





15 October 2012

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

Senator the Hon. Penny Wong  
Minister for Finance and Deregulation  
Parliament House  
CANBERRA ACT 2600

Dear Ministers

On behalf of the Board of Defence Housing Australia (DHA), and in accordance with section 9 of the *Commonwealth Authorities and Companies Act 1997 (CAC Act)*, I submit the Defence Housing Australia 2011–12 Annual Report.

DHA continues to deliver housing and related services to the men and women of the Australian Defence Force and their families in accordance with the *DHA Act 1987* and our obligations under supply agreements with the Department of Defence. This report covers those activities for the 2011–12 financial year.

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

Yours sincerely



A handwritten signature in black ink that reads 'Derek Volker' followed by a period.

**Derek Volker**  
Chairman  
Defence Housing Australia

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## DHA overview

Who we are and what we do

Our values

Our capabilities

Report from Chairman and Managing Director

Highlights and events

Sponsorship



# Who we are and what we do

## Our vision

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

## Our mission

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

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

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

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

## Corporate objectives

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

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

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



## Our values

Respect

Excellence

Integrity

Enthusiasm

Innovation

Teamwork

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

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

## Our capabilities

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

The following capabilities are required to meet this role:

- Property and tenancy management—DHA provides housing allocation and tenancy management services to Defence members and their families.
- Property provisioning—DHA buys land and with the assistance, as necessary, of the private sector, develops and constructs houses and, as required, purchases new and established houses.
- Sale and Leaseback program—DHA generates capital to meet its provisioning commitments by promoting its Sale and Leaseback program (SLB) through the media and, through a variety of channels, selling houses and leasing them back on long-term agreements.
- Lease management—DHA manages more than 12,000 leases, extends existing leases and negotiates new leases to meet requirements.
- Portfolio management—DHA manages its owned portfolio of housing retained for investment reasons (rather than selling under the SLB program).

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

Through a national network of Housing Management Centres (HMCs), DHA manages a total portfolio of 18,279 properties (as at 30 June 2012) valued at around \$9.9 billion including off-base accommodation for Defence singles and dwellings held for the Australian Customs and Border Protection Service (Customs) and the Australian Maritime Safety Authority (AMSA).

## DHA stakeholders

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

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



## Chairman and Managing Director's report

**Defence Housing Australia (DHA) has had a successful year in which in various ways, it managed the housing needs of nearly 20,000 Defence families and 11,600 single members. We completed the preparation of housing for the arrival of 3RAR in Townsville and embarked on the expansion of our off-base singles business, growing the portfolio to nearly 200 apartments. We concluded the purchase of a strategic land parcel in Brisbane and made good progress on the development of other major land holdings. We continued a program of investment in Defence on-base housing, especially in the Northern Territory. In an uncertain housing market we met or exceeded key financial targets including the generation of \$325 million in revenues from the sale and leaseback of our properties. Earnings Before Interest and Tax were \$123 million and Net Profit After Tax was \$83 million. During the year, a new Enterprise Agreement for our staff was negotiated.**

DHA's main role is the supply of housing and related services to Defence members and their families in support of Defence operational, recruitment and retention goals. During 2011–12, DHA provided and maintained 17,471 dwellings for this purpose and met most customer satisfaction targets set by Defence and the DHA Board. Average occupancy rates on DHA owned and leased dwellings was maintained at around 92%. The completion rate for routine maintenance was held at 82% within 15 days compared to a target of 80% in 28 days. In addition, DHA managed payment of Rent Allowance to a monthly average of 3,400 members with dependants and 11,600 single members.

In the past two years, DHA has invested \$250 million in several large development sites in Adelaide, Townsville, Brisbane and Sydney. Along with the new suburb of Muirhead in Darwin, these acquisitions constitute a significant broadening of DHA's business. Development is not new to DHA but the number and scale of these activities are. We have invested in the acquisition of the required in-house expertise and carefully selected industry partners to assist us with these developments. All of these projects and several medium-size development activities are subject to scrutiny by the Parliamentary Standing Committee on Public Works.

DHA is committed to a \$250 million program of investment in Defence-owned housing on and off-base to assist in bringing this portfolio to the required minimum standard by 2017. It has been a very positive partnership, particularly in Darwin where 97 new dwellings are nearing completion at Larrakeyah Barracks. Following Ministerial approval, work also began on the upgrade of nearly 200 houses on RAAF Base Tindal. During the year, a new housing precinct servicing Gallipoli Barracks, Enoggera, was completed. Several other major projects are afoot.

During 2011–12, DHA spent \$335 million on a capital program to acquire 704 new houses by construction or purchase and \$26 million on the acquisition of 63 apartments for Defence singles. This program was funded without additional borrowings, mainly through the sale and leaseback of DHA properties, disposal of properties no longer required and the sale of surplus land. Total revenues from these sources was \$395 million including \$325 million from the Sale and Leaseback program. This was a very pleasing result in a difficult property market and against a backdrop of global economic uncertainty.

During 2011–12, the Hon. Arch Bevis was appointed to the DHA Board. Five existing members were reappointed. There were no other changes.

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

The Directors of DHA are pleased to present this Annual Report for the financial year ended 30 June 2012.



**Derek Volker**  
Chairman



**Michael Del Gigante**  
Managing Director





## Highlights and events

Muirhead, Darwin – Ground breaking ceremony

HMAS Creswell redevelopment – Stage 1 completion

Betty Cuthbert Estate, Ermington – Sod turning event

Gordon Olive Estate, McDowall – Opening ceremony

O'Connell Place, Enoggera – Completed redevelopment

Blackburn, Victoria – Completed redevelopment

DHA Apprenticeship Support Scheme – First graduate

UDIA National Congress – Trade booth

AE2, Ermington, Sydney – Public information session

Puckapunyal, Victoria – Half-way point for upgrade program

DHA and Investa Property Group – Launch of Tropical Guide

## Highlights and events 2011

14 JULY 2011

### Muirhead, Darwin – Ground breaking ceremony

DHA and development partner, Investa Property Group, held a ground breaking ceremony to signify the start of work on Stage 1 of the new suburb of Muirhead in Darwin. The new housing development will provide 1,096 housing lots, including 329 new houses for Defence members and their families moving to the Top End.



30 AUGUST 2011

### HMAS Creswell redevelopment – Stage 1 completion

Captain Chandler, Commanding Officer HMAS Creswell, presented house keys to a Defence Families of Australia representative to celebrate the completion of Stage 1 of the Creswell redevelopment project. DHA Board Member, the Hon. Sandy Macdonald, assisted in cutting the ribbon. The redevelopment delivered ten new houses for Defence members and their families.



28 SEPTEMBER 2011

### Betty Cuthbert Estate, Ermington – Sod turning event

The Hon. Warren Snowdon MP, Minister for Defence Science and Personnel, turned the first sod at the Betty Cuthbert Estate development in the Sydney suburb of Ermington. Located only 30 minutes from Sydney's CBD, the development will comprise 47 dwellings including 42 townhouses for Defence members and their families.







## Gordon Olive Estate, McDowall – Opening ceremony

The Hon. Wayne Swan MP, Deputy Prime Minister and Member for Lilley, opened DHA's Gordon Olive Estate in the Brisbane suburb of McDowall. The estate was named after the RAAF World War II veteran Gordon Olive, CBE, and provides 61 new houses for Defence personnel and their families posted to Brisbane. Over \$20.4 million was injected into the local economy and construction industry through the project.

21 OCTOBER 2011



## O'Connell Place, Enoggera – Completed redevelopment

DHA Board Members, Mr Michael Del Gigante and Ms Margaret Walker, officiated at an event to mark the completion of 18 new homes at Gallipoli Barracks, Enoggera. 12 homes located in O'Connell Place no longer met Defence housing needs and were marked for disposal. This was a unique opportunity to redevelop the site with homes that would set a high standard for Defence housing. The new homes adjoin the Barracks and are just 10 kilometres from the Brisbane CBD.

17 NOVEMBER 2011



## Blackburn, Victoria – Completed redevelopment

DHA finished construction of five new homes in John Holland Court, Blackburn (Victoria) in November 2011. The three original homes on the site no longer met Defence housing needs and were marked for disposal. This was an opportunity to redevelop an existing site in a prime location. The new homes have been well received by Defence families.

28 NOVEMBER 2011

## Highlights and events 2011



## DHA Apprenticeship Support Scheme – First graduation

Roland Kratzel is the first graduate of the DHA Apprenticeship Support Scheme. He finished his carpentry apprenticeship in December 2011 and has secured a full-time job in the building industry.

The Apprenticeship Support Scheme was launched in support of the Nation Building-Economic Stimulus Plan with 21 apprentices taking part. Michael Del Gigante, DHA Managing Director, said “We saw this as a real opportunity to make a difference and to invest in the future of the building industry.”

Roland always wanted to join the building industry.

“Before I started the apprenticeship full-time, I completed a school-based apprenticeship. I always knew this was what I wanted to do,” Roland said.

“I wanted the apprenticeship because my family are ‘tradies’. My two brothers are both carpenters—one is qualified and one is an apprentice—and my old man owns his own building business, so it really does run in the family.”

Roland trained for four years. He explained, “It’s three years of studying and working full-time, and the fourth year is working full-time.”

Roland has been able to develop expertise in areas such as tool skills, management skills, and working as a team. The DHA Apprenticeship Support Scheme has given Roland the start he needed to make his own mark in the industry. According to Roland, “In ten years’ time I’d like to be running my Dad’s business, or have my own, building houses.”

DHA anticipates four other apprentices will finish their training in 2012.

## Highlights and events 2012

6-9 MARCH 2012

### Urban Development Institute of Australia – National Congress, Perth

DHA took part in the Urban Development Institute of Australia (UDIA) National Congress in Perth. Members of DHA's development team manned the trade stand and answered many questions about the Sale and Leaseback program and DHA's tender process and housing standards.



22 MARCH 2012

### AE2, Ermington, Sydney – Public information session

A public information session was held on 22 March 2012 for DHA's residential development to be known as AE2\* at Ermington, Sydney. With significant Parramatta River frontage, the 16.3 hectare site will provide approximately 437 dwellings, of which at least 209 will be retained for Defence members and their families.

\* Named after the first Australian and Allied submarine to enter the Dardanelles during WWI.





## Puckapunyal, Victoria – Half-way point for upgrade program

On 11 May 2012, the half-way point for the Puckapunyal upgrade program was celebrated with the 70th fully-upgraded property open for inspection. Defence members posted to Puckapunyal and contractors who have worked on the program were invited to the open house. The program will provide a new 'lease on life' for 155 on-base properties.

11 MAY 2012



## DHA and Investa Construction Group – Launch of Tropical Guide

The Muirhead project is the largest sustainable residential development currently underway in Darwin. When completed in 2019, it will provide 1,096 dwellings for the Darwin community. As the tropical climate is such a defining aspect of living in Darwin, Investa Property Group produced a Tropical Construction Guide, sponsored by DHA, for residents building in the area. The guide was launched at an event with all members of the DHA Board in attendance.

16 MAY 2012

## Sponsorship programs

**In 2011–12, DHA contributed more than \$90,400 to the support of Defence and community programs. These included donations to a number of Defence programs.**

**Sponsorships included:**

\$40,000 sponsorship of Defence Families of Australia

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\$25,000 contribution to Legacy

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\$5,500 sponsorship of the Urban Development Institute of Australia National Congress

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\$5,000 sponsorship of the 2RAR National Association Reunion.

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# Meeting the Defence housing requirement

Defence housing requirement

The DHA response

Defence portfolio

Stakeholder management

Major projects



## Objectives

Housing supplied and managed effectively to meet the Defence Housing Forecast

Good stakeholder management and public relations

KEY PERFORMANCE INDICATOR	2011–12 TARGET	2011–12 ACHIEVEMENT
% ADF member satisfaction with house	80%	90%
Stock provisioned for client against agreed provisioning plan	>95%	101%

## Major outcomes

1. Provided a total portfolio of 17,471 houses for Defence families (Members With Dependants) in accordance with the agreed provisioning schedule.
2. Constructed or purchased 704 new houses for Defence families.
3. Acquired the Warner Springs site for Defence housing in the Brisbane suburb of Brendale.
4. Referred development of Rasmussen, Townsville; Lindfield, Ermington and Kellyville in Sydney; and Weston Creek in Canberra to the Parliamentary Standing Committee on Public Works (PWC).
5. Acquired housing by construction or purchase for the relocation of 3RAR from Sydney to Townsville.
6. Handed over the first 29 completed houses on Larrakeyah Barracks, Darwin with the balance of 68 to be completed during 2012–13.
7. Completed Stage 1 civil works, initiated Stage 2 civil works and started construction of 50 Defence houses in Stage 1 at Muirhead, Darwin.
8. Completed the Defence-funded air conditioning project which, over three years, addressed the air conditioning needs of 3,500 DHA managed properties at a cost of \$23.3 million.



## Defence housing requirement

### Overview

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

### Defence Housing Forecast

Defence notifies its housing requirements in the Defence Housing Forecast (DHF) in terms of numbers, location and classification over a four year period. In 2011–12, the requirement was for 19,152 Defence members and their families, rising to nearly 20,000 by 2014–15 (see Figure 1). The DHF is the starting point of the DHA capital planning process and may be used in the justification of new projects that require the approval of the Parliamentary Standing Committee on Public Works.

**Figure 1: Successive Defence Housing Forecast compared to the actual housing requirement**



## The DHA response

### Provisioning schedule

DHA responds to the DHF with a draft provisioning schedule that takes account of supply-side factors such as vacancy rates, lease-ends, land-supply, availability of capital and the state of private rental markets. Following negotiation, DHA is contracted to supply through an approved provisioning schedule. DHA generally aims to meet 85% of the Defence requirement with the balance satisfied by private rentals where members receive their housing entitlement as a Rent Allowance. For 2011–12, based on the forecast notified in 2010–11, Defence approved a program under which DHA would supply 17,293 dwellings that, after allowing for vacancies, would accommodate 15,948 Defence families. A further 3,204 families were expected to be accommodated in the private rental market.

### Capital program

The capital program sets out how DHA will meet its obligations to Defence as agreed in the provisioning schedule. It takes account of expiring leases, lease extensions and renewals, direct leasing outcomes, the purchase of new dwellings and DHA's land acquisition and house construction program. The result is a large development, construction, acquisition and disposal program that must be approved by the DHA Board in the annual Corporate Plan. A short description of major projects in the 2011–12 capital program is at the end of this chapter.

In its 2011–12 capital program, DHA constructed or purchased 704 new dwellings for Members With Dependants at a cost of \$335 million. DHA direct leased 147 properties, wrote new leases on 632 existing properties (where leases and options had expired) and extended 407 leases by agreement before lease expiry. After taking account of expired leases and the exercise of 1,073 options at DHA's discretion, total stock for Defence members and their families was 17,471 or 101% of the 17,293 proposed in the provisioning schedule compared with the 95% target set by the Services Agreement.

### Major land acquisitions

The acquisition of suitable cost-effective land for Defence housing is an ongoing priority. A number of significant land purchases were reported in the previous Annual Report, including Rasmussen in Townsville, and Ermington and Lindfield in Sydney. In 2011–12, DHA added a major land parcel known as Warner Springs in the Brisbane suburb of Brendale. With a number of medium-sized purchases, DHA has sufficient well-located and competitively priced land on hand to sustain our construction program in most key locations for the medium-term.

## DHA's Defence portfolio

### Overview

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

While most of the Defence portfolio is detached housing, it also includes townhouses, courtyard style houses and apartments. Needing minimal garden maintenance, these housing types are suited to members who prefer well-located inner suburbs. Within limits set by Defence, a small number of apartments with shared recreational amenities and undercover parking are also available. These dwellings can be chosen by Defence members and, therefore, are known as 'choice housing'. In an important development, Defence and DHA have agreed to trial the use of about 100 inner-city apartments in Sydney as an 'allowable supply' of housing for certain types of family composition, effectively removing the choice element in the allocation of these houses.

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

### On-base housing

The Defence portfolio includes around 1,400 Defence-owned houses on Defence bases and establishments around the country, more than a third of which are in the Northern Territory. These houses are owned outright by Defence or financed by DHA under annuity arrangements. Defence pays fees to cover the cost of management and maintenance with special arrangements in place to cover 63 houses on the Defence Heritage Register. A further 280 properties are assigned to separate management arrangements pending advice from Defence on disposal action. The majority of these are on RAAF Base Darwin and the nearby Defence Estate Berrimah.

In 2011–12, DHA continued work on the upgrade and replacement of Defence-owned houses as part of a \$250 million program to ensure this stock meets Defence minimum amenity standards by 2017. The lead project is the replacement of 61 houses on Larrakeyah Barracks in Darwin. Approved by the Parliamentary Standing Committee on Public Works (PWC) in March 2011 at a revised cost of \$64 million, the project involves the construction of 97 new houses, the first 29 of which have been handed over and are ready to be allocated to Defence families. The balance of 68 will be delivered progressively during 2012–13 with final deliveries expected by April 2013. A new project will upgrade 48 existing houses.

The PWC also approved a series of projects to upgrade on-base services.

Work has also started on a series of projects to upgrade 193 houses on RAAF Base Tindal at Katherine in the Northern Territory. Costing \$55 million, the upgrades will meet new Defence standards and ensure the viability of on-base housing for the next 15 years. The first package of 62 houses has been approved by the PWC. A contract has been let and a demonstration house delivered to enable on-base tenants to familiarise themselves with the scope of upgrades.

## Heritage housing

DHA manages and maintains 63 heritage properties across the Defence estate at the Royal Military College, Duntroon; HMAS Creswell, Jervis Bay; HMAS Watson on Sydney Harbour; HMAS Cerberus, Mornington Peninsula; Anglesea Barracks, Hobart; and Victoria Barracks, Sydney. Since the completion of a major upgrade program in 2010, DHA continues to undertake minor upgrades as needed. In 2011–12, DHA managed a series of minor upgrades at HMAS Creswell (new roofs) and Garden Island (new kitchens and bathrooms) and a major upgrade of Bridges House in the grounds of the Royal Military College, Duntroon. The 63 houses on the Defence Heritage Register continue to be maintained by DHA under arrangements set out in the Services Agreement.

## Sustainable housing

DHA focuses on five key sustainability areas: energy consumption, water consumption, effective waste management, human wellbeing and the biodiversity of local flora and fauna. In 2011–12, principles of sustainable development in these key areas were incorporated in the decision-making systems, practices and processes of DHA.

These principles are in accordance with the *Environmental Protection and Biodiversity Conservation Act 1999*.

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

During 2011–12, DHA initiated participation in the Residential Building Energy Efficiency Study. DHA is collaborating with the Commonwealth Scientific and Industrial Research Organisation (CSIRO) to assess the efficiency of energy usage in 80–90 DHA-managed houses in Sydney, Melbourne and Adelaide. Part of a larger project commissioned by the Department of Climate Change and Energy Efficiency, the study will investigate the influence on thermal efficiency of house design, energy saving measures and tenant energy consumption patterns. The CSIRO will donate \$100 to Legacy for each Defence tenant who participates.

The Board Property Committee has been briefed on the expected cost impact of the Government's Clean Energy Future Plan (carbon pricing) and strategies that might be available to DHA to meet any required changes.

## Air conditioning and security upgrades

Since 1 July 2006, houses entering the DHA portfolio have generally been required to satisfy a higher standard of inclusions. In particular, new houses in specified climatic regions have been required to include air conditioning. In those regions, a split standard was introduced, with some dwellings fitted with air conditioning and others in the same location without air conditioning. In 2009–10, Defence agreed to fund a major program of upgrades to these older houses to bring them to a similar standard. During 2011–12, DHA completed installations which, over a three-year period, addressed the air conditioning needs of 3,500 houses at a cost of \$23.3 million.

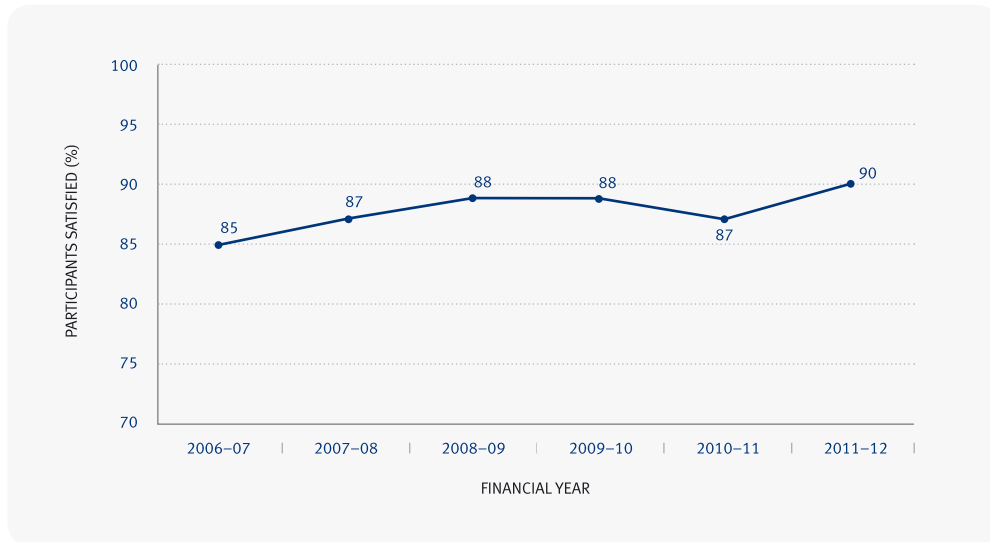
## Portfolio management

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

## Satisfied tenants

DHA's annual tenant survey measures ADF members' satisfaction with their current DHA-managed home. In 2011–12, 90% of 2,342 respondents were satisfied with their current accommodation. The improvement compared to 2010–11 is statistically significant. In past years, sample sizes have ranged from 1,635 to 4,431.

**Figure 2: Defence member satisfaction with current DHA accommodation, 2006–07 to 2011–12**



Properties acquired by construction, acquisition or direct lease must satisfy Defence criteria in terms of the quality and level of amenity, inclusions and fittings, including such aspects as security, heating, cooling and covered outdoor areas. Satisfaction of Defence members living in these dwellings has been consistently high. In 2011–12, from a sample of 79 Defence families, satisfaction with newly constructed homes was 90%. In the same survey, from a sample of 50 Defence families, satisfaction with newly acquired homes was 88%.

### Total stock under management

In addition to housing stock supplied to meet Defence requirements for Members with Dependants, DHA holds apartments for Defence singles (currently Darwin, Brisbane and Canberra), some houses pending disposal, and small portfolios for the Australian Customs and Border Protection Service and the Australian Maritime Safety Authority. The total DHA portfolio is summarised in the table opposite.

