



Annual Report 2000-2001

Defence Housing Authority
Annual Report 2000–2001

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Chairman's Overview

The past 12 months have been particularly notable because DHA has achieved significant operation milestones and fundamentally improved its financial performance.

Defence requirements for housing for its married members or members with dependants, was met although our stock levels in Canberra proved to be too small in a tightening rental market. The take over of the tenancy management functions proceeded smoothly and considerable gains were made with some sixty per cent of members pre-selecting their house during the peak period. Tenant satisfaction levels were generally satisfactory but not quite at the levels of the previous year.

On 1 July 2001, DHA took over responsibility for the management of ADF removals to new permanent locations. This will enable a coordinated and better service to be provided to families and it is intended to reduce the stress through better management of the various contractors involved.

The year under review, 2000/01, was the first in which DHA operated under the Services Agreement negotiated with the Department of Defence. Despite some initial teething issues, the Agreement provided a robust framework for DHA's housing provisioning and for improving stock efficiency. Over 1,000 houses were taken off the Defence rent bill and this will save the Defence portfolio an

estimated \$20 million per annum. Other efficiencies were also achieved and further details are given by the Managing Director in his report.

The financial results for the year were outstanding with a net profit before tax of \$122.5 million. Capital growth was an additional \$105 million. The rate of return on shareholder investment was \$217 million or 13.3%. DHA will pay tax equivalent payments by way of a dividend on the 2000/01 year's results. In addition, DHA plans to make a normal dividend payment on remaining profits.

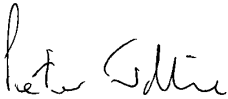
Consistent with the capital restructuring plan, in June 2001 DHA repaid \$400 million by way of an equity return whilst remaining debt free during the year. A further \$400 million is expected to be paid over the next two years and debt will be introduced.

From a strategic viewpoint, the Board reviewed its approach to the ownership of properties and intends to continue to increase reliance on leasing arrangements. An ambitious investment program has been developed to provide housing for existing members and dependents. In addition, and subject to Ministerial approval, capital planning also includes accommodation for single members.

The Sale and Leaseback Program and disposal program resulted in the sale of 1,225 houses and generated \$207 million.

As reported in the 1999/00 Annual Report, the Board commissioned an independent report of its governance arrangements. Following considerable work in this area, the Board now has in place a Charter for its and the Audit Committee's operations, a Code of Conduct for Directors and an assessment process for determining Director and Board performance. The Board has also recommended to Ministers a number of changes to the Defence Housing Authority Act. These changes are aimed at providing DHA with the added flexibility needed in today's circumstances to efficiently and more effectively support the operations of the Defence Force.

On behalf of the Board I wish to thank the staff of DHA for their tremendous effort under the able leadership of the Managing Director, Keith Lyon.



Peter E J Jollie
Chairman

Managing Director's Overview

Over the past financial year DHA worked very hard to integrate the tenancy management functions taken over from the Department of Defence and to prepare for the management of relocations. These steps enable DHA to allow ADF members to select their own house earlier and for their removal to be conducted on a door to door basis.

These new functions require DHA to become a first class service organisation. Moving from an organisation that focussed on housing provisioning and property management requires new attitudes and new culture by DHA's management, staff and contractors. The changes are being embraced but it will take a little time for them to flow through all aspects of DHA's operations.

Considerable efforts are being made to train middle and regional management to introduce new systems. The new cleaning arrangements associated with families moving out of homes was well received. However homes were not always ready for families moving into them. New procedures are being put in place to address this shortcoming. Complaints handling procedures are also being improved. Maintenance standards were generally satisfactory.

Under the Services Agreement, considerable efforts were made to lower the Defence rent bill. The number of properties on the rent bill was decreased by over 1,000 due to the better co-ordination of tenancy management and stock provision. The rent bill for the 2001 year was approximately \$10 million less than foreshadowed. Defence liability for annuity based properties dropped by \$41 million due largely to the disposal of surplus properties.

DHA prices to Defence rose on average by 3.1% and this was less than general market. Next year DHA average prices will rise by only 2.1%.

As indicated in the Chairman's report, the financial results were exceptional. Underpinning these results has been the progressive strengthening of business line planning and budgeting, stronger control over capital development and implementation decisions. A balanced scorecard and stronger key performance management reporting is being introduced to cover all major activities.

A new processing and support centre to be known as the National Service and Support Centre, was created in Canberra. This Centre will provide a focal point for enquiries on most aspects of the Authority's business and take over back room processing associated with relocations, accounts processing and

property management. The Centre will work closely with the fourteen Housing Management Centres located throughout Australia.

A coordinated and concerted effort is being made to enhance staff performance. This followed a major survey of staff attitude and morale. Many staff are now on individual or Australian Workplace Agreements. An innovative Enterprise Agreement was introduced with overwhelming staff support and this included new and more effective performance management procedures. The Agreement provided for a 3.5% general pay increase and a further 1.5% performance related payment on 30 June 2002 to be based on the achievement of three key performance indicators.

New maintenance contracts were entered into and the Housing Management Centres introduced more formal assessment arrangements to guarantee better performance.

During the course of the year the residential market tightened in many locations. This meant that housing choice was limited and particular problems were experienced in Canberra where there is a need to increase the number of houses under management and to rely less on rent assistance. DHA's capital program is addressing this deficiency.

DHA recognised that it needed to improve its relationship and submissions to the Public Works Committee. It was pleasing to obtain approval for the fifty townhouse development at Stirling in the ACT and the ninety-five apartment complex at Carey Street, Darwin.

The Sale and Leaseback Program was also successful during the year despite difficult market circumstances for most of the year.

Unfortunately, the new IT systems that are being developed were not delivered on time and this remained a concern at the end of the financial year. However, alternative IT development arrangements were commenced so that the new HomeFind system can be delivered in September 2001 as promised. This system will enable ADF members to select their homes through DHA's web site.

The management and staff of DHA worked under difficult circumstances during the year and I would like to thank them for their hard work, professionalism and friendship. The organisation is well placed to meet the even greater challenges expected in the coming year.

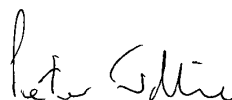


Keith Lyon
Managing Director

Report of Operations

The Directors of the Defence Housing Authority present their Annual Report for the financial year ended 30 June 2001.

The Directors are responsible under section 9 of the Commonwealth Authorities and Companies Act for the preparation and content of this report, in accordance with Finance Minister's Orders. This report is made in accordance with a resolution of the Directors.



Peter E J Jollie
Chairman

Canberra
4 October 2001

Function of the Defence Housing Authority

The Defence Housing Authority is established under the Defence Housing Authority Act 1987. It commenced operations on 1 January 1988.

Its statutory function is to provide adequate and suitable housing for members of the Defence Force and their families and a limited number of other Defence-related persons and their families.

DHA also administers the Defence HomeOwner Scheme on an agency basis for the Department of Defence.

RESPONSIBLE MINISTERS

The Hon Bruce Scott MP
Minister for Veterans' Affairs and
Minister Assisting the Minister for Defence

The Hon John Fahey MP
Minister for Finance and Administration

STRUCTURE OF THE DEFENCE HOUSING AUTHORITY

The Authority comprises 12 members (who are referred to as Directors and operate as a Board although this term is not used in the legislation):

- five Directors (including the Chairman) are appointed by the Governor-General for their expertise in a housing related field
- one Director, also appointed by the Governor-General, is the spouse of a fulltime Australian Defence Force member

- five Directors are ex officio and consist of Head Defence Personnel Executive, Deputy Chief Air Force, Deputy Chief Army, Deputy Chief Navy and First Assistant Secretary Business Strategy Division, Defence.
- Managing Director.

There is currently a vacancy among the appointed Directors.

CORPORATE GOVERNANCE

The functions of the Board of Directors are to:

- formulate the strategic directions for the Defence Housing Authority;
- appoint and regularly review the performance of the Managing Director and ensure that succession plans for senior management are in place;
- approve and periodically review the overall corporate strategies and significant policies such as the corporate plan, operational plans and budgets;
- identify business risks as well as potential opportunities;
- determine and develop appropriate performance measures and other performance information as well as appropriate internal and external reporting mechanisms;
- provide guidance and oversight to senior management; and
- meet regularly and effectively as a Board.

An independent review of the Board's governance arrangements was completed and accepted by the Board in August 2000. Recommendations have been implemented, including the adoption of a Board Charter and a Code of Conduct for Directors, a self appraisal system and a Board induction and training program.

As part of the development and training of Directors, a one day governance workshop was conducted in February.

Directors had 10 formal monthly meetings, one special meeting and informal meetings by teleconference during the year. Meetings are generally held in Canberra but on three occasions meetings were held at interstate locations to enable Directors to acquaint themselves with local DHA operations.

On 23 July 2000, the Remuneration Tribunal approved payments to commercial Directors on an annual fee basis in line with normal Government Business Enterprise arrangements.

The Board of Directors is required to observe high ethical and accountability standards and to maintain a strong sense of commitment to Defence personnel and their families.

Responsibility for day-to-day operations and administration rests with the Managing Director who, under the Act, is empowered to conduct the affairs of DHA in accordance with its policies and directions.

INDEMNITY INSURANCE

DHA maintains insurance cover for Directors' and Officers' Liability and Company Reimbursement, which is to meet any losses or amounts that a Director or officer is obligated to pay personally, or payments against which DHA has lawfully indemnified the Director or officer. The policy has exclusions for dishonesty or personal profit or claims made by DHA against one or more of its Directors or officers.

Comprehensive Directors' and Officers' Insurance is paid for both liability and insurance cover.

Board of Directors

The following members held office during the year:

Chairman

Peter Jollie AM FCA, FCPA, FAICD

Mr Jollie is currently the Chairman of Heggies Bulkhaul Ltd, Accountants Superannuation Fund, CEO Syndicate, Asia Pacific and Nicholson International. He was also Chairman of Australian Water Services Ltd from 1991 to 1997 and Chairman and CEO of P&O Containers (Australia) from 1988 to 1996. He is Director of Consolidated Broken Hill Limited and has been a Director of Medical Research & Compensation Foundation and AMACA Ltd since 2001. He was also a Director of Bovis Australia from 1995 to 2000, P&O Australia Ltd from 1987 to 1997 and P&O Containers Ltd (UK) from 1992 to 1996.

Mr Jollie is a past President of the Institute of Chartered Accountants. He is active in trade promotion and has a long involvement in multilateral committees. He is a Founding Governor of the Australian Naval Aviation Museum and Honorary Treasurer of the Heart Research Institute.

Mr Jollie attended 10 Board meetings

Managing Director

Keith Lyon BCom (Hons), CPA, AIM

Mr Lyon was previously the Deputy President of the Repatriation Commission and has a strong background in commerce and accounting. The Repatriation Commission is staffed and supported by the Department of Veterans' Affairs (DVA) and is responsible for providing compensation, income and health care to Australian veterans. During his appointment from 1989 to 1999 the Commission achieved significant improvements within all operating areas with Mr Lyon taking the leading role in the creation of the Gold Card Health Scheme and DVA's role as a purchaser rather than a provider of services.

Prior to joining Veterans' Affairs Mr Lyon was Deputy Secretary in the Department of Territories and has worked in Prime Minister and Cabinet and the Department of Defence. Mr Lyon has a strong background in managing change.

Since joining DHA he has overseen the development of an agreement with Defence, put DHA on to a fully commercial and business line basis as well as increasing the range and quality of services to tenants, the Department of Defence and lessors.

Mr Lyon attended 10 Board meetings

Helen Ryan

Ms Ryan has been a partner in the international law firm Deacons for 16 years. She is a specialist in banking and finance law and acts for a number of major banks, both domestic and international, in structuring and documenting financing transactions.

While her practice is focused particularly on the financing of large-scale property projects, she is also on retainer to the Australian leasing subsidiary of one of Japan's largest banks and provides advice to that client on a regular basis on a wide range of corporate and commercial matters. Ms Ryan is also a Director of the Queensland Life Saving Foundation and a Member of the Advisory Board of the Queensland Community Foundation.

Ms Ryan attended 8 Board meetings

Tom O'Brien BCom (Hons), BEcon, FCA, FCPA, FAICD

Mr O'Brien was the Chief Executive Officer for Ernst & Young in Melbourne for 12 years and was the National Chairman of Ernst & Young Australia in 1995 and 1996. Since retiring from Ernst & Young, he has pursued a career as a Company Director and currently serves on a number of Boards including Advent Limited, Australian Hearing, Fiduciary Trust International Australia Ltd, Mercy Health and Aged Care Inc and Virtual Communities Ltd. He is Chairman of St Vincents & Mercy Private Hospital Ltd, Church Resources, CCI Investment Management Ltd, Healthpoint Technologies Limited and Triangle Cables Group Pty Ltd.

