





### **About this report**

This Annual Report has three purposes:

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

### **Structure of the report**

This Annual Report relates to DHA's *Corporate Plan 2013–14 to 2015–16*. The financial statements are reported on a for-profit basis and are prepared on a different basis from the Portfolio Budget Statements that are prepared on a not-for-profit basis.

### **Further information**

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



3 October 2014

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

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

Dear Ministers

On behalf of the board of Defence Housing Australia (DHA) and in accordance with section nine of the *Commonwealth Authorities and Companies Act 1997* I submit the DHA 2013–14 Annual Report.

DHA continues to deliver housing and related services to the men and women of the Australian Defence Force and their families in accordance with the *Defence Housing Australia Act 1987* and DHA's obligations under supply agreements with the Department of Defence. This report covers those activities for the 2013–14 financial year.

Yours sincerely

A handwritten signature in black ink, appearing to read '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  
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## Who we are and what we do

DHA is one of Australia's most successful Government Business Enterprises (GBE). Established in 1988, its primary role is to provide housing and related services to Defence members and their families in accordance with the *Defence Housing Australia Act 1987* (DHA Act) and supply agreements with the Department of Defence.

DHA sits within the Defence portfolio and reports to Senator the Hon. David Johnston MP, Minister for Defence, and Senator the Hon. Mathias Cormann, Minister for Finance, as Shareholder Ministers. Responsibility for operational matters affecting DHA was delegated to the Assistant Minister for Defence, the Hon. Stuart Robert MP.

In fulfilling its role, DHA contributes to Defence retention, recruitment and operational goals. It is also required to maintain a strong balance sheet and to meet shareholder return obligations, including the payment of dividends to Government.

DHA is active in Australian residential housing and investment markets, with award-winning development, construction, acquisition and leasing programs.

It is one of the largest residential property and tenancy managers in Australia, with 18,577 properties under management, worth approximately \$10 billion. Approximately 13,000 properties are managed on behalf of investors with whom DHA has lease agreements.

DHA is a major residential land developer, with more than \$1.0 billion committed to projects in most capital cities and many major regional centres where it is difficult to obtain retail land from established developers that meet DHA's requirements.

DHA buys and constructs properties with assistance from the private sector and purchases new and established properties as required.

Capital to meet provisioning commitments is generated by selling and leasing back selected properties, selling land and excess property from major developments and disposing of surplus and non-compliant properties.

DHA is committed to creating vibrant, healthy and sustainable communities that bring Defence members and home owners together.

## DHA's vision and mission

DHA strives for excellence in the provision of its housing and accommodation services by supplying quality, integrated community solutions; by achieving an exceptional degree of client and customer satisfaction; by providing excellent, environmentally-sound and economic housing that fits community needs; and by achieving financial results that meet or exceed shareholder and investor expectations.

## Corporate objectives

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

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

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

## DHA's values

Respect

Excellence

Integrity

Enthusiasm

Innovation

Teamwork

These values contribute to workplace harmony and improve the way business is conducted. Staff members are encouraged to apply these values consistently in all aspects of their behaviour.

DHA's staff must also comply with the *Public Service Act 1999* and uphold and promote the Australian Public Service values and code of conduct.

## 01 Report from the Chairman and Managing Director

DHA has had a successful year. It managed the housing needs of 19,000 Defence families, off-base accommodation for 14,000 Defence members and on-base living-in accommodation comprising 31,000 rooms (40,000 beds).