**Table 1: DHA housing portfolio 2011–12**

	Purchases		Sales			Leases			Housing Stock at 30 June 2012					
	Newly acquired properties	Newly constructed properties	Sale and Leaseback program	Disposals (surplus properties)	Handback of on-base Defence stock	Direct leases	Lease options	Lease conversions	DHA owned	Leased from investors	Defence off-base annuity	On-base Defence stock	Other managed stock	Total housing stock
DARWIN	5	62	70	17	13	12	174	24	410	955	10	682	2	2,059
TINDAL	0	0	0	0	0	0	16	7	3	87	96	193	0	379
CAIRNS	1	0	0	1	0	4	26	12	8	206	3	0	0	217
TOWNSVILLE	30	70	171	50	0	17	120	56	483	1,460	33	7	21	2,004
BRISBANE	113	81	122	2	4	13	63	53	523	1,345	3	84	0	1,955
IPSWICH	13	26	19	13	0	6	30	15	132	683	20	0	0	835
TOOWOOMBA	21	0	1	11	0	2	5	17	38	167	14	6	0	225
SYDNEY	57	9	49	37	0	20	299	173	979	1,925	10	53	0	2,967
HUNTER VALLEY	23	29	32	8	0	7	65	70	140	855	52	0	0	1,047
NOWRA	2	7	0	2	11	16	33	45	2	307	26	27	2	364
CANBERRA	41	25	74	4	6	26	147	87	184	1,644	0	178	0	2,006
ALBURY/WODONGA	23	0	17	4	0	6	4	8	24	263	23	0	0	310
WAGGA WAGGA	0	5	6	14	18	0	10	1	5	235	102	62	0	404
MELBOURNE	48	5	23	15	2	11	14	15	312	577	127	417	0	1,433
ADELAIDE	6	0	116	16	0	0	20	28	227	776	4	14	2	1,023
PERTH	65	0	13	10	0	24	56	22	330	631	18	9	63	1,051
<b>NATIONAL TOTAL</b>	<b>448</b>	<b>319</b>	<b>713</b>	<b>204</b>	<b>54</b>	<b>164</b>	<b>1,082</b>	<b>633</b>	<b>3,800</b>	<b>12,116</b>	<b>541</b>	<b>1,732</b>	<b>90</b>	<b>18,279</b>

## Stakeholder management and public relations

During 2011–12, DHA relationships with Shareholder Departments (Department of Defence and Department of Finance and Deregulation) were strong and effective, extending from regular working level contacts with officials of both Departments through to the most senior levels. The attendance of the Secretary of Defence, at the Annual Strategic Meeting on 30 November 2011, and the Chief of the Defence Force at the Board meeting on 24 May 2012 illustrates this effective relationship. The Chairman and Managing Director meet as required with senior officials in both Departments to ensure a good understanding of Shareholder Minister priorities and of issues affecting their relationships with DHA. As a result, DHA has been able to make good progress on major issues impacting on the business including the major review of the Services Agreement, the expansion of DHA's off-base singles business and an increase in the cap on the supply of inner city apartments in Sydney.

The DHA Advisory Committee brings together the Deputy Chiefs of the three Services and others for the purpose of providing advice to DHA on the performance of its functions. The Committee met twice in 2011–12. Recognising the importance of housing impacts on force structure decisions, DHA senior leadership met with the Force Posture Review team and provided a written submission to assist the team with their report.

State, Territory and Local Government planning departments and agencies are key stakeholders for DHA, especially in the context of the developments currently afoot. Small and large projects currently underway would not be possible without careful attention to relationships with officials in these agencies and an understanding of their issues and priorities. DHA's Property Provisioning Group is responsible for these relationships, assisted by DHA senior leadership.



## Major projects

### **Larrakeyah Barracks, Darwin**

The construction of 97 homes for Defence families on Larrakeyah Barracks, Darwin is well-advanced. The project required the removal or demolition of 61 existing residences and major upgrades to base infrastructure such as sewerage, stormwater and electrical. It was approved by the Parliamentary Standing Committee on Public Works (PWC) on 24 November 2009 at a cost of \$58 million with an increase to \$64 million approved on 21 March 2011. The first 29 houses have been handed over and are ready to be allocated to Defence families. The balance of 68 will be progressively delivered during 2012–13 with final deliveries expected by April 2013.

### **Muirhead, Darwin**

DHA expects to construct 329 homes for Defence families in the new Darwin suburb of Muirhead on land bought from Defence in 2006 and 2010. About 15 kilometres from the CBD, Muirhead is very well located and homes there will be highly sought after by Defence families. The total development is expected to provide 1,096 lots, 15% of which are for affordable housing. Stage 1 civil works are complete, the first lots have been sold to the public, and the first 50 homes for Defence families are under construction. The PWC has approved Stage 2 civil works which have started.

### **Crimson Hill, Lindfield, Sydney**

Defence members and their families will occupy more than half of the 345 dwellings, including apartments in Crimson Hill which is a 13.9 hectare development adjacent to the University of Technology Sydney (UTS) Ku-ring-gai campus. Located 15 kilometres from the Sydney CBD and bounded on three sides by the Lane Cove National Park, the site was purchased from UTS in December 2010. The five precincts in the development have been named after Victoria Cross winners who fought in the Battle of Lone Pine. Crimson is the colour of the ribbon on the Victoria Cross. The project has been referred to the PWC. Subject to its approval, the first dwellings could be delivered by late 2014.

### **AE2, Ermington, Sydney**

About 220 Defence members and their families will live at AE2 on the banks of the Parramatta River in Ermington. The site has an approved Master plan that allows for up to 437 dwellings, including townhouses and apartments. Purchased from Defence in 2011, AE2 is a 14.3 hectare prime riverfront property, fronting the northern shore of the Parramatta River. Named after the first Allied and Australian submarine to enter the Dardanelles Straits during the Gallipoli campaign, AE2 is 15 kilometres from Central Sydney and 5 kilometres from the Parramatta CBD. Following approval by the Parliament, civil design works have been completed and a tender released. The first houses are expected to be delivered in 2015, to coincide with the centenary of the Gallipoli landings.

### **Warner Springs, Brisbane**

About 130 Defence members and their families will live in the Warner Springs development in the Brisbane suburb of Brendale. Located 17 kilometres from Gallipoli Barracks, the site was acquired from CSR Limited in September 2011. It is expected to provide 465 standard and two medium-density lots (a further 70 dwellings). The site is a former clay quarry and is being rehabilitated by CSR. Final settlement was made conditional on an environmental clearance under the *Environment Protection and Biodiversity Conservation Act 1999*. This and other conditions precedent to final settlement are expected to be satisfied by the end of March 2013. In due course, the project will be referred to the PWC. Project management will be provided by Peet Limited.

### **Betty Cuthbert Estate, Sydney**

About 42 Defence members and their families will occupy townhouses to be constructed on the site of the former Riverview Nursery on Victoria Road in the Sydney suburb of Ermington. The estate, which will comprise a total of 47 townhouses, will complement the much larger AE2 development on the Parramatta River. Civil works are well-advanced and construction has started. The first townhouses will be completed late in 2012.

### **Voyager Point, Sydney**

DHA will build 59 houses for Defence members and their families on the Voyager Point site that was purchased from Defence in 2003. Development and construction of housing was approved by the PWC in June 2010 and a Final Development Approval provided by the Liverpool City Council in May 2011. The development is expected to provide a total of 137 lots. Those not required by DHA will be sold on the private market. The total project cost is around \$40 million. The DHA homes are scheduled for completion by mid-2014 and will mainly be allocated to Defence members at the nearby Holsworthy Army Base.

### **Kellyville, Sydney**

About 34 Defence members and their families will occupy houses and townhouses at Kellyville following development and construction on a 4 hectare site located about 21 kilometres from RAAF Base Richmond. The site was formed by the purchase in 2011 (by private treaty) of two adjoining allotments for \$10 million. The development is expected to provide a total of 65 lots. The balance of 31 serviced allotments will be sold on the private market. Costing \$27 million, the project has been referred to the PWC. The first houses are expected to be ready in December 2014.

### **Rasmussen, Townsville**

More than 400 Defence members and their families will call Rasmussen home when development of this 100 hectare site is complete. The allotment was acquired from the private market in December 2010 at a cost of \$30 million. It is in the Thuringowa corridor 17 kilometres southwest of Townsville and 11 kilometres from Lavarack Barracks. The project was referred to the PWC and a public hearing held in Townsville on 1 May 2012. It was approved by the Parliament on 28 June 2012. DHA will develop the site which is expected to provide 1,180 residential lots and a medium-density lot of 8,400 square metres. Stage 1 civil works could start as early as May 2013 with the first Defence houses delivered in October 2014. The project will continue until 2023.

### **Gordon Olive Estate, Brisbane**

Home to 61 Defence members and their families, the Gordon Olive Estate in the Brisbane suburb of McDowall is named after Brisbane-born Battle of Britain pilot and distinguished community figure, Gordon Olive, CBE, who died in 1987. It is located 5 kilometres from Gallipoli Barracks, Enoggera and 12 kilometres from the Brisbane CBD. Following consideration by the PWC and approval by the Parliament, the project was completed in late 2011 and resulted in the supply of 34 detached houses, 11 townhouses and 10 duplexes at a cost of \$27 million including land. The construction program was interrupted by the Brisbane floods in January 2011. All dwellings achieved a minimum six-star energy efficiency rating, and at the recommendation of the PWC, DHA implemented the silver level of the Liveable Housing Design Guidelines incorporating disability access provisions. Owing to demand, a further six houses were added in 2011–12.

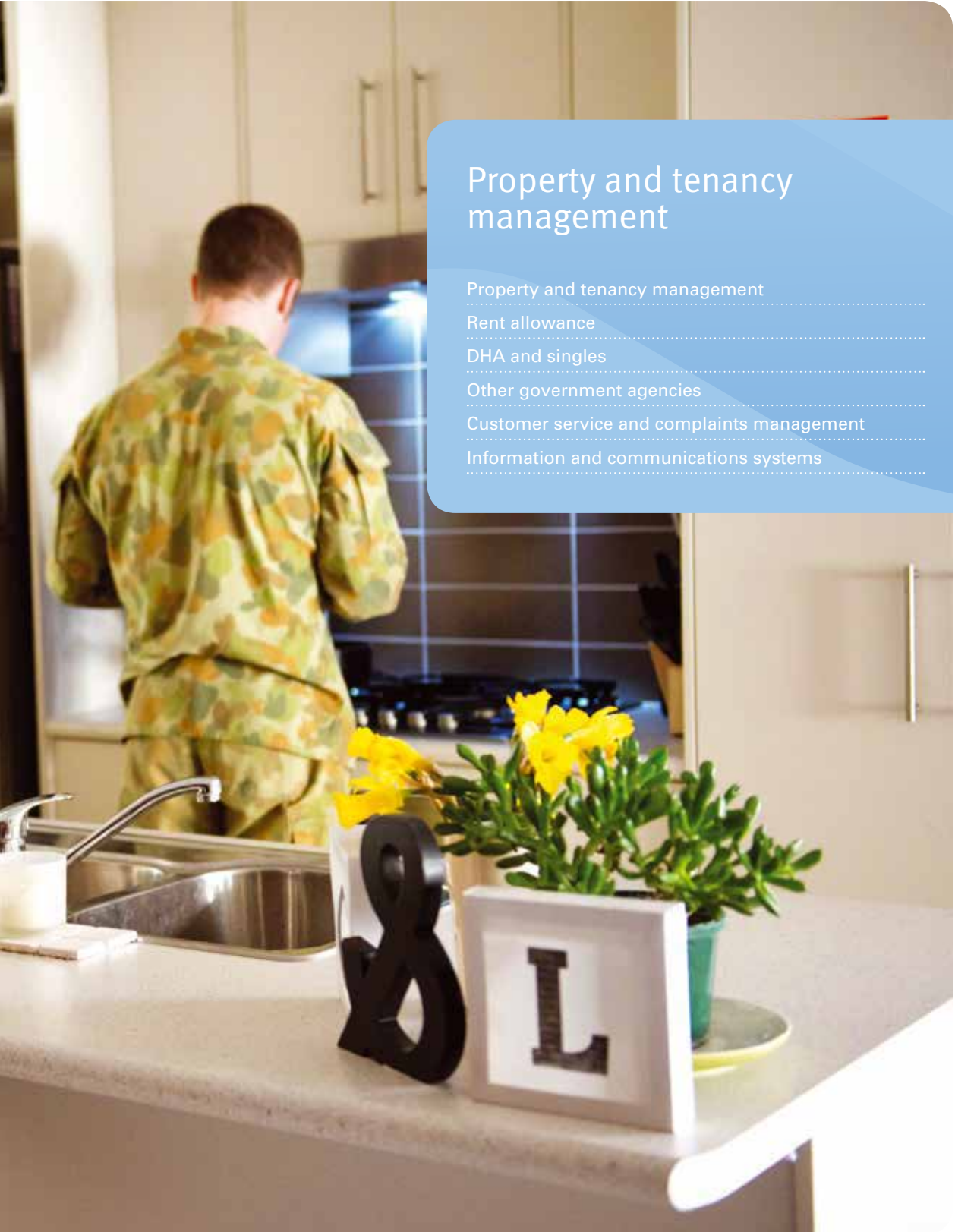
### **Weston Creek, Canberra**

At least 50 Defence members and their families will occupy homes in the Weston Creek Estate, a new development adjacent to the Australian Defence College precinct in the inner western suburb of Weston, ACT. The project will provide 73 standard lots and three super lots. The total project cost is estimated at \$47 million. The project was referred to the PWC in May 2011 and will be the subject of a public hearing in early 2012–13. The first DHA houses are expected to be delivered in late 2014.

### **Bayriver Estate, Adelaide**

About 35 Defence members and their families will live in the Bayriver Estate in Port Adelaide when development and construction is complete. DHA acquired the development rights from the Land Management Corporation of South Australia in 2010. The site is expected to provide 127 allotments including 11 for medium-density development. Costing \$30.4 million, the project was approved by the PWC in November 2010. Civil works are expected to be complete by late 2012.





## Property and tenancy management

Property and tenancy management

Rent allowance

DHA and singles

Other government agencies

Customer service and complaints management

Information and communications systems

## Objectives

Housing supplied and managed effectively to meet the Defence Housing Forecast

Information technology solutions supporting business capabilities

Enhanced customer service experience and perceptions

KEY PERFORMANCE INDICATOR	2011-12 TARGET	2011-12 ACHIEVEMENT
Defence member satisfaction with completed maintenance	80%	94%
Defence member satisfaction with overall customer service	80%	92%
Maximising pre-allocation (rolling 12 month average)	75%	94%

## Major outcomes

1. Supplied 17,471 dwellings, housed 15,694 Defence families and administered Rent Allowance for a further 3,525 Members With Dependants (at 30 June 2012).
2. Administered the payment of Rent Allowance to a monthly average of 11,600 single Defence members or Members With Dependants (Unaccompanied).
3. Increased the off-base singles portfolio to a total of 181 apartments across Darwin, Brisbane and Canberra.
4. Achieved a pre-allocation rate of 93.5% (member chooses home in new location before departing old), reducing posting stress and costs for Defence.
5. Achieved average monthly vacancy rate of 8% for DHA-owned and leased housing compared to 8.9% in 2010–11.
6. Achieved average monthly vacancy rate of 3.3% for Defence-owned off-base houses, against a target of 5% and compared to a figure of 6.3% in 2010–11.
7. Achieved monthly average of 99.3% of housing contribution and Rent Allowance payment notifications to Defence within a ten day period compared to a target of 95%.
8. Achieved a completion rate for routine maintenance of 82% within 15 days compared to a Services Agreement target of 80% complete within 28 days (the completion rate within 28 days was 97%).

# Property and tenancy management

## Overview

The property and tenancy business line, Property and Tenancy Services, accepts completed houses from DHA's Property Provisioning Group. They are responsible for maintaining the homes, allocating the homes to Defence members, providing support to the family throughout their tenancy and assisting them when they vacate the home at the end of their tenancy. It is the customer-facing side of DHA's business with more than 300 staff in regional offices offering these services. This includes interacting on a daily basis with current Defence tenants and talking to those on posting regarding housing in their new posting locality. This business also manages the payment of Rent Allowance (RA) to Members With Dependents and Members Without Dependents who will be accommodated in the private rental market.

While the Property Provisioning Group focus is on maintaining a supply of houses in response to the Defence Housing Forecast—by constructing new houses on DHA-owned land, acquiring existing houses and by renewing leases—Property and Tenancy Services is focused on matching the totality of the Defence housing portfolio to the demand for those houses as Defence families move on posting, or as their personal circumstances and housing needs change.

## Defence Housing Forecast

The Defence Housing Forecast (DHF) is the starting point for the property and tenancy business as it is for property provisioning. It tells DHA how many Members With Dependents are expected to need accommodation in the next financial year (and the following four years) in terms of numbers, locations and housing classifications. For 2011–12, Defence forecast a requirement for housing for 19,152 Defence members and their families, a 4% increase on the previous year. The point of departure in the preparation of a new DHF is the total number of Defence families in DHA-managed properties and in RA in the current year. Defence then seeks the best available information from the three Services about changes in the establishment of headquarters, (the number and rank of personnel) formations, units and bases, and of changes in force disposition as a result of the creation of new force elements or changes in the location of existing force elements.

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

## Meeting the Defence demand

In allocating housing, Property and Tenancy Services must manage tenanted, vacant and privately leased-out stock in order to increase the number of Defence families in DHA-managed accommodation. An optimal outcome will maximise the number of available dwelling units during the peak posting period, minimise vacancy at other times by leasing vacant stock privately and minimise the number of Defence families receiving RA. At 30 June 2012, nearly 82% of the total Defence demand was satisfied by DHA-managed housing with the balance in private rental accommodation. The 2011–12 monthly average of Defence families on RA was 17.9% compared to the Corporate Plan figure of 17%.



One reason is the increase in the proportion of Defence members approved for RA following recognition of an interdependent relationship, including de facto relationships. DHA does not have the opportunity to offer its accommodation in these circumstances.

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

### Managing Defence tenancies

Since 1 October 2009, all Defence tenancies have been in the form of a tenancy agreement between DHA and the Defence member. Prior to October 2009, DHA was an agent of Defence, administering tenancies between the Department and the Defence member. 2011–12 is the second full-year under the new arrangements which continues to work satisfactorily.

### Housing Management Centres

Property and Tenancy Services is focused on the particular and ongoing needs of individual Defence families and is sustained by a DHA workforce spread across 18 regional offices; they are each focused on geographical concentrations of Defence units and establishments. Twelve are designated Housing Management Centres (HMCs) and the balance are smaller branch offices. At 30 June 2012, the property and tenancy management business employed around 300 people, or 50% of the DHA workforce, in its regional offices. This staffing provides a physical presence for Defence members seeking advice on housing matters including housing maintenance. DHA also maintains a sophisticated online service to manage these needs.

### Responsive maintenance

Responsive maintenance is a critical component of property and tenancy management. DHA is contracted to provide a quality 24-hour maintenance service and to deliver high levels of tenant satisfaction with that service. To assist in achieving this objective, DHA provides a Maintenance Call Centre (MCC) for receiving and actioning maintenance calls from tenants across Australia. The MCC operates from the DHA office in the Hunter Valley (Newcastle) and provides extended hours coverage. Staff are well trained in the policies and procedures that govern the delivery of maintenance services and can support front-line staff by raising work orders during a property inspection to speed-up the turn around of properties between tenancies. During 2011–12, the MCC received a total of 106,740 calls and made 129,307 outgoing calls.

### Contractor management

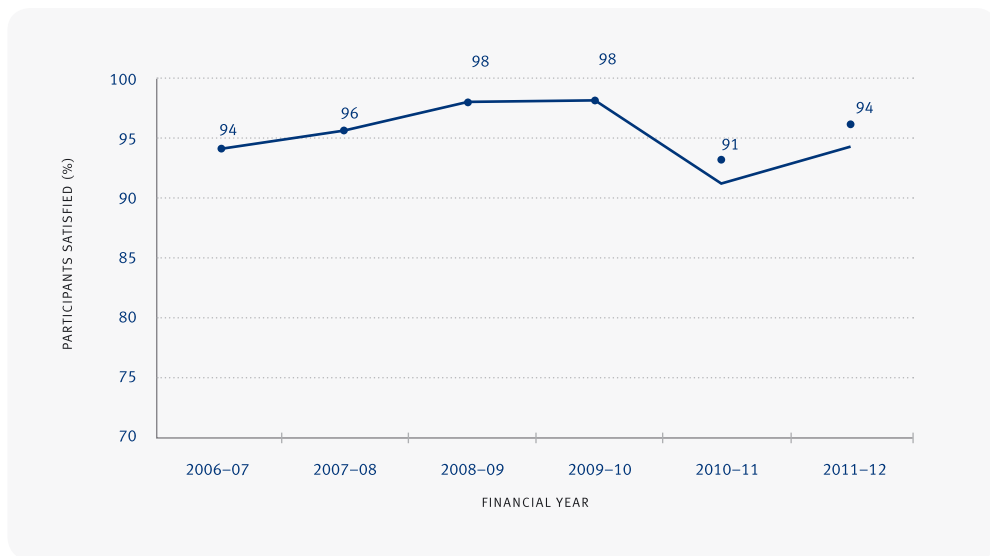
DHA is responsible to tenants and lessors for the provision of a high quality and responsive maintenance service irrespective of location. To achieve this, DHA has contracts with maintenance service providers in each region. Known as Residential Maintenance Services, the arrangements are supported by sophisticated Contractor Management software (CTM)

to assist HMCs to manage some 1,000 individual contractors and to deliver more consistent and timely maintenance support to tenants. In 2011–12, DHA upgraded the CTM software to provide greater functionality and further streamline the allocation of maintenance and the interaction with contractors. A dedicated contract management team has been established to support the HMCs. A major focus of the group is the implementation of control measures to ensure DHA meets its obligations to contractors under the new Work Health and Safety legislation.

### Maintenance surveys

DHA measures Defence member satisfaction with customer service, contractor service and overall satisfaction with the maintenance service. Performance with completed and invoiced works remains strong, with 94% of 7,561 surveyed tenants expressing satisfaction with the overall service. Sample sizes in past years ranged from 5,715 to 7,848.

**Figure 3: Customer satisfaction with DHA's maintenance services, 2006–07 to 2011–12**



### Services Agreement on Housing and Related Matters

DHA's relationship with Defence is managed under the provisions of the Services Agreement on Housing and Related Matters, a long-term agreement that was renewed on 1 July 2006. Major elements of the Agreement were updated in 2009 to provide for the inclusion of allocations and tenancy management functions which had previously been contracted to DHA under the Relocations Services Agreement. The Services Agreement is currently the subject of a five-year review that will address lessons learned since July 2006 and investigate ways to further rationalise and reduce costs to both parties.

