

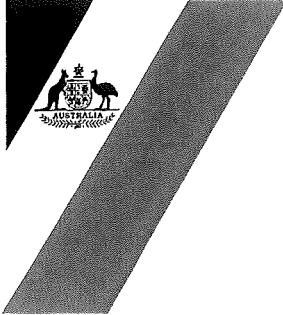


# DEFENCE HOUSING AUSTRALIA

## FINANCIAL STATEMENTS

For The Year Ended 30 June 2014

- 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

I have audited the accompanying financial statements of the Defence Housing Australia and the consolidated entity for the year ended 30 June 2014, which comprise: the Statement by the Directors, Managing Director Chief Financial Officer; the Consolidated Statements of Comprehensive Income; Consolidated Balance Sheet; Consolidated Statement of Cash Flows; Consolidated Statements of Changes in Equity; Consolidated Schedules of Commitments; Consolidated Schedules of Contingencies; and Notes to the Consolidated Financial Statements comprising a Summary of Significant Accounting Policies and other explanatory information. The consolidated entity comprises the Defence Housing Australia and the entities it controlled at the year's end or from time to time during the financial year.

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

The directors of the 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 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 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 the Defence Housing Australia's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Defence Housing Australia's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

***Independence***

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

***Opinion***

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

- (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 the Defence Housing Australia's and the consolidated entity's financial positions as at 30 June 2014 and their financial performance and cash flows for the year then ended.

Australian National Audit Office



Jocelyn Ashford  
Executive Director

Delegate of the Auditor-General

Canberra  
14 August 2014

**Defence Housing Australia**  
**Statement by the Directors, Managing Director and Chief Financial Officer**  
**30 June 2014**

**Directors' report**

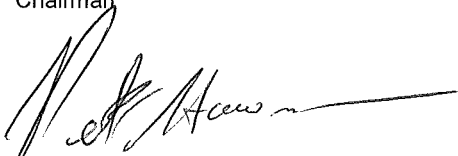
In our opinion the attached financial statements for the year ended 30 June 2014 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997* as amended.

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.



Mr Derek Volker AO  
Chairman



Mr Peter Howman  
Managing Director



Mr Jon Brocklehurst  
Chief Financial Officer  
14 August 2014

**Defence Housing Australia**  
**Consolidated Statement of Comprehensive Income**  
**For the year ended 30 June 2014**

|  | Notes | Consolidated entity       |                           | Parent entity             |                           |
|--|-------|---------------------------|---------------------------|---------------------------|---------------------------|
|  |       | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>INCOME</b>  |       |                           |                           |                           |                           |
| <b>Revenue</b>   |       |                           |                           |                           |                           |
| Housing Services Provided  | 3     | 648,542                   | 631,247                   | 648,441                   | 631,247                   |
| Allocation Services Provided   | 4     | 10,474                    | 8,919                     | 10,474                    | 8,919                     |
| Sale of Inventories  |       | 483,070                   | 348,315                   | 483,070                   | 348,315                   |
| Interest Received  | 5     | 13,829                    | 14,493                    | 13,799                    | 14,477                    |
| Other Income   |       | 42                        | 1,372                     | 167                       | 1,372                     |
| <b>Total Revenue</b>   |       | <b>1,155,957</b>          | <b>1,004,346</b>          | <b>1,155,951</b>          | <b>1,004,330</b>          |
| <b>Gains</b>   |       |                           |                           |                           |                           |
| Net Gains from Disposal of Investment Properties   | 6     | 35,452                    | 36,837                    | 35,452                    | 36,837                    |
| <b>Total Income</b>  |       | <b>1,191,409</b>          | <b>1,041,183</b>          | <b>1,191,403</b>          | <b>1,041,167</b>          |
| <b>EXPENSES</b>  |       |                           |                           |                           |                           |
| Employee Benefits  | 7     | 69,488                    | 63,693                    | 69,421                    | 63,693                    |
| Housing Services Lease Rentals   |       | 335,966                   | 317,006                   | 335,966                   | 317,006                   |
| Rates, Repairs and Maintenance   | 8     | 169,388                   | 169,902                   | 169,388                   | 169,902                   |
| Depreciation and Amortisation  | 9     | 13,009                    | 13,185                    | 13,009                    | 13,185                    |
| Cost of Inventories Sold   |       | 432,421                   | 321,245                   | 432,421                   | 321,245                   |
| Finance Costs  | 10    | 29,999                    | 30,854                    | 29,999                    | 30,854                    |
| Write-Down and Impairment of Assets  | 11    | 58                        | 2,988                     | 58                        | 2,988                     |
| Other Expenses   |       | 29,159                    | 23,126                    | 29,109                    | 23,109                    |
| <b>Total Expenses</b>  |       | <b>1,079,488</b>          | <b>941,999</b>            | <b>1,079,371</b>          | <b>941,982</b>            |
| Share of the Other Comprehensive Income of Associates and Joint Ventures accounted for using the Equity Method |       | 1,412                     | 1,317                     | 1,412                     | 1,317                     |
| <b>Profit Before Income Tax on Continuing Operations</b>   |       | <b>113,333</b>            | <b>100,501</b>            | <b>113,444</b>            | <b>100,502</b>            |
| Income Tax Expense   | 12    | 23,348                    | 15,381                    | 23,381                    | 15,381                    |
| <b>Profit After Income Tax</b>   |       | <b>89,985</b>             | <b>85,120</b>             | <b>90,063</b>             | <b>85,121</b>             |
| <b>Total Comprehensive Income</b>  |       | <b>89,985</b>             | <b>85,120</b>             | <b>90,063</b>             | <b>85,121</b>             |

