the end of the financial year	Nil
Judicial decisions and reviews by outside bodies		
s.11(a)	Judicial decisions and administrative tribunal decisions	87
s.11(b)	Reports on operations by the Auditor-General, a Parliamentary Committee or the Commonwealth Ombudsman	87
s.11(b)	Independent Audit Report	91-92
Effects of Ministerial directions		
s.12(1)(a)(i)(ii)(iii)	Directions issued by the Minister, during or since the end of the financial year, or continuing from previous financial years	72
s.12(b)(i)(ii)(iii)	Government policies under section 28 of the CAC Act	73
Disclosure requirements for government business enterprises		
s.13(1)(a)(i)	Significant changes in overall financial structure and condition	58-70
s.13(1)(a)(ii)	Material events causing financial information not to be indicative of future results	Nil
s.13(b)	Dividends paid or recommended	68
s.13(c)(i)(ii)	Community service obligations	86-88

Commonwealth Authorities and Companies (Report of operations) Orders 2005 Division 3 – Specific information

SECTION	REPORTING REQUIREMENT	PAGE REFERENCE
Directors		
s.14(1)(a)	Directors details	78-89
s.14(1)(b)	Board meeting attendance	80
Statement on governance		
s.15(1)	Governance practices	72-84
s.15(2)	Board committee details	75-76
s.15(3)(b)	Reviewing board performance	77
s.15(3)(d)	Risk management	86
s.15(3)(e)	Ethical standards	86
Indemnities and insurance premium officers		
s.16(1)(a)(b)	Indemnity for officers or premiums paid	88

Commonwealth Authorities and Companies (Report of operations) Orders 2005 Division 4 – Miscellaneous

SECTION	REPORTING REQUIREMENT	PAGE REFERENCE
Other statutory requirements		
s.18	Commonwealth Disability Strategy	88
s.74 (Occupational Health and Safety (Commonwealth Employment) Act 1991	Occupational health and safety	53-56
s. 8(1) Freedom of Information Act 1982	Freedom of information	87
s.516A Environment Protection and Biodiversity Conservation Act 1999	Environmental sustainability development	18,43

As a statutory authority, DHA is not required 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