Key outcomes for the year included:

- Achieving Net Profit After Tax (NPAT) of \$90.1 million, \$5.8 million above budget. The land sales from major residential developments generated revenue of \$112.5 million, with a gross margin of 33.7% (the budget estimate was 29.2%). A dividend of \$54.0 million has been proposed, \$3.5 million above the budget estimate.
- Providing a portfolio of houses available to Defence members of 17,590 properties as at 30 June 2014. This exceeded the Corporate Plan requirement of 17,348 and was above the Key Performance Indicator (KPI) of 98.5% of the provisioning schedule figure.
- Exceeding all KPIs. This included 92% tenant satisfaction with overall customer service (against a KPI of 80%) in the housing survey, 95% satisfaction with maintenance services (against a KPI of 90%) and 89% tenant satisfaction with their Service Residences (against a KPI of 80%).
- Receiving exemption from the Parliamentary Standing Committee on Public Works.
- Receiving a contract extension from Defence for the Members Without Dependents and Members With Dependents (Unaccompanied) Choice Accommodation (MCA) Agreement for the period December 2017 to December 2022.
- Expanding the national footprint of the MCA program. There are now properties in Adelaide, Melbourne, Perth, Rockingham, Townsville, Sydney, Brisbane, Canberra and Darwin.
- Implementing the first stage of improved workforce structures in regional offices and enhancements to allocation and tenancy services. This provided considerable benefits to Defence members in finding a property and improved efficiencies within DHA.
- Implementing more cost-effective services providing Defence with an annual rebate of \$10 billion.
- Constructing and purchasing 662 new dwellings for Defence families and a further 120 apartments for MCA.
- Delivering 353 properties in the construction program with a market value of \$214.0 million.
- Establishing DHA's first property investment fund, the DHA Residential Property Fund No.1, which closed at \$47.1 million.

During the year, 662 new dwellings were acquired for Defence families by construction or purchase at a cost of \$319.0 million and 120 apartments were acquired for Defence members at a cost of \$49.0 million. This program was funded without additional borrowings, mainly through the sale and lease back of DHA properties, disposal of properties no longer required and the sale of surplus land. Total revenue from these sources was \$555.0 million. This was a very pleasing result in a difficult property market against a backdrop of global economic uncertainty. There were 729 properties sold in the property investment program, with revenue of \$386.4 million, \$6.8 million better than the budget estimate.

Land development remained a major feature of DHA's program of work. In 2013–14, a portfolio of 14 major projects, and expenditure on developments of more than \$1.7 billion, was pursued in line with the Corporate Plan. The sale of land at major residential developments, not required to meet the Defence housing requirement, contributed to DHA's success and generated revenues of \$112.5 million.

DHA is continuing with \$300.0 million worth of upgrades to, and replacements of, Defence-owned on and off-base housing in order to satisfy the revised Defence minimum standard by 2017. During 2013–14, houses at Larrakeyah (NT) and RAAF Base Tindal (NT) were upgraded. The Department of Defence received Parliamentary approval for the construction of 50 tropically-designed dwellings at RAAF Base Tindal. Approval is also being sought for the development of 80 houses on RAAF Base Darwin to help mitigate housing-market pressure in that area.

DHA is pleased to have continued to support Defence-related initiatives including Legacy, Defence Families Australia, Soldier On and the Australian Defence Association.

In 2013–14 sustainability and innovation programs were undertaken with a focus on providing more attractive products for Defence members. Six-Leaf EnviroDevelopment certification was awarded to six current residential developments. DHA delivered three tropically-designed modular factory-built houses in Darwin to test this new form of construction and reduce building costs and construction schedules. These houses were accepted by the Department of Defence and Defence Families Australia as suitable for Defence members. By the end of 2014–15, another modular house will be completed that implements off-the-grid technologies to meet DHA's objective to provide environmentally-sound housing with the intention of also saving money on energy costs for the occupants.

The Government announced a scoping study into future ownership options of DHA that is being undertaken by the Department of Finance and will be considered as part of the 2015–16 Budget. No decision has been made by Government on ownership options for DHA.

DHA will continue business-as-usual by pursuing the acquisition and construction of dwellings in well located areas for Defence members and their families and meet its legislative requirements, maintain a strong balance sheet and achieve its Corporate Plan objectives.