*The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*

**Defence Housing Australia  
Consolidated Balance Sheet  
As at 30 June 2014**

|   | Notes | Consolidated entity       |                           | Parent entity             |                           |
|---|-------|---------------------------|---------------------------|---------------------------|---------------------------|
|   |       | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>ASSETS</b>                                     |       |                           |                           |                           |                           |
| <b>Current Assets</b>                             |       |                           |                           |                           |                           |
| Cash and Cash Equivalents                         | 13    | 283,025                   | 330,444                   | 282,001                   | 329,428                   |
| Trade and Other Receivables                       | 14    | 27,261                    | 9,340                     | 27,313                    | 9,340                     |
| Other Current Assets                              | 16    | 37,665                    | 31,905                    | 37,665                    | 31,905                    |
| Inventories                                       | 18    | 373,251                   | 276,712                   | 373,251                   | 276,712                   |
| Investment Properties Held for Sale               | 15    | 25,243                    | 21,522                    | 25,243                    | 21,522                    |
| <b>Total Current Assets</b>                       |       | <b>746,445</b>            | <b>669,923</b>            | <b>745,473</b>            | <b>668,907</b>            |
| <b>Non-Current Assets</b>                         |       |                           |                           |                           |                           |
| Deferred Tax Assets                               | 17    | 4,261                     | 16,242                    | 4,253                     | 16,242                    |
| Inventories                                       | 18    | 655,137                   | 672,466                   | 655,137                   | 672,465                   |
| Property, Plant and Equipment                     | 19    | 13,511                    | 8,650                     | 13,511                    | 8,650                     |
| Investment Properties                             | 19    | 760,523                   | 757,424                   | 760,523                   | 757,424                   |
| Finance Lease Receivables                         | 21    | 42,690                    | 38,880                    | 42,690                    | 38,880                    |
| Investments Accounted for Using the Equity Method | 20    | 1,474                     | 5,194                     | 1,474                     | 5,194                     |
| Investment in Subsidiary                          | 39    | -                         | -                         | 1,000                     | 1,000                     |
| <b>Total Non-Current Assets</b>                   |       | <b>1,477,596</b>          | <b>1,498,856</b>          | <b>1,478,588</b>          | <b>1,499,855</b>          |
| <b>Total Assets</b>                               |       | <b>2,224,041</b>          | <b>2,168,779</b>          | <b>2,224,061</b>          | <b>2,168,762</b>          |
| <b>LIABILITIES</b>                                |       |                           |                           |                           |                           |
| <b>Current Liabilities</b>                        |       |                           |                           |                           |                           |
| Trade and Other Payables                          | 22    | 71,248                    | 65,740                    | 71,215                    | 65,736                    |
| Current Tax Liabilities                           | 23    | -                         | 8,191                     | -                         | 8,191                     |
| Dividends   | 24    | 53,991                    | 51,073                    | 54,037                    | 51,073                    |
| Borrowings  | 26    | 114,100                   | 75,000                    | 114,100                   | 75,000                    |
| Other Financial Liabilities                       | 27    | 27,378                    | 29,068                    | 27,378                    | 29,068                    |
| Provisions  | 28    | 39,155                    | 22,226                    | 39,130                    | 22,213                    |
| <b>Total Current Liabilities</b>                  |       | <b>305,872</b>            | <b>251,298</b>            | <b>305,860</b>            | <b>251,281</b>            |
| <b>Non-Current Liabilities</b>                    |       |                           |                           |                           |                           |
| Borrowings  | 26    | 395,480                   | 434,580                   | 395,480                   | 434,580                   |
| Other Financial Liabilities                       | 27    | 688                       | 959                       | 688                       | 959                       |
| Provisions  | 28    | 93,113                    | 89,048                    | 93,113                    | 89,048                    |
| <b>Total Non-Current Liabilities</b>              |       | <b>489,281</b>            | <b>524,587</b>            | <b>489,281</b>            | <b>524,587</b>            |
| <b>Total Liabilities</b>                          |       | <b>795,153</b>            | <b>775,885</b>            | <b>795,141</b>            | <b>775,868</b>            |
| <b>Net Assets</b>                                 |       | <b>1,428,888</b>          | <b>1,392,894</b>          | <b>1,428,920</b>          | <b>1,392,894</b>          |
| <b>EQUITY</b>                                     |       |                           |                           |                           |                           |
| Contributed Equity                                |       | 403,863                   | 403,863                   | 403,863                   | 403,863                   |
| Retained Earnings                                 |       | 1,025,025                 | 989,031                   | 1,025,057                 | 989,031                   |
| <b>Total Equity</b>                               |       | <b>1,428,888</b>          | <b>1,392,894</b>          | <b>1,428,920</b>          | <b>1,392,894</b>          |

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

**Defence Housing Australia**  
**Consolidated Statement of Cash Flows**  
**For the year ended 30 June 2014**

|   | <b>Consolidated entity</b> |                  | <b>Parent entity</b> |                  |
|---|----------------------------|------------------|----------------------|------------------|
|   | <b>30 June</b>             | <b>30 June</b>   | <b>30 June</b>       | <b>30 June</b>   |
|   | <b>2014</b>                | <b>2013</b>      | <b>2014</b>          | <b>2013</b>      |
| Notes   | <b>\$'000</b>              | <b>\$'000</b>    | <b>\$'000</b>        | <b>\$'000</b>    |
| <b>OPERATING ACTIVITIES</b>   |                            |                  |                      |                  |
| <b>Cash Received</b>  |                            |                  |                      |                  |
| Sales of Goods and Services   | 615,177                    | 615,092          | 615,169              | 615,092          |
| Sales of Inventory  | 471,719                    | 341,769          | 471,719              | 341,769          |
| Interest  | 13,127                     | 14,985           | 13,127               | 14,969           |
| Other Cash Received   | 6,948                      | 2,151            | 6,948                | 2,151            |
| Stamp Duty and Land Tax Equivalents Received                        | 27,269                     | 30,634           | 27,269               | 30,634           |
| <b>Total Cash Received</b>  | <b>1,134,240</b>           | <b>1,004,631</b> | <b>1,134,232</b>     | <b>1,004,615</b> |
| <b>Cash Used</b>  |                            |                  |                      |                  |
| Employees   | 70,625                     | 60,952           | 70,625               | 60,952           |
| Suppliers   | 488,949                    | 466,430          | 488,950              | 466,430          |
| Borrowing Costs   | 29,330                     | 30,854           | 29,330               | 30,854           |
| Income Taxes Paid   | 24,759                     | 8,558            | 24,759               | 8,558            |
| Other Expenses  | 17,443                     | 46,327           | 17,443               | 46,327           |
| Acquisition and Construction of Inventories                         | 536,838                    | 377,101          | 536,838              | 377,101          |
| Stamp Duty and Land Tax Equivalents                                 | 33,627                     | 27,135           | 33,627               | 27,135           |
| <b>Total Cash Used</b>  | <b>1,201,571</b>           | <b>1,017,357</b> | <b>1,201,572</b>     | <b>1,017,357</b> |
| <b>Net Cash Used By Operating Activities</b>                        | <b>(67,331)</b>            | <b>(12,726)</b>  | <b>(67,340)</b>      | <b>(12,742)</b>  |
| 29  |                            |                  |                      |                  |
| <b>INVESTING ACTIVITIES</b>   |                            |                  |                      |                  |
| <b>Cash Received</b>  |                            |                  |                      |                  |
| Proceeds from Sales of Investment Properties                        | 83,063                     | 118,023          | 83,064               | 118,023          |
| <b>Cash Used</b>  |                            |                  |                      |                  |
| Acquisitions and Construction of Investment Properties              | 11,143                     | 15,371           | 11,143               | 16,371           |
| Acquisition of Plant and Equipment                                  | 935                        | 5,018            | 935                  | 5,018            |
| <b>Total Cash Used</b>  | <b>12,078</b>              | <b>20,389</b>    | <b>12,078</b>        | <b>21,389</b>    |
| <b>Net Cash from Investing Activities</b>                           | <b>70,985</b>              | <b>97,634</b>    | <b>70,986</b>        | <b>96,634</b>    |
| <b>FINANCING ACTIVITIES</b>   |                            |                  |                      |                  |
| <b>Cash Used</b>  |                            |                  |                      |                  |
| Dividend Paid   | 51,073                     | 49,654           | 51,073               | 49,654           |
| <b>Total Cash Used</b>  | <b>51,073</b>              | <b>49,654</b>    | <b>51,073</b>        | <b>49,654</b>    |
| <b>Net Cash Used By Financing Activities</b>                        | <b>(51,073)</b>            | <b>(49,654)</b>  | <b>(51,073)</b>      | <b>(49,654)</b>  |
| <b>Net Increase in Cash Held</b>                                    | <b>(47,419)</b>            | <b>35,254</b>    | <b>(47,427)</b>      | <b>34,238</b>    |
| Cash and Cash Equivalents at the Beginning of the Reporting Period  | 330,444                    | 295,190          | 329,428              | 295,190          |
| <b>Cash and Cash Equivalents at the End of the Reporting Period</b> | <b>283,025</b>             | <b>330,444</b>   | <b>282,001</b>       | <b>329,428</b>   |
| 13  |                            |                  |                      |                  |