Mr O'Brien attended 9 Board meetings

John O'Grady LLB, FAICD, FAPI

Mr O'Grady joined the Sydney office of international law firm Blake Dawson Waldron as a consultant in April 2000 after 24 years with an Adelaide law firm where he was Chairman of Partners. He is a past President of the Property Council of Australia (South Australian Division) and has served on a number of property-related Commonwealth and State Government boards and committees, including the Commonwealth Property Committee. Mr O'Grady is an experienced legal practitioner in property, Government tendering and contracting and Corporate Governance. He is a Governor of the American Chamber of Commerce in Australia (NSW Division) and a fellow of the Australian Property Institute.

Mr O'Grady attended 9 Board meetings

Mark Brandon-Baker (resigned July 2000)

Mr Brandon-Baker has an Associate Diploma from the Institute of Financial Services and was previously the Head of Operations and Marketing for Island State Credit Union in Hobart. Previously Chief Executive Officer of the Australian War Memorial Foundation and worked in various capacities for the Advance Bank Australia Limited, completing his career with the Advance Bank as Chief Executive — ACT Region.

Mr Brandon-Baker attended no Board meetings

Ian Williams (resigned September 2000)

During Dr Williams' membership to the Board he was First Assistant Secretary Resources and Financial Programs Division, Dr Williams joined the Department of Defence in 1978. In this position he undertook the role of Chief Financial Officer for the Australian Department of Defence. His previous experience includes research in defence science, the commercial support program between Defence and the community, and the equipment investment program.

Dr Williams attended 1 Board meeting

Judy Swann

Mrs Swann was appointed as Convenor of the National Consultative Group of Service Families (NCGSF) in April 2000 and has been a Service spouse for 12 years. Mrs Swann has been a member of the NCGSF since 1995 and has represented the views of Australian Defence Force families in a variety of forums, including Tenant Consultative Groups and Defence Committees.

Mrs Swann has previously worked as a Financial Counsellor with the Australian Red Cross and a regional office manager for the Department of Consumer Affairs.

She is currently studying a Bachelors Degree in Business Administration and is a graduate of the Australian Institute of Company Directors.

Mrs Swann attended 8 Board meetings

Air Vice-Marshal Alan Titheridge AM (resigned June 2001)

Air Vice-marshal Titheridge graduated from the RAAF Academy in 1968 with a Bachelor of Science. He completed flying training in the United Kingdom and posted to RAAF base Williamstown for conversion to Mirage aircraft. Has served as Flight Commander at No 2 Operational Conversion Unit and awarded a Queens Commendation. Served as Commanding Officer of No 77 Squadron and received a Member of the Order of Australia during that time. Promoted to Air Commodore at the end of 1993 and appointed Commander of the Australian contingent in the Arabian Gulf in March 1998. Promoted to Air Vice-Marshal and appointed Air Commander Australia on 1 May 1998.

Air Vice-Marshal Titheridge attended 2 Board meetings

Air Vice-Marshal Chris Spence AM (Commenced June 2001)

Air Vice-Marshal Spence joined the Royal Australian Air Force Academy in 1969, graduating with a Bachelor of Science degree. Following pilot training in 1974, he flew a range of aircraft including Iroquois helicopters, Caribou tactical transport aircraft, C130 Hercules aircraft, Macchi jet trainers and Pilatus PC9 training aircraft.

Air Vice-Marshal Spence's staff appointments include Director Logistics Development at the Logistic Systems Agency at Headquarters Logistics Command and Chief of Staff Support Command Australia. His command appointments include Commanding

Officer No. 35 Squadron, Officer Commanding No. 86 Wing and Commander Training — Air Force. He was promoted to Air Vice-Marshal and assumed his present appointment as Deputy Chief of Air Force on 18 June 2001.

Air Vice-Marshal Spence was appointed a Member of the Order of Australia on Australia Day 1998. He is a graduate of the RAAF Staff College and the United States Air Force Air University in Montgomery, Alabama. He is a Member of the Australian Institute of Transport, a Fellow of the Australian Institute of Management and a Fellow of the Australian Institute of Company Directors.

*Air Vice-Marshal Spence attended
1 Board meeting*

Major General Peter Leahy AM

Major-General Leahy graduated from the Royal Military College Duntroon in 1974. His career appointments range from Platoon Commander in 8th/9th Battalion to training appointments at the Officer Cadet School Portsea, the Infantry Centre Singleton and the United States Army Command and General Staff College Leavenworth. He was awarded the United States Army Meritorious Service Medal for his services in the United States.

Major-General Leahy is a graduate of the Australian Army Command and Staff College, the United States Army Command and General Staff College, the British Higher Command and Staff Course and is a Fellow of the Australian College of Defence and Strategic Studies.

*Major General Leahy attended
2 Board meetings*

Major General Simon Willis CSC

Major General Willis graduated from the Royal Military College Duntroon in December 1970 and has served in operational command appointments from South Vietnam in 1971 to Bougainville in 1999. He was a Company Commander in the 5th/7th Battalion (Mechanised) and Commanding Officer of the 3rd Battalion (Parachute). He has extensive experience in training and staff appointments in the Army and tri-Service areas.

*Major General Willis attended
7 Board meetings*

Rear Admiral Geoff Smith (resigned July 2000)

Rear Admiral Smith joined the Royal Australian Naval College in 1968 and undertook training in HMA ships Derwent, Supply, Sydney and Queenborough before junior officer training in the United Kingdom. He has served as Range Officer at West Head Gunnery Range, and Executive Officer in HMAS Brisbane before being promoted to Captain and serving as the Director Naval Education and Training.

Rear Admiral Smith was the Australian student at the US Naval Command College and completed a Master of Science Degree (Management). He was promoted to Commodore and invested as a member in the Order of Australia in 1996, he served as Director General Navy Policy and warfare and Commander Northern Command before being promoted to Rear Admiral on taking up his appointment as Deputy Chief of Navy in July 1999.

*Rear Admiral Smith attended
no Board meetings*

Rear Admiral Brian Adams AM RAN
(Commenced July 2000)

Rear Admiral Adams joined the RAN as a junior recruit in 1968. Commissioned in 1969, he has served as a Seaman Officer in patrol boats, landing craft and ships and destroyers. In 1980 and 1981 he worked on exchange with the Royal Navy. He later commanded HMAS Tarakan in 1976 and 1977 and HMAS Tobruk in 1988 and 1989.

Other postings included the Australian Joint Warfare Establishment as the RAN Director and HQ ADF. In 1993 and 1994 he commanded HMAS Creswell, the RAN College, and in 1995 and 1996 he was the Director of Naval Warfare in Maritime Headquarters.

In 1997 he attended and graduated from the Australian College of Defence and Strategic Studies. He assumed the position of Commandant Australian Defence Force Academy in January 1998.

Rear Admiral Adams is also a graduate of the Australian Army Command and Staff College and the Joint Services Staff College. He holds degrees in Arts and Business Administration. In January 1997 he was made a member of the Order of Australia for services to training and warfare capability development.

*Rear Admiral Adams attended
2 Board meetings*

Ken Moore BA
(Commenced September 2000)

Mr Moore completed a Bachelor of Arts with a major in Economics at Macquarie University. He has a long history working in the Defence environment, working for the Department of Defence in various positions for the past 20 years. He began his career at Defence working in the Pay Office for Army in Sydney and also worked as the Deputy Regional Secretary (Navy) and in Resources Planning (Air Force).

In 1992 Mr Moore was posted to the Ministry of Defence in the United Kingdom where he worked on civilian management policy. Mr Moore is currently the First Assistant Secretary Business Strategy.

Mr Moore attended 7 Board meetings

The Authority held 10 meetings during the year.

BOARD AUDIT COMMITTEE

The following were members of the Board Audit Committee: Tom O'Brien (Chairman); John O'Grady; Judy Swann; Air Vice-Marshal Chris Spence and Ken Moore.

The Board Audit Committee met six times during the year. Mr O'Brien attended 6 meetings; Mr Moore and Mr O'Grady attended 5 meetings; Mrs Swann attended 5 meetings and Air Vice-Marshal Spence attended 1 meeting.

CORPORATE DOCUMENTS

Corporate Plan for the period 2001 to 2004 was submitted on 12 June 2001.

Statement of Corporate Intent agreed with Shareholder Ministers and is expected to be tabled in the latter half of 2001.

SERVICES AGREEMENT

The Services Agreement with the Department of Defence came into operation on 1 July 2000. This Agreement covers the provision of accommodation for members with dependants. The Agreement establishes the commercial framework necessary for DHA to transparently price its services and for Defence to benchmark them. DHA has a separate understanding with Defence covering itinerary management, rental assistance and home ownership programs.

Services provided to Defence include:

- ▶ provision of housing, both on-base and in the general community, to meet Defence operation requirements;
- ▶ maintenance services to ADF families residing in houses provided by DHA;
- ▶ tenancy management including allocation of housing, cleaning and inspection services; and
- ▶ administration of rental allowance for both married and single members.

Committee structures have been established to manage the Agreement and optimise the benefits of the Agreement for Defence, DHA and the Government.

SERVICES TO ADF MEMBERS

DHA assumed full responsibility for arrangements relating to the allocation of housing and accommodation to ADF members as well as administration of rental allowances and other tenancy management functions on 1 July 2000.

During the year it was also agreed that DHA should manage the administration of the removal of furniture and effects of ADF members and their families.

The new arrangements commenced on 1 July 2001, with a one-month transition period from 1 June 2001. It is intended that an agreement encompassing both the Tenancy Management and Removals Administration functions be appended to the Services Agreement.

This makes DHA the single point of contact for all housing needs of married members and their families from the moment the Posting Notice is issued.

The assumption of these responsibilities also provides DHA with responsibility for administration of the Rental Allowance and Optional Rental Allowance Schemes for single members of the ADF. With the responsibility of the administration for the removal of household and personal effects transferred to DHA on 1 July 2001, DHA will become the single provider of housing and related services to both Members With Dependants and the provider of an expanded range of services to single members of the ADF (Members Without Dependants).

These changes in administration and management arrangements have not altered the housing and other entitlements for members of the Defence Force. In fact, improved coordination and integration of housing and other related services should enhance the quality of service received by Defence families. There is also the potential for increased efficiency and savings to the Defence organisation through the opportunity of achieving solutions for housing and accommodation arrangements prior to members leaving the losing location. DHA has, in agreement with Defence, established Key Performance Indicators to manage the new arrangements. DHA is also working with other service providers such as Removals Australia and Qantas to ensure that an integrated service is achieved.

The new cleaning process introduced in May 1999 continues to operate well. Based on the results of client surveys on performance during the last peak posting cycle, there has been a review of the process and practices employed and a revised approach introduced which should overcome the problems raised in the surveys.

Formal dispute resolution procedures have been developed and DHA operates a customer service line for enquiries and complaints to ensure that customer service standards are maintained and the entitlements of ADF members are met. In addition DHA has increased its survey of members to monitor its service delivery performance.

The initiative to provide a structured interface with the tenant in the home to deal with the range of services involved in relocating from one home to another has been complemented by the creation of the National Service and Support Centre (NSSC). The aim of the NSSC is to centralise processing and field operatives to allow greater focus on face-to-face dealings with customers. The changes in its role have had significant implications on DHA's culture and the skills base of its people. The transition from a highly skilled technical workforce to a workforce that focuses on client relations and business management skills, has been partly achieved. Initiatives continue to be introduced to fully achieve the transformation required and establish the environment, culture and capability required. These initiatives include improved organisation and process re-design, training and personal development.

TENANT SATISFACTION

Tenant satisfaction was measured by four key performance indicators (KPI), each drawn from survey data that requests tenants to indicate their satisfaction of various aspects of DHA product and service as well as the importance they attach to each. The KPIs are presented in the form of a customer satisfaction index (CSI), which is a weighted average of responses, the weighting being determined by the importance that tenants placed on each aspect.

House standard The CSI for house standard is calculated from nine questions that request the tenants to rate the importance of and satisfaction with various aspects of the home (for example the number and size of bedrooms, size of living areas).