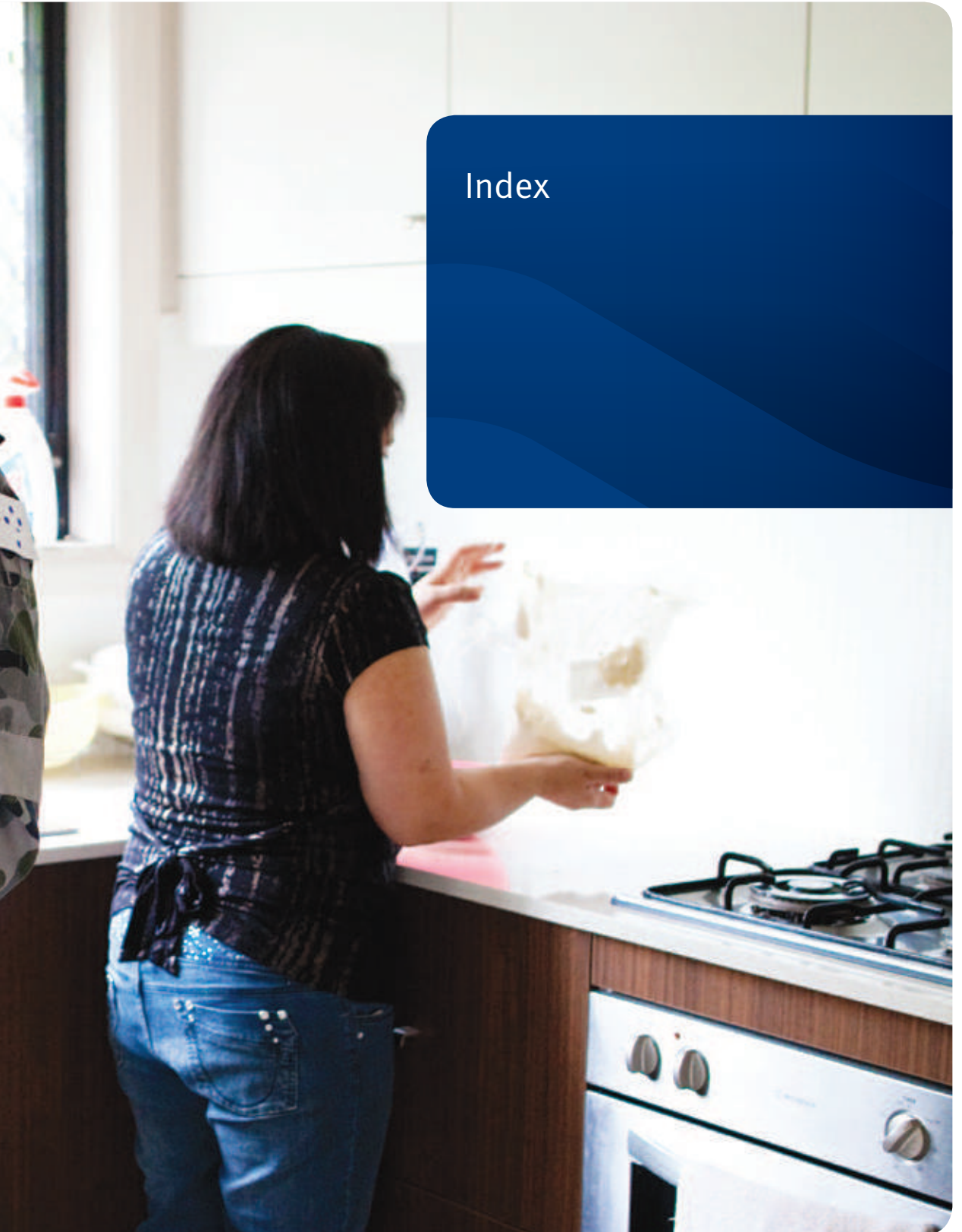


ADF	Australian Defence Force
AIFRS	Australian-equivalent International Financial Reporting Standards
AMSA	Australian Maritime Safety Authority
ANAO	Australian National Audit Office
AO	Officer of the Order of Australia
APS	Australian Public Service
AQIS	Australian Quarantine Inspection Service
AWA	Australian workplace agreement
BAC	Board Audit Committee
BAU	Business as usual
CA	Collective agreement
CAC	Commonwealth Authorities and Companies Act 1997
CLC	Common Law Contract
COO	Chief Operating Officer
CSIA	Customer Service Institute of Australia
CTM	Contractor Management System
DAFF	Department of Agriculture, Fisheries and Forestry
DASS	DHA Apprenticeship Support Scheme
DHA	Defence Housing Australia
DHF	Defence Housing Forecast
EBIT	Earnings Before Interest and Tax
FCP	Fraud Control Plan
FOI	Freedom of Information
GBE	Government Business Enterprise
HMC	Housing Management Centre

HSMA	Health and Safety Management Arrangements
KPI	Key performance indicator
L&D	Learning and Development
LMC	Land Management Corporation
MCC	Maintenance Call Centre
MP	Member of Parliament
NB-ESP	Nation Building-Economic Stimulus Plan
OH&S	Occupational Health and Safety
PWC	The Parliamentary Standing Committee on Public Works
RA	Rent Allowance
RAAF	Royal Australian Air Force
ROA	Return on assets
ROE	Return on equity
SCG	Staff Consultative Group
SES	Senior executive service
SLB	Sale and Leaseback