## Rent Allowance

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

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

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

In 2011–12, DHA focused on the improvement of RA administration including implementing an online facility to enable members to complete the annual RA review electronically. Member response has been positive and has helped DHA to reduce the time taken on this process. The online facility is being further developed to include applications for, and cessation of, RA entitlements. These enhancements are expected to be available in 2012–13.

In 2011–12, DHA administered the payment of RA to an average of 3,400 Members With Dependants and an average of 11,600 singles (or Members Without Dependants) on a monthly basis.

## DHA and singles

While DHA's core business is housing members with families, since 2006 it has provided about 100 apartments for single members posted to Darwin. This provides an alternative to RA and is known as Members Without Dependants or Members With Dependants (Unaccompanied) Choice Accommodation (MCA). The initial MCA trial proved a success, and on 24 December 2008, DHA entered a long-term agreement to supply singles accommodation to Defence. Initially, the operation of the arrangement was limited to Darwin but it provided an option to extend the supply to other locations provided both parties and the Minister for Defence agreed.

On 10 April 2011, the Minister for Defence agreed to a proposal by Defence to expand MCA to include Brisbane and Canberra. This was a strategic development. With some 11,600 Defence singles accommodated in the private rental market, expansion to Canberra and Brisbane was the next stage in opening up this important market. DHA spent \$26 million in 2011–12 to acquire properties in Brisbane and Canberra, expanding the total portfolio (including Darwin) to 181 properties by 30 June 2012. The extension to Canberra and Brisbane has been very successful. The Minister has approved the national roll-out of DHA's singles business.

## Other government agencies

A logical extension of DHA's core Defence business is the provision of residential property management services to other Federal Government agencies, especially in remote areas of northern and western Australia (where several agencies can be operating from the same location). Thursday Island in the Torres Strait Islands is an example. In 2011–12, these agencies included the Australian Customs and Border Protection Service (Customs), the Department of Agriculture, Fisheries and Forestry, and the Australian Maritime Safety Authority. While small by comparison with the Defence business, the cost-effective provision of services to these Federal agencies is a demonstration of DHA's relevance in the wider government market place. In 2011–12, management fee revenue from these sources was \$0.96 million while \$0.84 million in maintenance work orders was logged on the Customs portfolio.

## Information and communication technologies

### Overview

During 2011–12, DHA continued the development of new and improved information technology solutions while sustaining business as usual capabilities. DHA is dependent on robust systems to support and deliver services — property management, leasing operations, customer relationship management, staff training and development etc. These systems support thousands of interactions every week with Defence members, builders, contractors, lessors, valuers, staff and government.

In particular, DHA has expanded its suite of online services for Defence members so that they can manage their interactions with DHA in this way, seven days a week. This work included a major upgrade to DHA's online housing tool, HomeFind. Furthermore, DHA administers the payment of Rent Allowance to nearly 15,000 Defence members and in a significant development, commissioned new functionality in the DHA portal to enable members to submit their RA paperwork online. The response to this facility, especially in relation to the annual review of RA, has been excellent.

Some maintenance requests require the approval of Defence before work orders can be placed; this has the potential for time delays in starting work. During 2011–12, DHA and Defence jointly deployed a system to enable these requests to be submitted electronically.

The efficiency of DHA's workforce has also been enhanced with the rollout during 2011–12 of the latest Microsoft desktop suite and a related collaboration platform that simplifies and enhances online communication between staff.

## Customer service

### Communicating with Defence members

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

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

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

DHA maintains hard copy publications and online information products to help customers understand and access our services. These are distributed through the HMCs and stakeholder groups such as the Defence Special Needs Support Group, Defence Families of Australia and the Defence Community Organisation.

DHA understands the difficult circumstances Defence families can face when being posted. In response, during 2011–12, DHA provided training to frontline staff on customer service and conducted workshops to improve personal resilience during the stressful peak posting period.







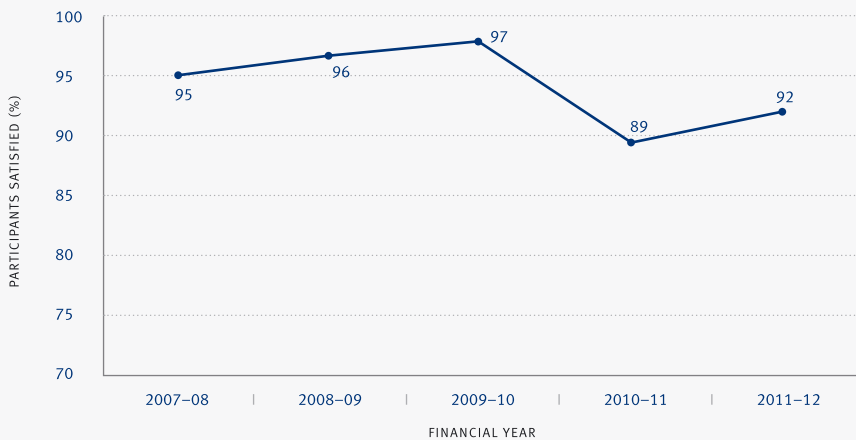
## Customer Service Institute of Australia

DHA first sought certification with the Customer Service Institute of Australia (CSIA) in 2005–06 as part of a broad strategy to improve its performance at the customer interface. The CSIA offers evaluation and certification by independent assessors against 29 International Customer Service Standards. Certification is a recognised benchmark in both the public and private sectors. In addition, CSIA offers valuable insight and coaching in customer service. Since 2005–06, DHA has been recertified three times, in 2007–08, 2008–09 and 2010–11. DHA is scheduled for reassessment in July 2012.

## Satisfaction with customer service

DHA’s quarterly housing survey measures satisfaction with overall customer service experienced while vacating, and in finding and occupying DHA-managed properties. Results in customer satisfaction remain above the target of 80% with 92% of 3,636 participants indicating that they were satisfied with their experience of DHA’s customer service. Sample sizes in past years ranged from 3,719 to 5,739.

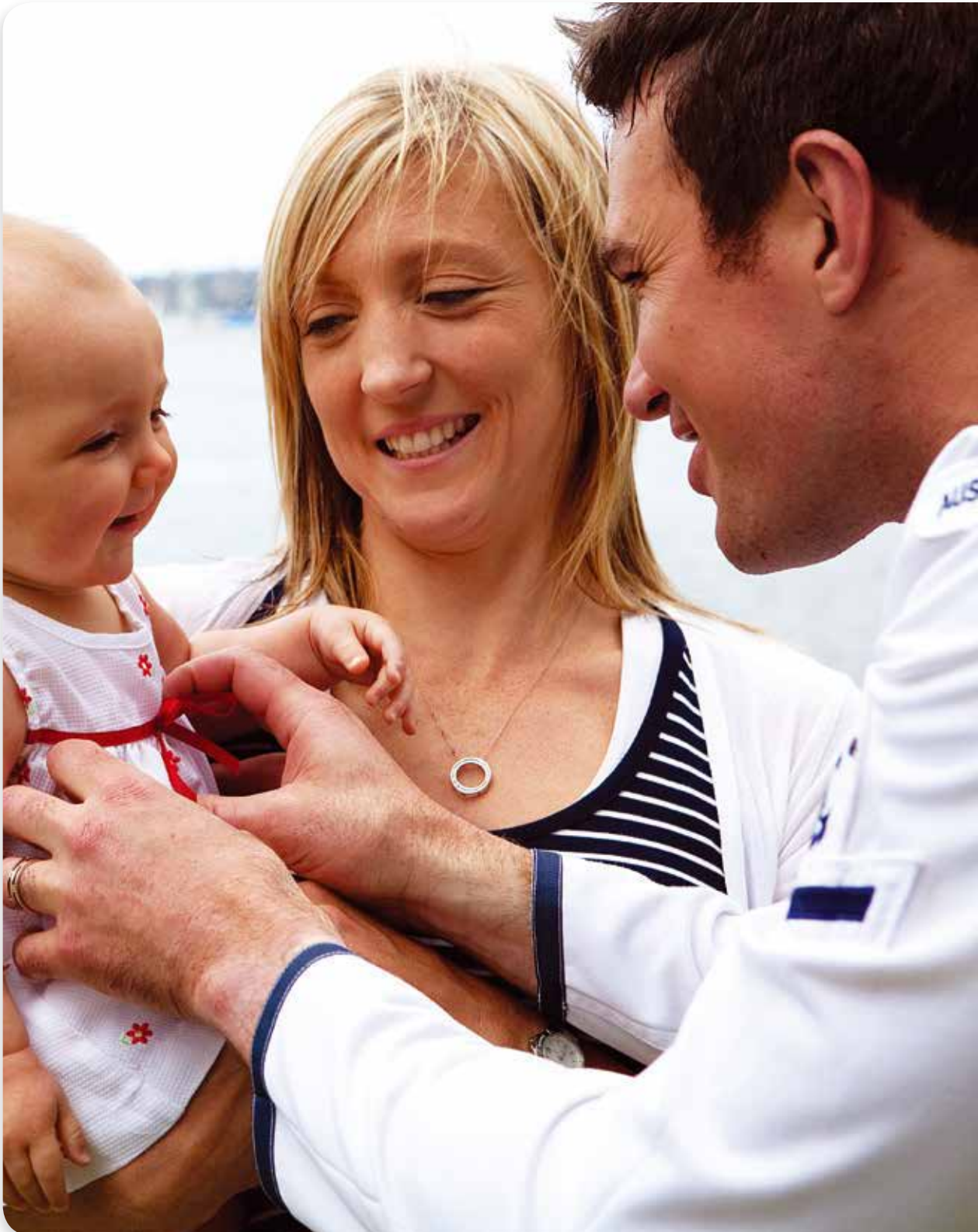
**Figure 4: Defence member satisfaction with DHA’s customer service overall while vacating or occupying DHA properties, 2006–07 to 2011–12**



## Complaints management

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

During 2011–12, 858 complaints were received nationally by DHA. This was a 14.5 per cent reduction compared to 2010–11. The four main reasons generating complaints were repairs and maintenance (291), customer service (126), housing condition (90) and neighbourhood disputes (71). Primary contributing factors were DHA processes (227), contractor performance (139) and inadequate explanation or information provided by DHA (84).



## Regional highlights

REGION	OFFICES	CLIENT SERVICES DELIVERED	HIGHLIGHTS
<b>NORTHERN TERRITORY</b>	<b>DARWIN</b> <b>KATHERINE</b>	<ul style="list-style-type: none"> <li>• 2,440 properties managed</li> <li>• 867 allocations</li> <li>• 5,315 inspections</li> <li>• 4,963 RA processed</li> <li>• 957 leases managed</li> <li>• 7 Customs properties managed</li> <li>• 37,293 maintenance work orders raised.</li> </ul>	<ul style="list-style-type: none"> <li>• Larrakeyah development</li> <li>• Tindal upgrade program</li> <li>• Muirhead development</li> <li>• Nine staff completed Certificate IV in Business Administration or Diploma of Management.</li> </ul>
<b>NORTH QUEENSLAND</b>	<b>TOWNSVILLE</b> <b>CAIRNS</b>	<ul style="list-style-type: none"> <li>• 2,195 properties managed</li> <li>• 903 allocations</li> <li>• 5,392 inspections</li> <li>• 5,721 RA processed</li> <li>• 1,663 leases managed</li> <li>• 21 Customs properties managed</li> <li>• 36,611 maintenance work orders raised.</li> </ul>	<ul style="list-style-type: none"> <li>• Relocation of 3RAR to Lavarack Barracks</li> <li>• Rasmussen development</li> <li>• 2011 HMC of the Year</li> <li>• One staff completed Certificate IV in Business Administration.</li> </ul>
<b>SOUTH QUEENSLAND</b>	<b>BRISBANE</b> <b>IPSWICH</b> <b>TOOWOOMBA</b>	<ul style="list-style-type: none"> <li>• 3,013 properties managed</li> <li>• 1,249 allocations</li> <li>• 7,437 inspections</li> <li>• 6,702 RA processed</li> <li>• 2,198 leases managed</li> <li>• 30,386 maintenance work orders raised.</li> </ul>	<ul style="list-style-type: none"> <li>• Completion of Gordon Olive Estate</li> <li>• Acquisition and tenancing of 46 singles apartments</li> <li>• New on-base residential development</li> <li>• Eight staff completed Certificate IV in Business Administration.</li> </ul>
<b>SYDNEY</b>	<b>PARRAMATTA</b>	<ul style="list-style-type: none"> <li>• 2,997 properties managed</li> <li>• 1,091 allocations</li> <li>• 7,519 inspections</li> <li>• 13,844 RA processed</li> <li>• 1,913 leases managed</li> <li>• 31,354 maintenance work orders raised.</li> </ul>	<ul style="list-style-type: none"> <li>• AE2 Ermington development</li> <li>• Kellyville development.</li> <li>• Caringbah development</li> <li>• Riverview Nursery development</li> <li>• Two staff completed Certificate IV in Business Administration.</li> </ul>

REGION	OFFICES	CLIENT SERVICES DELIVERED	HIGHLIGHTS
HUNTER	RAYMOND TERRACE	<ul style="list-style-type: none"> <li>• 1,046 properties managed</li> <li>• 377 allocations</li> <li>• 2,966 inspections</li> <li>• 1,760 RA processed</li> <li>• 855 leases managed</li> <li>• 14,553 maintenance work orders raised.</li> </ul>	<ul style="list-style-type: none"> <li>• Five staff completed Certificate IV in Business Administration</li> <li>• Reduced RA by 2%.</li> <li>•</li> </ul>
ACT	CANBERRA	<ul style="list-style-type: none"> <li>• 2,014 properties managed</li> <li>• 793 allocations</li> <li>• 4,912 inspections</li> <li>• 2,844 RA processed</li> <li>• 1,652 leases managed</li> <li>• 3 Customs properties managed</li> <li>• 22,400 maintenance work orders raised.</li> </ul>	<ul style="list-style-type: none"> <li>• Acquisition and tenanting of 45 singles apartments</li> <li>• Two staff completed Diploma of Management.</li> </ul>
NOWRA	NOWRA	<ul style="list-style-type: none"> <li>• 363 properties managed</li> <li>• 155 allocations</li> <li>• 1,050 inspections</li> <li>• 857 RA processed</li> <li>• 307 leases managed</li> <li>• 4,359 maintenance work orders raised.</li> </ul>	<ul style="list-style-type: none"> <li>• HMAS Creswell upgrades program</li> <li>• One staff member completed Certificate IV in Business Administration.</li> </ul>
RIVERINA	WAGGA WAGGA WODONGA	<ul style="list-style-type: none"> <li>• 709 properties managed</li> <li>• 341 allocations</li> <li>• 2,187 inspections</li> <li>• 1,355 RA processed</li> <li>• 497 leases managed</li> <li>• 9,987 maintenance work orders raised.</li> </ul>	<ul style="list-style-type: none"> <li>• Activated disaster planning in response to major flooding in March 2011</li> <li>• Responded to 8% increase in the Defence Housing Forecast for Wodonga and a corresponding 8% decrease in Wagga Wagga</li> <li>• Four staff completed Certificate IV in Business Administration or Diploma of Management.</li> </ul>

REGION	OFFICES	CLIENT SERVICES DELIVERED	HIGHLIGHTS
VICTORIA TASMANIA	MELBOURNE	<ul style="list-style-type: none"> <li>• 1,433 properties managed</li> </ul>	<ul style="list-style-type: none"> <li>• Puckapunyal upgrade program</li> <li>• Yallambie upgrade program</li> <li>• Blackburn redevelopment</li> <li>• Five staff completed Certificate IV in Business Administration.</li> </ul>
	PUCKAPUNYAL	<ul style="list-style-type: none"> <li>• 570 allocations</li> </ul>	
	CERBERUS	<ul style="list-style-type: none"> <li>• 3,383 inspections</li> </ul>	
	SALE HOBART	<ul style="list-style-type: none"> <li>• 1,870 RA processed</li> <li>• 579 leases managed</li> <li>• 15,537 maintenance work orders raised.</li> </ul>	
SOUTH AUSTRALIA	ADELAIDE	<ul style="list-style-type: none"> <li>• 1,017 properties managed</li> <li>• 396 allocations</li> <li>• 2,935 inspections</li> <li>• 2,105 RA processed</li> <li>• 777 leases managed</li> <li>• 2 Customs properties managed</li> <li>• 16,186 maintenance work orders raised.</li> </ul>	<ul style="list-style-type: none"> <li>• Bayriver development</li> <li>• Relocation of the Adelaide HMC to Mawson Lakes</li> <li>• Two staff completed Certificate IV in Business Administration.</li> </ul>
WESTERN AUSTRALIA	PERTH	<ul style="list-style-type: none"> <li>• 997 properties managed</li> <li>• 392 allocations</li> <li>• 1,735 inspections</li> <li>• 3,283 RA processed</li> <li>• 635 leases managed</li> <li>• 59 Customs properties managed</li> <li>• 7 AMSA properties managed</li> <li>• 12,436 maintenance work orders raised.</li> </ul>	<ul style="list-style-type: none"> <li>• Upgrade program for Defence properties in remote locations</li> <li>• Improved relationships with Defence and other government clients</li> <li>• Renegotiated office lease.</li> </ul>





## People and corporate



## Objective

### Motivated, engaged and productive staff

KEY PERFORMANCE INDICATOR	2011–12 TARGET	2011–12 ACHIEVEMENT
Retention of staff	85%	81.5%
Current employees with DHA tenure > 2 years	>70%	92%
Work Health and Safety incident rate (per 100 employees) <sup>1</sup>	<2.0	0.32
Salaries spent on training DHA staff	>1.00%	2.1%

<sup>1</sup> Incidents resulting in time off work

## Major outcomes

- Delivered on the DHA Human Resource Strategic Plan, with a focus on negotiating a new Enterprise Agreement and continuing the emphasis on staff development.
- Negotiated the new *Enterprise Agreement 2012–2014* that was accepted by a significant majority of staff.
- Delivered the Corporate Learning and Development Plan including nationally accredited training at the Certificate IV and Diploma level, a personal resilience program and national training solutions targeting identified administrative and operational issues.
- Implemented a Work Health and Safety corporate governance structure to facilitate a positive and cooperative environment in DHA and the development and implementation of measures to ensure the workers' health and safety.
- Brought payroll disbursement functions in-house resulting in greater efficiencies and cost savings.

## Overview

DHA demonstrates its commitment to motivating and engaging our staff by providing a workplace that supports and rewards high performance, innovation, continuous improvements and development.

How DHA recruits, trains, remunerates and retains our people is a major task in meeting the needs of a changing business. The DHA Human Resource Strategic Plan and the Corporate Learning and Development Plan support the business in meeting these challenges, enhancing organisational performance against business objectives and achieving our strategic goals.

Programs conducted in 2011–12 responded to these objectives. Specific and ongoing programs were undertaken to:

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

In order to enhance our support to the business there was a focus in 2011–12 on improving internal consultation, communication and regional engagement. This was achieved in part through the use of the tested HR Network, the Staff Consultative Group and recently established Business Support Manager forums.

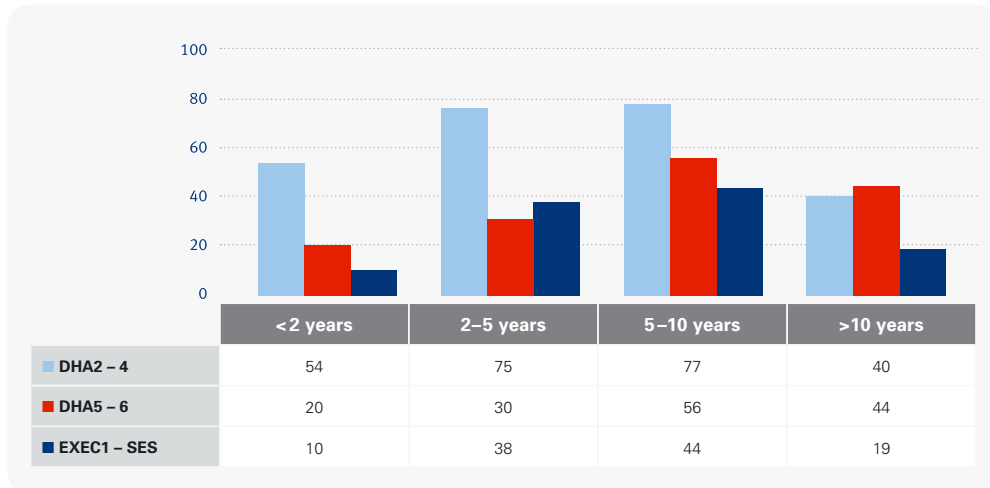
## Staffing profile

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

DHA has undertaken staff learning and development initiatives in 2011–12 including people and performance management training and training that targets identified administrative and operational issues.

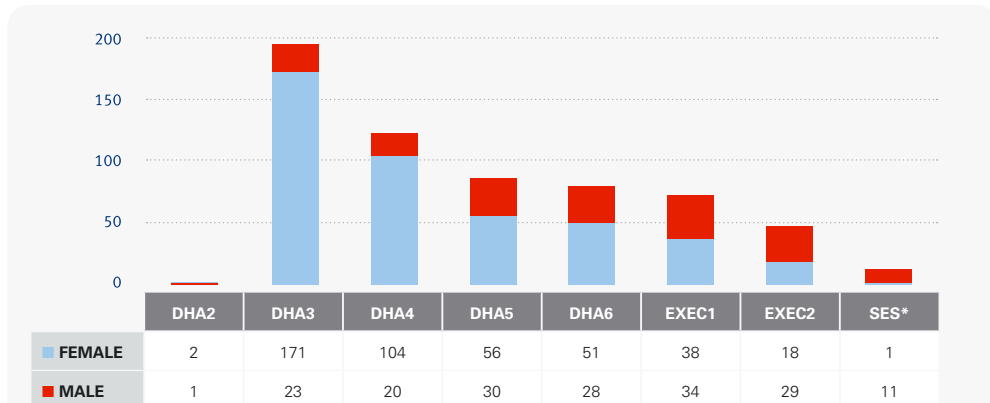
Productivity continued to improve as a result of staff growth and skills development, thereby lifting the experience base and stability of our staff. This is in part demonstrated by over 83% of ongoing staff having more than two years' service and with 55% having more than five years' service.

**Figure 5: Ongoing staff by length of DHA service and classification at 30 June 2012**



DHA also benefits from 90% of the management group (represented by ongoing staff at classification levels Executive Level 1 to SES) having more than two years of DHA corporate knowledge, leadership and experience.