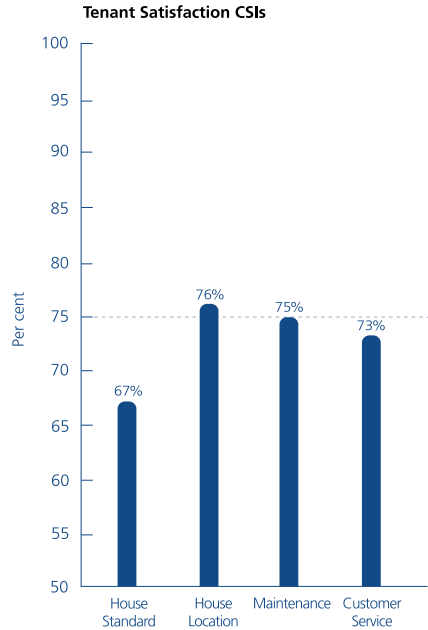
The largest gaps between importance and satisfaction were for security features of the property, heating and cooling, and storage.

House location The CSI for house location is comprised of six aspects relating to the location of the property. Tenants' perceptions of location are determined by features such as proximity to school, shops and work.

Maintenance The CSI for the maintenance service assesses tenants' overall satisfaction with the maintenance service. It comprises four aspects about DHA staff service and five aspects related to the contractors' performance.

Customer Service The customer service CSI is drawn from the customer service questions in each of the annual tenant and the rolling maintenance surveys. It assesses the overall level of customer service provided by DHA staff.

The KPIs are shown in the table right. Target levels have been set at 75 per cent, representing a score of approximately 5.18 on the seven-point scale used in the survey. The seven-point scale gives a slightly pessimistic reading of satisfaction compared to the five point scale previously used by DHA.



NATIONAL SERVICE AND SUPPORT CENTRE

To support the service provided to Defence members and their families through its regional offices, DHA has established a National Service and Support Centre (NSSC) in Canberra. A 1800 Customer Service number provides Defence members and their families with access to DHA from 8.00 am to 8.00 pm (EST) Monday to Friday.

A key objective of the NSSC is the provision of a full relocation process to reduce the stress and disruption on Defence members and their families during their posting. The establishment of the NSSC supports the Authority's expanded role in effectively providing a total housing service to Defence.

The NSSC's 'one stop shop' responsibilities include:

- Customer Service
- Posting Coordination
- Defence HomeOwner
- Relocation entitlement calculations and payments
- Processing of lessor and supplier payments.

The NSSC provides the interface between DHA and external service providers for the booking of temporary accommodation, commercial travel and co-ordinating physical removal of the customer's goods and effects. These arrangements encourage uniformity in application of entitlements and allowances, in line with Defence policy, as well as consistency in the handling of enquiries and Customer Service support.

Within the NSSC, the Authority's Relocation Services Division has established a cell to provide a Living-in-Accommodation sourcing service for single members. Regional allocations staff now have a single point of contact to arrange Living-in-Accommodation for single members across the country.

DEVELOPMENT AND SALES

Sale of Surplus Houses

Houses are identified for sale on the basis that they are:

- no longer required as a result of changes in operational requirements of Defence,
- no longer considered to be of an adequate standard or in a suitable locality, or
- at the end of their economic life.

Sale of surplus houses is carefully managed to avoid distortion of local housing markets. During the reporting year, the Authority sold 756 surplus houses generating \$102.8 million in revenue against a target of 755 sales and \$102.4 million. By comparison, in the previous year, 1,254 houses were sold raising proceeds of \$184.1 million.

Sale and Leaseback Program

The Sale and Leaseback Program continues to be an important element in the Authority's financing strategies. Under the Program houses are acquired and in turn sold and leased back to the retail property investment market for a specified period. The sale and leaseback of houses does not physically alter the stock available to Defence as the continued availability is assured for the term of the lease.

During the reporting period, the Program operated in a difficult and uncertain market environment due to the introduction of the GST and investor concerns that existed during the year for potential increases in interest rates.

This was experienced throughout the property development industry. The situation somewhat eased in the last quarter of the year as mortgage rates began to fall from around 8% in January 2001 to current rates below 7%. Market confidence returned in the last quarter of the financial year once it became evident that the market was entering a sustained period of lower interest rates.

Nevertheless, during the reporting period, the Program generated \$104.6 million in revenue from 469 sales against a target of \$106.4 million. Momentum was maintained through some special promotions and advertising campaigns offering some marginal incentives, which helped maintain a level of interest sufficient to meet corporate objectives. This level of activity compares with the previous year when 1,345 properties were sold generating \$291.8 million reflecting the high level of pre-GST demand and a DHA strategic goal of reducing capital invested where appropriate.

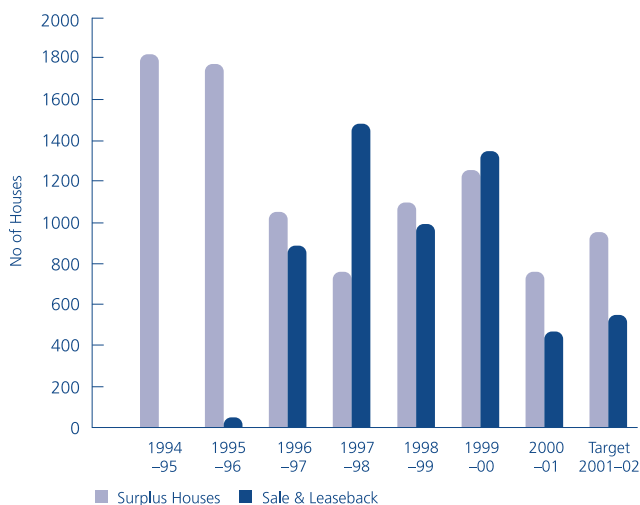
Leasing

DHA leases close to 10,000 dwellings from private lessors, which represents 58% of its off-base housing stock. Leased properties are acquired through the Sale and Leaseback Program and through direct leasing. Leasing enables DHA to acquire housing without committing capital resources and will continue to be an important acquisition mechanism.

Satisfied DHA lessors constitute a major source of referral for new sale and leaseback transactions, with more than 650 lessors leasing two or more properties to DHA. In recognition of the importance of building this customer base DHA has embarked on a program of improving service to existing lessors by increasing the frequency of inspections, improving monthly statements, providing annual statements and improving reporting and information flow to lessors. DHA has also actively sought feedback from lessors on its service via email, the DHA website and direct consultation, and will be continuing this process during 2001/02.

Close to 3,000 leases, or 30% of DHA's leased housing stock, are held under leases with terms and conditions that no longer reflect current market conditions. The majority of these leases will expire between 2001/02 and 2004/05. DHA is reviewing the stock to identify properties for which an extension on current terms will be offered to owners suitable for conversion to DHA's current lease. DHA is also reviewing its acquisition strategies to replace expiring leases.

Asset Sales



In the first half of 2000/01 DHA reviewed its direct leasing arrangements. The aim of the review was to produce more attractive and flexible leasing arrangements to facilitate acquisition of properties via direct leasing, increase DHA's fee generating base and concurrently improve the range of acquisition options. For administrative efficiency and to maintain the high repair and maintenance standards necessary to preserve tenant satisfaction the existing uniform lease agreement and repair and maintenance provisions were retained. As a result of the review, new more flexible short term leasing arrangements were introduced, together with a new variable market based property management fee structure designed to be more competitive with industry. The new fee structure applies to short term leases and strata and group title properties where DHA has lower maintenance costs.

During 2000/01 the success of the direct leasing program Australia wide has been constrained by the limited number of properties of the required standard on offer in desirable locations. In areas with low vacancy rates DHA remains uncompetitive, as properties can be leased on the private market without the inclusions required for Defence tenants.

THE YEAR IN SUMMARY

Results for the Year

- Net Operating Profit was \$122.5 million, an increase of \$83.3 million on the previous year
- Return on assets employed for the year was 6.2% (1999/00: 2.0%)
- Shareholder value added result of 13.3% pre tax exceeded the target of 10%
- Annual dividends of \$88.6 million were proposed (99/00: \$24 million). The proposed dividend includes a tax equivalent payment of \$39.3; and
- Capital returns of \$400 million were made to shareholders

Assets Under Management

DHA manages a property portfolio of more than 19,000 properties located in all States and Territories of Australia. The total value of these assets is \$3.7 billion of which \$1.6 billion are owned by DHA and the remainder leased to DHA by private investors.

Capital restructuring

In its proposed 2001/02 to 2003/04 Corporate Plan DHA is seeking to implement a more commercial and cost effective capital structure.

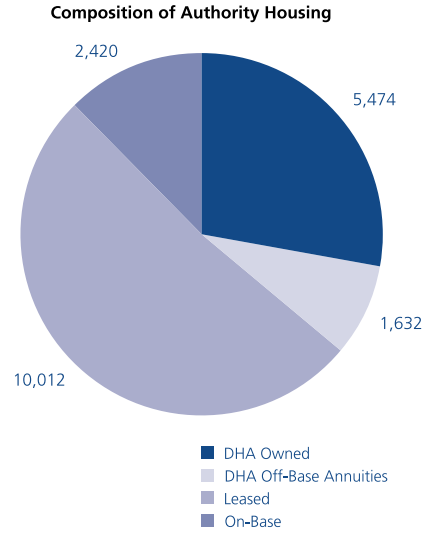
DHA is continuing to reduce the amount of equity invested by the Government. This will have the effect of reducing the overall cost of capital employed in the business. To that end it is currently proposed to make further special dividend and capital return payments of \$250 million in 2001/02 and \$150 million in 2002/03, a total of \$400 million over the next two years. The Authority's Plan involves raising debt over the next three years. The Authority will continue to review its capital structure on an annual basis.

Tax Status

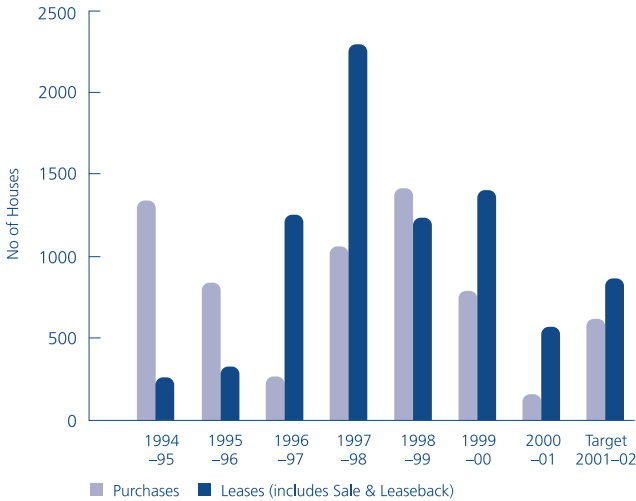
In accordance with the Federal Government's Competitive Neutrality Policy DHA proposed, through the Shareholder Ministers, to be subjected, on a tax equivalent basis, to Federal income tax and a range of State taxes from 1 July 2000. However on the basis of legal advice obtained this would require DHA's enabling legislation to be amended. In the meantime, DHA has included tax equivalent payments in dividends proposed for the 2000/01 year.

Total Housing Stock

Total Managed Housing Stock
30 June 2001: 19,538



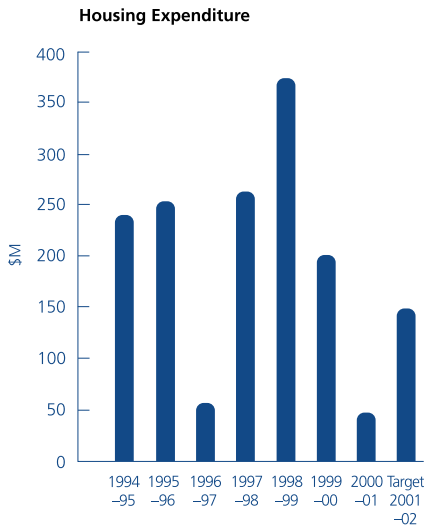
Housing Acquisition Program



Acquisition

In meeting the Defence housing requirement, DHA constructed 93 new houses, purchased 69 houses directly from market and leased 93 houses. In order to provide ADF members and their families with choice of housing the acquisition program included apartments and town houses. Specific attention was directed towards the disposal of poor quality housing that no longer represents community standard.