There were a number of changes to Board Membership in 2013–14. Mr Peter Sharp and Air Vice Marshal (Retired) Gary Beck retired from the Board. The latter was replaced by Commodore Vicki McConachie RANR (in December 2013). As at 30 June 2014, Mr Sharp had not been replaced.

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 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 2014.



A handwritten signature in black ink, appearing to read 'Derek Volker'.

Derek Volker  
Chairman



A handwritten signature in black ink, appearing to read 'Peter Howman'.

Peter Howman  
Managing Director

## Highlights and events

01

DHA overview

### Defence highlights

- Extended the Allocation and Tenancy Management Agreement to 2022 and aligned the terms and conditions with the Services Agreement.
- Launched a Living-In Accommodation (LIA) bookings and allocation service across all bases in Australia.
- Introduced mobile devices to help field staff provide a more efficient service to Defence members and their families.
- Acquired 120 MCA apartments for Defence members.
- Continued work on the \$300.0 million program to upgrade and replace Defence-owned houses to ensure they meet revised minimum Defence standards by 2017.
- Purchased and constructed 662 new houses for Defence families.
- Achieved or exceeded all KPIs.



Introduced mobile devices for DHA staff in 2013–14.

## Business highlights

- Launched DHA Investment Management Limited (DHA IML) and the first residential property fund, DHA Residential Property Fund No. 1.
- Announced plans for more housing in Darwin near the Breezes Muirhead development.
- Constructed three modular tropically-designed houses as part of a pilot project in Johnston, Darwin.
- Opened the Betty Cuthbert Estate, a DHA residential development at Ermington, Sydney.
- Opened sales centres at Bluewattle, Townsville and Crimson Hill, Sydney.
- Relocated the Hunter Valley regional office to the Newcastle Central Business District (CBD).
- Gained brand awareness by attending and sponsoring trade events such as the Urban Development Institute of Australia (UDIA) National Congress, the Self-managed Super Fund Professionals Association of Australia National Conference and the Mortgage and Finance Association of Australia National Convention.



DHA's modular house in Johnston, Darwin.



DHA opens its Bluewattle sales and information centre in Townsville.



DHA's Crimson Hill sales and information centre in Sydney.



## Industry highlights

- Gained UDIA six leaf EnviroDevelopment certification for residential developments AE2 and Crimson Hill in Sydney (NSW), Bayriver in Adelaide (SA), Bluewattle in Townsville (QLD), Warner Lakes The Reserve in Brisbane (QLD) and Breezes in Darwin (NT).
- Awarded 'Engineering excellence' by Engineering Australia for the future development at RAAF Base Tindal (NT).
- Awarded 'Best new exhibitor stand' at the 2014 Mortgage and Finance Association of Australia National Convention.
- Highly commended by the Planning Institute of Australia (PIA) NSW for public engagement and community planning excellence at the AE2 residential development.
- Highly commended for 'Urban renewal' in the UDIA awards for planning excellence for the Bayriver residential development.
- Finalist for 'Best planning ideas—small' in the PIA SA awards for planning excellence for the Bayriver residential development.



DHA's trade booth at the 2014 Mortgage and Finance Association of Australia National Convention.



DHA teamed with Greening Australia in Darwin.

## Community highlights

- Contributed more than \$83,000 to support Defence-related organisations and industry related programs including Defence Families of Australia (DFA) and Legacy.
- Teamed with Greening Australia to provide hands-on horticulture experience to Indigenous students in Darwin.
- Extended the marketing agreement with the Canberra Raiders into the 2015 season to raise brand awareness and generate demand for the property investment program.
- Participated in the St Vincent de Paul CEO Sleepout, raising almost \$27,000 to combat homelessness.
- Held community information sessions in Sydney, Melbourne, Brisbane and Rockingham to keep local communities informed about projects.
- Held community events such as family days and park openings across Australia to bring together the Defence and civilian communities living in DHA residential developments.



Park opening event at Breezes Muirhead, Darwin.