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.



**Defence Housing Australia**  
**Consolidated Statement of Changes in Equity**  
**For the year ended 30 June 2014**

| <b>Consolidated entity</b>                                       | <b>Retained earnings<br/>\$'000</b> | <b>Contributed equity<br/>\$'000</b> | <b>Total equity<br/>\$'000</b> |
|--|-------------------------------------|--------------------------------------|--------------------------------|
| <b>Balance at 1 July 2012</b>                                    | <u>954,983</u>                      | <u>403,863</u>                       | <u>1,358,846</u>               |
| Profit for the Year  | 85,120                              | -                                    | 85,120                         |
| <b>Total Comprehensive Income</b>                                | <u>85,120</u>                       | <u>-</u>                             | <u>85,120</u>                  |
| <b>Transactions with Owners</b>                                  |                                     |                                      |                                |
| <b>Distributions to Owners</b>                                   |                                     |                                      |                                |
| Returns on Capital:  |                                     |                                      |                                |
| Dividends  | (51,072)                            | -                                    | (51,072)                       |
| <b>Sub-Total Transactions with Owners</b>                        | <u>(51,072)</u>                     | <u>-</u>                             | <u>(51,072)</u>                |
| <b>Balance at 30 June 2013</b>                                   | <u>989,031</u>                      | <u>403,863</u>                       | <u>1,392,894</u>               |
| <b>Closing Balance Attributable to the Australian Government</b> | <u>989,031</u>                      | <u>403,863</u>                       | <u>1,392,894</u>               |
| <br>   |                                     |                                      |                                |
| <b>Balance at 1 July 2013</b>                                    | <u>989,031</u>                      | <u>403,863</u>                       | <u>1,392,894</u>               |
| Profit for the Year  | 89,985                              | -                                    | 89,985                         |
| <b>Total Comprehensive Income</b>                                | <u>89,985</u>                       | <u>-</u>                             | <u>89,985</u>                  |
| <b>Transactions with Owners</b>                                  |                                     |                                      |                                |
| <b>Distributions to Owners</b>                                   |                                     |                                      |                                |
| Returns on Capital:  |                                     |                                      |                                |
| Dividends  | (53,991)                            | -                                    | (53,991)                       |
| <b>Sub-Total Transactions with Owners</b>                        | <u>(53,991)</u>                     | <u>-</u>                             | <u>(53,991)</u>                |
| <b>Balance at 30 June 2014</b>                                   | <u>1,025,025</u>                    | <u>403,863</u>                       | <u>1,428,888</u>               |
| <b>Closing Balance Attributable to the Australian Government</b> | <u>1,025,025</u>                    | <u>403,863</u>                       | <u>1,428,888</u>               |

*The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

**Defence Housing Australia**  
**Consolidated Schedule of Commitments**  
**As at 30 June 2014**

|  | <b>Consolidated entity</b>         |                                    | <b>Parent entity</b>               |                                    |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|  | <b>30 June<br/>2014<br/>\$'000</b> | <b>30 June<br/>2013<br/>\$'000</b> | <b>30 June<br/>2014<br/>\$'000</b> | <b>30 June<br/>2013<br/>\$'000</b> |
| <b>By Type</b>                           |                                    |                                    |                                    |                                    |
| <b>Commitments Receivable</b>            |                                    |                                    |                                    |                                    |
| Operating Lease Income                   | <b>3,227,795</b>                   | 3,117,868                          | <b>3,227,795</b>                   | 3,117,868                          |
| <b>Total Commitments Receivable</b>      | <b>3,227,795</b>                   | 3,117,868                          | <b>3,227,795</b>                   | 3,117,868                          |
| <b>Commitments Payable</b>               |                                    |                                    |                                    |                                    |
| <b>Capital Commitments</b>               |                                    |                                    |                                    |                                    |
| Construction Commitments                 | <b>384,120</b>                     | 117,221                            | <b>384,120</b>                     | 117,221                            |
| <b>Total Capital Commitments</b>         | <b>384,120</b>                     | 117,221                            | <b>384,120</b>                     | 117,221                            |
| <b>Other Commitments</b>                 |                                    |                                    |                                    |                                    |
| House Operating Lease Rentals            | <b>2,480,403</b>                   | 2,661,107                          | <b>2,480,403</b>                   | 2,661,107                          |
| Other Operating Leases                   | <b>26,116</b>                      | 25,608                             | <b>26,116</b>                      | 25,608                             |
| <b>Total Other Commitments</b>           | <b>2,506,519</b>                   | 2,686,715                          | <b>2,506,519</b>                   | 2,686,715                          |
| <b>Total Commitments Payable</b>         | <b>2,890,639</b>                   | 2,803,936                          | <b>2,890,639</b>                   | 2,803,936                          |
| <b>Net Commitments By Type</b>           | <b>337,156</b>                     | 313,932                            | <b>337,156</b>                     | 313,932                            |
| <b>By Maturity</b>                       |                                    |                                    |                                    |                                    |
| <b>Commitments Receivable</b>            |                                    |                                    |                                    |                                    |
| <b>Operating Lease Income</b>            |                                    |                                    |                                    |                                    |
| One Year or Less                         | <b>393,770</b>                     | 385,501                            | <b>393,770</b>                     | 385,501                            |
| From One to Five Years                   | <b>1,281,144</b>                   | 1,426,648                          | <b>1,281,144</b>                   | 1,426,648                          |
| Over Five Years                          | <b>1,552,881</b>                   | 1,305,719                          | <b>1,552,881</b>                   | 1,305,719                          |
| <b>Total Operating Lease Income</b>      | <b>3,227,795</b>                   | 3,117,868                          | <b>3,227,795</b>                   | 3,117,868                          |
| <b>Total Commitments Receivable</b>      | <b>3,227,795</b>                   | 3,117,868                          | <b>3,227,795</b>                   | 3,117,868                          |
| <b>Commitments Payable</b>               |                                    |                                    |                                    |                                    |
| <b>Capital Commitments</b>               |                                    |                                    |                                    |                                    |
| One Year or Less                         | <b>323,885</b>                     | 90,646                             | <b>323,885</b>                     | 90,646                             |
| From One to Five Years                   | <b>60,235</b>                      | 26,575                             | <b>60,235</b>                      | 26,575                             |
| <b>Total Capital Commitments</b>         | <b>384,120</b>                     | 117,221                            | <b>384,120</b>                     | 117,221                            |
| <b>Operating Lease Commitments</b>       |                                    |                                    |                                    |                                    |
| One Year or Less                         | <b>338,694</b>                     | 334,982                            | <b>338,694</b>                     | 334,982                            |
| From One to Five Years                   | <b>1,115,662</b>                   | 1,286,800                          | <b>1,115,662</b>                   | 1,286,800                          |
| Over Five Years                          | <b>1,052,163</b>                   | 1,064,933                          | <b>1,052,163</b>                   | 1,064,933                          |
| <b>Total Operating Lease Commitments</b> | <b>2,506,519</b>                   | 2,686,715                          | <b>2,506,519</b>                   | 2,686,715                          |
| <b>Total Commitments Payable</b>         | <b>2,890,639</b>                   | 2,803,936                          | <b>2,890,639</b>                   | 2,803,936                          |
| <b>Net Commitments By Maturity</b>       | <b>337,156</b>                     | 313,932                            | <b>337,156</b>                     | 313,932                            |