During the year, DHA concluded two submissions made to the Joint Standing Committee on Public Works (PWC) with respect to major projects in Canberra (Stirling) and Darwin. In November 2000 the PWC recommended that the Canberra project proceed. A contract was awarded in May and work commenced immediately. The 50 new houses are



scheduled to be completed by December 2001. In March 2001 the PWC approved the Darwin project and following a successful tender process a contract for the construction of a 95 apartment complex was signed and work commenced. The 95 apartments are scheduled to be completed and ready for occupation in December 2002 to coincide with the annual posting cycle.

In June a further submission was made to the PWC concerning the redevelopment of the housing precinct at RMC Duntroon. The submission involves the construction of 100 new houses to replace some existing housing that are no longer of a community standard.

Land Development

DHA remains in a joint venture land development in Sydney that continues to perform well. A second joint venture land development at Ipswich in Queensland was terminated due to poor performance. No financial loss was suffered by DHA on the termination of this joint venture.

During the year DHA negotiated the purchase from Defence of the redundant East Hills Barracks site in Sydney and surplus Defence land in Newcastle (Adamstown).

Heritage Housing

During the year the Authority engaged a specialist consultant to prepare Conservation Management Plans for each of the 93 heritage listed properties within the portfolio. These plans form the basis for the ongoing management of the properties over the coming years.

Two heritage houses, both proud pieces of Canberra history located within the grounds of the Royal Military College Duntroon, were restored to their original glory. Built between 1911 and 1913,



Gwynn House upon completion in 1912.



Gwynn House building after restoration in 2000.

Gwynn House and MacLagan House have been restored and refurbished to become functional residences for the Vice Chief of the Defence Force and the Commandant of the Australian Defence Force Academy.

Since its inception in 1988, DHA has restored more than 100 heritage properties around Australia and will continue to undertake further restoration projects in future years.

RESIDENTIAL MAINTENANCE SERVICE

DHA provides a comprehensive property management and maintenance service to families residing in DHA homes.

DHA maintains a 24 hour/7 day telephone maintenance service for health, safety and security matters and a comprehensive responsive and general maintenance service during normal business hours.

The service is provided through private contractors who provide a range of technical, manual and professional services associated with the maintenance

of DHA supplied houses. While price is an important factor in the selection of contractors, the capacity and performance of the contractor are also important considerations. Regional staff supervise standards of maintenance work that is completed to trade standards.

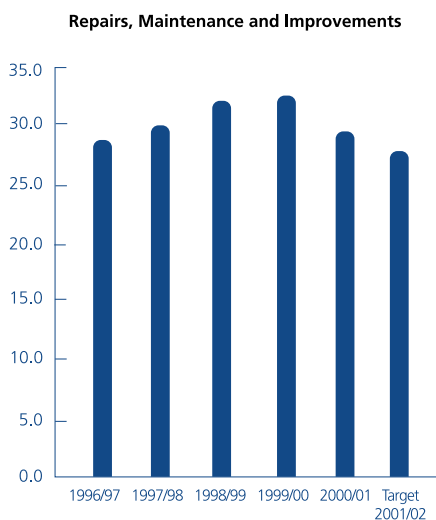
Maintenance works are undertaken on the basis of time and materials, schedule of rates and quotations/tender, depending on the time and value of work. This approach provides flexibility and caters for the wide range of maintenance activities.

INFORMATION TECHNOLOGY

DHA is increasing its use of information technology to deliver service to Defence families. Following the Information Management Plan 2000/2002 that was prepared last year, there have been a number of major actions undertaken.

The first action is the development of the National Service and Support Centre (NSSC). The NSSC is becoming the focus of customer contact and business processing for DHA. It is now in full operation but still expanding as it provides constantly growing support to new services, such as relocations (allocation of property, removals, and itinerary management), as well as the more traditional services.

The other major activity is the creation of the Housing and Operational Management of the Enterprise (HOME) project. HOME involves the redevelopment of all of DHA's business systems and the addition of new applications to support the new business. It also includes a portal to provide customised access to key applications, business intelligence tools to



assist in reporting, as well as the systems needed by the NSSC. The project is being undertaken by Compaq Australia, who were selected after a competitive evaluation at the end of 2000. This project will continue to June 2002, with new capabilities becoming available progressively from late 2001.

Another innovative activity is the construction of the HomeFind application. This service will enable Defence families to view available properties and “book” their preferred home on-line before moving to their new posting location.

The Trim project is also underway. This project will store and send all correspondence and other documents electronically. The use of Trim will reduce the time required to find documents and remove the need to store large volumes of paper throughout DHA.

The future data and voice network expansion has started. Cable and Wireless Optus was selected to provide the network, which is being put into place during mid to late 2001. The objectives are to provide voice and data communications solutions to improve business processes, to meet the needs of a highly mobile workforce, and to support the NSSC.

The development of policies, identified as a key part of the Information Management Plan, is continuing. External experts have produced Security and Privacy policies and other policies are currently being produced.

RISK MANAGEMENT

As a major property manager and provider of housing services the Authority has a range of risk management strategies in place to protect its business interests. These strategies include a comprehensive package of insurances covering all facets of DHA's operations.

During the year a new Risk Management Plan was completed and approved by the Board of Directors. The Plan encompasses a complete risk assessment with an accompanying action plan to ensure all risks are being appropriately managed.

DEFENCE HOMEOWNER

Defence HomeOwner is a subsidised home loan scheme that provides assistance to serving and former Defence Force members under the Defence Force (Home Loans Assistance) Act 1990.

The Scheme operates through a 15-year exclusive franchise agreement between the Commonwealth Bank and the National Australia Bank. The Commonwealth Bank provides an interest subsidy to eligible personnel on a home loan financed by the National Australia Bank.

DHA manages the Scheme on behalf of the Department of Defence and its role is to handle inquiries about the benefits of the Scheme, to assess eligibility and entitlement and to manage the subsidy arrangements.

Accessing the benefits of the Scheme involves a two-stage process: applicants first apply for an Entitlement Certificate which certifies their general eligibility for benefit, and at the stage that they wish to take up the loan, they apply for the subsidy payment.

During the year, 2,959 Applications for Entitlement Certificates were received and 2,829 Entitlement Certificates were issued. There were 1,863 Applications for Payment of Subsidy received, 1,836 of which were approved. There were 5,051 subsidy recipients as at 30 June 2001, and a total of \$6.6 million was paid in subsidy payments.

The number of Entitlement Certificates issued was 40% higher than the previous year. The number of subsidies approved increased by 50%. These increases are attributed to a majority of members becoming eligible due to service in East Timor. Service in East Timor waives the five year qualifying period. A consequence of this instant qualification and the significant allowances received whilst serving in East Timor is an increased interest in home ownership. A majority of personnel are also eligible for the Federal First Homebuyers Grant and the Defence Home Purchase Assistance Scheme. All these factors make buying their own property a very attractive option.

There were no complaints regarding the administration of the Scheme. There was one appeal lodged with the Administrative Appeals Tribunal against decisions made regarding eligibility and entitlement. This was withdrawn before the hearing and will not proceed.

STAFFING

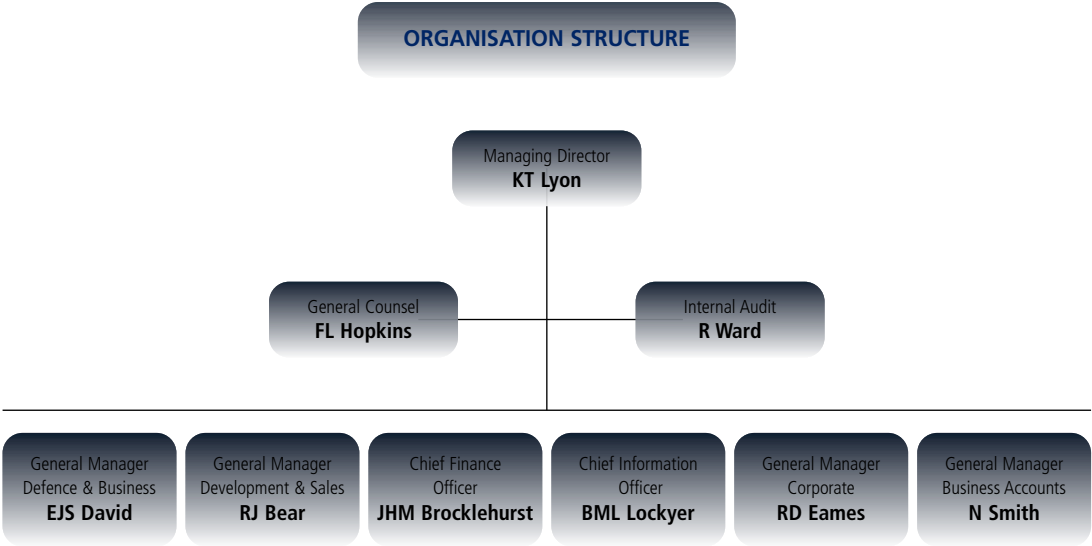
DHA took on substantial new business functions during the reporting year, necessitating the recruitment of additional staff members to provide services to clients. The staffing structures in all Housing Management Centres, which had essentially been unchanged for much of the Authority's existence, were reviewed and revised in line with new business processes. As previously mentioned, a new unit, the National Service and Support Centre, was established in Canberra to provide processing support to clients, including DHA staff, across extended business hours.

DHA has introduced more flexible staffing arrangements that will allow it to deliver optimum services to ADF families by working outside normal working hours and increased use of part-time staff to cover peak posting periods. These arrangements equate more closely to pay arrangements for similar work in the private sector and are regionally based. DHA is also working towards changes to its enabling Act that will remove the Authority from Public Service Act coverage and allow it to operate in a more commercial manner.

DHA is committed to providing a safe workplace, free of discrimination and harassment and to recognising the individual contributions of its staff members. Reports on safety, work environment, sexual harassment and EEO are provided monthly to the DHA Board.

DHA has a Corporate Code of Ethics and a comprehensive statement of values that are provided to all new staff during the corporate induction program. This program includes sessions on values, ethics, conduct and fraud prevention.

Details of the staffing profile and associated issues are at Appendix 2.



Portfolio Summary

Regional and outposted offices, which are located close to the main concentrations of Defence housing, provide the local interface between DHA, local Defence representatives and Defence families.

In many locations, DHA and the Defence Community Organisation are collocated, or located nearby, to provide a more effective interface at the regional level to deliver a more seamless housing service to families.

Regional Activity

Details of DHA's activity in regional areas are shown in the following tables. These tables do not include leases that expired during the financial year.

AUSTRALIAN CAPITAL TERRITORY

Canberra

Highlights During the Year

- ▶ Appointment of Ms Heather White as regional manager
- ▶ Restoration of two heritage houses at Royal Military College Duntroon
- ▶ Construction commenced on 50 homes at Stirling which was approved by PWC
- ▶ Townhouse development in Garran officially opened in December 2000

Activity During the Year

Acquisition and Construction	\$14.67m
Housing Stock at 30 June 2001	1,391
Purchases	
Existing houses	22
Newly constructed houses	6
Sales	
Sold and leased back	77
Other sales	15
Returned on-base houses	1
Leases	
New leases	43
DHA owned	440
Leased from private investors	822
On-base	129

NEW SOUTH WALES**Hunter Valley****Highlight During the Year**

- Short term commercial accommodation in Newcastle provided for crew members of HMAS Westralia whilst ship in dry dock for two months

Activity During the Year

Acquisition and Construction	\$1.24m
Housing Stock at 30 June 2001	1,037

Purchases

Existing houses	3
Newly constructed houses	2

Sales

Sold and leased back	33
Other sales	37
Returned on-base houses	3

Leases

New leases	1
DHA owned	187
Leased from private investors	833
On-base	17

Nowra**Highlights During the Year**

- Established as a separate HMC
- Appointment of Mr Peter Renwick as regional manager
- Disposal of 37 homes below community standard

Activity During the Year

Acquisition and Construction	\$0.56m
Housing Stock at 30 June 2001	496

Purchases

Existing houses	0
Newly constructed houses	2

Sales

Sold and leased back	18
Other sales	37
Returned on-base houses	2

Leases

New leases	9
DHA owned	209
Leased from private investors	223
On-base	64

Sydney**Highlights During the Year**

- Establishment of shopfront teams at RAAF Base Richmond and at Holsworthy
- Establishment of 'Internet Café' at family friendly shopfront, 80 George Street Parramatta
- Cost savings achieved from overhaul of all strata and lease management strategies