Index



- A**
- acronyms and abbreviations, 141–4
 - ACT Government, 24
 - Land Development Agency, 8, 24
 - Adelaide, 6, 12, 24, 41, 41
 - housing portfolio, 21
 - NB–ESP houses, 42
 - advertising and media, 63
 - air conditioning, 12, 18
 - Albury/Wodonga
 - housing portfolio, 21
 - allocations, 27, 28, 31
 - new business model, 35
 - pre–allocation rate, 27
 - Anglesea Barracks, 18
 - annual report, 77
 - apprenticeships, 42
 - Archives Act 1983*, 56
 - Army, Australian, 41
 - expansion of, 6
 - Holsworthy Base, 23
 - asset management, 68
 - Audit Committee, 75, 78, 79, 86
 - audit, internal, 86
 - audit report, independent, 91–2
 - audits
 - benchmarking DHA brand, 58, 60, 63
 - certification by CSIA, 38
 - payroll and HR systems, 46, 50
 - Australian Capital Territory (ACT)
 - Crace, 8, 24
 - housing portfolio, 21
 - Weston Creek, 24
 - see also* Canberra
 - Australian Customs and Border Protection Service (Customs), 4, 15, 20, 34
 - baseline assessment of properties, 34
 - maintenance on properties, 34
 - Memorandum of Understanding, 27, 34
 - number of properties managed, 34
 - Australian Defence College, 24
 - Australian Defence Force (ADF)
 - member satisfaction with DHA services, 12, 26, 31, 38–9
 - members with dependants posted unaccompanied, 27, 32
 - Members without Dependants Choice Accommodation (MCA), 33
 - number of families assisted, 27, 32
 - recruitment and retention of members, 2, 6
 - Service Chiefs, 76
 - single members, 4, 6, 7, 16, 20, 27, 32, 33
 - see also* Army; Navy Cadets; RAAF bases
 - Australian Maritime Safety Authority (AMSA), 4, 16, 20, 34
 - agreement on provision of DHA services, 34
 - Australian National Audit Office (ANAO), 91–2
 - Australian Public Service Values and Code of Conduct, 3
 - Australian Quarantine Inspection Service (AQIS), 34
 - Australian Standard on Fraud and Corruption Control, 86
 - Australian Standard on Risk Management, 86
 - Australian Taxation Office (ATO), 49, 70
 - Australian Workplace Agreements (AWAs), 47
 - Australian–equivalent International Financial Reporting Standards (AIFRS), 67
- B**
- bank finance, 28
 - Bay River, 9, 24
 - Beck, Gary, 80
 - profile, 78
 - Betty Cuthbert Estate, 23
 - biodiversity, 18
 - Board Audit Committee, 75, 78, 79, 86
 - Board Members, 78–9
 - Board of Directors, 4, 7, 15, 68, 73, 74
 - Charter, 77
 - committees, 75–6
 - composition, 74, 78–9
 - external review of performance, 77
 - meetings, 74, 80
 - Planning Day, 74
 - brand, DHA, 58, 63, 64
 - Brisbane, 12, 13, 23, 41, 42
 - Enoggera, 12, 17, 23, 41
 - Everton Park, 6, 40
 - housing portfolio, 21
 - NB–ESP houses, 42
 - singles accommodation, 6, 7, 27, 33
 - Brocklehurst, Jon, 82
 - Business as Usual (BAU) housing, 35, 40, 43
 - business continuity, 86
 - business planning, 76

Business Solutions and Technology
 General Manager and responsibilities, 83
 Business Unit awards, 53

C

Cairns
 housing portfolio, 21
 NB–ESP houses, 42

Canberra, 7, 24, 27, 41, 42
 Crace, 8, 24
 housing portfolio, 21
 NB–ESP houses, 42
 singles accommodation, 6, 7, 27, 33
 Weston Creek, 24

Canberra Investment Corporation Australia, 22, 41

capabilities, 4

capital program, 15
 loan arrangements, 69
 planning process, 13
 structure, 66, 69

Chairman, ii, 74, 78, 80
 and Managing Director's Report, 6–7
see also Volker, Derek