NB: Commitments are GST inclusive where relevant

Operating Lease Income - Rent received under the Head Lease agreement with Department of Defence

Construction Commitments - Outstanding contractual payments for buildings under construction

House Operating Lease Rentals - Outstanding payments due on properties leased

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

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

**Defence Housing Australia  
Consolidated Schedule of Contingencies  
As at 30 June 2014**

|                                     | <b>Consolidated entity</b>         |                                    | <b>Parent entity</b>               |                                    |
|-------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|                                     | <b>30 June<br/>2014<br/>\$'000</b> | <b>30 June<br/>2013<br/>\$'000</b> | <b>30 June<br/>2014<br/>\$'000</b> | <b>30 June<br/>2013<br/>\$'000</b> |
| <b>Contingent Assets</b>            |                                    |                                    |                                    |                                    |
| Assets                              | -                                  | -                                  | -                                  | -                                  |
| <b>Total Contingent Assets</b>      | <b>-</b>                           | <b>-</b>                           | <b>-</b>                           | <b>-</b>                           |
| <b>Contingent Liabilities</b>       |                                    |                                    |                                    |                                    |
| Liabilities                         | <b>19,120</b>                      | 8,320                              | <b>19,120</b>                      | 8,320                              |
| <b>Total Contingent Liabilities</b> | <b>19,120</b>                      | <b>8,320</b>                       | <b>19,120</b>                      | <b>8,320</b>                       |
| <b>Net Contingent Liabilities</b>   | <b>19,120</b>                      | <b>8,320</b>                       | <b>19,120</b>                      | <b>8,320</b>                       |

Details of each class of contingent liabilities and contingent assets listed above are disclosed in Note 30: Contingent Liabilities and Assets, along with information on significant remote contingencies that cannot be quantified.

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

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## **1 Summary of Significant Accounting Policies**

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Defence Housing Australia and its subsidiary.

### **(a) 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's 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.

### **(b) 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 2013; 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 executory 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.

### **(c) Significant Accounting Judgements 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:

## 1 Summary of Significant Accounting Policies (continued)

### (c) Significant Accounting Judgements and Estimates (continued)

- 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.
- 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 refer Note 1 (w).
- 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 note (j).

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.

### (d) 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 AASB that are relevant to its operations and effective for the current annual reporting period. The following new and revised standards were issued prior to the signing of the statements by the Chairman, Managing Director and Chief Financial Officer, were applicable to the current reporting period and had a material impact on the entities financial statements:

*AASB 10 - Consolidated Financial Statements* - effective for annual reporting periods beginning on or after 1 January 2013.

*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.

### (e) 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.

Revenue from rendering services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- a) The amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- b) The probable economic benefits associated with the transaction will flow to the entity.

Interest revenue is recognised on an accrual basis using the effective interest method as set out in *AASB 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 and inventory properties are recognised when all specified conditions relating to the sale are satisfied and there is an unconditional sale. This is when settlement occurs.

## 1 Summary of Significant Accounting Policies (continued)

### (e) Revenue (continued)

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 the debts recovery 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 a loan.

### (f) 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.

### (g) 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 (ATO), 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 ATO, 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 ATO, are classified as operating cash flows.

### (h) 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' (as defined in *AASB 119 - Employee Benefits*) and termination benefits expected to be settled within twelve months of the end of the reporting period 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.

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

#### (i) Leave

The liability for employee benefits includes provisions 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 the entity 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 the entity's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

## 1 Summary of Significant Accounting Policies (continued)

### (h) Employee Benefits (continued)

#### (i) Leave (continued)

The liability for long service leave has been determined by reference to Part E, Division 43 of the Finance Minister's Orders 2013-2014. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation. The liability for long service leave in respect of all employees at 30 June 2014, is recognised and measured at the present value of the estimated future cash flows, based on the shorthand method.

The liability for annual leave is recognised and measured at the present value of the estimated future cash flows, taking into account the average annual leave taken by employees during the year. The estimate includes an estimate of the expected pay increases to be paid.

#### (ii) Separation and Redundancy

Provision is made for separation and redundancy benefit payments. The entity recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

#### (iii) Superannuation

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

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

The liability for defined benefits is recognised in the financial statements of the Government and is settled by the Government in due course. This liability is reported in the Department of Finance 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 current cost to the Government. The entity accounts for the contributions as if they were contributions to defined contribution plans.

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.

### (i) 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*

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:



## **1 Summary of Significant Accounting Policies (continued)**

### **(i) Leases (continued)**

#### *Operating Leases (continued)*

- 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 Department of 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*

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.

### **(j) Sale and Leaseback Provision**

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

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

At the time of recording the sale, a provision is raised to recognise the make good obligation. The provision is based on an assessment of the present value of the necessary costs to make good properties at the end of their lease terms. The estimate includes an inflation factor of 2.50% (2013: 2.50%) and a discount rate of 3.29% (2013: 3.65%), being the 5 year commercial bank swap rate as at 30 June 2014.

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.