Activity During the Year

Acquisition and Construction	\$4.67m
Housing Stock at 30 June 2001	4,813

Purchases

Existing houses	6
Newly constructed houses	11

Sales

Sold and leased back	65
Other sales	157
Returned on-base houses	0

Leases

New leases	1
DHA owned	2,113
Leased from private investors	2,618
On-base	82

Wagga Wagga

Activity During the Year

Acquisition and Construction	\$0.00m
------------------------------	---------

Housing Stock at 30 June 2001	400
-------------------------------	-----

Purchases

Existing houses	0
-----------------	---

Newly constructed houses	0
--------------------------	---

Sales

Sold and leased back	5
----------------------	---

Other sales	79
-------------	----

Returned on-base houses	7
-------------------------	---

Leases

New leases	0
------------	---

DHA owned	281
-----------	-----

Leased from private investors	107
-------------------------------	-----

On-base	12
---------	----

NORTHERN TERRITORY

Darwin

Highlights During the Year

- Majority of new constructions completed in Palmerston to assist relocation from Northern suburbs
- Development of 95 apartment complex at Carey Street launched

Activity During the Year

Acquisition and Construction	\$7.74m
------------------------------	---------

Housing Stock at 30 June 2001	1,862
-------------------------------	-------

Purchases

Existing houses	3
-----------------	---

Newly constructed houses	36
--------------------------	----

Sales

Sold and leased back	28
----------------------	----

Other sales	6
-------------	---

Returned on-base houses	0
-------------------------	---

Leases

New leases	16
------------	----

DHA owned	520
-----------	-----

Leased from private investors	595
-------------------------------	-----

On-base	747
---------	-----

Tindal

Highlights During the Year

- Appointment of Mr Mark Wallis as regional manager

Activity During the Year

Acquisition and Construction	\$1.09m
------------------------------	---------

Housing Stock at 30 June 2001	560
-------------------------------	-----

Purchases

Existing houses	4
-----------------	---

Newly constructed houses	0
--------------------------	---

Sales

Sold and leased back	6
----------------------	---

Other sales	2
-------------	---

Returned on-base houses	0
Leases	
New leases	1
DHA owned	134
Leased from private investors	233
On-base	193

QUEENSLAND**Brisbane****Highlights During the Year**

- Establishment of One Stop Shop, for all housing services, on base at Enoggera
- 57 blocks acquired at Mitchelton well situated for homes close to Enoggera Base

Activity During the Year

Acquisition and Construction	\$6.45m
------------------------------	---------

Housing Stock at 30 June 2001	1,278
-------------------------------	-------

Purchases

Existing houses	18
-----------------	----

Newly constructed houses	0
--------------------------	---

Sales

Sold and leased back	16
----------------------	----

Other sales	59
-------------	----

Returned on-base houses	0
-------------------------	---

Leases

New leases	0
------------	---

DHA owned	207
-----------	-----

Leased from private investors	956
-------------------------------	-----

On-base	115
---------	-----

Cairns**Highlight During the Year**

- Appointment of Mr Mark Kelly as regional manager

Activity During the Year

Acquisition and Construction	\$0.00m
------------------------------	---------

Housing Stock at 30 June 2001	255
-------------------------------	-----

Purchases

Existing houses	0
-----------------	---

Newly constructed houses	0
--------------------------	---

Sales

Sold and leased back	4
----------------------	---

Other sales	13
-------------	----

Returned on-base houses	0
-------------------------	---

Leases

New leases	3
DHA owned	105
Leased from private investors	147
On-base	3

Ipswich

Highlights During the Year

- ▶ Ipswich activities centralised through Toowoomba office during this financial period
- ▶ Completion of Leichhardt Urban Renewal Program (successful disposal of 320 sub standard houses over 5 years in Ipswich suburb of Leichhardt, whilst simultaneously helping to upgrade standard of suburb)

Activity During the Year

Acquisition and Construction	\$0.00m
Housing Stock at 30 June 2001	771
Purchases	
Existing houses	0
Newly constructed houses	0
Sales	
Sold and leased back	24
Other sales	42
Returned on-base houses	0
Leases	
New leases	0
DHA owned	462
Leased from private investors	309
On-base	0

Toowoomba

Highlight During the Year

- ▶ Toowoomba and Ipswich HMCs merged to create single HMC at Toowoomba and outpost at Ipswich

Activity During the Year

Acquisition and Construction	\$0.01m
Housing Stock at 30 June 2001	468
Purchases	
Existing houses	0
Newly constructed houses	0
Sales	
Sold and leased back	3
Other sales	41
Returned on-base houses	4
Leases	
New leases	0
DHA owned	163
Leased from private investors	287
On-base	18

Townsville

Activity During the Year

Acquisition and Construction	\$5.18m
Housing Stock at 30 June 2001	1,748
Purchases	
Existing houses	0
Newly constructed houses	12
Sales	
Sold and leased back	56
Other sales	67
Returned on-base houses	0
Leases	
New leases	11
DHA owned	1011
Leased from private investors	731
On-base	6

SOUTH AUSTRALIA**Adelaide****Activity During the Year**

Acquisition and Construction	\$0.34m
------------------------------	---------

Housing Stock at 30 June 2001	977
-------------------------------	-----

Purchases

Existing houses	1
-----------------	---

Newly constructed houses	5
--------------------------	---

Sales

Sold and leased back	65
----------------------	----

Other sales	50
-------------	----

Returned on-base houses	10
-------------------------	----

Leases

New leases	1
------------	---

DHA owned	159
-----------	-----

Leased from private investors	423
-------------------------------	-----

On-base	395
---------	-----

TASMANIA**Hobart****Highlight During the Year**

- ▶ Tasmania activities centralised through Melbourne office during this financial period

Activity During the Year

Acquisition and Construction	\$0.00m
------------------------------	---------

Housing Stock at 30 June 2001	64
-------------------------------	----

Purchases

Existing houses	0
-----------------	---

Newly constructed houses	0
--------------------------	---

Sales

Sold and leased back	0
----------------------	---

Other sales	11
-------------	----

Returned on-base houses	0
-------------------------	---

Leases

New leases	0
------------	---

DHA owned	56
-----------	----

Leased from private investors	3
-------------------------------	---

On-base	5
---------	---

VICTORIA

Melbourne

Highlight During the Year

- ▶ Centralisation of all Victorian and Tasmanian activities through Melbourne Office except Wodonga

Activity During the Year

Acquisition and Construction	\$0.00m
------------------------------	---------

Housing Stock at 30 June 2001	1,969
-------------------------------	-------

Purchases

Existing houses	0
-----------------	---

Newly constructed houses	0
--------------------------	---

Sales

Sold and leased back	1
----------------------	---

Other sales	34
-------------	----

Returned on-base houses	31
-------------------------	----

Leases

New leases	0
------------	---

DHA owned	494
-----------	-----

Leased from private investors	917
-------------------------------	-----

On-base	558
---------	-----

Sale

Highlights During the Year

- ▶ Sale activities centralised through Melbourne office during this financial period

Activity During the Year

Acquisition and Construction	\$0.00m
------------------------------	---------

Housing Stock at 30 June 2001	183
-------------------------------	-----

Purchases

Existing houses	0
-----------------	---

Newly constructed houses	0
--------------------------	---

Sales

Sold and leased back	0
----------------------	---

Other sales	17
-------------	----

Returned on-base houses	0
-------------------------	---

Leases

New leases	0
------------	---

DHA owned	58
-----------	----

Leased from private investors	103
-------------------------------	-----

On-base	22
---------	----

Wodonga

Activity During the Year

Acquisition and Construction	\$0.00m
------------------------------	---------

Housing Stock at 30 June 2001	288
-------------------------------	-----

Purchases

Existing houses	0
-----------------	---

Newly constructed houses	0
--------------------------	---

Sales

Sold and leased back	2
----------------------	---

Other sales	19
-------------	----

Returned on-base houses	1
-------------------------	---

Leases

New leases	0
------------	---

DHA owned	96
-----------	----

Leased from private investors	156
-------------------------------	-----

On-base	36
---------	----

WESTERN AUSTRALIA**Perth****Activity During the Year**

Acquisition and Construction	\$4.48m
------------------------------	---------

Housing Stock at 30 June 2001	978
-------------------------------	-----

Purchases

Existing houses	12
-----------------	----

Newly constructed houses	19
--------------------------	----

Sales

Sold and leased back	66
----------------------	----

Other sales	70
-------------	----

Returned on-base houses	1
-------------------------	---

Leases

New leases	7
------------	---

DHA owned	411
-----------	-----

Leased from private investors	549
-------------------------------	-----

On-base	18
---------	----

DEFENCE HOUSING AUTHORITY

Financial Statements

For the year ended 30 June 2001

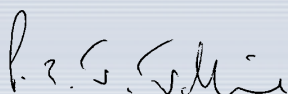
- ▶ Statement by Directors
- ▶ Audit Report on the
Financial Statements
- ▶ Statement of Financial Performance
- ▶ Statement of Financial Position
- ▶ Statement of Cash Flows
- ▶ Schedule of Commitments
- ▶ Schedule of Contingencies
- ▶ Notes to and forming part of the
Financial Statement

STATEMENT BY DIRECTORS

The Directors state that in their opinion:

- i) the financial statements 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; and
- ii) when this statement is made, there are reasonable grounds to believe that the Authority will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the Directors of Defence Housing Authority.



P E J Jollie

Chairman

Canberra, 6 September 2001



INDEPENDENT AUDIT REPORT

To the Minister for Veterans' Affairs and Minister Assisting the Minister for Defence and the Minister for Finance and Administration

Scope

I have audited the financial statements of the Defence Housing Authority for the year ended 30 June 2001. The financial statements comprise:

- Statement by Directors;
- Statement of Financial Performance;
- Statement of Financial Position;
- Statement of Cash Flows;
- Schedule of Commitments;
- Schedule of Contingencies, and
- Notes to and forming part of the Financial Statements.

The Directors of the Authority are responsible for the preparation and presentation of the financial statements and the information they contain. I have conducted an independent audit of the financial statements in order to express an opinion on them to you.

The audit has been conducted in accordance with Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Australian Accounting Standards, other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view of the entity which is consistent with my understanding of its financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

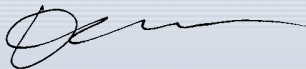
GPO Box 707 CANBERRA ACT 2601
Centenary House 19 National Circuit
BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

Audit Opinion

In my opinion;

- the financial statements have been prepared in accordance with Schedule 1 of the Commonwealth Authorities and Companies (Financial Statements 2000-2001) Orders; and
- the financial statements give a true and fair view, in accordance with applicable Accounting Standards, other mandatory professional reporting requirements and Schedule 1 of the Commonwealth Authorities and Companies (Financial Statements 2000-2001) Orders, of the financial position of the Defence Housing Authority as at 30 June 2001 and the results of its operations and its cash flows for the year then ended.