Chief Executive Officer
see Managing Director

Chief Financial Officer, 82

Chief Information Officer, 83

Chief of the Defence Force, 74, 76, 78

Chief Operating Officer, 9, 81

Collective Agreement (CA), 49–50

Comcare, 56

Common Law Contracts (CLCs), 47
Commonwealth Authorities and Companies Act 1997, 7, 73, 76, 77
 compliance, 73

Commonwealth Fraud Control Guidelines, 86

community programs, 10

competitive neutrality, 68

complaints management, 41

Construction Industry Training Centre (CTC) Training Excellence Awards, 10

contact details, DHA, 88

contractors, 27, 30, 31

Corporate Affairs
 General Manager and responsibilities, 83

corporate objectives, 2

Corporate Plan, 7, 15, 58, 60, 66, 69, 74, 76

Council of Australian Governments, 18

Crace Developments Pty Ltd, 8, 24

credit rating, 69

Customer Relations Officers, 37

Customer Service Institute of Australia (CSIA), 38

customer satisfaction, 12, 17, 19, 20, 26, 31, 37–8, 58, 59, 61

customer service, 36–9

Cyclone Yasi, 6, 30

D

Darwin, 6, 7, 12, 27, 27, 34, 42
 Defence Estate Berrimah, 7, 17
 housing portfolio, 21
 Larrakeyah Barracks, 6, 7, 9, 12, 17, 22
 Lyons, 22, 41
 Muirhead, 7, 8, 12, 22, 23, 87
 NB–ESP houses, 41, 42
 RAAF Base Darwin, 7, 17
 singles apartments, 7, 15, 20, 33

Defence Community Organisation, 35

Defence Families of Australia, 8, 10, 35

Defence Heritage Register, 18

Defence Housing (Performance of Additional Functions) Determination 2006, 72

Defence Housing Australia Act 1987, 4, 72, 88

Defence Housing Forecast, 2, 4, 12, 13, 28
 accuracy, 28
 comparison with actual requirement, 14, 28, 43

Defence housing requirement, 2, 11–24, 28, 60, 68

Defence Ombudsman, 37

Defence Special Needs Support Group, 35

Del Gigante, Michael, 8, 9, 80
 profile, 78
see also Managing Director

Department of Agriculture, Fisheries and Forestry (DAFF), 34

Department of Defence, 4, 6, 44, 69, 74
 requirements, 60
 services agreement, 15, 18, 27, 31
see also Australian Defence Force