### **(k) 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.

### **(l) Principles of Consolidation**

#### *(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of DHA ('parent entity') as at 30 June 2014 and the results of all subsidiaries for the period then ended. DHA and its subsidiaries together are referred to in this financial report as the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

## 1 Summary of Significant Accounting Policies (continued)

### (l) Principles of Consolidation (continued)

#### (i) Subsidiaries (continued)

The acquisition method of accounting is used to account for business combinations by the group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

#### (ii) Associates

Associates are all entities over which DHA has significant influence but not control or joint 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 38).

DHA's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as a reduction in the carrying amount of the investment.

When 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 the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

#### (iii) Joint ventures

##### *Jointly Controlled Entities*

Interest in jointly controlled entities are accounted for under the equity method in the financial statements.

##### *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.

### (m) DHA Investment Management Limited

On the 14th December 2012 DHA created a wholly owned subsidiary DHA Investment Management Limited (DHA IML) whose principal objective is to establish, operate and administer Managed Investment Schemes.

DHA IML holds an Australian Financial Services Licence and is the responsible entity, the manager and the issuer of the units in the DHA Residential Property Fund No. 1 (the Fund).

DHA IML is responsible for the operation and management of the Fund and must perform in accordance with the duties under the *Corporations Act 2001*, the Fund Constitution and, the Fund Compliance Plan. DHA IML must act honestly, with due care and diligence and in the best interest of unit holders.

### (n) Income Tax

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

## **1 Summary of Significant Accounting Policies (continued)**

### **(n) Income Tax (continued)**

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.

### **(o) Tax Consolidation**

DHA is electing to consolidate with DHA IML for income tax purposes. DHA, as the head entity of the tax consolidated group, will lodge a single income tax return for the group. The ATO will be notified of the election upon lodgement of the consolidated income tax return.

DHA and DHA IML entered into a tax funding agreement in June 2013. The agreement outlines the terms on which DHA IML is required to contribute to the payment of the group's income tax liability. The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practical at the end of the financial year. The head entity may also request payment of interim funding amounts to assist with its obligations to pay income tax instalments. The funding amounts are recognised as current inter-company receivables or payables.

### **(p) 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 DHA Board resolved on 22 May 2014 to pay a dividend of 60% of net profit after tax. In accordance with paragraph 41.3 of the FMO's DHA has recognised a liability for the dividend. Refer to Note 2.

### **(q) 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.

### **(r) 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.

## **1 Summary of Significant Accounting Policies (continued)**

### **(r) Financial Assets (continued)**

#### *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.

### **(s) 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*

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

### **(t) 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.

### **(u) 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 2014.

## 1 Summary of Significant Accounting Policies (continued)

### (v) 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).

Property, plant and equipment is initially recognised at cost and are subsequently recognised at cost less accumulated depreciation and any accumulated impairment losses.

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 (y).

DHA accounts for investment properties under *AASB 140 - Investment Property*. Investment properties are properties held for long-term provisioning requirements or for capital appreciation. Additional information on investment properties can be found at Note (w).

#### *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:

|                       | <b>2014</b>    | <b>2013</b>    |
|-----------------------|----------------|----------------|
| 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 asset's 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.

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

## 1 Summary of Significant Accounting Policies (continued)

### (v) Property, Plant and Equipment (continued)

Where impairment write backs are identified, the adjustment is made to value the asset to the higher of cost or recoverable amount (but shall not exceed the carrying amount that would have been determined had no impairment loss been recognised).

### (w) 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 assets 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 properties are 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.

### (x) Investment Properties Held 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.

### (y) 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.

#### *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 Summary of Significant Accounting Policies (continued)**

### **(z) Repairs and Maintenance**

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

### **(aa) 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.

### **(ab) 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 Services Agreement, 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.

### **(ac) Rounding**

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

- Remuneration of key management personnel;
- Remuneration of auditors, and;
- Remuneration of senior executives.

### **(ad) 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 Treasurer who regularly reports to the DHA Board.

## **1 Summary of Significant Accounting Policies (continued)**

### **(ae) Compensation and Debt Relief**

In accordance with FMO 122.1, DHA did not provide any debt relief or compensation in special circumstances payments.



## 2 Final Dividends

The DHA Board has declared a final dividend for the year ending 30 June 2014 of \$53,990,667 (2013: \$51,072,946). The DHA Board resolved on 22 May 2014 to pay a dividend of 60 percent of net profit after tax. In accordance with paragraph 41.3 of the FMO's DHA has recognised a liability for the dividend.

|                | Consolidated entity       |                           | Parent entity             |                           |
|----------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| Final Dividend | 53,991                    | 51,073                    | 54,037                    | 51,073                    |

## 3 Housing Services Provided

|                                       | Consolidated entity       |                           | Parent entity             |                           |
|---------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                                       | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| Defence Rent and Charges              | 511,598                   | 497,003                   | 511,598                   | 497,003                   |
| Defence Other Charges                 | 76,477                    | 78,454                    | 76,477                    | 78,454                    |
| Lessor Management Fees                | 48,112                    | 45,807                    | 48,112                    | 45,807                    |
| Other Revenue                         | 8,698                     | 9,258                     | 8,597                     | 9,258                     |
| Annuity Revenue                       | 3,657                     | 725                       | 3,657                     | 725                       |
| <b>Total Housing Service Provided</b> | <b>648,542</b>            | <b>631,247</b>            | <b>648,441</b>            | <b>631,247</b>            |

Defence Rent and Charges includes rent from investment properties of \$61,332,305 (2013: \$62,730,131)

|  | Consolidated entity       |                           | Parent entity             |                           |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|  | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>Housing Services Provided are made up of:</b> |                           |                           |                           |                           |
| Housing Services - Related Entities              | 591,732                   | 575,457                   | 591,732                   | 575,457                   |
| Housing Services - External Parties              | 56,810                    | 55,790                    | 56,709                    | 55,790                    |
| <b>Total Housing Services Provided</b>           | <b>648,542</b>            | <b>631,247</b>            | <b>648,441</b>            | <b>631,247</b>            |

## 4 Allocation Services Provided

|                                | Consolidated entity       |                           | Parent entity             |                           |
|--------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                                | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| Allocation Administration Fees | 10,474                    | 8,919                     | 10,474                    | 8,919                     |

## 5 Interest Received

|                                | Consolidated entity       |                           | Parent entity             |                           |
|--------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                                | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| Interest on Deposits           | 13,829                    | 14,494                    | 13,799                    | 14,478                    |
| Interest from Joint Ventures   | -                         | (1)                       | -                         | (1)                       |
| <b>Total Interest Received</b> | <b>13,829</b>             | <b>14,493</b>             | <b>13,799</b>             | <b>14,477</b>             |