Australian National Audit Office



David C. McKean
Executive Director

Delegate of the Auditor-General

Canberra
27 September 2001

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2001

	NOTE	2001 \$'000	2000 \$'000
Revenues from ordinary activities	5	363,788	275,428
Expenses from ordinary activities			
Employee expenses	6	(21,809)	(15,947)
Lease rental expenses		(143,991)	(130,295)
Rates, repairs & maintenance	7	(46,544)	(45,365)
Depreciation & amortisation	8	(18,445)	(37,152)
Other expenses from ordinary activities	9	(15,879)	(10,589)
Total expenses from ordinary activities		(246,668)	(239,348)
Borrowing costs expense		–	(1,180)
Share of net profits from joint ventures	34	5,339	4,347
Profit result from ordinary activities before income tax expense		122,459	39,247
Income tax expense	2	–	–
Profit result from ordinary activities after income tax expense		122,459	39,247
Net profit	11	122,459	39,247
Increase in asset revaluation reserve	12	105,100	141,002
Total revenues, expenses and valuation adjustments recognised directly in equity		105,100	141,002
Total changes in equity other than those resulting from transactions with owners as owners	14	227,559	180,249
Dividends provided for or paid	3	88,636	24,000

The accompanying notes form an integral part of these statements

STATEMENT OF FINANCIAL POSITION

as at 30 June 2001

	NOTE	2001 \$'000	2000 \$'000
CURRENT ASSETS			
Cash assets	15	113,154	231,886
Receivables	16	6,801	6,585
Other financial assets	17	10,307	9,792
Land and buildings	18	78,325	–
Lease receivables	22	8,546	–
Inventories	19	2,201	3,410
Total Current Assets		219,334	251,673
NON-CURRENT ASSETS			
Inventories	19	102	1,415
Plant and equipment	20	5,570	3,079
Land and buildings	21	1,236,212	1,777,959
Lease receivables	22	382,869	–
Total Non-Current Assets		1,624,753	1,782,453
TOTAL ASSETS		1,844,087	2,034,126
CURRENT LIABILITIES			
Provisions and payables	24	104,561	37,189
Other	25	15,098	13,684
Total Current Liabilities		119,659	50,873
NON-CURRENT LIABILITIES			
Provisions	26	41,593	39,178
Total Non-Current Liabilities		41,593	39,178
Total Liabilities		161,252	90,051
Net Assets		1,682,835	1,944,075
EQUITY			
Capital	13	333,982	734,145
Reserves	12	872,529	767,429
Retained profits	11	476,324	442,501
TOTAL EQUITY	14	1,682,835	1,944,075

The accompanying notes form an integral part of these statements

STATEMENT OF CASH FLOWS

for the year ended 30 June 2001

	NOTE	2001 \$'000	2000 \$'000
OPERATING ACTIVITIES			
<i>Cash Received</i>			
Sales of goods and services		315,009	262,585
Interest		21,292	3,007
Other		27,478	8,632
Total cash received		363,779	274,224
<i>Cash Used</i>			
Suppliers		(207,698)	(183,406)
Employees		(21,389)	(14,874)
Interest		–	(356)
Total cash used		(229,087)	(198,636)
Net Cash From Operating Activities	27	134,692	75,588
INVESTING ACTIVITIES			
<i>Cash Received</i>			
Proceeds from sales of property, plant and equipment		221,674	476,051
Other — receipts from joint ventures		9,296	9,284
Total cash received		230,970	485,335
<i>Cash Used</i>			
Purchase of property, plant and equipment		(50,090)	(209,149)
Other — contributions to joint ventures		(9,218)	(8,784)
Total cash used		(59,308)	(217,933)
Net Cash from Investing Activities		171,662	267,402
FINANCING ACTIVITIES			
<i>Cash Received</i>			
Proceeds from debt		–	85,000
Total cash received		–	85,000
<i>Cash Used</i>			
Return of capital (Note 4a)		(400,000)	–
Repayment of debt		–	(195,000)
Dividends paid		(24,000)	(21,984)
Total cash used		(424,000)	(216,984)
Net Cash from Financing Activities		(424,000)	(131,984)
Net increase (decrease) in cash held		(117,646)	211,006
Cash at 1 July 2000		230,323	19,317
Cash at 30 June 2001	15	112,677	230,323

The accompanying notes form an integral part of these statements

SCHEDULE OF COMMITMENTS

as at 30 June 2001

	2001 \$'000	2000 \$'000
BY TYPE		
<i>Capital Commitments</i>		
Land and buildings	40,000	21,379
Total capital commitments	40,000	21,379
<i>Other Commitments</i>		
Operating leases	562,057	636,626
IT hardware operating lease	1,847	–
IT software development	3,297	–
Total other commitments	567,201	636,626
Total commitments payable	607,201	658,005
Net commitments	607,201	658,005
BY MATURITY		
One year or less	174,193	160,776
From one to five years	344,034	378,020
Over five years	88,974	119,209
Net commitments	607,201	658,005

The accompanying notes form an integral part of these statements

SCHEDULE OF CONTINGENCIES

as at 30 June 2001

	2001	2000
	\$'000	\$'000
CONTINGENT LOSSES		
Joint venture guarantees ¹	5,741	6,170
Bank guarantees ²	134	–
Claims for damages/costs ³	183	280
Total contingent losses	6,058	6,450
Net contingencies	6,058	6,450

1. Contract performance guarantees and development works relating to joint ventures;
2. Bank guarantees relating to construction work; and
3. Estimated costs associated with legal matters.

SCHEDULE OF UNQUANTIFIABLE CONTINGENCIES

The Authority is not aware of any unquantifiable contingencies

The accompanying notes form an integral part of these statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2001

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Accounting

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

The statements have been prepared in accordance with:

- ▶ *Requirements for the preparation of Financial Statements of Commonwealth Agencies and Authorities* made by the Minister for Finance and Administration in August 1999 (Schedule 1 to the Commonwealth Authorities and Companies (CAC) Orders);
- ▶ Australian Accounting Standards;
- ▶ other authoritative pronouncements of the Australian Accounting Standards Board; and
- ▶ the Consensus Views of the Urgent Issues Group.

The statements have been prepared having regards to:

- ▶ Statements of Accounting Concepts;
- ▶ The Explanatory Notes to Schedule 1 issued by the Department of Finance and Administration; and
- ▶ Guidance Notes issued by the Department of Finance and Administration.

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

1.2 Changes in Accounting Policy

The accounting policies used in the preparation of the financial statements are consistent with those used in 1999/00.

1.3 Comparative Amounts

The Authority has adopted the presentation and disclosure requirements of Accounting Standards AAS 1 “Statement of Financial Performance”, AAS 37 “Financial Report Presentation and Disclosure” and AAS 36 “Statement of Financial Position” for the first time in the preparation of this financial report. In accordance with the requirements of these Standards, comparative amounts have been reclassified in order to comply with the new presentation format. The reclassification of comparative amounts has not resulted in a change to the aggregate amounts of current assets, non-current assets, current liabilities, non-current liabilities or equity, or the net profit/loss of the Authority as reported in the prior year financial report.

1.4 Revenue

Rental revenue from the Department of Defence is received in advance and recognised on an accrual basis. Contributions from the Department of Defence towards inclusions in DHA owned properties are recognised as income in the periods in which the inclusions are completed, in accordance with UIG 11.

Interest revenue is recognised on an accrual basis taking into account the interest rates applicable to the financial assets. Profit or loss from the disposal of non-current assets is recognised when settlement occurs.

1.5 Depreciation

Assets at valuation or cost are depreciated using the straight line method, at rates based upon the following expected useful economic life of the assets.

	2000/01	1999/00
Off-base Properties	50 years	50 years
On-base Properties	15 years	15 years
Office Buildings	50 years	50 years
Plant and Equipment	3–10 years	3–10 years

While depreciation expense has been charged to the profit and loss statement, the accumulated provision for depreciation has been written back on assets subject to revaluation in accordance with Australian Accounting Standard AAS10.

Expenditure of a capital improvement nature for DHA owned properties is capitalised and depreciated over the remaining life of the asset.

1.6 Repairs and Maintenance

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

1.7 Income Tax

The Authority is exempt from all forms of taxation except fringe benefits tax and the goods and services tax. Refer also Note 2.

1.8 Dividends

Dividend liability is assessed by the Authority annually. Refer also Note 3.

1.9 Cash

For the purposes of the statement of cash flows, cash includes cash on hand and short term deposits at call.

1.10 Software Development

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

1.11 Housing and Land Assets

As at 1 January 1988, housing assets were vested in the Authority pursuant to the provisions of Section 60 of the *Defence Housing Authority Act 1987*. A Services Agreement between the Authority and the Department of Defence came into effect on 1 July 2001. Under the Agreement the majority of on-base properties, along with off-base properties in defined regional and remote areas of Australia, were transferred to a finance lease arrangement (refer note 1.14). Amounts in the Revaluation Reserve relating to the finance lease properties were transferred to the Capital Profits Reserve. The housing and land assets retained by the Authority comprise 'off-base' properties in major cities and a few on-base properties and are classified as non-current assets, unless otherwise described.

Revaluations

DHA properties are subject to annual revaluations. In prior years the revaluation was derived from valuations carried out at 31 December. With the implementation of the Services Agreement, annual revaluations now occur as at 30 June each year.

All properties are recognised at fair value based on Directors valuations. These are based on independent valuations performed on all properties at 30 June 2001, except for properties identified for disposal. In the prior year Directors valuations were based on independent valuations performed at 31 December 1999 on a third of the total housing stock on average each year, with the balance of stock being revalued using an Authority developed index.

Increments and decrements are treated on an asset class basis and not on an individual asset basis. Where land and housing stock is disposed, the Revaluation Reserve relating to those assets is transferred to the Capital Profits Reserve.

Revaluations do not result in the carrying value of land or housing stock exceeding the net amount expected to be recovered through the net cash inflows arising from their continued use and subsequent disposal in the normal course of business.

When properties are handed back to the Department of Defence or identified for hand back, the revaluation increment/decrement is written back to the revaluation reserve and the balance offset against Capital/Commonwealth Contributions.

Works in progress represents vacant land and properties under construction which are carried at cost, other than vacant land which has been held by the Authority for more than 3 years, which is revalued. All vacant land which was greater than three years old was revalued at 30 June 2001, as Directors valuations, based on independent valuations.

1.12 Inventories

Inventories include joint venture land held for resale. Inventories are stated at the lower of cost and net realisable value.

1.13 Employee Entitlements

The liability for employee entitlements includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non vesting.

The liability for annual leave reflects the value of total annual leave entitlements of all employees at 30 June 2001 and is recognised at its nominal amount including on costs.

The non current portion of the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 2001. The impact of salary increases through promotion and CPI increases is included and the net present value obtained using a discount rate of 6.08% (2000: 6.55%).

1.14 Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets and operating leases under which the lessor retains substantially all such risks and benefits.

Operating Lease

The Authority maintains a Sale and Leaseback Program in the provision of housing. The leases are defined as operating leases.

Finance Lease

The Services Agreement between the Authority and the Department of Defence came into effect on 1 July 2001. The Agreement provides for the Department of Defence to assume substantially all the risks and benefits incidental to ownership of particular properties (see 1.11). Consequently effective 1 July 2001 the agreed values of these properties were transferred from Housing and Land Assets to a finance lease receivables (refer note 22).

Finance lease receivables are recognised at the present value of minimum lease payments receivable. The asset is reduced by the principal component of lease payments as they are received. The interest component is credited to the Statement of Financial Performance as Rental Revenue. If these properties are excess to requirement, the unrecovered capital value is charged to the Department of Defence.

1.15 Sale and Leaseback Provision

This provision records the difference between the selling price and fair values, before allowing for future 'make good' maintenance costs, arising on the sale and leaseback of properties. Actual 'make good' maintenance costs are charged against the provision.

The estimate of 'make good' maintenance costs is based on an assessment of necessary costs to 'make good' properties at the end of the lease term. This assessment is escalated for inflation and discounted, at 6.08% to present values (2000: 6.55%).

On the basis that it is not possible to reliably estimate profit from sale and leaseback transactions, no profit is separately identified for recording in accordance with AAS 17.

The estimate of future 'make good' maintenance is reviewed annually to ensure that the sale and leaseback provision is adequate. Amounts set aside to/from this provision is disclosed in the Notes to the Financial Statements (refer note 10).

1.16 Joint Ventures

Interest in joint venture operations is brought to account by including in the respective financial statements categories:

- ▶ the Authority's share in each of the individual assets employed in the joint venture;
- ▶ liabilities incurred by the Authority in relation to the joint venture including the Authority's share of any liabilities for which the Authority's is jointly and/or severally liable; and
- ▶ the Authority's share of revenues and expenses of the joint venture.

1.17 Comparative Figures

Comparative figures have been adjusted to conform to current year presentation of financial statements where required.

1.18 Rounding

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

- ▮ remuneration of Directors;
- ▮ remuneration of officers (other than Directors); and
- ▮ remuneration of auditors.

2. TAX

In accordance with the Federal Government's Competitive Neutrality Policy, approval has been given by the Minister for Financial Services and Regulation for DHA to comply with a Tax Equivalent Regime (TER). Under this equivalence regime DHA would become subject to Federal income tax and a range of State administered taxes. Section 63 of the *Defence Housing Authority Act 1987* exempts DHA from company and State taxes (refer note 1.7). Changes to the legislation to remove the exempt status and effect a TER are proposed. It is anticipated that the changes to the enabling legislation will be presented to Parliament in the financial year ending 30 June 2002. The financial statements from that date would then apply the principles of tax effect accounting. No significant deferred tax assets or liabilities are anticipated on introduction.

3. DIVIDENDS

The *Defence Housing Authority Act 1987* exempts DHA from taxation but the Government wishes DHA to comply with TER. The Board has declared a final dividend for the year ending 30 June 2001 of \$88.6m, comprising of the following:

- i) \$49.4m representing an annual dividend of 60% of profit calculated on the profit for the year less the tax expense that would have been applied if DHA had been subject to taxation. The tax expenses would have included company tax, payroll tax and stamp duty on constructions.
- ii) \$39.2m representing a dividend approximately equal to the amount of income and other taxes that would have been payable if DHA had been legally liable to tax during the financial year and which the authority is required to pay to comply with the Federal Government's Competitive Neutrality policy. The amount of tax equivalent payments includes company tax, payroll tax and stamp duty on new constructions.