**Figure 6: DHA staff by classification and gender at 30 June 2012**



\* SES figures include six males classified at the SES band 1 level, one female and four males classified at the SES band 2 level and one male classified at the SES band 3 level.

## DHA's Enterprise Agreement

DHA's new Enterprise Agreement (EA) is a two year agreement that commenced on 22 June 2012. The EA continues DHA's and our staff's commitment to increasing DHA's efficiency and effectiveness. The shared objectives of the EA are:

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

The new EA includes a number of enhancements from the previous Collective Agreement including:

- salary increases on 1 July 2012 and 1 July 2013 brought forward from October each year
- modification of the existing Rostered Day Off arrangements to a structured flextime scheme for staff, at and below, the DHA6 level
- increase in superannuation employer contributions from 9.0% to 15.4% for accumulation fund members (formerly 15.4% provided only for PSSap members)
- the introduction of Fostering leave and Voluntary Emergency Services leave, and
- halving the length of qualifying periods for payment of higher duties for:
  - DHA levels 3 to 6, from 4 weeks to 2 weeks, and
  - Executive levels 1 to 2, from 12 weeks to 6 weeks.

### Conditions and entitlements

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

The EA remuneration package includes:

- guaranteed salary increases of 4 per cent on 1 July 2012 and 3.5 per cent on 1 July 2013
- access to performance bonuses for all classification levels, ranging from maximum potential bonuses of:
  - 7.5% of base salary for DHA classification levels 2 to 4
  - 12.5% of base salary for DHA classification levels 5 to Executive level 1, and
  - 15% of base salary for Executive level 2 staff.
- employer superannuation contributions
- special allowances, and
- a higher annual salary increase for eligible exceptional performers.

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

### **Special allowances**

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

### **Northern Territory payment**

DHA initiated a retention bonus program in the Northern Territory to motivate and retain skilled staff in this challenging region during periods of peak workload. The successful program, in operation for seven years, is continued in the EA.

### **Performance bonus**

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

High performing staff across all classification levels are rewarded with a performance bonus. For the 2011 appraisal year more than 90% of eligible staff received a performance bonus. Of the bonuses received, more than 70% were based on staff achieving a rating in the exceeded targets range.

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

**Table 2: Enterprise Agreement salary ranges**

CLASSIFICATIONS	1 JULY 2012	
	MINIMUM OF RANGE	MAXIMUM OF RANGE
DHA Trainee	\$41,511	\$47,275
<b>Broadband 1:</b>		
DHA Level 2	\$47,598	\$53,368
DHA Level 3	\$53,609	\$59,401
DHA Level 4	\$59,234	\$66,190
<b>Broadband 2:</b>		
DHA Level 5	\$66,734	\$72,838
DHA Level 6	\$73,669	\$84,703
<b>Executive Levels:</b>		
Executive Level 1	\$89,440	\$109,154
Executive Level 2	\$106,288	\$136,377

The Enterprise Agreement salary ranges are inclusive of the 4 per cent salary increase at 1 July 2012.

## HR Information systems and payroll

DHA's HR Management Information System and payroll processing function are managed in-house by an experienced team of specialists. The team provides accurate and timely HR and payroll related advice and reports in addition to supporting the administration of staff remuneration and conditions of service.

In June 2012, DHA brought its payroll disbursement functions in-house and no longer relies on a third party for these services. This will result in a significant reduction in costs to DHA. The transition to the new arrangement was undertaken over several months in consultation with DHA's Business Solutions and Technology and Finance business units.

During the transition DHA reviewed its payroll practices and processes and implemented enhancements which include greater automation of the pay run process and reports resulting in further efficiencies and cost reduction.

## HR Network

The HR Network continues to provide middle and senior managers with up to date, bi-monthly communication. In 2011–12, topics included:

- targeted HR information and advice
- learning and development, and
- HR system process enhancements.

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

## Business Support Manager Forums

As part of a wider strategy to engage more regularly with our key internal stakeholders, quarterly forums with regional Business Support Managers (BSMs) have been successfully trialled. Representatives from each DHA corporate support business unit attend.

The objectives of the forums are to:

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

## Staff Consultative Group

DHA staff elect employee representatives from each region and a management representative to form the Staff Consultative Group (SCG). Where possible, the representatives are staff at varying classification levels. It is held on a regular basis to consult on issues that impact on the work environment.

During 2011–12, the SCG met five times to consider workplace matters including the Enterprise Agreement negotiations, learning and development programs and business support services and to provide input to proposed HR policy amendments.



## Learning and development

In accordance with the key objectives outlined in the DHA Human Resource Strategic Plan and the Corporate Learning and Development Plan, DHA delivered learning and development initiatives that:

- enhanced the capabilities of staff to respond to ongoing and new business directions
- ensured learning and development opportunities were available for each staff member to help them reach full potential and to maximise their contributions to the business
- offered targeted skill enhancement opportunities as part of DHA's attraction and retention strategy, and
- provided programs that promote professional development, mental health and wellbeing and are in line with DHA's corporate objectives.

In addition to the continuation of successful programs from 2010–11, the key initiatives delivered throughout 2011–12 include:

- staff participation in a tier-based project management program which included the opportunity to obtain a nationally recognised accredited qualification
- provision of nationally accredited training at the Certificate IV and Diploma level (13% of DHA's employees have participated at 30 June 2012)
- delivery of people and performance management training aimed at the middle to senior management level
- delivery of national training which targets identified administrative and operational issues
- delivery of personal development requirements as identified in individual Performance Development Agreements
- provision of a program focused in the area of managing complex complaints and targeted to DHA's Customer Relations Managers, and
- development and delivery of a personal resilience program, to enhance individuals' ability to manage highly emotional or stressful customer situations.

The investments in partnerships with quality service providers who understand DHA's culture have given DHA the ability to provide programs aligned with DHA's values, vision, mission and business line objectives.

DHA supports staff career development through the Studies Assistance Program and financial assistance for approved tertiary courses.

Employee evaluations indicate that these programs have improved individual capability. In particular, improvements in customer service, project management and people and performance management were evident.

## Rewards and recognition

DHA rewards staff achievement through:

- Weekly 'WOW Awards' providing staff with the opportunity to recognise their colleagues' accomplishments
- Service awards for 5, 10, 15 and 20 years of employment with DHA, and
- Annual DHA Awards for Excellence for exceptional individual staff performance in their respective business units.

**Table 3: Annual Awards for Excellence 2011**

EMPLOYEE OF THE YEAR	
Sales and Marketing	Amanda Andrews
BUSINESS UNIT RECIPIENTS	
Corporate Affairs	Scott Pedrotti
Business Solutions and Technology	Milomir Zec
Sales and Marketing	Fiona Lewis
Finance	Michelle Ma
Property Provisioning Group	Pete Perez
Property and Tenancy Services	Sasha Webb
New South Wales Region	Kelly Jameson
Victoria/Tasmania Region	Debbie Gray
South Queensland Region	Debbie Carew
North Queensland Region	Amanda Andrews
Northern Territory Region	Lesley Yuen
South Australia Region	Chantelle Jones
Western Australia Region	Sheryll Spence
Riverina HMC	Justin King
Hunter HMC	Colene Bainbridge
Canberra HMC	Sharni Day

## Workplace health & safety

On 1 January 2012, the *Work Health and Safety Act 2011* (Cth) (WHS Act) came into effect. Coinciding with this, a number of other legislative instruments that support the WHS Act have also commenced including the *Work Health and Safety Regulations 2011* (Cth) and the *Work Health and Safety Approved Codes of Practice 2011* (Cth).

DHA is no longer able to transfer its WHS obligations and risk to its contractors. DHA must ensure, as far as practicable, the health and safety of all workers involved in DHA activities. There is also a broader emphasis on consultation where DHA must consult with workers, not just employees, as far as is reasonably practicable, about WHS matters.

### WHS implementation

The new legislation has had a significant impact on our business in many areas including procurement, contract management, incident and hazard reporting, policy and how we consult with workers.

DHA draws attention to the scale of the responsibility it now faces with over 1,000 contractors and sub-contractors being used across the country.

### WHS governance

To meet WHS legislative requirements, DHA established a WHS governance system with a WHS National Committee and two Advisory Groups – the Staff Advisory Group (SAG) and Contractor Advisory Group (CAG). The Advisory Groups have been established to assist the WHS National Committee meet our WHS legislative requirements.

Since 1 January 2012, there has been a major focus on integrating WHS legislative requirements into DHA's procurement and contract management processes, developing stage one of an online incident and hazard reporting system, updating our policies to meet WHS requirements and developing training modules for staff.

### Incident reports

There was an increase in reported incidents in 2011–12 compared with 2010–11, however the 2011–12 figure was below the 70 incidents reported in 2009–10. Of the 65 reported incidents, one third related to falls, trips and slips by individuals. DHA has assessed each incident and taken preventative action where required. There were 10 incidents reported to Comcare in 2011–12 and of these, six were notifiable incidents.

### **Workers compensation**

A total of nine workers compensation claims were submitted in 2011–12. The majority of these claims related to minor injuries, such as falls, trips and slips. Comcare accepted liability for all nine claims.

### **WHS directions, notices and investigations**

No directions, notices or investigations under the *Work Health and Safety Act 2011* (Cth) were conducted or given to DHA in 2011–12.

### **DHA Apprenticeship Support Scheme**

The DHA Apprenticeship Support Scheme (DASS) concluded its third successful year of a four-year program that commenced in 2009. The program has maintained up to 22 apprentices in trades across Australia. This year, DHA celebrated the graduation of its first two apprentices supported under the program.

### **Records management**

DHA complies with the *Archives Act 1983* requiring staff to make and keep records. Specific initiatives in 2011–12 have included:

- development and initiation of a National Digital Transition Plan to move DHA towards digital record keeping, and
- preparing for the introduction of a new security classification system under the Commonwealth's Protective Security Policy Framework on 1 August 2012.

### **Whole of Australian Government (WoAG) travel arrangements**

In April 2012, DHA signed an agreement to access the Commonwealth's WoAG Travel Arrangements. The new arrangement, which took effect from 1 June 2012, provides DHA with access to lower prices for air travel, together with enhanced reporting and service support.

## Corporate lease arrangements

DHA has a national presence in 21 locations across Australia. In 2011–12 DHA:

- entered into lease arrangements for 4 new offices
- negotiated 2 new office leases for existing locations
- sublet office accommodation in 2 locations, and
- exercised a further term for 1 office.

During the negotiations for these leasing arrangements, significant savings to the business were achieved.

### **DHA Head Office refurbishment**

As part of the new lease negotiations for DHA's Head Office in Canberra, a major building refurbishment was agreed. The refurbishment included an upgrade of the building to a National Australian Built Environment Rating System (NABERS), 4.5 energy rating. To assist in meeting the energy saving requirements of NABERS 4.5, the lessor upgraded the heating and cooling system of the building and installed new T5 lighting, ceiling tiles, carpet and window furnishings.

The refurbishment also included the building being painted internally and an upgrade of the building's disabled facilities to meet the Australian Building Standard (ABS). This included the installation of a ramp at the front of the building for wheelchair access and improved dedicated disabled parking. In addition to this, the disabled bathroom facilities of the building have been upgraded to meet the ABS.



## Investing with DHA

Leasing operations



# Objective

## Sustainable long-term financial structure

KEY PERFORMANCE INDICATOR	2011–12 TARGET	2011–12 ACHIEVEMENT
Lessors satisfied with overall customer/property management service	95%	96%

## Major outcomes

1. Generated \$324.9 million in Sale and Leaseback (SLB) revenues in line with the Corporate Plan figure. Net profit was \$16.7 million compared to a budget of \$15.3 million.
2. Managed the expiry of 2,668 leases by exercising options, agreeing extensions and negotiating new leases on 2,259 properties compared to a Corporate Plan figure of 2,100.
3. Exceeded DHA lessor satisfaction targets with almost all aspects of sales, leasing and customer service (78% to 99% nationally).
4. Fostered cooperative sale and marketing alliances with financial institutions and advisory firms, increasing SLB settlements and reinforcing DHA as a credible investment option.
5. Worked on establishing alternative investment options to DHA’s conventional SLB product.
6. Launched two successful pilots to sell properties under the SLB program ‘off-the-plan’.
7. Established DHA Refresh, a product that enables DHA and lessors to work in partnership to upgrade properties in highly desirable locations ensuring the properties remain in DHA’s portfolio for the long-term.
8. Launched The Inside Word, a seminar series exclusively for DHA lessors with specialist guest speakers.
9. Implemented a new lease management system to achieve more efficient management of expiring leases.
10. Launched Lessors Online, a web-based platform providing lessors with detail of their DHA property portfolios including online access to their financial statements.
11. Increased public awareness of DHA’s sales activities and offerings through a multi-channel marketing campaign.



# Leasing operations

## Overview

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

At 30 June 2012, 66% of DHA's property portfolio (more than 12,000 properties) was managed on behalf of investors. Lessor satisfaction with almost all aspects of DHA sales, leasing and customer service remained consistently high (78% to 99% nationally). This, combined with positive capital and rental growth, has contributed to significant repeat purchases and referrals.

Following a solid overall performance in 2010–11, during 2011–12 DHA focused efforts on managing 2,668 expiring leases to ensure Defence provisioning obligations were met; developing sales and leasing programs and channels; and increasing awareness of the DHA brand. These activities helped confirm DHA's reputation in the industry as a credible investment option.

## DHA's competitive advantage

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

Distinguishing features of the DHA Lease Agreement are:

- a long-term lease (typically 9–12 years, greater when lease extensions are exercised)
- guaranteed rental income during the lease term with rent payable from settlement and no loss of income when Defence tenants change<sup>1</sup>, and
- DHA Property Care services<sup>2</sup> provided during the lease term, comprising:
  - property and tenancy management, including periodic inspections, itemised statements and a complimentary bill paying service
  - organising and covering the cost of most non-structural maintenance, including the repair and replacement of fixed appliances, as required
  - annual rent review to market valuation by an independent licensed valuer
  - emergency repair, as required, to preserve the property and protect human health, safety and security, and
  - restoration at lease-end to ensure the property is returned in good order, including professional cleaning, repainting and recarpeting<sup>3</sup>.

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1 Rent subject to abatement in certain circumstances

2 DHA Property Care services are provided during the term in return for a fixed fee

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

## Sale and Leaseback program

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

In 2011–12, DHA's marketing campaign focused on its unique selling proposition and the long-term performance of residential property in comparison to other asset classes. More information was made available online and a website refresh is scheduled for 2012–13. DHA also benefited from increased media attention confirming its reputation as a credible investment option.

DHA sales activity focused on private investors, achieving strong sales orders despite decreased general investor confidence and stagnant conditions in some markets. Repeat purchase and referral from existing lessors was consistently high. Cooperative marketing and sales alliances with financial institutions and advisory firms yielded a small number of settlements with these expected to ramp up in 2012–13. DHA also worked to establish an alternative investment option to its conventional sales program. In total, DHA settled sales on 713 properties in 2011–12, generating \$324.9 million in revenue and \$16.7 million in net profit.

## Private leasing programs

DHA undertakes leasing programs to increase housing supply. As with SLB, all properties must meet Department of Defence standards in terms of rent, size, amenity and inclusions; this may include items not considered standard in some locations. Across all facets of private leasing, DHA added 2,259 houses to its Defence portfolio compared to a Corporate Plan figure of 2,100.

In 2011–12, DHA focused on improving overall lease management and its relationship with lessors. The Inside Word seminar series was launched, providing lessors with access to financial services industry experts and an opportunity to speak directly with DHA staff. Lessors Online was also launched, providing lessors with online access to details of their DHA property portfolios, including financial statements, property photos and inspection reports.

Following a successful campaign in 2010–11 to refresh lessor personal and property information, DHA now reviews this data on an annual basis. The accuracy of this information is always important, but especially in the aftermath of natural disasters such as those experienced in 2010–11 and early 2011–12 when DHA was able to provide timely advice to affected lessors and to more effectively manage the repair of disaster-related damage.

DHA continued to focus on increasing the number of lease renewals. This is where an existing DHA Lease Agreement is extended or a new Lease Agreement is negotiated before a current lease expires because DHA wishes to retain the property in its portfolio. During 2011–12, 1,039 leases were renewed.

The DHA Lease Agreement gives DHA the right to vary a lease by extending the term by up to 36 months, or reducing the term by up to 12 months. Each option can be exercised once. During 2011–12, DHA extended the term of 1,073 leases.

Each year, as part of its capital program, DHA leases properties directly from private owners in selected locations. In 2011–12, 147 such leases were negotiated. A new system was implemented to provide better visibility of the direct leasing process and enable specific action plans to be undertaken to increase success.

### Lessor satisfaction

DHA undertakes surveys to measure lessor satisfaction. The largest of these is the Annual Lessor Survey which measures satisfaction with ongoing management of leased properties. The results of this survey aid in improving lessor relations and product development.

Since surveying began in 2004, satisfaction with overall property management has consistently been above the target of 90% nationally. In 2011–12, this trend continued with 96% of 1,249 survey participants reporting satisfaction. In addition, 92% of 1,227 participants indicated satisfaction with DHA's maintenance service; 87% of 1,245 participants indicated satisfaction with value-for-money of the DHA Property Care fee; and 84% of 1,230 participants indicated satisfaction with feedback from annual property inspections.

Nationally, 64% of 1,254 survey participants indicated that they had contacted DHA in the preceding 12 months regarding their property. Satisfaction with all aspects of customer service (accessibility, knowledge, timeliness of response and courtesy and helpfulness of DHA staff) remained high, with results ranging from 87% of 738 participants to 95% of 198 participants respectively.

In 2011–12, survey participants continued to be exceptionally satisfied with all aspects of rental payments (timeliness, accuracy, format and detail of monthly statements) with results ranging from 98% of 1,252 participants to 100% of 1,253 participants respectively.

There was no significant change in satisfaction with all aspects of the annual rent review service (process, outcome, information in the rent review notification), with results ranging from 78% to 88% of 1,250 survey participants nationally. Statistical analysis confirmed a strong relationship between the results of the rent review and satisfaction or dissatisfaction with the process of conducting and notifying lessors of updated rental income.

In 2011–12, survey participants were as likely to recommend investing in a DHA property as they were in 2010–11 (91% of 1,247 participants compared with 92% of 1,619 participants). The likelihood of participants leasing another DHA property decreased slightly in 2011–12 (70% of 1,244 participants compared to 74% of 1,608 participants). The likelihood of participants negotiating a new lease was similar to that in 2010–11 (85% of 1,244 participants compared to 86% of 1,615 participants).

## Promotion of leasing programs

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

This website is dedicated to the promotion of the SLB program. It sets out leasing arrangements and provides a description, photographs, floor plan and a location map for each property listed for sale. In 2011–12, prospective investors were able to visit this website and view properties for sale a week before their release date, aiding their decision-making. Prospective investors can also use this website to access tools and information resources and register to receive newsletters and other promotional material from DHA via email.

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

DHA's core website has a dedicated section for private investors to obtain information about its leasing programs. It provides information about private leasing arrangements and includes a list of current requirements by region. Private owners can offer their property to DHA by completing and submitting an online application. Information about the SLB program is provided at [www.invest.dha.gov.au](http://www.invest.dha.gov.au). Lessors Online is accessed from this website, giving lessors easy access to details of their DHA property portfolio, including financial statements, property photos and inspection reports.

## Advertising and media

Most of DHA's advertising and media activity in 2011–12 focused on promotion of the SLB product. Mainstream media, including press, radio and online advertising, were the most common channels used.

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

The SLB product enjoyed considerable media attention throughout the reporting period, as the security of DHA's lease continued to be recognised in comparison to other investments. Publications covering the program on multiple occasions included Money, Your Investment Property and Smart Property Investment magazines.

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

## Investment seminars

During 2011–12, DHA continued to host investment seminars for prospective private investors in most capital cities and many regional centres throughout Australia. The seminars provided an overview of DHA; residential property as an asset class; the benefits of the DHA Lease Agreement; and how to buy. Highlights of the new seminar presentation were videos of DHA properties and testimonials from lessors. Attendees were able to ask questions of contracted DHA sales consultants and staff and were given a comprehensive information pack.

## DHA lessor exclusive events

During 2011–12, The Inside Word seminar series was launched, providing lessors with the opportunity to learn about purchasing property through Self-Managed Superannuation Funds. Events were held in Brisbane, Canberra, Melbourne and Sydney. Lessors enjoyed the opportunity to network, access industry experts and speak directly with DHA staff.



## DHA financial performance



## Objectives

### Sustainable long-term financial structure

KEY PERFORMANCE INDICATOR	2011–12 TARGET	2011–12 ACHIEVEMENT
Return on Equity	6.1%	6.2%
Return on Capital Employed	7.7%	7.9%
Net Profit after Tax	\$81.8 million	\$82.8 million
Gearing	34.6%	36.2%
Ordinary Dividend	\$49.1 million	\$49.7 million

### Major outcomes

1. Total revenues of \$1,016.2 million in the 2011–12 financial year, including \$324.9 million of sales generated through the Sale and Leaseback program.
2. Net Profit after Tax of \$82.8 million, above the Corporate Plan figure of \$81.8 million.
3. Return on Equity of 6.2% compared to the Corporate Plan figure of 6.1%.
4. Proposed to government a dividend of \$49.7 million compared with the Corporate Plan target of \$49.1 million.
5. Payment to government for 2011–12 of: \$22.7 million in income taxes, \$10.1 million in Stamp Duty, \$3.1 million in Payroll Tax and \$22.8 million as Land Tax – a total of \$58.7 million.
6. Maintenance of a capital structure consistent with targets for gearing ratio and the percentage of the property portfolio owned by DHA.



## Overview

DHA's Net Profit After Tax for 2011–12 was \$82.8 million against a target of \$81.8 million and a dividend of \$49.7 million will be paid to the government in relation to the 2011–12 financial year. DHA delivered returns of 7.9% in relation to the total capital employed by DHA and a 6.2% return on the government's equity investment in DHA. Both outcomes were in excess of the agreed figures for the year. DHA maintained a strong financial position and capital structure through 2011–12 and raised \$324.9 million through its Sale and Leaseback program (SLB).

## Operating results

DHA's Net Profit After Tax for 2011–12 was \$82.8 million, exceeding the Corporate Plan figure of \$81.8 million. Total revenues were \$1,016.2 million in 2011–12 compared with \$1,012.2 million in 2010–11 and were generated primarily through housing services revenue earned from the Department of Defence and property sales.