## 6 Net Gains from Disposal of Investment Properties

|   | Consolidated entity       |                           | Parent entity             |                           |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
|   | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| Proceeds from Sale                                      | 83,741                    | 121,994                   | 83,741                    | 121,994                   |
| Carrying Value of Assets Sold                           | (47,264)                  | (81,328)                  | (47,264)                  | (81,328)                  |
| Selling Expenses  | (1,025)                   | (3,829)                   | (1,025)                   | (3,829)                   |
| <b>Net Gains from Disposal of Investment Properties</b> | <b>35,452</b>             | <b>36,837</b>             | <b>35,452</b>             | <b>36,837</b>             |

## 7 Employee Benefits

|                                | Consolidated entity       |                           | Parent entity             |                           |
|--------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                                | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| Wages and Salaries             | 46,772                    | 45,368                    | 46,705                    | 45,368                    |
| Superannuation:                |                           |                           |                           |                           |
| Defined Contribution Plans     | 6,065                     | 5,210                     | 6,065                     | 5,210                     |
| Defined Benefit Plans          | 3,333                     | 3,126                     | 3,333                     | 3,126                     |
| Leave and Other Entitlements   | 4,976                     | 5,541                     | 4,976                     | 5,541                     |
| Payroll Tax Equivalent         | 4,178                     | 3,758                     | 4,178                     | 3,758                     |
| Workers' Compensation Premiums | 735                       | 690                       | 735                       | 690                       |
| Redundancy                     | 3,429                     | -                         | 3,429                     | -                         |
| <b>Total Employee Benefits</b> | <b>69,488</b>             | <b>63,693</b>             | <b>69,421</b>             | <b>63,693</b>             |

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

Defence Housing Australia  
Notes to the Consolidated Financial Statements  
30 June 2014  
(continued)

## 8 Rates, Repairs and Maintenance

|   | Consolidated entity       |                           | Parent entity             |                           |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
|   | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| Rates and Municipal Charges                 | 10,242                    | 9,975                     | 10,242                    | 9,975                     |
| Stamp Duty and Land Tax Equivalents         | 27,854                    | 26,997                    | 27,854                    | 26,997                    |
| Repairs and Maintenance                     | 40,324                    | 39,391                    | 40,324                    | 39,391                    |
| Other Property Charges                      | 90,968                    | 93,539                    | 90,968                    | 93,539                    |
| <b>Total Rates, Repairs and Maintenance</b> | <b>169,388</b>            | <b>169,902</b>            | <b>169,388</b>            | <b>169,902</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 for investment properties of \$19,635,005 (2013: \$17,678,968).

## 9 Depreciation and Amortisation

|  | Consolidated entity       |                           | Parent entity             |                           |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|  | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>Depreciation</b>                        |                           |                           |                           |                           |
| Investment Properties                      | 10,732                    | 11,354                    | 10,732                    | 11,354                    |
| Plant and Equipment                        | 1,478                     | 943                       | 1,478                     | 943                       |
| <b>Total Depreciation</b>                  | <b>12,210</b>             | <b>12,297</b>             | <b>12,210</b>             | <b>12,297</b>             |
| <b>Amortisation</b>                        |                           |                           |                           |                           |
| Software                                   | 799                       | 888                       | 799                       | 888                       |
| <b>Total Amortisation</b>                  | <b>799</b>                | <b>888</b>                | <b>799</b>                | <b>888</b>                |
| <b>Total Depreciation and Amortisation</b> | <b>13,009</b>             | <b>13,185</b>             | <b>13,009</b>             | <b>13,185</b>             |

## 10 Finance Costs

|                   | Consolidated entity       |                           | Parent entity             |                           |
|-------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                   | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| Interest on Loans | 29,999                    | 30,854                    | 29,999                    | 30,854                    |

## 11 Write-Down and Impairment of Assets

|  | Consolidated entity       |                           | Parent entity             |                           |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|  | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>Non-Financial Assets</b>                    |                           |                           |                           |                           |
| <b>Write-downs and Impairments</b>             |                           |                           |                           |                           |
| Investment Properties                          | 156                       | 799                       | 156                       | 799                       |
| Inventories                                    | 4,672                     | 8,085                     | 4,672                     | 8,085                     |
| <b>Total Write-Downs and Impairments</b>       | <b>4,828</b>              | <b>8,884</b>              | <b>4,828</b>              | <b>8,884</b>              |
| <b>Reversals</b>                               |                           |                           |                           |                           |
| Investment Property Reversal                   | (1,384)                   | (2,557)                   | (1,384)                   | (2,557)                   |
| Inventories Reversal                           | (3,386)                   | (3,339)                   | (3,386)                   | (3,339)                   |
| <b>Total Reversals</b>                         | <b>(4,770)</b>            | <b>(5,896)</b>            | <b>(4,770)</b>            | <b>(5,896)</b>            |
| <b>Net Write-Down and Impairment of Assets</b> | <b>58</b>                 | <b>2,988</b>              | <b>58</b>                 | <b>2,988</b>              |

To ensure compliance with *AASB 140 - Investment Properties*, an independent assessment of investment properties was undertaken by registered valuers as at 31 December 2013, in addition 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 to Note 19.

To ensure compliance with *AASB 102 - Inventories*, an independent assessment of inventory properties was undertaken by registered valuers as at 31 December 2013. The carrying value of individual properties, where the cost of the property exceeded the net realisable value, have been adjusted accordingly. Refer also to Note 18.

To ensure compliance with *AASB 116 - Property, Plant and Equipment*, the carrying values of plant, equipment and software were reviewed and adjusted as appropriate. 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 to Note 19.

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.

## 12 Income Tax Expense

### (a) Income Tax Expense

|  | Consolidated entity       |                           | Parent entity             |                           |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|  | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| Current Tax                                  | 8,280                     | 21,256                    | 8,309                     | 21,253                    |
| Deferred Tax                                 | 11,981                    | 2,671                     | 11,985                    | 2,674                     |
| Adjustments for Current Tax of Prior Periods | 3,087                     | (8,546)                   | 3,087                     | (8,546)                   |
|  | <b>23,348</b>             | <b>15,381</b>             | <b>23,381</b>             | <b>15,381</b>             |
| Income Tax Expense is Attributable to:       |                           |                           |                           |                           |
| Profit from Continuing Operations            | 23,348                    | 15,381                    | 23,381                    | 15,381                    |
| Aggregate Income Tax Expense                 | <b>23,348</b>             | <b>15,381</b>             | <b>23,381</b>             | <b>15,381</b>             |

### (b) Reconciliation of Income Tax Expense to Prima Facie Tax Payable

|   | Consolidated entity       |                           | Parent entity             |                           |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
|   | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| Profit from Continuing Operations before income Tax Expense | 113,333                   | 100,501                   | 113,444                   | 100,502                   |
| Tax at the Australian Tax Rate of 30.0%                     | 34,000                    | 30,150                    | 34,033                    | 30,150                    |
| Tax Effect of Amounts which are not Deductible (Taxable)    |                           |                           |                           |                           |
| in Calculating Taxable Income:                              |                           |                           |                           |                           |
| Tax Cost Base Valuations                                    | (8,423)                   | (11,015)                  | (8,423)                   | (11,015)                  |
| Adjustments for Current Tax of Prior Periods                | (2,265)                   | (3,776)                   | (2,265)                   | (3,776)                   |
| Other   | 36                        | 22                        | 36                        | 22                        |
| <b>Income tax expense</b>                                   | <b>23,348</b>             | <b>15,381</b>             | <b>23,381</b>             | <b>15,381</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 2014 is \$509,132,712 (2013: \$526,241,535). The tax effect of this temporary difference is \$152,739,814 (2013: \$157,872,460).