4. CAPITAL RETURNS

a) \$400 million Capital Return

The Authority paid a \$400 million capital return on 29 June 2001. In addition, the Corporate Plan of the Authority, which is subject to endorsement by the Shareholder Ministers, envisages further capital returns or special dividends totaling \$400 million may be paid over the two years ending 30 June 2003.

b) Transfer of Properties to Defence relating to the Sydney Harbour Federation Trust

Properties held by the Authority have been identified for transfer to the Sydney Harbour Federation Trust. The properties are to be transferred back to the Department of Defence in accordance with a request to the Board of DHA by the Shareholder Ministers received on

29 June 2001. The legal and physical transfer is expected to be arranged during 2002 and the transfer of these properties, which have a current book value of \$78.3m, will be accounted for as a return of capital to the owner in that financial year in accordance with Urgent Issues Group (UIG) 38. On the basis that the transfer will occur in the 2001/02 financial year these properties have been included in the financial statements as a current asset (refer note 18).

	2001	2000
	\$'000	\$'000
5. REVENUES FROM ORDINARY ACTIVITIES		
Rental revenue	314,191	254,651
Gain on sale of land, building, plant and equipment (see note 10)	7,757	1,999
Interest income	20,592	3,850
Other revenue	21,248	14,928
Total revenues from ordinary activities	363,788	275,428
6. EMPLOYEE EXPENSES		
Basic remuneration for services provided	(20,984)	(15,694)
Separation and redundancy	(825)	(253)
Total employee expenses	(21,809)	(15,947)
7. RATES, REPAIRS & MAINTENANCE		
Rates & taxes	(13,245)	(13,689)
Repairs & maintenance	(29,452)	(28,604)
Others	(3,847)	(3,072)
Total rates, repairs & maintenance	(46,544)	(45,365)
8. DEPRECIATION AND AMORTISATION		
Depreciation — housing stock	(16,763)	(35,522)
Depreciation — property, plant and equipment	(1,682)	(1,630)
Total depreciation and amortisation	(18,445)	(37,152)
9. OTHER EXPENSES FROM ORDINARY ACTIVITIES		
Administration expenses	(15,879)	(9,945)
Write down of non-current assets	—	(644)
Total other expenses from ordinary activities	(15,879)	(10,589)

	2001 \$'000	2000 \$'000
10. PROFIT RESULT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		
Profit from ordinary activities before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:		
Revenue from sale of land, building, plant and equipment	216,980	474,966
Expenses from sale of land, building, plant and equipment	(205,188)	(460,970)
Movement in sale and leaseback provision	(4,035)	(11,997)
Gain on sale of land, building, plant and equipment	7,757	1,999
11. RETAINED PROFITS		
Retained profits at the beginning of the reporting period	442,501	427,254
Net profit attributable to members of the entity	122,459	39,247
Dividends recognised as a liability	(88,636)	(24,000)
Retained profits at 30 June 2001	476,324	442,501
12. RESERVES		
Reserves at the beginning of the reporting period	767,429	626,427
Increase recognised in the statement of financial performance		
on revaluation of assets	105,100	141,002
Reserves at 30 June 2001	872,529	767,429
The reserves comprise of the following:		
<i>a) Asset revaluation reserve</i>		
Opening balance	452,065	398,322
Increase recognised in the statement of financial performance		
on revaluation of assets	105,100	141,002
Transfer to capital profits reserve on realisation of disposed assets	(41,961)	(87,259)
	515,204	452,065
<i>b) Capital profits reserve</i>		
Opening balance	314,364	227,105
Transfer from asset revaluation reserve on realisation of disposed assets	41,961	87,259
	356,325	314,364
<i>c) Insurance reserve</i>		
	1,000	1,000
Total reserves at 30 June 2001	872,529	767,429
13. CAPITAL		
Commonwealth contributions		
Opening balance	734,145	748,457
Return of capital (note 4a)	(400,000)	-
Return of on-base houses (note 1.11)	(163)	(14,312)
Balance as at 30 June 2001	333,982	734,145

	2001	2000
	\$'000	\$'000
14. TOTAL EQUITY		
Total equity at the beginning of the reporting period	1,944,075	1,802,138
Total changes in equity recognised in the statement of financial performance	227,559	180,249
Transactions with owners as owners		
Return of capital (note 4a)	(400,000)	–
Return of on-base houses (note 1.11)	(163)	(14,312)
Dividends proposed/paid	(88,636)	(24,000)
Total equity at 30 June 2001	1,682,835	1,944,075

15. CASH ASSETS

At bank	6,928	9,416
On hand	12	12
Short term investments	106,214	222,458
	113,154	231,886

RECONCILIATION OF CASH

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Total cash	6,940	9,428
Deduct interest in joint venture cash	(261)	(649)
Add short term investments	106,214	222,458
Deduct accrued interest on short term investments	(216)	(914)
Balances per statement of cash flows	112,677	230,323

16. RECEIVABLES

Amounts receivable from the Department of Defence	645	1,196
House sales receivables	5,487	4,011
Other debtors	669	1,378
Total receivables	6,801	6,585

17. OTHER FINANCIAL ASSETS

Prepaid property rentals	10,307	9,666
Other prepayments	–	126
Total other financial assets	10,307	9,792

18. CURRENT ASSETS — LAND AND BUILDINGS

Properties transferred to the Sydney Harbour Federation Trust (as a return of capital, note 4b)	78,325	–
Total current assets — land and buildings	78,325	–

2001 **2000**
\$'000 **\$'000**

19. INVENTORIES

INVENTORIES — CURRENT

Land held for resale — cost of acquisition	2,201	3,410
Total current inventories	2,201	3,410

INVENTORIES — NON-CURRENT

Land held for resale, development costs - cost of acquisition	102	1,415
Total non-current inventories	102	1,415

20. PLANT AND EQUIPMENT

Furniture, fixtures, plant, equipment and software development at cost	10,950	13,748
Accumulated depreciation	(5,380)	(10,669)
Total plant and equipment	5,570	3,079

21. LAND AND BUILDINGS

Houses at valuation — off-base	602,489	904,691
Land at valuation	587,996	639,781
	1,190,485	1,544,472
Houses at valuation — on-base	1,882	173,757
	1,882	173,757

WORKS IN PROGRESS

Land at cost and valuation	26,178	18,690
Development and construction costs	17,549	40,745
	43,727	59,435
Total housing land and buildings	1,236,094	1,777,664

OFFICE BUILDINGS

Office buildings at cost	189	414
Accumulated depreciation	(71)	(119)
Total office buildings	118	295
Total land and buildings	1,236,212	1,777,959

22. LEASE RECEIVABLES

Current finance lease receivables		
Due not later than 1 year	8,546	—
Total current finance lease receivables	8,546	—
Non-current finance lease receivables		
Due later than 1 year not later than 5 years	41,072	—
Due later than 5 years	341,797	—
Total non-current finance lease receivables	382,869	—

23. MOVEMENT SUMMARY 2000-01 FOR NON CURRENT LAND, BUILDINGS, PLANT AND EQUIPMENT

Item	Land	Buildings	Total land and buildings	Other plant & equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross value as at 1 July 2000	699,628	1,086,846	1,786,474	13,758	1,800,232
Additions	7,687	25,914	33,601	8,566	42,167
Revaluations	134,089	(52,004)	82,085	–	82,085
Disposals	(62,797)	(93,003)	(155,800)	(11,366)	(167,166)
Transfer of Middle Head properties to current asset (note 4b and note 18)	(69,660)	(8,832)	(78,492)	–	(78,492)
Transfer to Finance Lease Receivable	(75,734)	(355,922)	(431,656)	–	(431,656)
Gross value as at 30 June 2001	633,213	602,999	1,236,212	10,958	1,247,170
Accumulated Depreciation/Amortisation as at					
1 July 2000	–	8,515	8,515	10,679	19,194
Depreciation/amortisation	–	16,763	16,763	1,682	18,445
Adjustment for revaluations	–	(23,015)	(23,015)	–	(23,015)
Adjustment for disposals	–	(2,096)	(2,096)	(6,973)	(9,069)
Transfer of Middle Head properties to current asset (Note 4b and note 18)	–	(167)	(167)	–	(167)
Accumulated Depreciation/Amortisation as at 30 June 2001	–	–	–	5,388	5,388
Net book value as at 30 June 2001	633,213	602,999	1,236,212	5,570	1,241,782
Net book value as at 1 July 2000	699,628	1,078,331	1,777,959	3,079	1,781,038

	2001	2000
	\$'000	\$'000
24. PROVISIONS AND PAYABLES		
LIABILITIES TO EMPLOYEES		
Long service leave	1,171	1,250
Annual leave	1,562	1,403
	2,733	2,653
SUPPLIERS		
Trade creditors	3,818	4,359
	3,818	4,359
OTHERS		
Dividends (refer note 3)	88,636	24,000
Accrued expenses	6,881	3,826
Accrued repairs and maintenance	2,436	2,117
Other	57	234
	98,010	30,177
Total current provisions and payables	104,561	37,189
25. OTHER CURRENT LIABILITIES		
Rental receipts in advance from the Department of Defence	15,098	13,684
	15,098	13,684
26. NON-CURRENT PROVISIONS		
LIABILITIES TO EMPLOYEES		
Long service leave	484	403
	484	403
OTHER		
Sale and leaseback provision	41,109	38,775
	41,109	38,775
Total non-current provisions and payables	41,593	39,178

2000	2001
\$'000	\$'000

27. CASH FLOW INFORMATION

RECONCILIATION OF NET CASH FLOWS FROM OPERATING

ACTIVITIES TO OPERATING PROFIT

Operating profit	122,459	39,247
Depreciation — housing stock	16,763	35,522
Depreciation — other	1,682	1,630
Increase in employee provisions	161	626
Profit on the disposal of assets	(7,758)	(1,356)
Share of net profits from joint ventures	(5,339)	(4,347)

CHANGES IN OPERATING ASSETS AND LIABILITIES

(Increase)/decrease in accounts receivable	(1,660)	(2,797)
(Increase)/decrease in prepayment	(516)	(233)
(Increase)/decrease in creditors	8,900	7,286
NET CASH PROVIDED BY OPERATING ACTIVITIES	134,692	75,588

NON-CASH FINANCING AND INVESTING ACTIVITIES

Movement in Commonwealth contributions	(163)	(14,312)
---	--------------	-----------------

28. SUPERANNUATION

Staff of the Authority 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) or under the Superannuation (Productivity Benefit) Act 1988. The Authority meets its liability for the employer share of benefits payable under the superannuation Acts by fortnightly payments to the Commonwealth Superannuation Administration (COMSUPER) in accordance with Section 159(2) of the *Superannuation Act 1976* and Section 15 of the *Superannuation Act 1990*.

The Department of Finance and Administration 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 and PSS employer superannuation contribution rates and contributions paid or payable by the Authority for the reporting period are:

- ▀ CSS members: Contributions at the rate of 12.7% (2000: 12.7%) of salary for superannuation purposes, amounting to \$0.176 million (2000, \$0.128 million), and
- ▀ PSS members: Contributions at the rate of 11.5 % (2000: 11.5%) of salary for superannuation purposes, amounting to \$1.913 million (2000, \$1.226 million).

29. DIRECTORS' AND EXECUTIVES' REMUNERATION

A) REMUNERATION OF DIRECTORS

2001

2000

Number of Directors whose total remuneration received or due and receivable from the Authority falls within the following bands:

	Number	Number
\$1–\$10,000	1	2
\$10,001–\$20,000	0	5
\$20,001–\$30,000	3	0
\$30,001–\$40,000	1	0
\$40,001–\$50,000	0	0
\$50,001–\$60,000	1	1
\$130,001–\$140,000	0	1
\$180,001–\$190,000	1	0

Total income received, or due and receivable by all Directors (including the Managing Director).

\$355,119

\$262,811

In addition to the above, eight Directors (2000 — ten) did not receive any remuneration from the Authority.