Expenses in 2011–12 totalled \$846.6 million, compared with \$802.4 million in 2010–11. The increased expenditure was a result of a number of factors including higher property rental expenses, costs associated with capital services and increased provisions for impairment and make-good (at lease end). Rental outlays to lessors for residential properties of \$299.5 million increased by \$11.7 million or 4.1%. The increase flowed from a general increase in market rents and an increased number of leases.

DHA reports its financial performance in accordance with relevant Australian and International accounting standards. In accordance with these standards, the financial performance for 2011–12 has been affected by an impairment charge of \$5.0 million to the carrying values of DHA owned property; and a charge of \$4.2 million in relation to the make-good provision (may include re-paint and re-carpet at lease end), the future cost of which is affected by current interest rates. Despite these charges DHA has met its principal financial targets for the year.

## Returns to shareholders

In accordance with Guidelines for Government Business Enterprises, DHA makes an annual dividend payment to government as owner of DHA. The Board of DHA has approved a dividend of \$49.7 million in respect of the 2011–12 financial year, representing 60% of Net Operating Surplus after Income Tax.

DHA fully complies with the *Income Tax Assessment Act 1997*, the Commonwealth's Income Tax, Fringe Benefits Tax and the Goods and Services Tax legislation. DHA is also required to comply with the Australian Government's competitive neutrality policy which ensures that DHA is not able to enjoy a commercial advantage resulting from tax exemptions flowing from its status as a Government Business Enterprise. In accordance with this policy, DHA makes State tax equivalent payments to the Australian Government in respect of State taxes that would be applicable except for the exemption provision in the DHA Act.

In relation to income tax, DHA has made provision for an income tax liability of \$22.7 million in the 2011–12 year. DHA has also provided for State Tax Equivalent payments including Stamp Duty (\$10.1 million), Land Tax (\$22.8 million), Payroll Tax (\$3.1 million) and the proposed dividend (\$49.7 million) – a total of \$108.4 million payable to the government in relation to the 2011–12 financial year.

## Residential investment markets

DHA's financial performance is reliant on land development, construction, property sales and property portfolio management. All four areas are dependent on the state of residential property markets across Australia. During the 2011–12 financial year, residential property markets have generally experienced softening conditions. Despite these conditions, DHA achieved its property sales targets in 2011–12 and was able to meet its principal financial targets.

## DHA property portfolio

DHA managed a total portfolio of 18,279 properties across Australia as at 30 June 2012, the 'fair value' of which was \$9.9 billion. Of these, close to two-thirds are owned by private investors and leased to DHA under market based arrangements. The majority of the leases were established under SLB. DHA owns 3,800 properties, with close to 3,000 of these being held as long term investment stock and the balance being 'inventory' properties identified for sale through the SLB program. The DHA-owned portfolio was approximately 21 per cent of all properties as at 30 June 2012.

In accordance with relevant accounting standards, inventory properties are held at the lower of cost and net realisable value and investment properties are held at the lower of cost and recoverable value. DHA's inventory and investment properties and land holdings are valued by licensed property valuers on an annual basis. DHA's investment and inventory properties are carried in its financial statements at \$1,766.4 million at 30 June 2012. The market value of these properties is \$2.6 billion.

An important element of DHA's asset and portfolio management strategy is the sale of surplus properties. In 2011–12, \$53.2 million in revenue was generated from this source. Surplus housing stock is identified on the basis that it no longer meets the operational requirements of Defence, is positioned in an unsuitable location, or does not meet the Defence minimum amenity standards.

## Development land sales

DHA has a number of major property developments across Australia that will assist it to meet Defence housing requirements. Lots not required for this purpose are sold to the general public. In 2011–12, DHA sold 56 lots to the public from the Muirhead Stage 1 development in Darwin. In future years DHA will be making land sales from developments in Sydney, Brisbane, Townsville, Canberra and Adelaide, as well as from further stages at Muirhead.

## Capital structure

DHA employs total capital of \$1,868.4 million, which is funded through \$1,358.8 million in equity and \$509.6 million in debt. The equity is provided by the government as the owner of DHA and the debt arrangements are provided through a loan arrangement with the government. At 30 June 2012, gearing was 36.2 per cent and the financial results for the year provided interest cover at 4.3 times.

A primary source of funding for DHA is the sale of properties through its SLB program. In 2011–12, DHA sold 713 properties for a total sales value of \$324.9 million. DHA continues to focus on maintaining the attractiveness of the SLB product to individual investors. The overall sales objective is to achieve sufficient revenues from the sale and leaseback of inventory properties and to keep net cash from operating activities positive over the cycle.

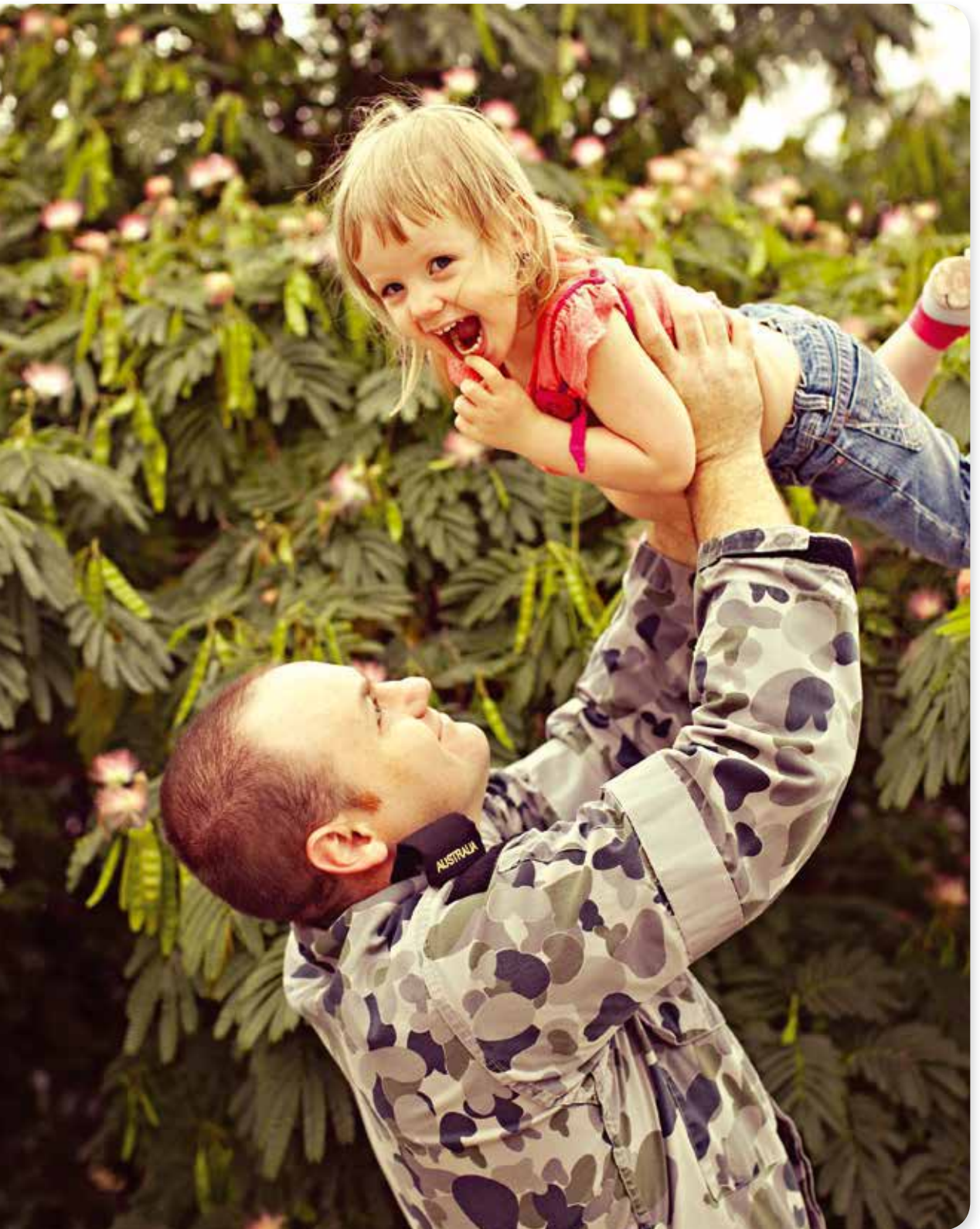
DHA has loan arrangements through the Department of Finance and Deregulation and the Department of Defence. DHA does not have a commercial overdraft facility or access to re-drawable loan facilities. There were no new borrowings in 2011–12. Borrowings outstanding totalled \$509.6 million as at 30 June 2012.

## Standard & Poor's credit rating

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

**Table 4: Financial summary**

	2007–08	2008–09	2009–10	2010–11	2011–12
Net Operating Surplus after Income Tax	\$73.8m	\$78.9m	\$87.8m	\$87.3m	\$82.8m
Annual Dividend	\$44.3m	\$47.3m	\$52.7m	\$52.4m	\$49.7m
Return on Equity	6.8%	7.3%	7.3%	6.7%	6.2%
Return on Capital Employed	7.4%	8.2%	8.8%	8.4%	7.9%
Value of Portfolio under Management	\$7.6b	\$7.8b	\$8.6b	\$9.6b	\$9.9b
Total Managed Stock (stock numbers)	17,393	17,365	18,058	18,394	18,279
Acquisitions (stock numbers)	421	130	165	190	448
Constructions (stock numbers)	658	524	965	888	319
Revenue – Disposal of Surplus Stock	\$42.0m	\$78.9m	\$40.9m	\$55.6m	\$53.2m
Revenue – Sale and Leaseback	\$265.1m	\$277.9m	\$327.6m	\$367.0m	\$324.9m
Contracted Maintenance to DHA Houses	\$30.8m	\$40.3m	\$44.2m	\$43.7m	\$45.3m





## DHA governance



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

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

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

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

## Defence Housing Australia Act 1987

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

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

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

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

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



## Commonwealth Authorities and Companies Act 1997

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

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

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

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

### **CAC Act compliance**

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

DHA is required to comply with the *Commonwealth Authorities (Annual Reporting) Orders 2011* (CAC Orders). The CAC Orders apply to DHA in relation to each financial year ending on or after 30 June 2012, except for clause 15 of the Orders (in relation to related party transactions) which applies to annual reports for each financial year ending on or after 30 June 2013.

Under section 12 of the CAC Orders, DHA is required to provide particulars of Ministerial determinations issued under the DHA Act or other legislation and of general policies of the Australian Government notified by the responsible Minister under section 28 of the CAC Act:

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

During 2011–12, there were no instances of non-compliance with a general policy of the Australian Government under section 28 of the CAC Act.

No Ministerial determinations were issued during 2011–12.

## Shareholder Ministers

The Hon. Stephen Smith MP, Minister for Defence, has portfolio responsibility for DHA. Under a dual shareholder model, overall responsibility is shared with Senator the Hon. Penny Wong, Minister for Finance and Deregulation.

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

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

## DHA Board

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

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

The DHA Board comprises nine directors:

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

During 2011–12, the DHA Board met eight times in Canberra. The Board also conducted an Annual Strategic Meeting in November 2011 at which key strategic objectives were identified and discussed.

In addition, the members of the Board visited Darwin in May 2012 for briefings with Defence personnel and inspections of DHA development housing sites.

## Board committees

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

### Board Audit Committee

The Board Audit Committee meets at least quarterly and reports to the Board on its activities at least twice a year. During 2011–12, six meetings of the Committee were held.

The key functions of the Board Audit Committee are to:

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

### Property Committee

The Property Committee meets at least quarterly and on an ad-hoc basis as required. During 2011–12, it met ten times. The Committee acts in an advisory capacity to the Board on major property transactions property matters generally.

The key functions of the Property Committee are to:

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

### Nomination and Remuneration Committee

During 2011–12, the Nomination and Remuneration Committee met twice. The key functions of the Nomination and Remuneration Committee are to:

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

### **DHA Advisory Committee**

During 2011–12, the DHA Advisory Committee met twice. The key function of the Committee is to give advice and information to DHA on the performance of DHA's functions. The Committee comprises:

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

### **Performance reporting**

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

### **Corporate Plan**

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

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

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

### **Annual Report**

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

**Statement of Corporate Intent**

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

**Board education and performance**

The DHA Board has agreed that there should be regular reviews of its performance and processes. The assessment also provides an independent confirmation that the Board, as a decision-making body, is working within the principles and practices of good governance as detailed in the Board Charter. The previous review of Board performance was conducted in March 2011 under the auspices of the Nomination and Remuneration Committee with the broad findings reported to DHA's Shareholder Ministers. A further review is planned in late 2012.

In 2011–12, the Board received education on their duties under the CAC Act, the Model Work Health and Safety Act, financial management and various aspects related to the property industry.

## Board members



**MR DEREK VOLKER AO** Chairman of the DHA Board

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



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

**Mr Del Gigante was appointed Managing Director of DHA in August 2006 and reappointed for a further term on 3 August 2011.** Mr Del Gigante joined DHA as Chief Operating Officer in April 2004 and was appointed Managing Director in August 2006. Before joining DHA, he was Chief Executive Officer of TransACT Communications. Prior to this, he was Chief Financial Officer of ActewAGL, a large electricity, water and gas utility company in Canberra. Mr Del Gigante has held senior positions with the World Bank and the Inter-American Investment Corporation in Washington, DC. He has also held executive positions in Verizon (previously GTE), a large US telecommunications company, in both Europe and the United States. He is also a member of the Advisory Board of the Royal Australian and the Italian Chamber of Commerce and Industry.



**AVM GARY BECK (Retd) AO GAICD**

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

## THE HON. ARCH BEVIS

**Mr Bevis was appointed to the DHA Board on 13 October 2011. He is a member of the Property Committee.** Before entering Parliament in 1990, Mr Bevis was a senior officer of the Queensland Teachers' Union. He was a Board Member of the Queensland Teachers' Union Health Fund and Chairperson of the Union Shopper. In his 20 years in Parliament, Mr Bevis chaired a number of Parliamentary committees. He was leader of Australian delegations to Japan and the NATO Assembly, and an Australian participant in Australian American Leadership Dialogues on Security. He held various portfolio responsibilities serving as Parliamentary Secretary for Defence, Shadow Minister for Defence, Shadow Minister for Industrial Relations and Shadow Minister for Homeland Security, Aviation and Transport Security. Mr Bevis is a Member of the Defence Force Remuneration Tribunal.



## MS CAROL HOLLEY BA

**Ms Holley was appointed to the DHA Board on 23 November 2009 and was appointed to the Property Committee in July 2011.** Ms Holley's current Board appointments include Non-Executive Director and Chair of the Audit Committee of Australian Pharmaceutical Industries Limited and Independent Member of the Audit Committee of Sinclair Knight Merz. In addition, Ms Holley is the Independent Chair of the Risk Management and Audit Committees of NSW Police Force, NSW Department of Planning and Infrastructure, Land and Housing Corporation, Northern Sydney Local Health District and the Central Coast Local Health District. Ms Holley was a Partner of Hill Rogers, Chartered Accountants, for 25 years, and holds a Bachelor of Arts from the University of Sydney, is a Chartered Accountant, a Fellow of the Australian Institute of Company Directors and a Registered Company Auditor, and Registered Tax Agent.



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

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





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

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



### **MR PETER SHARP**

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



### **MS MARGARET WALKER BCom**

**Ms Walker was appointed to the DHA Board on 15 July 2009 and reappointed on 12 July 2012. She is a member of the Audit and Nomination and Remuneration Committees.** Ms Walker is a Non-Executive Director of Cystic Fibrosis Australia. She holds a Bachelor of Commerce and is a member of the Australian Society of CPAs and a graduate member of the Australian Institute of Company Directors and Women on Boards. Ms Walker has over 25 years of senior executive experience with a variety of organisations, including ten years in strategic roles as Executive Director and Director Operations of a Commonwealth Bank-owned subsidiary, Tactical Global Management (TGM). TGM was then a pre-eminent global macro hedge fund firm with offices in Brisbane and London and US\$1.2b funds under management.



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

	BOARD	BOARD AUDIT COMMITTEE	BOARD PROPERTY COMMITTEE	BOARD NOMINATION & REMUNERATION COMMITTEE
No. of times Board/Committee met during 2011–12	9	6	10	2
Mr Derek Volker AO, Chairman	9/9		10/10	2/2
Mr Michael Del Gigante, MD*	8/8*			
AVM Gary Beck AO (Rtd)	8/9			
The Hon Arch Bevis**	7/7		6/6	
Ms Carol Holley	9/9		10/10	
The Hon. JAL (Sandy) Macdonald	9/9	6/6	9/10	
Mr Gary Potts	9/9	6/6		2/2
Mr Peter Sharp	9/9	6/6	10/10	
Ms Margaret Walker	9/9	6/6		2/2

\* Mr Del Gigante was unable to attend one Board meeting owing to the nature of the items discussed.

\*\* The Hon Arch Bevis was appointed to the Board on 13 October 2011 and subsequently to the Board Property Committee on 27 October 2011.

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

## DHA Executive

### MR PETER HOWMAN

Chief Operating Officer



#### *Educational qualifications:*

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

#### *Key responsibilities include:*

- Capital portfolio planning
- Land and housing supply management
- Client relations, complaint resolution and performance management

- Information Communications Technology development and delivery, and
- Board Committees and Board reporting.

The Chief Operating Officer works closely with the Managing Director and contributes to the overall strategic direction setting and management of the organisation. The Chief Operating Officer also ensures accurate reporting to other government agencies as required.

### MR TONY WINTERBOTTOM

General Manager, Sales, Marketing and Portfolio Management



#### *Memberships:*

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

#### *Key responsibilities include:*

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

The Sales and Marketing division has primary responsibility for the achievement of corporate objectives that relate to portfolio asset management, property sales, leasing, marketing, communications and media and public relations. The General Manager ensures that sale and leaseback targets are correctly forecast and sustainably achieved to deliver consistent funding for day-to-day operations and housing supply. This division also ensures that DHA's brand and public relations are managed in line with agreed strategies.

**MR JON BROCKLEHURST**

Chief Financial Officer

*Educational qualifications:*

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

*Key responsibilities include:*

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

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

**MR BRETT JORGENSEN**

General Manager, Property and Tenancy Services

*Educational qualifications:*

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

*Key responsibilities include:*

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

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

**MR JOHN DIETZ**

General Manager, Property Provisioning Group



*Educational qualifications:*

- Bachelor of Economics
- Bachelor of Science
- Master Degree in Project Management (in progress)

*Key responsibilities include:*

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

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

**MS LESLEY POTHAN**

Acting General Manager, Corporate Affairs



*Educational qualifications:*

- Bachelor of Commerce and Accounting

*Key responsibilities include:*

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

The General Manager, Corporate Affairs provides strategic direction of people management including organisational development needs and opportunities.

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

**MR SHANE NIELSEN**

General Manager, Business Solutions and Technology and Chief Information Officer

*Educational qualifications:*

- Bachelor of Applied Science (Computing Science)

*Key responsibilities include:*

- Information Communications and Technology (ICT) development and delivery, and
- Business Process Management

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



## Internal and external review

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

## Internal audit

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

## Risk management

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

## Fraud prevention measures

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

The Fraud Control Plan (FCP) is based on the FRA and summarises DHA's fraud-control strategies. Supporting the FCP is the Fraud Policy. They establish the framework for management and staff on DHA's approach to fraud control. The FCP and Fraud Policy provide guidance to staff on action to take to deter and detect fraud and are available on the DHA intranet. DHA treats fraud seriously and acknowledges the significance of 'whistle-blowers' in detecting fraud. DHA's Risk Manager provides annual updates to the Board Audit Committee on the effectiveness of internal controls and on efforts to mitigate exposures to fraud. No instances of fraud were recorded during the 2011–12 financial year.

## Parliamentary committees

Before commencement, public works with an estimated value in excess of \$15 million require consideration by the Parliamentary Standing Committee on Public Works and approval from the Parliament. During 2011–12, DHA referred four projects for consideration. They were the development and construction of housing for Defence members at Ermington in Sydney, Rasmussen in Townsville, Lindfield in Sydney and Weston Creek in Canberra. In addition, DHA notified the Committee of medium works, valued between \$2 and \$15 million, at RAAF Base Tindal and Larrakeyah in the Northern Territory. DHA also comes under the scrutiny of the Senate Standing Committee on Foreign Affairs, Defence and Trade. DHA was required to appear before the Committee on 29 May 2012 for Budget estimates.

## Freedom of information

DHA is required to comply with the *Freedom of Information Act 1982*. During 2011–12, eleven requests were made for access to information under the Act. One was transferred to another agency; a second was withdrawn; one was pending a decision as at 30 June 2012; and the remaining eight were processed within statutory timeframes. Requests under the *Freedom of Information Act 1982* for access to information should be made in writing to:

Company Secretary  
Defence Housing Australia  
26 Brisbane Avenue  
BARTON ACT 2600  
foi@dha.gov.au

## Privacy

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

## Ombudsman

During 2011–12, the Commonwealth Ombudsman received a total of 30 approaches concerning DHA. During the course of the year, 29 approaches were closed out (including carryover from previous years). Eight of these were the subject of investigation. There were no investigations where a finding of administrative deficiency was recorded.

## Indemnities and insurance

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



## Access to documents

Copies of the *Defence Housing Australia Act 1987* are available from Canprint Communications or over the counter from Information Victoria bookshop, Print Applied Technology or Service SA Government Legislation Outlet. For contact details, go to [www.publications.gov.au/legislation.html](http://www.publications.gov.au/legislation.html). An online version of the DHA Act can be downloaded from the Attorney-General Department's website at [comlaw.gov.au](http://comlaw.gov.au). DHA's Annual Report is available free of charge and can be downloaded from DHA's website at [www.dha.gov.au](http://www.dha.gov.au). DHA also produces and distributes brochures and other promotional material. Requests for copies of DHA publications can be made to:

### **National Manager, Marketing Communications**

Defence Housing Australia  
26 Brisbane Avenue  
BARTON ACT 2600  
Telephone: (02) 6217 8568





## Financial statements

DEFENCE HOUSING AUSTRALIA  
FINANCIAL STATEMENTS  
For The Year Ended 30 June 2012

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



## INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of Defence Housing Australia for the year ended 30 June 2012, which comprise: a Statement by the Directors, Managing Director and Chief Financial Officer; the Statement of Comprehensive Income; Balance Sheet; Cash Flow Statement; Statement of Changes in Equity; Schedule of Commitments; Schedule of Contingencies; and Notes to and forming part of the Financial Statements, including a Summary of Significant Accounting Policies and other explanatory information.

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

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

#### *Auditor's Responsibility*

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

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

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

***Independence***

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

***Opinion***

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

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including Defence Housing Australia's financial position as at 30 June 2012 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office



Jocelyn Ashford  
Executive Director

Delegate of the Auditor-General

Canberra

3 August 2011

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

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In our opinion, the attached financial statements for the year ended 30 June 2012 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997* as amended.