### 13 Current Assets - Cash and Cash Equivalents

|  | Consolidated entity       |                           | Parent entity             |                           |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|  | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| Cash at Bank                           | 7,309                     | 1,928                     | 6,987                     | 912                       |
| Cash on Hand                           | 14                        | 16                        | 14                        | 16                        |
| Short Term Deposits                    | 275,702                   | 328,500                   | 275,000                   | 328,500                   |
| <b>Total Cash and Cash Equivalents</b> | <b>283,025</b>            | <b>330,444</b>            | <b>282,001</b>            | <b>329,428</b>            |

### 14 Current Assets - Trade and Other Receivables

|   | Consolidated entity       |                           | Parent entity             |                           |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
|   | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>Current</b>                                  |                           |                           |                           |                           |
| Department of Defence Debtors                   | 1,424                     | 1,659                     | 1,424                     | 1,659                     |
| Accrued Income                                  | 16,392                    | 6,311                     | 16,430                    | 6,311                     |
| Other Receivables                               | 4,243                     | 1,370                     | 4,257                     | 1,370                     |
| Tax Receivables                                 | 5,202                     | -                         | 5,202                     | -                         |
| <b>Total Receivables for Goods and Services</b> | <b>27,261</b>             | <b>9,340</b>              | <b>27,313</b>             | <b>9,340</b>              |
| <b>Good and Services</b>                        |                           |                           |                           |                           |
| Goods and Services - Related Entities           | 15,153                    | 4,977                     | 15,153                    | 4,977                     |
| Goods and Services - External Parties           | 12,108                    | 4,363                     | 12,160                    | 4,363                     |
| <b>Total Trade and Other Receivables (Net)</b>  | <b>27,261</b>             | <b>9,340</b>              | <b>27,313</b>             | <b>9,340</b>              |

#### 14 Current Assets - Trade and Other Receivables (continued)

(a) Receivables are expected to be recovered in:

|   | Consolidated entity       |                           | Parent entity             |                           |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
|   | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| Less than 12 Months                     | 27,261                    | 9,340                     | 27,313                    | 9,340                     |
| Credit Terms are between 7 and 30 days. |                           |                           |                           |                           |

(b) Receivables are aged as follows:

|                    | Consolidated entity       |                           | Parent entity             |                           |
|--------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                    | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| Less than 30 Days  | 22,058                    | 9,340                     | 22,011                    | 9,340                     |
| More than 120 Days | 5,202                     | -                         | 5,202                     | -                         |
|                    | 27,260                    | 9,340                     | 27,213                    | 9,340                     |

During 2013 DHA amended the way in which it accounted for Defence capital upgrades and annuity projects this has increased accrued Income by \$8,461,951 (2013: 6,885,280.62).

## 15 Investment Properties Held for Sale

|   | Consolidated entity       |                           | Parent entity             |                           |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
|   | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| Investment Properties - at Cost                   | 23,761                    | 16,179                    | 23,761                    | 16,179                    |
| Investment Properties - at Cost (Less Impairment) | 1,482                     | 5,343                     | 1,482                     | 5,343                     |
| <b>Total Investment Properties Held for Sale</b>  | <b>25,243</b>             | <b>21,522</b>             | <b>25,243</b>             | <b>21,522</b>             |

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

## 16 Other Current Assets

|                                   | Consolidated entity       |                           | Parent entity             |                           |
|-----------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                                   | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>Other Current Assets</b>       |                           |                           |                           |                           |
| Finance Lease Receivables         | 6,505                     | 2,951                     | 6,505                     | 2,951                     |
| Other Prepayments                 | 2,084                     | 966                       | 2,084                     | 966                       |
| Prepaid Property Rentals          | 29,076                    | 27,988                    | 29,076                    | 27,988                    |
| <b>Total Other Current Assets</b> | <b>37,665</b>             | <b>31,905</b>             | <b>37,665</b>             | <b>31,905</b>             |



## 17 Non-Current Assets - Deferred Tax Assets

|  | Consolidated entity       |                           | Parent entity             |                           |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|  | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>The balance comprises temporary differences attributable to:</b>    |                           |                           |                           |                           |
| Employee benefits  | 6,408                     | 5,028                     | 6,408                     | 5,028                     |
| Make Good Provisions   | 29,185                    | 27,719                    | 29,185                    | 27,719                    |
| Provisions   | 1,107                     | 986                       | 1,099                     | 986                       |
| Lease Incentive  | 260                       | 341                       | 260                       | 341                       |
| Property Plant and Equipment   | -                         | 148                       | -                         | 148                       |
| Other  | 65                        | -                         | 65                        | -                         |
|  | <b>37,025</b>             | <b>34,222</b>             | <b>37,017</b>             | <b>34,222</b>             |
| Set-off of deferred tax liabilities pursuant to set-off provisions     | (32,764)                  | (17,980)                  | (32,764)                  | (17,980)                  |
| Net deferred tax assets  | <b>4,261</b>              | <b>16,242</b>             | <b>4,253</b>              | <b>16,242</b>             |
| Deferred tax assets expected to be recovered within 12 months          | (10,015)                  | (1,027)                   | (10,022)                  | (1,027)                   |
| Deferred tax assets expected to be recovered after more than 12 months | 14,276                    | 17,269                    | 14,275                    | 17,269                    |
|  | <b>4,261</b>              | <b>16,242</b>             | <b>4,253</b>              | <b>16,242</b>             |

| Movements - Consolidated entity                   | Make Good Provision<br>\$'000 | Employee Benefits<br>\$'000 | Provisions<br>\$'000 | Property Plant and Equipment<br>\$'000 | Other<br>\$'000 | Total<br>\$'000 |
|---|-------------------------------|-----------------------------|----------------------|--|-----------------|-----------------|
| At 30 June 2013                                   | 27,719                        | 5,028                       | 986                  | 148                                    | 341             | 34,222          |
| (Charged)/credited Charge to the Income Statement | 1,466                         | 1,380                       | 121                  | (148)                                  | (16)            | 2,803           |
| At 30 June 2014                                   | <b>29,185</b>                 | <b>6,408</b>                | <b>1,107</b>         | <b>-</b>                               | <b>325</b>      | <b>37,025</b>   |
| Movements - Consolidated entity                   | Make Good Provision<br>\$'000 | Employee Benefits<br>\$'000 | Provisions<br>\$'000 | Property Plant and Equipment<br>\$'000 | Other<br>\$'000 | Total<br>\$'000 |
| At 1 July 2012                                    | 26,118                        | 4,267                       | 1,047                | 454                                    | 443             | 32,329          |
| (Charged)/credited Charge to the Income Statement | 1,601                         | 761                         | (61)                 | (306)                                  | (102)           | 1,893           |
| At 30 June 2013                                   | <b>27,719</b>                 | <b>5,028</b>                | <b>986</b>           | <b>148</b>                             | <b>341</b>      | <b>34,222</b>   |