B) REMUNERATION OF EXECUTIVES

2001

2000

Number of executive whose total remuneration received or due and receivable from the Authority falls within the following bands:

	Number	Number
\$100,001–\$110,000	1	0
\$110,001–\$120,000	1	3
\$130,001–\$140,000	1	0
\$140,001–\$150,000	1	0
\$150,001–\$160,000	0	1
\$170,001–\$180,000	1	0

The aggregate of the remuneration received or receivable from the Authority by executive officers (excluding the Managing Director) whose income exceeds \$100,000, including performance based payments.

\$672,686

\$484,547

Executive remuneration includes performance pay relating to the prior year.

30. AUDIT REMUNERATION

2001

2000

Amount received or due and receivable by auditors¹:

Australian National Audit Office for the Audit of financial statements ²	157,500	140,000
Internal audit services provided by other auditors	222,729	86,247
	380,229	226,247

Audit fees relating to the audit of joint ventures.

37,000

33,000

The Authority is liable for 50% of these fees.

No other benefits were received by the auditors.

1. The amounts in 2000/01 are GST inclusive

2. No other services were provided by the ANAO during the reporting period.

31. RELATED PARTIES

DIRECTORS

The names of each person holding the position of Director of the Authority during the financial year are:

ADAMS, Rear Admiral, Brian, AM RAN (appointed 7 July 2000)

BRANDON-BAKER, Mark (resigned 20 July 2000)

JOLLIE, Peter, AM (re appointed 13 June 2001)

LEAHY, Major General, Peter, AM

LYON, Keith

MOORE, Ken (appointed 4 September 2000)

O'BRIEN, Thomas (re appointed 13 June 2001)

O'GRADY, John

RYAN, Helen

SMITH, Rear Admiral, Geoff, RAN (resigned 7 July 2000)

SPENCE, Air Vice-Marshal, Christopher, AM (appointed 18 June 2001)

SWANN, Judy

TITHERIDGE, Air Vice-Marshal, Alan, AM (resigned 18 June 2001)

WILLIAMS, Dr Ian (resigned 4 September 2000)

WILLIS, Major General, Simon, CSC

TRANSACTIONS OF DIRECTORS AND DIRECTOR-RELATED ENTITIES

A director related party, Blake Dawson Waldron, of which John O'Grady, is consultant to, was engaged by the Authority during the reporting period to provide legal services. These services were provided based on normal commercial terms and conditions and John O'Grady was not personally involved in providing any of those services.

32. ECONOMIC DEPENDENCY

The Authority depends on the Department of Defence in accordance with the Services Agreement between Defence and DHA.

33. JOINT VENTURE DEVELOPMENTS

WATTLE GROVE DEVELOPMENT

The Authority holds a 50% interest in the Wattle Grove development near Moorebank in Sydney. The principal activity of the joint venture project is to develop housing sites for Defence and private sector housing.

FAIRVIEW RISE DEVELOPMENT

The Authority held a 50% interest in the Fairview Rise development at Flinders View near Ipswich. The principal activity of the joint venture project was to develop housing sites for Defence and private sector housing. The joint venture was terminated on 22 June 2001. The Authority purchased the remaining vacant land from the joint venture on commercial terms and conditions at fair value.

34. INTEREST IN JOINT VENTURE DEVELOPMENTS

The following represents the Authority's total interest in the joint venture developments at 30 June 2001.

The profit and statement of financial performance items have been incorporated in the financial statements under their respective classifications.

	2001	2000
	\$'000	\$'000
PROFIT		
Profit on sale of land	5,339	4,347
Total Profit	5,339	4,347
CURRENT ASSETS		
Cash	261	649
Receivables	85	32
Inventories	2,201	3,407
	2,547	4,088
NON-CURRENT ASSETS		
Property, plant and equipment	45	64
Inventories	102	1,415
	147	1,479
CURRENT LIABILITIES		
Creditors	738	1,894
Net Assets	1,956	3,673

35. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

The following table provides information on the Authority's exposure to interest rate risk at balance date.

	Floating		Fixed 1 year or less		Fixed more than 1 year		Non interest bearing		Total		Average interest rate	
	00-01	99-00	00-01	99-00	00-01	99-00	00-01	99-00	00-01	99-00	Floating	Fixed
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	00-01	99-00
Note												
FINANCIAL ASSETS												
Cash	6,940	9,428	106,214	222,458								
Receivables for goods and services	-	-	-	-			6,801	6,585	6,801	6,585	-	-
Finance Lease Receivables					391,415				391,415			
Total Financial Assets	6,940	9,428	106,214	222,458	391,415	-	6,801	6,585	511,370	238,471		
											3.75%	4.75%
												4.80%
												6.25%
FINANCIAL LIABILITIES												
Trade creditors	-	-	-	-			3,818	4,359	3,818	4,359	-	-
Total Financial Liabilities	-	-	-	-			3,818	4,359	3,818	4,359	-	-

(b) Credit Risk

Represents the extent of credit related losses that the Authority may be subjected to on amounts to be received from financial assets. These are considered not material.

(c) Net Fair Value of Financial Assets and Liabilities

The carrying amount of financial assets and liabilities approximates net fair value due to their short maturity or short time until interest rates are re-set. For Finance Lease Receivables, see note 1.14.

Appendix 1:

Freedom of Information Statement

The following information is presented according to the requirements of Section 8 of the *Freedom of Information Act 1982*.

ENABLING LEGISLATION

The Defence Housing Authority is established under the *Defence Housing Authority Act 1987*.

ORGANISATION

Information on the organisation and function of the Defence Housing Authority can be found earlier in this report in the section titled Overview of the Defence Housing Authority.

CONSULTATIVE ARRANGEMENTS

DHA maintains liaison with the Department of Defence, the National Consultative Group of Service Families, and tenants. As required, there is consultation with State and Local Government authorities and members of local communities on specific projects conducted by DHA.

Individuals or organisations may participate in policy formulation by making written representations to the Managing Director at 26 Brisbane Avenue Barton ACT 2600. DHA also encourages direct contact with its regional offices, listed in Appendix 4, and its Contracts Manager Corporate Services at the above address or telephone (02) 6217 8487.

CATEGORIES OF DOCUMENT

DHA holds no registers or similar documents which are open to the public upon payment of a fee; nor does DHA hold any documents that are available for purchase. Copies of the *Defence Housing Authority Act 1987* are available for purchase from Ausinfo in all States and Territories.

In accordance with the requirements of its Act, DHA produces an Annual Report, which is available free of charge, upon request. Its Corporate Plan is classified Commercial-in-Confidence.

DHA also produces a biannual newsletter and distributes brochures and other promotional material.

ACCESS TO DOCUMENTS

Access to documents under the Freedom of Information Act can be obtained by making a request in writing, and paying the prescribed fee to:

Freedom of Information Officer
Defence Housing Authority
26 Brisbane Avenue
BARTON ACT 2600
Telephone: (02) 6217 8487

Appendix 2: Staffing profile and related issues

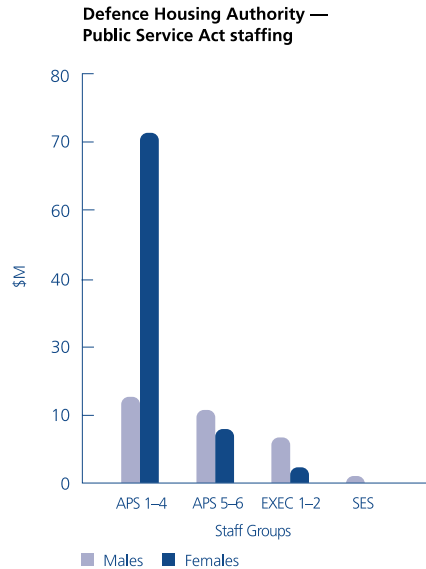
STAFFING PROFILE

Staffing Profile

In 2000/01 DHA went through a growth phase with taking on the responsibility for handling the allocations function and related activities and in preparation for assumption of responsibility for the removals function.

Overall, the number of staff employed under the Public Service Act increased from 290 to 459 people. There were 147 engagements or inwards transfers of ongoing employees, including 110 women, and 65 separations of ongoing employees. During the year, 40 staff members were promoted within DHA, including 25 women. DHA employed a number of temporary employees under the *Public Service Act 1999*, as well as specialist or relief staff employed under contract. Full-time equivalent staff, comprising staff employed under the *Public Service Act 1999* and specialist and relief staff, totalled 499 on 30 June 2001.

DHA will continue to recruit staff based on merit, with due regard to the principles and objectives of workplace diversity. The Authority is addressing succession planning issues and strengthening its management structure by providing development opportunities to selected staff members. The gender balance at management level is also being addressed resulting in a narrowing of the gap between numbers of males/females at APS6 and above.



Human Resource Management

Conditions of service for most staff of DHA are set out in the Defence Housing Authority Certified Agreement 2001. This Agreement was negotiated and drafted by representatives of DHA management and staff, and encompasses a wide range of employment matters formerly covered in a number of awards, determinations, agreements and other instruments. The new Certified Agreement provides for working conditions that support the Authority's operations, including an extended span of hours of duty that enables our National Service and Support Centre to meet the needs of clients throughout Australia.

The conditions of service for all senior executives and executive-level officers of DHA are set out in Australian Workplace Agreements (AWAs) approved by the Employment Advocate. In addition, AWAs have been offered to all staff employed at the APS Level 6 classification, and to other staff where appropriate.

There were no grievances lodged by staff members about Authority processes or employment decisions, and no appeals against promotion decisions.

DHA staff members from both Head Office and Housing Management Centres were involved in deliberative processes such as the negotiation of the Certified Agreement and the restructuring of organisation units.

A survey of corporate health and staff morale was conducted in October 2000. The analytical results from the 66 per cent of staff who responded showed many positive aspects of the organisation, as well as areas where improvement was warranted. Best aspects of working at DHA are seen to be the satisfying and challenging nature of work, colleagues, culture, pay and conditions. Areas where a large percentage of staff felt improvement is warranted were performance management, including recognition for good work, job security and an understanding of DHA's (1999/00) Certified Agreement.

DHA has initiated a range of actions and initiatives to address issues arising from the survey. Included amongst the actions completed prior to 30 June are:

- a total restructure of the performance management system, including training on performance management for all staff and managers;
- delegating responsibility and accountability for HR issues to managers and strengthening HR with the establishment of a new position of Human Resource Manager;
- the programming of team training across all areas of DHA; and
- the establishment of a rewards and recognition process.

Human Resource Development

Within DHA, people are regarded as by far the most important resource and DHA continues to recognise that learning and development has a significant effect on people in relation to their job satisfaction, morale and efficiency.

DHA has restructured its business processes in order to effectively provide a range of new services to Defence families, and is also introducing new software systems to support these processes. These factors, together with a large influx of new staff members, have created a significant learning and development requirement that is provided for through a mixture of in-house programs, for systems specific to DHA, and external programs for more general skills. A major focus of our in-house program during the last 12 months has been the processes associated with allocations, relocation, removals, and associated entitlements for ADF members and their families.

DHA aims to induct all new staff within the first three months of employment. The induction program provides a thorough

understanding of the operations and corporate ethos of DHA. It also highlights the importance of good communication, customer service and the team spirit that is necessary to provide a quality service.

DHA encourages continuous development through the use of an Individual Development Plan that feeds into the strategic HRD planning process, through encouraging mobility within the organisation and through financial assistance for tertiary studies.

Occupation Health and Safety

DHA is committed to providing and maintaining working environments that ensure the safety, health and welfare of its staff. Its Occupational Health and Safety (OH & S) Policy sets out the responsibilities of both managers and staff to maintain a safe workplace, together with strategies to achieve this objective. During the year a qualifying course for Health and Safety Representatives was run to ensure all HMCs had a qualified representative.

There were sixteen claims for compensation arising from work-related injuries, of which Comcare accepted fourteen and disallowed two. There were a further ten OH & S incidents reported that did not result in a compensation claim. DHA used OH & S service providers to undertake workplace assessments in a number of offices, particularly in regard to the establishment of the National Service and Support Centre in Canberra. No directions or notices under the Occupational Health and Safety (Commonwealth Employment) Act were given to DHA.

Corporate Directory

Defence Housing Authority
26 Brisbane Avenue
BARTON ACT 2600

Telephone: 02 6217 8444
Facsimile: 02 6217 8500

Residential Investment: 1800 813 621

Website: www.dha.gov.au

Chairman

Peter Jollie AM

Managing Director

Keith Lyon

General Counsel

Fiona Hopkins

Chief Finance Officer

Jon Brocklehurst

Internal Auditors

Deloitte Touche Tohmatsu