Department of Finance and Deregulation, 44, 69, 74

Department of Prime Minister and Cabinet, 44

DHA Advisory Committee, 76, 78

DHA Apprenticeship Support Scheme (DASS), 42

DHA Board
see Board of Directors

DHA Collective Agreement, 49–50

DHA Executive, 81–4

DHA Lease Agreement, 59, 60, 63

DHA Property Care, 59

Dietz, John
profile, 84

Directors, 78–9
see also Board of Directors

disposals, 7, 16, 21, 27

E

Edgelea, 22

Eighth/Ninth Battalion (8/9RAR), 6, 41

Employee of the Year award, 53

enabling legislation, 4, 72

energy efficiency, 18, 43

Enhanced Land Force, 6, 13, 27

Enterprise Bargaining Framework, Australian Government, 51

environmental performance, 18

Environmental Protection and Biodiversity Conservation Act 1999, 18

Ermington, 6, 9, 12, 16, 23

Essential Economics Pty Ltd, 44

ethics, 3

Executive

profiles and responsibilities, 81–4

F

Faulkner, the Hon. John, 4

financial institutions, 28, 60

Financial Management and Accountability Act 1977, 72

financial performance, 7, 66–70

credit rating, 69

debt:equity ratio, 66

dividends, 7, 66, 68, 69, 70

earnings before interest and tax, 66

expenses, 67

housing services revenue, 67

income, 7, 66

inventory and investment properties, 67

loan arrangements, 69

net operating surplus, 67

net profit, 7, 66, 67, 70

operating results, 67

payments to Government, 66

return on equity, 7, 66, 70

revenue from other agencies, 34

revenue from sale and leaseback, 59, 66, 70

State Tax Equivalent payments, 7, 68, 70

summary, 70

financial statements, 90–137

Fleet Base East, 9

floods, 58

number of DHA houses affected, 6, 30

Queensland, 6, 7, 15, 30–1, 58

forecasting housing needs

see Defence Housing Forecast

Fraud Control Plan (FCP), 86

fraud prevention, 86

Fraud Risk Assessment (FRA), 86

freedom of information, 87

Freedom of Information Act 1982, 87

G

Gallipoli Barracks, 17, 23, 41

Gillard, the Hon. Julia, 9

Gordon Olive Estate, 23

governance, 72–84

government agencies, other, 34, 56

Government Business Enterprise, 59, 68, 72

Griffin, the Hon. Alan, 4

Guidelines for Government Business Enterprises, 68

H

health and safety management arrangements (HSMAs),
46, 54, 55

heritage housing, 17

HMAS Cerberus, 18

HMAS Creswell, 12, 17, 18

HMAS Watson, 18

Hobart, 18, 41

NB–ESP houses, 42

Holley, Carol, 80

profile, 79

Holsworthy Army Base, 23

HomeFind, 35

housing

- air conditioning, 12, 18
- classifications, 17, 29
- Defence-owned, 17, 21
- DHA owned, 4, 13, 19, 21, 27, 69
- disposals, 7, 16, 21, 27
- flood/cyclone affected, 6, 30, 31
- forecasting, 2, 4, 12
- heritage, 17
- leased, 21
- Members without Dependents Choice Accommodation (MCA), 33
- minimum amenity standards, 17
- newly acquired, 15, 20, 21
- newly constructed, 6, 7, 8, 9, 12, 15, 20, 21, 22, 23, 24, 40, 41, 42
- number of properties managed, 4, 15
- number provided to members with dependants, 12, 13, 15
- off-base, 4, 6, 7, 15, 21, 27, 33, 69
- on-base, 13, 17, 21, 27, 69
- ownership, 13
- portfolio, 4, 21
- purchases, 15
- quality, 20
- sale of surplus, 68, 70
- stock, 69, 70
- sustainable, 18
- total stock under management, 6, 15, 20–1
- upgrading and replacement, 6, 8, 12, 13, 17, 18
- vacancy rates, 27
- value of portfolio, 4, 69, 70
- see also* Defence Housing Forecast; Defence housing requirement; *see also* Nation Building – Economic Stimulus Plan; Sale and Leaseback Program
- Housing Management Centres, 4, 29, 30, 36
 - number of DHA staff, 29
- Housing Management System, 26
- Howman, Peter, 8, 9, 81
 - profile, 81
- Human Resources (HR)
- HR Network, 51
 - Management Information System, 50
 - Strategic Plan, 46, 47, 51
 - Systems, 51
 - see also* staff
- Hunter Valley, 30, 54
 - housing portfolio, 21
 - NB-ESP houses, 42

I

- indemnities and insurance, 88
- information and communications technology, 34, 35
 - allocations model, new, 35
 - Contractor Management software, 30
- intranet, 54
- online services for ADF members, 29
- payroll and HR systems, 46, 50
- records management, 56
- secondary data centre, 35
- internal audit, 86
- investors, 19, 58–64, 69
 - institutional, 6, 7, 58
 - proportion of property portfolio, 59
 - repeat purchases, 58, 59, 60
 - seminars, 63
 - see also* Sale and Leaseback Program
- Ipswich, 6, 13, 41
 - housing portfolio, 21
 - NB-ESP houses, 42