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

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

Derek Volker AO  
Chairman

Date of signing

2 August 2012

Michael De Gigante  
Managing Director

Date of signing 2 August 2012

Jon Brocklehurst  
Chief Financial Officer

Date of signing 2 August 2012

**DEFENCE HOUSING AUSTRALIA**  
**STATEMENT OF COMPREHENSIVE INCOME**  
*for the year ended 30 June 2012*

	Notes	30 June 2012 \$'000	30 June 2011 \$'000
<b>INCOME</b>			
<b>Revenue</b>			
Housing Services Provided	3	610,504	572,313
Allocation Services Provided	4	8,851	8,655
Sale of Inventories		245,740	241,465
Interest	5	14,732	17,402
<b>Total Revenue</b>		<b>879,827</b>	<b>839,835</b>
<b>Gains</b>			
Net Gains From Disposal of Investment Properties	6	47,746	48,361
Other Income		1,021	919
<b>Total Income</b>		<b>928,594</b>	<b>889,115</b>
<b>EXPENSES</b>			
Employee Benefits	7	53,266	49,761
Housing Services Lense Rentals		299,532	287,815
Rates, Repairs and Maintenance	8	160,917	135,684
Depreciation and Amortisation	9	13,880	15,525
Cost of Inventories Sold		235,086	235,428
Finance Costs	10	31,818	31,462
Write-Down and Impairment of Assets	11	4,987	3,486
Other Expenses		24,527	17,126
<b>Total Expenses</b>		<b>824,013</b>	<b>776,287</b>
Share of the Other Comprehensive Income of Associates and Joint Ventures accounted for using the Equity Method		720	385
<b>Profit Before Income Tax on Continuing Operations</b>		<b>105,301</b>	<b>113,213</b>
Income Tax Expense	12	22,543	26,113
<b>Profit After Income Tax on Continuing Operations</b>		<b>82,758</b>	<b>87,100</b>
Discontinued Operations: Post Tax Profit or Loss and Post Tax Gains and/or Losses	13	-	198
<b>Profit After Income Tax</b>		<b>82,758</b>	<b>87,298</b>
Other Comprehensive Income		-	-
<b>Total Comprehensive Income</b>		<b>82,758</b>	<b>87,298</b>

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



**DEFENCE HOUSING AUSTRALIA**  
**BALANCE SHEET**

*as at 30 June 2012*

		30 June 2012	30 June 2011
	Notes	<u>\$'000</u>	<u>\$'000</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	14	295,190	282,694
Trade and Other Receivables	15	12,704	30,564
Other Current Assets	17	26,813	26,480
Inventories	19	289,639	220,990
		<u>624,346</u>	<u>560,728</u>
Investment Properties for Sale	16	25,876	47,430
<b>Total Current Assets</b>		<u>650,222</u>	<u>608,158</u>
<b>Non-Current Assets</b>			
Deferred Tax Assets	18	18,913	26,210
Inventories	19	602,240	454,857
Plant, Equipment and Intangibles	20	5,504	4,163
Investment Properties	22	848,676	979,185
Finance Lease Receivables	23	872	18,936
Other Receivables	15	227	370
Investments Accounted for Using the Equity Method	21	3,878	4,946
<b>Total Non-Current Assets</b>		<u>1,480,310</u>	<u>1,488,667</u>
<b>Total Assets</b>		<u>2,130,532</u>	<u>2,096,825</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	24	65,360	77,576
Current Tax Liabilities	25	4,039	10,651
Dividends	26	49,654	52,332
Borrowings	28	130,000	130,480
Other Financial Liabilities	29	25,791	20,221
Provisions	30	19,809	23,103
<b>Total Current Liabilities</b>		<u>294,653</u>	<u>314,363</u>
<b>Non-Current Liabilities</b>			
Borrowings	28	379,580	379,100
Trade and Other Payables	24	11,754	-
Other Financial Liabilities	29	1,111	830
Provisions	30	84,588	76,790
<b>Total Non-Current Liabilities</b>		<u>477,033</u>	<u>456,720</u>
<b>Total Liabilities</b>		<u>771,686</u>	<u>771,083</u>
<b>NET ASSETS</b>		<u>1,358,846</u>	<u>1,325,742</u>
<b>EQUITY</b>			
Contributed Equity		403,863	403,863
Retained Earnings		<u>954,983</u>	<u>921,879</u>
<b>TOTAL EQUITY</b>		<u>1,358,846</u>	<u>1,325,742</u>

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

**Defence Housing Australia**  
**Cash Flow Statement**  
*for the year ended 30 June 2012*

	30 June 2012	30 June 2011
Notes	<u>\$'000</u>	<u>\$'000</u>
<b>OPERATING ACTIVITIES</b>		
<b>Cash Received</b>		
Sales of Goods and Services	610,701	541,623
Sales of Inventory	246,522	240,458
Interest	14,071	19,202
Other Cash Received	215	228
Stamp Duty and Land Tax Equivalents Received	32,990	26,488
<b>Total Cash Received</b>	<u>904,499</u>	<u>827,999</u>
<b>Cash Used</b>		
Employees	52,620	49,262
Suppliers	470,473	431,218
Borrowing Costs	32,173	31,107
Income Taxes Paid	21,858	35,609
Stamp Duty and Land Tax Equivalents Paid	30,095	27,073
Acquisition and Construction of Inventories	356,122	418,866
<b>Total Cash Used</b>	<u>963,341</u>	<u>993,135</u>
<b>Net Cash Used By Operating Activities</b>	31 <u>(58,842)</u>	<u>(165,136)</u>
<b>INVESTING ACTIVITIES</b>		
<b>Cash Received</b>		
Proceeds from Sales of Investment Properties	142,891	182,463
Proceeds from Sales of Plant and Equipment	-	6
Investment in Associates	1,888	350
Defence Annuities	36,945	146,108
<b>Total Cash Received</b>	<u>181,724</u>	<u>328,927</u>
<b>Cash Used</b>		
Acquisition and Construction of Investment Properties	34,015	125,300
Defence Annuities	20,643	18,166
Acquisition of Plant and Equipment	3,396	1,253
Investment in Associates	-	-
<b>Total Cash Used</b>	<u>58,054</u>	<u>144,719</u>
<b>Net Cash from Investing Activities</b>	<u>123,670</u>	<u>184,208</u>
<b>FINANCING ACTIVITIES</b>		
<b>Cash Received</b>		
Proceeds from Debt	-	44,100
Contributed Equity	-	-
<b>Total Cash Received</b>	<u>-</u>	<u>44,100</u>
<b>Cash Used</b>		
Dividend Paid	52,332	52,700
<b>Total Cash Used</b>	<u>52,332</u>	<u>52,700</u>
<b>Net Cash Used By Financing Activities</b>	<u>(52,332)</u>	<u>(8,600)</u>
<b>Net Increase in Cash Held</b>	<u>12,496</u>	<u>10,472</u>
Cash and Cash Equivalents at the Beginning of the Reporting Period	282,694	272,222
<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	14 <u>295,190</u>	<u>282,694</u>

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

**Defence Housing Australia**  
**Statement of Changes in Equity**  
*for the year ended 30 June 2012*

	Retained Earnings		Contributed Equity		Total Equity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Opening Balance</b>	921,879	886,959	403,863	403,863	1,325,742	1,290,822
Adjusted opening balance	921,879	886,959	403,863	403,863	1,325,742	1,290,822
<b>Comprehensive Income</b>						
Other Comprehensive Income	-	-	-	-	-	-
Profit for the Period	82,758	87,298	-	-	82,758	87,298
<b>Total Comprehensive Income</b>	82,758	87,298	-	-	82,758	87,298
<b>Transactions with owners</b>						
Distributions to owners						
Returns on capital:						
Dividends	(49,654)	(52,378)	-	-	(49,654)	(52,378)
<b>Sub-total transactions with owners</b>	(49,654)	(52,378)	-	-	(49,654)	(52,378)
Closing Balance as at 30 June	954,983	921,879	403,863	403,863	1,358,846	1,325,742
<b>Closing Balance Attributable to the Australian Government</b>	954,983	921,879	403,863	403,863	1,358,846	1,325,742

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

**Defence Housing Australia  
Schedule of Commitments**

*as at 30 June 2012*

	<b>30 June 2012 S'000</b>	30 June 2011 S'000
<b>BY TYPE</b>		
<b>Commitments Receivable</b>		
Sublease Rental Income <sup>1</sup>	238	1,008
Operating Lease Income <sup>2</sup>	<u>3,131,263</u>	<u>3,277,736</u>
<b>Total Commitments Receivable</b>	<u><b>3,131,501</b></u>	<u><b>3,278,744</b></u>
<b>Commitments Payable</b>		
<b>Capital Commitments</b>		
Construction Commitments <sup>3</sup>	<u>73,624</u>	<u>139,151</u>
<b>Total Capital Commitments</b>	<u><b>73,624</b></u>	<u><b>139,151</b></u>
<b>Other Commitments</b>		
House Operating Lease Rentals <sup>4</sup>	2,643,454	2,649,290
Other Operating Leases <sup>5</sup>	<u>33,850</u>	<u>27,770</u>
<b>Total Other Commitments</b>	<u><b>2,677,304</b></u>	<u><b>2,677,060</b></u>
<b>Net Commitments By Type</b>	<u><b>380,573</b></u>	<u><b>462,533</b></u>
<b>BY MATURITY</b>		
<b>Commitments Receivable</b>		
<b>Operating Lease Income</b>		
One Year or Less	369,087	354,253
From One to Five Years	1,416,642	1,407,532
Over Five Years	<u>1,345,534</u>	<u>1,515,951</u>
<b>Total Operating Lease Income</b>	<u><b>3,131,263</b></u>	<u><b>3,277,736</b></u>
<b>Other Commitments Receivable</b>		
One Year or Less	238	756
From One to Five Years	<u>-</u>	<u>252</u>
<b>Total Other Commitments Receivable</b>	<u><b>238</b></u>	<u><b>1,008</b></u>
<b>Commitments Payable</b>		
<b>Capital Commitments</b>		
One Year or Less	71,944	67,156
From One to Five Years	<u>1,680</u>	<u>71,995</u>
<b>Total Capital Commitments</b>	<u><b>73,624</b></u>	<u><b>139,151</b></u>
<b>Operating Lease Commitments</b>		
One Year or Less	316,068	304,865
From One to Five Years	1,268,067	1,228,700
Over Five Years	<u>1,093,169</u>	<u>1,143,495</u>
<b>Total Operating Lease Commitments</b>	<u><b>2,677,304</b></u>	<u><b>2,677,060</b></u>
<b>Net Commitments by Maturity</b>	<u><b>380,573</b></u>	<u><b>462,533</b></u>

NB: Commitments are GST inclusive where relevant.

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

<sup>2</sup> Rent receivable under the head lease agreement with the Department of Defence.

<sup>3</sup> Outstanding contractual payments for buildings under construction.

<sup>4</sup> Outstanding payments due on properties leased.

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

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

**DEFENCE HOUSING AUSTRALIA  
SCHEDULE OF CONTINGENCIES**

*as at 30 June 2012*

	<b>30 June 2012 \$'000</b>	30 June 2011 \$'000
<b>Contingent Assets</b>	-	-
<b>Total Contingent Assets</b>	<u>-</u>	<u>-</u>
<b>Contingent Liabilities</b>		
Guarantees	<u>9,111</u>	<u>1,893</u>
<b>Total Contingent Liabilities</b>	<u>9,111</u>	<u>1,893</u>
<b>Net Contingent Assets (Liabilities)</b>	<u>(9,111)</u>	<u>(1,893)</u>

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

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

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## Notes to and forming part of the Financial Statements

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### Note 1: Summary of Significant Accounting Policies

#### 1.1 Objectives of DHA

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

DHA is structured to meet one outcome:

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

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

#### 1.2 Basis of Preparation of the Financial Statements

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

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

- Finance Minister's Orders (or FMOs) applicable to for-profit entities for reporting periods ending on or after 1 July 2011; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

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

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

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

#### 1.3 Significant Accounting Judgement and Estimates

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

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

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

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- The net realisable value of an inventory development site is the finished product's gross realisation less costs to date, costs to complete and selling costs. Where the net realisable value is negative the costs to date for the development site are written down by the value of the estimated loss.
- The fair value of investment properties is assessed annually by an independent valuer and a value in use calculation is prepared internally for assets not identified for future sale. Where the fair value less costs to sell and the value in use calculation for an individual property is less than its costs, the carrying value of the property is written down to the higher of the two valuation methods.
- A liability is recognised for make good costs to be incurred on the expiry of long term leases. Management have made assumptions regarding the future economic outflows associated with the make good expenditure, based on historical data. These assumptions are detailed at 1.10.

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

#### 1.4 New Australian Accounting Standards

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

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

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

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

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

#### 1.5 Revenue

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

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

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

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

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

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



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

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### **1.6 Transactions with the Government as owner**

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

### **1.7 Goods and Services Tax**

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

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

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

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

### **1.8 Employee Benefits**

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

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

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

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

#### Leave

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

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

The liability for long service leave has been determined by reference to Part E, Chapter 43 of the Finance Minister's Orders 2011-2012. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation. The non-current portion of the liability for long service leave in respect of all employees at 30 June 2012, is recognised and measured at the present value of the estimated future cash flows, based on the shorthand method.

#### Superannuation

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

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

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

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

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

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

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

#### **1.9 Leases**

##### **DHA as Lessee**

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

##### Operating Leases

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

DHA has three categories of operating leases:

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

##### Finance leases

DHA does not have any finance leases payable.

##### **DHA as Lessor**

##### Finance leases

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

#### **1.10 Sale and Leaseback Provision**

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

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

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

At the time of recording the sale, a provision is raised to recognise the make good obligation. The provision is based on an assessment of the present value of the necessary costs to make good properties at the end of their lease terms. The estimate includes an inflation factor of 2.5% (2011: 3.0%) and a discount rate of 3.63% (2011: 5.44%), being the 5 year swap rate as at 30 June 2012.

Actual make good expenditure is charged, as incurred against the provision. The estimate of future make good maintenance is reviewed annually to ensure that the make good provision is adequate to meet the liability. In the 2011-12 financial year the provision was increased by \$4,246,993 as a result of the significant reduction in the discount rate during the year. This adjustment is included with "Other Expenses" in the Statement of Comprehensive Income.

#### **1.11 Interest Bearing Loans and Borrowings**

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

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

#### **1.12 Income Tax**

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

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

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

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

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

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

#### **1.13 Dividends**

A provision for dividend is recognised as a liability when dividends are appropriately authorised by the Board and are no longer at the discretion of the entity. The shareholder ministers have approved a dividend of 60% of net profit after tax as disclosed in the 2011/2012 - 2013/2014 Corporate Plan. In accordance with paragraph 41.3 of the FMOs, DHA has recognised the liability for the 2011-12 dividend at balance date. Refer to Note 2.

#### **1.14 Cash and Cash Equivalents**

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

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

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### **1.15 Financial Assets**

DHA classifies its financial assets as loans and receivables.

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

Financial assets are recognised and derecognised upon trade date.

#### *Effective Interest Method*

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

Income is recognised on an effective interest rate basis.

#### *Loans and Receivables*

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

#### *Impairment of Financial Assets*

Financial assets are assessed for impairment at each balance date.

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

### **1.16 Financial Liabilities**

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

#### *Other Financial Liabilities*

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

#### *Trade and Other Payables*

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

### **1.17 Contingent Liabilities and Contingent Assets**

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

## Notes to and forming part of the Financial Statements

### 1.18 Intangibles

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

Software is amortised on a straight line basis over its anticipated useful life. All software assets were assessed for indicators of impairment as at 30 June 2012.

### 1.19 Property, Plant and Equipment

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

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

#### Properties

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

DHA accounts for inventory properties under AASB 102 - Inventories. Inventories are properties which are held for provisioning and are available for sale in the short to medium term in order to free capital for reinvestment. Additional information on inventories can be found at note 1.22.

DHA accounts for investment properties under AASB 140 - Investment Properties. Investment properties are properties held for long-term provisioning requirements or for capital appreciation. Additional information on investment properties can be found at note 1.20.

#### Depreciation

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

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

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

	<u>2012</u>	<u>2011</u>
Investment Properties	50 years	50 years
Office Fitouts	3 to 40 years	3 to 40 years
Plant and Equipment	2 to 19 years	2 to 19 years
Software	2.5 to 6 years	2.5 to 6 years

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

#### Impairment

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

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

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

Where impairment write backs are identified, the adjustment is made to value the asset to the higher of cost or recoverable amount.

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

#### **1.20 Investment Properties**

Investment properties are separated into the following categories:

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

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

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

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

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

#### **1.21 Investment Properties for Sale**

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

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

#### **1.22 Inventories**

Inventories are separated into the following categories:

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

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

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

### Development Projects

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

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

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

### **1.23 Repairs and Maintenance**

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

### **1.24 Joint Ventures**

#### Jointly Controlled Assets and Operations

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

#### Jointly Controlled Entities

Interests in jointly controlled entities are accounted for under the equity method in the financial statements - refer note 1.29.

### **1.25 Provisions**

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

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

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

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

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

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

DHA capitalises stamp duty incurred on vacant land acquisitions.

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

## Notes to and forming part of the Financial Statements

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### 1.27 Rounding

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

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

### 1.28 Financial Risk Management

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

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

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

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

### 1.29 Investments in Associates

Associates are all entities over which DHA has significant influence but not control. Investments in associates are accounted for in the financial statements using the equity method of accounting, after initially being recognised at cost. DHA's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 40).

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

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

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



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

<b>30 June</b>	30 June
<b>2012</b>	2011
<b>\$'000</b>	\$'000

**Note 2: Final Dividends**

The DHA Board has declared a final dividend for the year ending 30 June 2012 of \$49,653,952 (2011: \$52,378,619). The shareholder ministers have approved a dividend of 60% of net profit after tax as disclosed in the 2011/2012 - 2013/2014 Corporate Plan. In accordance with paragraph 41.3 of the FMO's, DHA has recognised a liability for the dividend.

<b>Final Dividend</b>	<b>49,654</b>	52,378
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**Note 3: Housing Services Provided**

Defence Rent and Charges	487,092	471,502
Defence Other Charges	66,958	46,505
Lessor Management Fees	43,215	41,348
Other Revenue	13,239	12,958
<b>Total Housing Services Provided</b>	<b>610,504</b>	572,313

Defence Rent and Charges includes rent derived from investment properties of \$69,385,569 (2011: \$73,288,021).

Housing Services provided are made up of:

Housing Services - Related Entities	554,050	518,007
Housing Services - External Parties	56,454	54,306
<b>Total Housing Services Provided</b>	<b>610,504</b>	572,313

**Note 4: Allocation Services Provided**

Allocation Administration Fees	8,851	8,655
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**Note 5: Interest Received**

Interest on Deposits	14,632	17,266
Interest from Crace Developments Pty Ltd	100	136
<b>Total Interest Received</b>	<b>14,732</b>	17,402

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

Proceeds from Sale	184,041	191,793
Carrying Value of Assets Sold	(131,622)	(136,974)
Selling Expenses	(4,673)	(6,458)
<b>Net Gains from Disposal of Investment Properties</b>	<b>47,746</b>	48,361

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

	30 June 2012	30 June 2011
	<u>\$'000</u>	<u>\$'000</u>

**Note 7: Employee Benefits**

Wages and Salaries	37,532	34,709
Superannuation:		
Defined Contribution Plans	4,784	4,332
Defined Benefit Plans	2,561	2,667
Leave and Other Entitlements	4,822	4,193
Payroll Tax Equivalent	3,200	3,579
Workers' Compensation Premiums	<u>367</u>	<u>281</u>
<b>Total Employee Benefits</b>	<b><u>53,266</u></b>	<b><u>49,761</u></b>

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

**Note 8: Rates, Repairs and Maintenance**

Heritage Property Upgrades for Defence	564	1,973
Other Property Charges	84,093	62,033
Rates and Municipal Charges	9,958	9,396
Stamp Duty and Land Tax Equivalent	29,655	27,114
Repairs and Maintenance	<u>36,647</u>	<u>35,168</u>
<b>Total Rates, Repairs and Maintenance</b>	<b><u>160,917</u></b>	<b><u>135,684</u></b>

Stamp duty and land tax equivalents are related party transactions associated with the Department of Defence. All other expenses are incurred with external parties. Other Property Charges includes expenditure incurred by DHA and recovered from Department of Defence.

Rates, Repairs and Maintenance includes expenditure incurred on investment properties of \$18,801,298 (2011: \$22,359,734 ).

**Note 9: Depreciation and Amortisation**

<b>Depreciation</b>		
Investment Property	12,008	12,466
Other Plant and Equipment	<u>826</u>	<u>814</u>
<b>Total Depreciation</b>	<b><u>12,834</u></b>	<b><u>13,280</u></b>
<b>Amortisation</b>		
Software	<u>1,046</u>	<u>2,245</u>
<b>Total Amortisation</b>	<b><u>1,046</u></b>	<b><u>2,245</u></b>
<b>Total Depreciation and Amortisation</b>	<b><u>13,880</u></b>	<b><u>15,525</u></b>

**Note 10: Finance Costs**

Interest on Loans	<u>31,818</u>	<u>31,462</u>
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**Notes to and forming part of the Financial Statements**

	30 June 2012 \$'000	30 June 2011 \$'000
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**Note 11: Write-Down and Impairment of Assets****Non-Financial Assets****Write-Downs and Impairments**

Investment Property	2,658	4,821
Inventories	12,940	11,880
Plant and Equipment	122	-
<b>Total Write-Downs and Impairments</b>	<b>15,720</b>	<b>16,701</b>

**Reversals**

Investment Property	(6,103)	(2,836)
Inventories	(4,630)	(10,379)
	<b>(10,733)</b>	<b>(13,215)</b>

**Total Reversals**

<b>Net Write-Down and Impairment of Assets</b>	<b>4,987</b>	<b>3,486</b>
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To ensure compliance with AASB 140 - Investment Property, an independent assessment of investment properties was undertaken by registered valuers as at 31 December 2011, and a value in use calculation has been prepared internally for assets not identified for future sale. The carrying value of individual properties, where the cost of the property exceeded the recoverable amount, have been impaired accordingly. Refer also Note 22.

To ensure compliance with AASB 102 - Inventories, an independent assessment of inventory properties was undertaken by registered valuers as at 31 December 2011. The carrying value of individual properties, where the cost of the property exceeded the net realisable value, have been adjusted accordingly. Refer also Note 19.