J

- Jorgensen, Brett
 - profile, 82

K

- key performance indicators, 12, 26, 27, 46, 58, 66
- KPMG, 86

L

- land acquisitions, 6, 12, 16, 22
- Land Management Corporation of South Australia, 9, 24
- Largs North, 9, 12, 16, 24, 87
- Larrakeyah Barracks, 6, 7, 9, 12, 17, 22
- Lavarack Barracks, 16, 23
- Learning and Development Plan, 46, 51–2
 - Certificate IV/Diploma, 46, 52
 - evaluation, 52
- Lease Agreement, DHA, 59, 60, 63
- leases
 - conversions, 21
 - direct, 15, 21, 59, 61
 - expiring, 15, 58, 59, 60
 - extending term of, 59, 60
 - features of DHA, 59
 - options, 15, 21
 - period of, 13
 - renewals, 15, 19, 28, 58, 59, 60

leasing operations, 4, 59–61
 promotion, 63
Legacy, 10
 lessors, 30, 35, 36, 37, 58, 60, 63
 online services, 60, 61
 private leasing program, 60–1, 63
 rental outlays to, 67
 satisfaction, 58, 59, 61
 with three or more properties, 58, 60
 see also investors; Sale and Leaseback Program
letter of transmittal, ii
Lindfield site, 6, 9, 12, 16, 22
Liverpool City Council, 23

M

Macdonald, the Hon. Sandy, 8, 80
 profile, 79
Maintenance Call Centre (MCC), 29, 30, 54
 number of calls, 30
maintenance services
 DHA Property Care, 59
 online service, 29
 Residential Maintenance Services panels, 27, 30, 70
 response times, 27
Managing Director, 9, 74, 79, 80
 Report, Chairman and, 6–7
 see also Del Gigante, Michael
Maternity Leave Handbook, 50
media, 4, 63
Melbourne, 41
 housing portfolio, 21
 NB–ESP houses, 42
mental health awareness, 54
Minister for Defence, 4, 33, 72, 74
Minister for Defence Personnel, 4
Minister for Defence Science and Personnel, 4, 74
Minister for Finance and Deregulation, 4, 74
 Orders, 7
Ministerial directions, 72, 73
Ministers
 see Shareholder Ministers
mission, 2
Muddle, Tracy
 profile, 83
Muirhead, 7, 8, 12, 22, 23, 87

N

Nation Building – Economic Stimulus Plan (NB–ESP), 6, 7,
 8, 12, 40–4, 69
 apprenticeships, 42
 budget, 6, 40
 contribution to job creation, 44
 location and number of houses, 42
National Convenor of Defence Families Australia, 76
natural disasters, 6, 7, 15, 27, 30–1, 40, 58, 60
Navy Cadets recruitment, 10
Nelson, the Hon. Dr Brendan, 72
New Housing Classification Policy, 17, 29
New South Wales, 17, 18, 21, 23, 30, 41, 42, 54
 Albury, 21
 Hunter Valley, 30, 54
 Newcastle, 41
 Nowra, 21, 42
 Sydney, 6, 9, 16, 18, 21, 23
 Wagga Wagga, 21, 42
 Newcastle, 41
Nielsen, Shane
 profile, 83
Nomination and Remuneration Committee, 76, 77, 78, 79
Northern Territory, 17, 60
 Darwin, 6, 7, 8, 9, 12, 15, 17, 20, 21, 22, 27, 27, 33, 34,
 41, 42, 87
 natural disaster, 58
 payment, 49
 Tindal, 21
Northern Territory Government
 Memorandum of Understanding, 8, 22
Nowra
 housing portfolio, 21
 NB–ESP houses, 42