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

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

**Note 12: Income Tax Expense****(a) Income Tax Expense**

Current Tax	22,702	22,671
Deferred Tax	7,297	3,952
Adjustments for Current Tax of Prior Periods	(7,456)	(425)
	<b>22,543</b>	<b>26,198</b>

Income Tax Expense is Attributable to:

Profit from Continuing Operations	22,543	26,113
Profit from Discontinued Operations (Note 13)	-	85
	<b>22,543</b>	<b>26,198</b>

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

Decrease (Increase) in Deferred Tax Assets (Note 18)	7,297	3,952
	<b>7,297</b>	<b>3,952</b>

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

	<b>30 June 2012 \$'000</b>	30 June 2011 \$'000
<b>(b) Reconciliation of Income Tax Expense to Prima Facie Tax Payable</b>		
Profit from Continuing Operations Before Income Tax Expense	<b>105,301</b>	113,213
Profit from Discontinuing Operations Before Income Tax Expense	<u>-</u>	<u>283</u>
Tax at the Australian Tax Rate of 30% (2011: 30%)	<b>31,590</b>	34,049
Tax Effect of Amounts which are Not Deductible (Taxable) in Calculating Taxable Income:		
Tax Cost Base Valuations	<b>(8,410)</b>	(7,448)
Adjustments for Current Tax of Prior Periods	<b>(659)</b>	(425)
Other	<u>22</u>	<u>22</u>
<b>Total Income Tax Expense</b>	<b><u>22,543</u></b>	<b><u>26,198</u></b>

As a result of DHA becoming a taxable entity on 1 July 2007, an unrecognised temporary difference (Deferred Tax Asset) was created between the accounting carrying value and the tax values for property held as Investment Property. The unrecognised value of the temporary difference at 30 June 2012 is \$554,384,676 (2011: \$582,332,400). The tax effect of this temporary difference is \$166,315,403 (2011: \$174,699,720).

**Note 13: Discontinued Operations**

**(a) Description**

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

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

**(b) Financial Performance and Cash Flow Information**

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

Revenue	-	5,805
Expenses	<u>-</u>	<u>(5,522)</u>
<b>Profit Before Income Tax</b>	-	283
Income Tax Expense	<u>-</u>	<u>(85)</u>
<b>Profit After Income Tax of Discontinued Operations</b>	<u>-</u>	<u>198</u>
<b>Profit From Discontinued Operations</b>	<u>-</u>	<u>198</u>

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

	<b>30 June 2012 \$'000</b>	30 June 2011 \$'000
<b>Note 13: Discontinued Operations (continued)</b>		
Net Cash Inflow / (Outflow) From Operating Activities	-	(2,367)
Net Cash Inflow / (Outflow) From Investing Activities	-	-
Net Cash Inflow / (Outflow) From Financing Activities	-	-
<b>Net Increase/(Decrease) in Cash Generated by the Division</b>	<b>-</b>	<b>(2,367)</b>

**(c) Carrying Amounts of Assets and Liabilities**

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

Cash and Investments	-	-
Trade Receivables	-	-
Deferred Tax Asset	-	-
<b>Total assets</b>	<b>-</b>	<b>-</b>
Trade Creditors	-	-
Provision for Employee Benefits	-	-
Provision - Other Taxes	-	-
Provision - Other	-	-
<b>Net assets</b>	<b>-</b>	<b>-</b>
<b>Net Equity</b>	<b>-</b>	<b>-</b>

**Note 14: Cash and Cash Equivalents**

Cash at Bank	674	2,179
Cash on Hand	16	15
Short Term Deposits	294,500	280,500
<b>Total Cash and Cash Equivalents</b>	<b>295,190</b>	<b>282,694</b>

All cash recognised is a current asset.

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

	30 June 2012 \$'000	30 June 2011 \$'000
<b>Note 15: Trade and Other Receivables</b>		
<b>Current</b>		
Department of Defence Debtors	1,618	7,679
Accrued Income	10,010	16,976
Other Receivables	<u>1,076</u>	<u>5,909</u>
<b>Total Receivables for Goods and Services</b>	<b><u>12,704</u></b>	<b><u>30,564</u></b>
<b>Non-Current</b>		
Other Receivables from External Parties	<u>227</u>	<u>370</u>
<b>Total Receivables for Goods and Services</b>	<b><u>227</u></b>	<b><u>370</u></b>
<b>Total Trade and Other Receivables (Net)</b>	<b><u>12,931</u></b>	<b><u>30,934</u></b>
<b>Good and Services</b>		
Goods and Services - Related Entities	8,651	26,665
Goods and Services - External Parties	<u>4,280</u>	<u>4,269</u>
<b>Total Trade and Other Receivables (Net)</b>	<b><u>12,931</u></b>	<b><u>30,934</u></b>
<b>Receivables are expected to be recovered in:</b>		
Less than 12 Months	12,704	30,564
More than 12 Months	<u>227</u>	<u>370</u>
<b>Total Trade and Other Receivables (Net)</b>	<b><u>12,931</u></b>	<b><u>30,934</u></b>
Credit terms are between 7 and 30 days.		
<b>Receivables are aged as follows:</b>		
Less than 30 Days	12,931	30,827
More than 120 Days	<u>191</u>	<u>194</u>
<b>Total Trade and Other Receivables (Gross)</b>	<b><u>13,122</u></b>	<b><u>31,021</u></b>
<b>The impairment allowance account is aged as follows:</b>		
90 to 120 Days	-	-
More than 120 Days	<u>191</u>	<u>87</u>
<b>Total Impairment Allowance Account</b>	<b><u>191</u></b>	<b><u>87</u></b>

**Notes to and forming part of the Financial Statements****Note 15: Trade and Other Receivables (continued)****Reconciliation of the Impairment Allowance Account:****Movements in relation to 2012**

	Department of Defence \$'000	Other Receivables \$'000	Total \$'000
<b>Opening Balance</b>	-	87	87
Amounts provided for	-	104	104
Amounts Recovered and Reversed	-	-	-
Increase/Decrease Recognised in Net Surplus	-	-	-
<b>Closing Balance</b>	-	191	191

**Movements in relation to 2011**

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

**Note 16: Investment Properties for Sale**

Investment Properties - At Cost	17,228	39,266
Investment Properties - At Cost (Less Impairment)	<u>8,648</u>	<u>8,164</u>
<b>Total Investment Properties for Sale</b>	<b><u>25,876</u></b>	<b><u>47,430</u></b>

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

**Note 17: Other Current Assets**

Finance Lease Receivable (Note 23)	190	1,208
Other Prepayments	872	865
Prepaid Property Rentals	<u>25,751</u>	<u>24,407</u>
<b>Total Other Current Assets</b>	<b><u>26,813</u></b>	<b><u>26,480</u></b>

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

	<b>30 June</b>	30 June
	<b>2012</b>	2011
	<b>\$'000</b>	\$'000

**Note 18: Deferred Tax Assets**

The balance comprises temporary differences attributable to:

Employee Benefits	4,267	3,793
Doubtful Debts	57	26
Make Good Provision	26,118	25,172
Provisions	1,047	804
Lease Incentive	386	282
Property, Plant and Equipment	454	798
<b>Total deferred tax assets</b>	<b>32,329</b>	<b>30,875</b>

Set-off of deferred tax liabilities pursuant to set-off provisions (Note 27)	<b>(13,416)</b>	<b>(4,665)</b>
<b>Net Deferred Tax Assets</b>	<b>18,913</b>	<b>26,210</b>

Deferred Tax Assets (Deferred Tax Liability) expected to be recovered within 12 months	<b>(4,474)</b>	4,509
Deferred Tax Assets expected to be recovered after more than 12 months	<b>23,387</b>	21,701
	<b>18,913</b>	<b>26,210</b>

**Reconciliation of Deferred Tax Assets**

	Employee Benefits \$'000	Make Good Provision \$'000	Provisions \$'000	Property, Plant and Equipment \$'000	Inventory Properties \$'000	Other \$'000	Total \$'000
<b>Opening Balance 1 July 2010</b>	3,353	23,674	1,082	378	3,179	26	31,692
Charged to the Income Statement	440	1,498	(278)	420	(3,179)	282	(817)
<b>Closing Balance 30 June 2011</b>	<b>3,793</b>	<b>25,172</b>	<b>804</b>	<b>798</b>	<b>-</b>	<b>308</b>	<b>30,875</b>
<b>Opening Balance 1 July 2011</b>	<b>3,793</b>	<b>25,172</b>	<b>804</b>	<b>798</b>	<b>-</b>	<b>308</b>	<b>30,875</b>
Charged to income statement	474	946	243	(344)	-	135	1,454
<b>Closing Balance 30 June 2012</b>	<b>4,267</b>	<b>26,118</b>	<b>1,047</b>	<b>454</b>	<b>-</b>	<b>443</b>	<b>32,329</b>



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

	30 June 2012 \$'000	30 June 2011 \$'000
<b>Note 19: Inventories</b>		
Completed Properties - At Cost	184,935	182,582
Completed Properties - At Net Realisable Value	322,547	256,763
Land Held for Sale - At Cost	13,540	-
Work in Progress - At Cost	358,083	200,942
Work in Progress - At Net Realisable Value	12,774	35,560
<b>Total Inventories</b>	<b>891,879</b>	<b>675,847</b>
Current	289,639	220,990
Non-Current	602,240	454,857
	<b>891,879</b>	<b>675,847</b>
The total fair value of inventory properties at 30 June 2012 is \$1,000,916,896 (2011: \$741,762,565).		
<b>Note 20: Plant, Equipment and Intangibles</b>		
Plant and Equipment - At Cost	11,175	10,910
Less: Accumulated Depreciation	(7,145)	(8,373)
<b>Plant and Equipment - At Cost</b>	<b>4,030</b>	<b>2,537</b>
Software Development - At cost	21,657	20,763
Less: Accumulated Amortisation	(20,183)	(19,137)
<b>Software - At Cost</b>	<b>1,474</b>	<b>1,626</b>
Impaired Software		
Software Development - At Cost	155	155
Less: Accumulated Amortisation	(91)	(91)
Less: Impairment	(64)	(64)
<b>Total Impaired Software</b>	<b>-</b>	<b>-</b>
Impaired Plant and Equipment		
Plant and Equipment - At Cost	137	-
Less: Accumulated Amortisation	(15)	-
Less: Impairment	(122)	-
<b>Total Impaired Plant and Equipment</b>	<b>-</b>	<b>-</b>
<b>Total Plant, Equipment and Intangibles (Non-Current)</b>	<b>5,504</b>	<b>4,163</b>

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

**Note A: Property, Plant and Equipment**

**Reconciliation of the Opening and Closing Balances of Plant and Equipment**

	30 June 2012 \$'000	30 June 2011 \$'000
<b>Opening Balance</b>		
Gross Book Value	10,910	10,485
Accumulated Depreciation and Impairment	(8,373)	(7,579)
<b>Opening Net Book Value 1 July</b>	<b>2,537</b>	<b>2,906</b>
Additions	2,684	540
Depreciation Expense	(826)	(814)
Impairment	(122)	-
<b>Disposals</b>		
Other Disposals	(2,282)	(115)
Depreciation/Impairment Written Back on Disposal	2,039	20
<b>Closing Net Book Value 30 June</b>	<b>4,030</b>	<b>2,537</b>
<b>Closing Net Book Value 30 June represented by:</b>		
Gross Book Value	11,312	10,910
Accumulated Depreciation and Impairment	(7,282)	(8,373)
<b>Closing Net Book Value 30 June</b>	<b>4,030</b>	<b>2,537</b>

**Reconciliation of the Opening and Closing Balances of Software Development**

	30 June 2012 \$'000	30 June 2011 \$'000
<b>Opening Balance</b>		
Gross Book Value	20,918	20,622
Accumulated Amortisation and Impairment	(19,292)	(17,543)
<b>Opening Net Book Value 1 July</b>	<b>1,626</b>	<b>3,079</b>
Additions	894	792
Net Impairments Recognised in the Discontinued Operations Result	-	-
Amortisation Expense	(1,046)	(2,245)
<b>Disposals</b>		
Other Disposals	-	(496)
Amortisation/Impairment Written Back on Disposal	-	496
<b>Closing Net Book Value 30 June</b>	<b>1,474</b>	<b>1,626</b>
<b>Closing Net Book Value 30 June represented by:</b>		
Gross Book Value	21,812	20,918
Accumulated Amortisation and Impairment	(20,338)	(19,292)
<b>Closing Net Book Value 30 June</b>	<b>1,474</b>	<b>1,626</b>

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

<b>30 June</b>	30 June
<b>2012</b>	2011
<b>\$'000</b>	\$'000

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

Crace Developments Pty Ltd	<u>3,878</u>	4,946
<b>Total Share in Associates</b>	<b><u>3,878</u></b>	<b><u>4,946</u></b>

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

**Note 22: Investment Properties**

Investment Properties - At Cost	778,996	875,725
Less: Accumulated Depreciation	<u>(77,636)</u>	<u>(72,336)</u>
	<b><u>701,360</u></b>	<b><u>803,389</u></b>

## Impaired Investment Properties

Investment Properties - At Cost	158,225	191,374
Less: Accumulated Depreciation	<u>(3,851)</u>	<u>(3,431)</u>
Less: Impairment	<u>(7,058)</u>	<u>(12,147)</u>
	<b><u>147,316</u></b>	<b><u>175,796</u></b>

<b>Total Investment Properties</b>	<b><u>848,676</u></b>	<b><u>979,185</u></b>
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The total fair value of investment properties (including investment properties held for sale in Note 16) at 30 June 2012 is \$1,604,075,929 (2011: \$1,867,633,058).

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

**Note 22: Investment Properties (continued)**

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

	30 June 2012	30 June 2011
	\$'000	\$'000
<b>Opening Balance</b>		
Gross Book Value	1,067,099	1,049,419
Accumulated Depreciation and Impairment	(87,914)	(83,121)
<b>Opening Net Book Value 1 July</b>	<b>979,185</b>	<b>966,298</b>
<b>Additions</b>		
By Purchase	104,840	140,196
By Transfer to/from Inventory	(115,747)	25,288
Net Impairments Recognised in the Operating Result	1,929	(1,985)
Depreciation Expense	(12,008)	(12,466)
Transfer (to)/from Assets Held for Sale	(86,070)	(87,741)
<b>Disposals</b>		
Other Disposals	(32,901)	(60,063)
Depreciation/Impairment Written Back on Disposal	9,448	9,658
<b>Closing Net Book Value 30 June</b>	<b>848,676</b>	<b>979,185</b>
<b>Closing Net Book Value 30 June represented by:</b>		
Gross Book Value	937,221	1,067,099
Accumulated Depreciation and Impairment	(88,545)	(87,914)
<b>Closing Net Book Value 30 June</b>	<b>848,676</b>	<b>979,185</b>

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

	30 June 2012 \$'000	30 June 2011 \$'000
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**Note 23: Finance Lease Receivables**

<b>Current Finance Lease Receivables</b>		
Due not later than 1 year	190	1,208
<b>Total Current Finance Lease Receivables</b>	<u>190</u>	<u>1,208</u>
<b>Non-Current Finance Lease Receivables</b>		
Due later than 1 year not later than 5 years	872	16,625
Due later than 5 years	-	2,311
<b>Total Non-Current Finance Lease Receivables</b>	<u>872</u>	<u>18,936</u>
<b>Total Finance Lease Receivables</b>	<u>1,062</u>	<u>20,144</u>
<b>Current</b>		
Total Payments Receivable	243	2,683
Future Finance Charges	(53)	(1,475)
<b>Current Finance Lease Receivables</b>	<u>190</u>	<u>1,208</u>
<b>Non-Current</b>		
Total Payments Receivable	971	23,639
Future Finance Charges	(99)	(4,703)
<b>Non-Current Finance Lease Receivables</b>	<u>872</u>	<u>18,936</u>

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

The Finance Lease receivable balance reduced during the 2011-2012 financial year as the Department of Defence made an advance payment against the outstanding balance.

**Note 24: Trade and Other Payables**

Trade Creditors	7,018	4,237
Accrued Expenses	63,459	54,480
Accrued Repairs and Maintenance	1,253	3,728
Stamp Duty and Land Tax Payable	5,384	15,131
<b>Total Trade and Other Payables</b>	<u>77,114</u>	<u>77,576</u>
<b>Supplier payables expected to be settled within 12 months:</b>		
Related entities	54,383	16,290
External parties	10,977	61,286
<b>Total</b>	<u>65,360</u>	<u>77,576</u>
<b>Supplier payables expected to be settled in more than 12 months:</b>		
Related entities	-	-
External parties	11,754	-
<b>Total Trade and Other Payables</b>	<u>11,754</u>	<u>-</u>
<b>Total supplier payables</b>	<u>77,114</u>	<u>77,576</u>

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

	<b>30 June</b>	30 June
	<b>2012</b>	2011
	<b>\$'000</b>	\$'000

**Note 25: Current Tax Liabilities**

Income Tax Payable	<b>4,039</b>	<b>10,651</b>
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**Note 26: Dividends**

Payable to the Australian Government	<b>49,654</b>	<b>52,332</b>
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**Note 27: Deferred Tax Liabilities**

The balance comprises temporary differences attributable to:

Investment Property	5,947	2,445
Prepayments	8	6
R&D Expense	676	-
Accrued Income	777	609
Inventory	<b>6,008</b>	<b>1,605</b>
<b>Total deferred tax liabilities</b>	<b>13,416</b>	<b>4,665</b>

Set-off of deferred tax liabilities pursuant to set-off provisions	<b>(13,416)</b>	<b>(4,665)</b>
<b>Net deferred tax liabilities</b>	<b>-</b>	<b>-</b>

**Reconciliation of Deferred Tax Liabilities**

	Investment Property \$'000	Accrued Income \$'000	R&D expenses \$'000	Inventory \$'000	Other \$'000	Total \$'000
Opening Balance 1 July 2010	335	1,190	-	-	5	1,530
Charged to the income statement	2,110	(581)	-	1,605	1	3,135
Closing Balance at 30 June 2011	<b>2,445</b>	<b>609</b>	<b>-</b>	<b>1,605</b>	<b>6</b>	<b>4,665</b>
Opening Balance 1 July 2011	<b>2,445</b>	<b>609</b>	<b>-</b>	<b>1,605</b>	<b>6</b>	<b>4,665</b>
Charged to the income statement	<b>3,502</b>	<b>168</b>	<b>676</b>	<b>4,403</b>	<b>2</b>	<b>8,751</b>
Closing Balance 30 June 2012	<b>5,947</b>	<b>777</b>	<b>676</b>	<b>6,008</b>	<b>8</b>	<b>13,416</b>

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

	<b>30 June 2012 \$'000</b>	30 June 2011 \$'000
<b>Note 28: Borrowings</b>		
Loans from Department of Defence	<u>509,580</u>	509,580
<b>Total Borrowings</b>	<b><u>509,580</u></b>	<b>509,580</b>
<b>Maturity Schedule for Borrowings Payable:</b>		
Within One Year	130,000	130,480
In One to Five Years	254,580	349,100
In More than Five Years	<u>125,000</u>	30,000
<b>Total Borrowings</b>	<b><u>509,580</u></b>	<b>509,580</b>

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

**Note 29: Other Financial Liabilities****Other Financial Liabilities are Represented By:**

<b>Current</b>		
Revenue in Advance	25,614	20,112
Lease Incentive	<u>177</u>	109
<b>Total Current</b>	<b><u>25,791</u></b>	<b>20,221</b>
<b>Non-Current</b>		
Lease Incentive	<u>1,111</u>	830
<b>Total Non-Current</b>	<b><u>1,111</u></b>	<b>830</b>
<b>Total Other Financial Liabilities</b>	<b><u>26,902</u></b>	<b>21,051</b>

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

	30 June 2012	30 June 2011
	\$'000	\$'000

**Note 30: Provisions**

**Current**

**Employee Benefits**

Annual Leave	4,466	4,351
Long Service Leave	4,528	3,599
Employee Benefits On Costs	-	578
	<u>8,994</u>	<u>8,528</u>

**Other**

Make Good Provision	5,977	10,736
Other General Provisions	4,838	3,839
	<u>10,815</u>	<u>14,575</u>

**Total Current**

	<u>19,809</u>	<u>23,103</u>
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**Non-Current**

**Employee Benefits**

Long Service Leave	2,410	1,881
Employee Benefits On Costs	-	358
	<u>2,410</u>	<u>2,239</u>

**Other**

Make Good Provision	81,085	73,170
Other General Provisions	1,093	1,381
	<u>82,178</u>	<u>74,551</u>

**Total Non-Current**

	<u>84,588</u>	<u>76,790</u>
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**Total Provisions**

	<u>104,397</u>	<u>99,893</u>
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Movements in each class of provision during the financial year, other than employee benefits, are below:

	Other General Provisions	Make Good Provision	Total
<b>Opening Balance 1 July</b>	<u>5,220</u>	<u>83,906</u>	<u>89,126</u>
Additional Provisions Made	2,290	16,741	19,031
Amount Used	(1,579)	(13,585)	(15,164)
<b>Closing Balance 30 June</b>	<u>5,931</u>	<u>87,062</u>	<u>92,993</u>

Other general provisions include amount set aside for:

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

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

In accordance with paragraph 43.3 of the FMO's employee benefits on costs such as workers' compensation premium and payroll tax are no longer required to be recognised.