O

- objectives, corporate, 2, 12, 26, 46, 58, 66, 76
- Occupational Health & Safety (OH&S), 46, 49, 51, 53–6
 - directions, notices and investigations, 56
 - incident reports, 55
 - National Committee, 54
 - presentation to staff, 53
- Occupational Health and Safety Act 1991*, 53, 54, 56
- Office of the Australian Information Commissioner, 87
- Ombudsman, Commonwealth, 87
- online services, 29, 36
 - advertising, 63
 - complaints management, 37
 - HomeFind, 35
 - information products, 36
 - intranet, 54
 - leasing portal, 58, 60
 - lessors, 60
 - NB–ESP website, 44
 - private investor service, 63
 - publications, 36
 - sale and leaseback, 60
- outcomes, major, 12, 27, 46, 58, 66
- outsourcing
 - maintenance services, 27
 - workplace rehabilitation services, 54
 - see also* contractors
- overview, 6–7

P

- Paid Parental Leave Scheme, 50
- parliamentary committees, 87
- Parliamentary Standing Committee on Public Works, 7, 13, 17, 22, 23, 24, 87
- peak posting period, 15, 27, 29, 35, 36
- performance
 - see* financial performance; outcomes, major
- Performance Development Scheme, 49
- Perth, 34, 74
 - housing portfolio, 21
- Port Adelaide, 9, 12, 16, 24, 87
- postings
 - see* relocations
- Potts, Gary, 80
 - profile, 78
- Prime Minister, 9
 - Acting, 6, 40
- privacy, 87
- Privacy Act 1988*, 87
- private rental market, 7, 15, 28, 29, 32, 33

procurement

- maintenance services, 27, 30
- providers of L&D training, 52
- Property and Provisioning Group
 - General Manager and responsibilities, 84
- property and tenancy management, 4, 25–38, 58, 59
 - DHA Property Care, 59
 - satisfaction with service, 61
- Property and Tenancy Services
 - General Manager and responsibilities, 82
- Property Committee, 75, 79, 80
- property portfolio, percentage of DHA ownership, 66
- property provisioning, 4, 28
- provisioning schedule, 12, 15
- Public Service Act 1999*, 3, 76, 77
- publications, 36, 88
- Puckapunyal, 8, 12, 17

Q

- Queensland, 22, 41
 - Brisbane, 6, 12, 13, 17, 21, 23, 27, 33, 40, 41, 42
 - Cairns, 21
 - Ipswich, 21
 - natural disasters/severe weather, 6, 7, 15, 27, 30–1, 40, 58, 60, 66
 - NB–ESP program, 41
 - North, 6, 30, 58, 60
 - South East, 6, 30, 58
 - Toowoomba, 21
 - Townsville, 6, 8, 13, 12, 16, 21, 23, 34, 41

R

- RAAF Base Amberley, 41
- RAAF Base Darwin, 7, 17
- RAAF Base Edinburgh, 41
- RAAF Base Tingal, 17
- Rasmussen site, 6, 8, 12, 16, 23
- Records Management, 56
- relocations, 6, 12
 - administration, new arrangements, 27
 - pre-allocation rate, 27
 - transition strategy for staff, 46, 47
- Relocations Transition Project, 51
- Rent Allowance (RA), 15, 27, 28, 29, 32
 - number of ADF members receiving, 6, 29, 32
- Residential Maintenance Services, 27, 30
- residential property markets, 28, 68
- risk management, 75, 86
- role and functions, 2, 4, 6, 13, 72
- Royal Military College, Duntroon, 18