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

	<b>30 June</b>	30 June
	<b>2012</b>	2011
	<b>\$'000</b>	\$'000

**Note 31: Cash Flow Reconciliation****Reconciliation of operating result to net cash from operating activities:**

Profit After Income Tax	82,758	87,298
<b>Add:</b>		
Depreciation - Plant and Equipment	1,872	3,059
Depreciation - Investment Properties	12,008	12,466
Impairment of Investment Properties	(3,445)	2,002
Gain on Disposal of Assets	(52,418)	(54,842)
Decrease in Other Non Operating Cash Flow Revenue Items	(1,964)	(9,732)
Increase in Other Non Operating Cash Flow Expense Items	4,678	79
Decrease/ (Increase) in Net Receivables	13,934	(6,366)
Decrease in Deferred Tax Assets	7,297	3,951
Increase in Inventories	(159,803)	(212,763)
Increase in Prepayments	(1,350)	(1,158)
Increase in Provisions	4,503	9,159
Increase/ (Decrease) in Supplier Payables	33,639	(5,927)
Increase in Other Liabilities	6,061	21,002
Decrease in Tax Liabilities	(6,612)	(13,364)
<b>Net Cash From / (Used By) Operating Activities</b>	<b>(58,842)</b>	<b>(165,136)</b>

**Note 32: Contingent Liabilities and Assets**

	Guarantees		Total	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<b>Contingent Assets</b>				
Balance from Previous Period	-	-	-	-
New	-	-	-	-
Expired	-	-	-	-
<b>Total Contingent Assets</b>	-	-	-	-
<b>Contingent Liabilities</b>				
Balance from Previous Period	1,893	1,055	1,893	1,055
New	8,165	1,090	8,165	1,090
Obligations Expired	(947)	(252)	(947)	(252)
<b>Total Contingent Liabilities</b>	<b>9,111</b>	<b>1,893</b>	<b>9,111</b>	<b>1,893</b>
<b>Net Contingent Assets (Liabilities)</b>	<b>(9,111)</b>	<b>(1,893)</b>	<b>(9,111)</b>	<b>(1,893)</b>

**Quantifiable Contingencies**

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

**Unquantifiable Contingencies**

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

**Remote Contingencies**

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

## Notes to and forming part of the Financial Statements

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### Note 33: Superannuation

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

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

- CSS members: Contributions at the rate of 21.4% (2011: 20.6%) of salary for superannuation purposes, amounting to \$132,517 (2011: \$132,051);
- PSS members: Contributions at the rate of 15.2% (2011: 15.3%) of salary for superannuation purposes, amounting to \$2,420,625 (2011: \$2,527,757); and
- PSSap members: Contributions at the rate of 15.4% (2011: 15.4%) of salary for superannuation purposes, amounting to \$3,867,731 (2011: \$3,342,647).

## Notes to and forming part of the Financial Statements

### Note 34: Key Management Personnel Remuneration

The Directors of DHA during the financial year were:

Mr Derek Volker AO	Chairman (reappointed 13 October 2011)
Mr Michael Del Gigante	Managing Director (reappointed 3 August 2011)
Air Vice-Marshal Gary Beck AO (Ret'd)	Director (reappointed 24 November 2011)
The Hon Arch Bevis	Director (appointed 13 October 2011)
Ms Carol Holley	Director
The Hon J A L (Sandy) Macdonald	Director (reappointed 13 October 2011)
Mr Gary Potts	Director
Mr Peter Sharp	Director (reappointed 27 November 2011)
Ms Margaret Walker	Director

The specified Executives of DHA during the financial year were:

Michael Del Gigante	Managing Director (reappointed 3 August 2011)
Peter Howman	Chief Operating Officer
Jon Brocklehurst	Chief Financial Officer
Tony Winterbottom	General Manager Sales & Marketing & Portfolio Management
Brett Jorgensen	General Manager Property and Tenancy Services
John Dietz	General Manager Property Provisioning Group
Shane Nielsen	Chief Information Officer & General Manager Business Solutions & Technology
Lesley Pothan	General Manager Corporate Affairs (acting 23 December 2011 - 30 June 2012)
Tracy Muddle	General Manager Corporate Affairs (resigned 15 January 2012)

#### Key Management Personnel Compensation

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

	2012	2011
	\$	\$
Short-Term Employee Benefits	485,311	430,308
Post-Employment Benefits	33,514	35,976
	<u>518,825</u>	<u>466,284</u>

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

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

**Note 35: Senior Executive Remuneration**

**Note 35A: Senior Executive Remuneration Expenses for the Reporting Period**

	2012	2011
	Number	Number
<b>The number of executives who received or were due to receive total remuneration of \$150,000 or more:</b>		
\$145,000 to \$159,999	-	1
\$160,000 to \$174,999	-	2
\$175 000 to \$189 999	1	1
\$190,000 to \$204,999	1	-
\$205 000 to \$219 999	1	-
\$220 000 to \$234 999	-	1
\$235,000 to \$249,999	-	2
\$250 000 to \$264 999	4	1
\$280 000 to \$294 999	1	1
\$295 000 to \$309 999	1	1
\$310 000 to \$324 999	2	-
\$325,000 to \$339,999	-	1
\$385 000 to \$399 999	1	-
\$460,000 to \$474,999	1	1
<b>Total</b>	<u>13</u>	<u>12</u>
<b>Total expenses recognised in relation to Senior Executive employment</b>		
	\$	\$
<b>Short-term employee benefits:</b>		
Salary	2,583,697	2,047,458
Annual leave accrued	218,168	164,117
Performance bonus	318,604	269,083
Retention Bonus	<u>95,360</u>	<u>59,904</u>
<b>Total short-term employee benefits</b>	<u>3,215,829</u>	<u>2,540,562</u>
<b>Post-employment benefits</b>		
Superannuation (post-employment benefits)	<u>408,491</u>	<u>319,938</u>
<b>Total post-employment benefits</b>	<u>408,491</u>	<u>319,938</u>
<b>Other long-term benefits</b>		
Long service leave	<u>98,176</u>	<u>73,853</u>
<b>Total other long-term benefits</b>	<u>98,176</u>	<u>73,853</u>
<b>Termination benefits</b>	-	<u>73,762</u>
<b>Total employment benefits</b>	<u>3,722,496</u>	<u>3,008,115</u>

During the year the entity paid no termination benefits to senior executives (2011:\$73,762)

**Notes to and forming part of the Financial Statements****Note 35: Senior Executive Remuneration (continued)****Note 35B: Average Annual Remuneration Paid to Substantive Senior Executives during the Reporting Period****Average Annual Remuneration Packages for Substantive Senior Executives as at 30 June 2012**

2012					
<b>Relevant remuneration bands</b>	Senior Executives No.	Reportable salary \$'000	Contributed superannuation \$'000	Bonus paid \$'000	Total \$'000
<b>Total remuneration (including part-time arrangements)</b>					
less than \$150,000	1	76	50	16	142
\$180 000 - \$209,999	2	169	28	10	207
\$240 000 - \$269,999	4	191	32	22	245
\$270 000 - \$299,999	2	227	33	17	277
\$300 000 - \$329,999	1	251	37	32	320
\$360,000 - \$389,999	1	273	50	38	361
\$450 000 - \$479,999	1	330	87	57	474
<b>Total</b>	<b>12</b>				

**Average Annual Remuneration Packages for Substantive Senior Executives as at 30 June 2011**

2011					
<b>Average annual reportable remuneration<sup>1</sup></b>	Senior Executives No.	Reportable salary \$'000	Contributed superannuation \$'000	Bonus paid \$'000	Total \$'000
<b>Total remuneration (including part-time arrangements)</b>					
less than \$150,000	3	70	24	6	100
\$180 000 - \$209,999	1	143	23	22	188
\$210 000 - \$239,999	2	181	27	18	226
\$240 000 - \$269,999	1	191	40	7	238
\$270 000 - \$299,999	2	224	42	13	279
\$330 000 - \$359,999	1	264	39	34	337
\$450,000 - \$479,999	1	324	80	52	456
<b>Total</b>	<b>11</b>				

1. This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.

2. 'Reportable Salary' includes the following:

- (a) Performance bonus
- (b) Motor vehicle allowance
- (c) Superannuation

3. The 'contributed superannuation' amount is the average actual superannuation contributions paid to senior executives in that reportable remuneration band during the reporting period, including any salary sacrificed amounts.

4. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the entity during the financial year.

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

**Note 35: Senior Executive Remuneration (continued)**

**Note 35C: Other Highly Paid Staff**

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

Relevant remuneration bands	2012					Total \$'000
	Other Highly Paid Staff No.	Reportable salary \$'000	Contributed superannuation \$'000	Bonus paid \$'000	Total	
<b>Total remuneration (including part-time arrangements)</b>						
\$150 000 - \$179,999	21	127		24	13	164
\$180 000 - \$209,999	14	146		31	15	192
\$210 000 - \$239,999	1	160		30	20	210
<b>Total</b>	<b>36</b>					

**Average Annual Remuneration Packages for other highly paid staff as at 30 June 2011**

Average annual reportable remuneration <sup>1</sup>	2011					Total \$'000
	Other Highly Paid Staff No.	Reportable salary \$'000	Contributed superannuation \$'000	Bonus paid \$'000	Total	
\$150 000 - \$179,999	25	123	26	12		161
\$180 000 - \$209,999	4	155	23	13		191
<b>Total</b>	<b>29</b>					

1. This table reports staff:

- a) who were employed by the entity during the reporting period;
- b) whose reportable remuneration was \$150,000 or more for the financial period; and
- c) who were not required to be disclosed in Table B or director disclosures.

2. 'Reportable Salary' includes the following:

- (a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
- (b) reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits); and

3. The 'contributed superannuation' amount is the average actual superannuation contributions paid to staff in that reportable remuneration band during the reporting period, including any salary sacrificed amounts.

4. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the entity during the financial year.

**Notes to and forming part of the Financial Statements****Note 36: Remuneration of Auditors**

	2012	2011
	\$	\$
Amount Received or Due and Receivable by Auditors		
Australian National Audit Office (ANAO) for the audit of Financial Statements	<u>212,300</u>	<u>212,300</u>
	<u>212,300</u>	<u>212,300</u>
Audit fees relating to the audit of Lyons Joint Venture are paid to ANAO. DHA is liable for 50% of these fees.	<u>13,200</u>	<u>52,800</u>
	<u>13,200</u>	<u>52,800</u>

The amounts are GST inclusive.

No other services were provided by the ANAO during the reporting period. Deloitte Touche Tohmatsu has been contracted by the ANAO to provide audit services for 2011/12 on the ANAO's behalf. Fees for these services are included.

**Note 37: Related Party Disclosures**

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

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

**Note 38: Economic Dependency**

DHA depends on the Department of Defence in accordance with the Services Agreement between the Department of Defence and DHA. DHA received 62.3% of its total revenue from the Department of Defence and from Defence members for the year ended 30 June 2012 (2011: 61%).

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

**Note 39: Interest in Joint Venture Developments**

**The Sanctuary - Wattle Grove**

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

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

The following represents DHA's total interest in the joint venture as at 30 June 2012.

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

	<b>30 June 2012 S'000</b>	30 June 2011 S'000
<b>Income Statement</b>		
Revenues	<u>2</u>	<u>1</u>
<b>Total Profit</b>	<u>2</u>	<u>1</u>
<b>Balance Sheet</b>		
Current Assets		
Cash	64	62
Receivables	-	-
<b>Total current assets</b>	<u>64</u>	<u>62</u>
Current Liabilities		
Provisions	77	76
<b>Total Current Liabilities</b>	<u>77</u>	<u>76</u>
<b>Total Liabilities</b>	<u>77</u>	<u>76</u>
<b>Net Assets</b>	<u>(13)</u>	<u>(14)</u>
<b>Equity</b>	<u>(13)</u>	<u>(14)</u>

There were no significant contingent liabilities or commitments for expenditure at 30 June 2012.



**Notes to and forming part of the Financial Statements****Note 39: Interest in Joint Venture Developments (continued)****Lyons**

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

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

	<b>30 June 2012 \$'000</b>	30 June 2011 \$'000
<b>Income Statement</b>		
Revenues	616	1,531
Expenses	<u>(14)</u>	<u>(44)</u>
<b>Total Profit</b>	<u>602</u>	<u>1,487</u>
<b>Balance Sheet</b>		
<b>Current Assets</b>		
Cash	593	660
Receivables	<u>-</u>	<u>7</u>
<b>Total current assets</b>	<u>593</u>	<u>667</u>
<b>Non Current Assets</b>		
Inventory	138	460
Property Plant and Equipment	<u>-</u>	<u>-</u>
<b>Total non current assets</b>	<u>138</u>	<u>460</u>
<b>Total Assets</b>	<u>731</u>	<u>1,127</u>
<b>Current Liabilities</b>		
Payables	<u>342</u>	<u>1,041</u>
<b>Total current liabilities</b>	<u>342</u>	<u>1,041</u>
<b>Total Liabilities</b>	<u>342</u>	<u>1,041</u>
<b>Net Assets</b>	<u>389</u>	<u>86</u>
<b>Equity</b>	<u>389</u>	<u>86</u>

There were no significant contingent liabilities or commitments for expenditure at 30 June 2012.

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

**Note 40: Investments in Associates**

Crace Developments Pty Ltd

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

	<b>30 June 2012</b>	30 June 2011
	<b>\$'000</b>	\$'000
<b>(a) Movements in carrying amounts</b>		
Carrying Amount at the Beginning of the Financial Year	4,946	4,776
Share of Profit/(Loss) after Income Tax	720	385
Investments during the Year	100	135
Capital Repayment	<b>(1,888)</b>	(350)
Carrying amount at the end of the financial year	<b><u>3,878</u></b>	<u>4,946</u>

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

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

	Ownership Interest %	DHA's Share of:			
		Assets	Liabilities	Revenues	Profit
<b>2012</b>					
Crace Developments Pty Ltd	10	<u>5,885</u>	<u>2,033</u>	<u>1,179</u>	<u>720</u>
		<b><u>5,885</u></b>	<b><u>2,033</u></b>	<b><u>1,179</u></b>	<b><u>720</u></b>
<b>2011</b>					
Crace Developments Pty Ltd	10	<u>6,767</u>	<u>305</u>	<u>749</u>	<u>385</u>
		<b><u>6,767</u></b>	<b><u>305</u></b>	<b><u>749</u></b>	<b><u>385</u></b>

**(c) Contingent liabilities of associates**

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

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

	<b>30 June 2012</b>	30 June 2011
	<b>\$'000</b>	\$'000

**Note 41: Financial Instruments**

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

**Note 41A: Categories of Financial Instruments****Financial Assets****Loans and Receivables Financial Assets:**

Cash at Bank	674	2,179
Cash on Hand	16	15
Short Term Investments	294,500	280,500
Receivables for Goods and Services (Net)	12,931	30,934
Finance Lease Receivable	<u>1,062</u>	<u>20,144</u>
<b>Carrying Amount of Financial Assets</b>	<b><u>309,183</u></b>	<b><u>333,772</u></b>

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

Department of Defence Loans	509,580	509,580
Trade and Other Payables	77,114	77,576
Other Financial Liabilities	26,902	21,051
Dividends	<u>49,654</u>	<u>52,332</u>
<b>Carrying Amount of Financial Liabilities</b>	<b><u>663,250</u></b>	<b><u>660,539</u></b>

**Note 41B: Net Income from Financial Assets****Loans and Receivables**

Interest Revenue	14,732	17,402
Annuity Income	<u>1,145</u>	<u>9,211</u>
<b>Net Gain Loans and Receivables</b>	<b><u>15,877</u></b>	<b><u>26,613</u></b>
<b>Net Gain from Financial Assets</b>	<b><u>15,877</u></b>	<b><u>26,613</u></b>

**Note 41C: Net Expense from Financial Liabilities****Financial Liabilities - At Amortised Cost**

Interest Expense	<u>31,818</u>	<u>31,462</u>
<b>Net Loss Financial Liabilities - At Amortised Cost</b>	<b><u>31,818</u></b>	<b><u>31,462</u></b>

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

**Note 41D: Fair Value of Financial Instruments**

	Carrying Amount 2012 \$'000	Fair Value 2012 \$'000	Carrying Amount 2011 \$'000	Fair Value 2011 \$'000
<b>Financial Assets</b>				
Cash at Bank	674	674	2,179	2,179
Cash on Hand	16	16	15	15
Short Term Investments	294,500	294,500	280,500	280,500
Receivables for Goods and Services (Net)	12,931	12,931	30,934	30,934
Finance Lease Receivable	1,062	1,132	20,144	22,602
<b>Total</b>	<b>309,183</b>	<b>309,253</b>	<b>333,772</b>	<b>336,230</b>
<b>Financial Liabilities</b>				
Department of Defence Loans	509,580	530,724	509,580	512,704
Trade and Other Payables	77,114	77,114	77,576	77,576
Other Financial Liabilities	26,902	26,902	21,051	21,051
Dividends	49,654	49,654	52,332	52,332
<b>Total</b>	<b>663,250</b>	<b>684,394</b>	<b>660,539</b>	<b>663,663</b>

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

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

- The fair value of finance lease receivables are valued by calculating the net present values of all future contracted payments using the relevant interest rates.

- The Directors consider that the carrying amounts of all other financial assets and liabilities recorded at amortised cost in the financial statements approximates their fair values.

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

## Notes to and forming part of the Financial Statements

### Note 41E: Credit Risk

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

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

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

In addition, receivable balances are monitored on an ongoing basis with the result that DHA's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within DHA and financial instruments are spread amongst a number of financial institutions to minimise the risk of default of counterparties.

### The following table illustrates DHA's gross exposure to credit risk, excluding any collateral or credit enhancement

	2012 \$'000	2011 \$'000
<b>Financial Assets</b>		
Cash at Bank	674	2,179
Cash on Hand	16	15
Short Term Investments	294,500	280,500
Receivables for Goods and Services (Net)	12,931	30,934
Finance Lease Receivable	1,062	20,144
<b>Total</b>	<b>309,183</b>	<b>333,772</b>
<b>Financial Liabilities</b>		
Department of Defence Loans	509,580	509,580
Trade and Other Payables	77,114	77,576
Other Financial Liabilities	26,902	21,051
Dividends	49,654	52,332
<b>Total</b>	<b>663,250</b>	<b>660,539</b>

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

	Not Past Due Nor Impaired 2012 \$'000	Not Past Due Nor Impaired 2011 \$'000	Past Due or Impaired 2012 \$'000	Past Due or Impaired 2011 \$'000
Financial Assets				
Trade Receivables	12,931	30,827	191	194
<b>Total</b>	<b>12,931</b>	<b>30,827</b>	<b>191</b>	<b>194</b>

### Ageing of financial assets that are past due but not impaired for 2012

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Receivables for Goods and Services (Net)	-	-	-	191	191

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

**Note 41E: Credit Risk (continued)**

<b>Total</b>	-	-	-	191	191
Ageing of financial assets that are past due but not impaired for 2011					
	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Receivables for Goods and Services (Net)	-	-	-	194	194
<b>Total</b>	-	-	-	194	194

**Note 41F: Liquidity Risk**

DHA manages liquidity risk by maintaining an appropriate level of marketable securities on hand to meet outgoing commitments in the event of failure to receive any revenue from the normal course of business and ensuring capacity exists to borrow under the Cash Advance Facility based upon annual cash flow forecasts prepared by DHA Finance.

**Maturities for financial liabilities 2012**

	On demand \$'000	Within 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	> 5 years \$'000	Total \$'000
Department of Defence Loans	-	130,000	75,000	179,580	125,000	509,580
Trade and Other Payables	-	77,114	-	-	-	77,114
Other Financial Liabilities	-	25,805	171	476	450	26,902
Dividends	-	49,654	-	-	-	49,654
<b>Total</b>	-	282,573	75,171	180,056	125,450	663,250

**Maturities for financial liabilities 2011**

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

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

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

## Notes to and forming part of the Financial Statements

### Note 41G: Market Risk

DHA manages interest rate risk by ensuring that both investments and borrowings mature commensurate with cash flow requirements to minimise repricing risk arising from changes in interest rates. DHA also seeks to ensure an appropriate mix of maturities across the yield curve to avoid concentration of maturities on any given date and higher volatility inherent in longer dated investments.

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

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

#### Sensitivity analysis of the risk that Defence Housing Australia is exposed to for 2012

Risk variable	Change in risk variable %	Effect on		
		Profit and loss \$'000	Equity \$'000	
Interest Rate Risk	Interest	1.40	2,344	0

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

Risk variable	Change in risk variable %	Effect on		
		Profit and loss \$'000	Equity \$'000	
Interest Rate Risk	Interest	1.75	3,071	0

Interest rate sensitivity analysis has been calculated on a "reasonably possible" basis. The rate of 140 basis points (175 basis points 2011) was determined by using the standards parameters issued by the Department of Finance and Deregulation.

### Note 42: Subsequent Events

There have been no events post 30 June 2012 which would have a material impact on the financial statements or operations of the DHA business.

## Statutory reporting compliance index

The following table shows compliance with the Commonwealth Authorities and Companies (Report of Operations) Orders 2008 issued by the Minister for Finance and Administration on 9 June 2008.

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

SECTION	REPORTING REQUIREMENT	PAGE REFERENCE
s.1(a)	Report of operations	6-7
s.1(b)	Financial statements	101-153
s.1(c)	Auditor-General's report	103-104
s.2(3)	Directors' resolution on financial statements	105

### *Commonwealth Authorities and Companies (Report of Operations) Orders 2008 Division 2 – General information about operations and activities*

SECTION	REPORTING REQUIREMENT	PAGE REFERENCE
<b>Enabling legislation and responsible Minister</b>		
s.8(a)	Enabling legislation	82-83
s.8(b)	Ministerial responsibility	84
<b>Organisational structure</b>		
s.9	Organisational structure	84-86
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## Acronyms and abbreviations



ABS	Australian Building Standards
ADF	Australian Defence Force
AIFRS	Australian-equivalent International Financial Reporting Standards
AMSA	Australian Maritime Safety Authority
ANAO	Australian National Audit Office
AO	Officer of the Order of Australia
APS	Australian Public Service
AQIS	Australian Quarantine Inspection Service
AWA	Australian Workplace Agreement
BAC	Board Audit Committee
BAU	Business As Usual
BS&T	Business Solutions and Technology
CAC	Commonwealth Authorities and Companies Act 1997
CLC	Common Law Contract
COO	Chief Operating Officer
CRO	Customer Relations Officer
CSIA	Customer Service Institute of Australia
CTM	Contractor Management System
DAFF	Department of Agriculture, Fisheries and Forestry
DASS	DHA Apprenticeship Support Scheme
DHA	Defence Housing Australia
DHF	Defence Housing Forecast
EA	Enterprise Agreement
EBIT	Earnings Before Interest and Tax
EER	Energy Efficiency Rating
FCP	Fraud Control Plan
FOI	Freedom of Information
FRA	Fraud Risk Assessment
GBE	Government Business Enterprise

HMC	Housing Management Centre
HSMA	Health and Safety Management Arrangements
KPI	Key Performance Indicator
LMC	Land Management Corporation
MCC	Maintenance Call Centre
MP	Member of Parliament
MWD	Member With Dependants
MWD(U)	Member With Dependants (Unaccompanied)
MWOD	Member Without Dependants
NABERS	National Australian Built Environment Rating System
NB-ESP	Nation Building-Economic Stimulus Plan
NPAT	Net Profit After Tax
OH&S	Occupational Health and Safety
PWC	Parliamentary Standing Committee on Public Works
PPG	Property Provisioning Group
P&TS	Property and Tenancy Services
RA	Rent Allowance
RAAF	Royal Australian Air Force
ROA	Return On Assets
ROE	Return On Equity
SCG	Staff Consultative Group
SES	Senior Executive Service
SLB	Sale and Leaseback
SMSF	Self-Managed Superannuation Fund
UDIA	Urban Development Institute of Australia
WoAG	Whole of Australian Government
WHS	Work Health and Safety





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