S

- Sale and Leaseback (SLB) Program, 2, 4, 7, 19, 58, 59, 60, 69
 - financial performance, 7
 - functional review of sales program, 58
 - housing portfolio, 21
 - institutional investors, 6, 58
 - marketing campaign, 58, 60, 63
 - new product, 58
 - repeat purchases, 59
 - revenues, 6, 7
 - review, 31
 - Services Agreement on Housing and Related Matters, 15, 31
 - settled sales, 60
 - website, 63
- Service Chiefs, 76
- Services Agreement on Housing and Related Matters, 15, 18, 27, 31
- Seventh Battalion (7RAR), 6, 12, 41
- Shareholder Ministers, 2, 4, 37, 74, 76, 77
- Sharpe, Peter, 8, 80
 - profile, 79
- Smith, the Hon. Stephen, 4, 74
- Snowdon, the Hon. Warren, 4, 8, 9, 74
- South Australia
 - Adelaide, 6, 12, 21, 24, 41, 42
 - Largs North, 9, 12, 16, 24, 87
 - Port Adelaide, 12, 16, 24, 87
- sponsorship programs, 10
- SRC Solutions, 54
- Staff Consultative Group (SCG), 51
- staff, 4, 46–56
 - Australian Workplace Agreements, 47
 - awards for excellence, 52–3
 - classifications, 48
 - Collective Agreement, 46, 49
 - Common Law Contracts, 47
 - development, 46, 47
 - Employee of the Year award, 53
 - employment conditions and entitlements, 49
 - Executive Level, 48
 - exit survey, 51
 - gender, 48
 - Human Resource Strategic Plan, 46, 47, 51
 - Learning and Development, 46, 51–2
 - leave entitlements, 49
 - length of service, 48
 - maternity leave, 50
 - Northern Territory payment, 49
 - number of, 48
 - performance bonus, 49
 - performance development agreements, 52, 76
 - profile, 48
 - recruitment, 47
 - redeployment, 46, 47
 - remuneration, 49, 50
 - retention, 46, 47, 48, 49, 51
 - retraining, 47
 - rewards and recognition, 52
 - salary ranges, 50
 - Senior Executive Service, 47, 48
 - service awards, 52
 - special allowances, 49
 - studies assistance, 52
 - superannuation, 49
 - training, 35, 36, 46, 47, 51, 52, 54, 55, 58
 - vocational support, 46
 - wellbeing programs, 46, 49, 54
 - workers compensation, 56
- stakeholders, 4, 36, 56
- Standard & Poor's credit rating, 69
- Statement of Corporate Intent, 77
- statutory reporting compliance index, 138–40
- strategic planning
 - see* Corporate Plan; *see also* Human Resources, Strategic Plan
- surveys
 - ADF Exit, 17
 - annual tenant, 19
 - DHA brand awareness, 64
 - DHA exit, 51
 - lessor, 61
 - maintenance, 31
 - newly constructed and acquired properties, 20
 - SLB post-purchase survey, 59
- sustainable development, 18
- Swan, the Hon. Wayne, 6, 8
- Sydney, 6, 9, 16, 18, 22, 23
 - Ermington, 9, 12, 16, 23
 - housing portfolio, 21
 - Lindfield, 6, 9, 12, 16, 22
 - NB-ESP houses, 42
 - Tasmania, 18, 41, 42
 - Victoria Barracks, 18
 - Voyager Point, 23

T

- Tanner, the Hon. Lindsay, 4, 74
- technology
 - see information and communications technology; see also online services
- tenancy management, 28–31
 - agreements with ADF members, 29
- Third Battalion (3RAR), 6, 41
- Thursday Island, 34
- Tindal
 - housing portfolio, 21
- Toowoomba
 - housing portfolio, 21
- Townsville, 6, 8, 13, 12, 16, 23, 34, 41
 - housing portfolio, 21
 - NB–ESP houses, 42
- transmittal letter, ii

V

- values, 3
- Victoria, 8, 12, 17, 18, 60
 - Melbourne, 21, 41, 42
 - natural disaster, 58
 - Wodonga, 21
- Victoria Barracks, 18
- vision, 2
- Volker, Derek, ii, 9, 80
 - profile, 78
- Voyager Point, 23

W

- Wagga Wagga
 - housing portfolio, 21
 - NB–ESP houses, 42
- Walker, Margaret, 80
 - profile, 79
- water tanks, 18
- Western Australia, 21, 34, 74
- Winterbottom, Tony, 8
 - profile, 81
- Wodonga
 - housing portfolio, 21
 - NB–ESP houses, 42
- Wong, the Hon. Penny, 4, 74
- workers compensation, 56

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