## 18 Inventories

|  | Consolidated entity       |                           | Parent entity             |                           |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|  | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| Completed Properties - at Cost                 | 307,529                   | 198,302                   | 307,529                   | 198,302                   |
| Completed Properties - at Net Realisable Value | 184,788                   | 306,199                   | 184,788                   | 306,199                   |
| Land Held for Sale - at Cost                   | 14,081                    | 31,847                    | 14,081                    | 31,847                    |
| Work in Progress - at Cost                     | 513,555                   | 403,533                   | 513,555                   | 403,532                   |
| Work in Progress - at Net Realisable Value     | 8,435                     | 9,297                     | 8,435                     | 9,297                     |
| <b>Total Inventories</b>                       | <b>1,028,388</b>          | <b>949,178</b>            | <b>1,028,388</b>          | <b>949,177</b>            |
|  |                           |                           |                           |                           |
|  | Consolidated entity       |                           | Parent entity             |                           |
| Current Inventories                            | 373,251                   | 276,712                   | 373,251                   | 276,712                   |
| Non-Current Inventories                        | 655,137                   | 672,466                   | 655,137                   | 672,465                   |
|  | <b>1,028,388</b>          | <b>949,178</b>            | <b>1,028,388</b>          | <b>949,177</b>            |

The Total Fair value of Inventory as at 30 June 2014 is \$1,103,443,740 (2013: \$1,117,297,239).

## 19 Non-Current Assets - Property, Plant and Equipment

|  | Consolidated entity       |                           | Parent entity             |                           |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|  | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>Consolidated</b>                        |                           |                           |                           |                           |
| <b>Investment Properties</b>               |                           |                           |                           |                           |
| Investment Properties - at Cost            | 804,846                   | 724,807                   | 804,846                   | 724,807                   |
| Less: Accumulated Depreciation             | (89,979)                  | (82,380)                  | (89,979)                  | (82,380)                  |
|  | <u>714,867</u>            | <u>642,427</u>            | <u>714,867</u>            | <u>642,427</u>            |
| <b>Investment Properties - Impaired</b>    |                           |                           |                           |                           |
| Investment Properties - at Cost            | 50,083                    | 122,396                   | 50,083                    | 122,396                   |
| Less : Accumulation Depreciation           | (1,627)                   | (4,248)                   | (1,627)                   | (4,248)                   |
| Less Impairments                           | (2,800)                   | (3,151)                   | (2,800)                   | (3,151)                   |
|  | <u>45,656</u>             | <u>114,997</u>            | <u>45,656</u>             | <u>114,997</u>            |
| <b>Total Investment Properties</b>         | <u>760,523</u>            | <u>757,424</u>            | <u>760,523</u>            | <u>757,424</u>            |
| <b>Plant and Equipment</b>                 |                           |                           |                           |                           |
| Plant and Equipment - at cost              | 13,514                    | 11,369                    | 13,514                    | 11,369                    |
| Less: Accumulated Depreciation             | (5,952)                   | (5,762)                   | (5,952)                   | (5,762)                   |
|  | <u>7,562</u>              | <u>5,607</u>              | <u>7,562</u>              | <u>5,607</u>              |
| <b>Software</b>                            |                           |                           |                           |                           |
| Software Development - at Cost             | 18,944                    | 24,206                    | 18,944                    | 24,206                    |
| Less: Accumulated Amortisation             | (12,995)                  | (21,163)                  | (12,995)                  | (21,163)                  |
|  | <u>5,949</u>              | <u>3,043</u>              | <u>5,949</u>              | <u>3,043</u>              |
| <b>Total Plant, Equipment and Software</b> | <u>13,511</u>             | <u>8,650</u>              | <u>13,511</u>             | <u>8,650</u>              |
| <b>Total Property, Plant and Equipment</b> | <u>774,034</u>            | <u>766,074</u>            | <u>774,034</u>            | <u>766,074</u>            |

The total fair value of Investment Properties (including Investment Properties - Held for Sale in Note 15) as at 30 June 2014 is \$1,537,022,895 (2013: \$1,480,625,794).

The fair value of DHA's investments properties as at 30 June 2014 and 30 June 2013 has been arrived at on the basis of a valuation carried out on the respective date by independent valuers not related to DHA. The valuers are members of the Institute of Valuers of Australia, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year. The Fair value level in accordance with AASB 13 - *Fair Value Measurement* is level 2.

## 19 Non-Current Assets - Property, Plant and Equipment (continued)

|   | Investment<br>Properties<br>\$'000 | Plant and<br>equipment<br>\$'000 | Software<br>\$'000 | Total<br>\$'000 |
|---|------------------------------------|----------------------------------|--------------------|-----------------|
| <b>At 1 July 2012</b>   |                                    |                                  |                    |                 |
| Cost  | 937,221                            | 11,312                           | 21,812             | 970,345         |
| Accumulated depreciation                                      | (88,545)                           | (7,282)                          | (20,338)           | (116,165)       |
| Net Book Amount   | 848,676                            | 4,030                            | 1,474              | 854,180         |
| <b>Year ended 30 June 2013</b>                                |                                    |                                  |                    |                 |
| Additions   | 13,261                             | 2,595                            | 3,725              | 19,581          |
| By Transfer to/ from Inventory                                | (15,177)                           | -                                | -                  | (15,177)        |
| Depreciation/ Amortisation charge                             | (11,354)                           | (943)                            | (888)              | (13,185)        |
| Impairment Loss recognised in the Operating Result            | 1,792                              | -                                | 63                 | 1,855           |
| Transfer (to)/ from Assets Held for Sale                      | (85,090)                           | -                                | -                  | (85,090)        |
| Other Disposals   | (3,012)                            | (2,538)                          | (1,331)            | (6,881)         |
| Depreciation/ Impairment Written Back on Disposal or Transfer | 8,328                              | 2,463                            | -                  | 10,791          |
| Closing Net Book Value 30 June                                | 757,424                            | 5,607                            | 3,043              | 766,074         |
| <b>At 30 June 2013</b>  |                                    |                                  |                    |                 |
| Cost  | 847,203                            | 11,369                           | 24,206             | 882,778         |
| Accumulated depreciation                                      | (89,779)                           | (5,762)                          | (21,163)           | (116,704)       |
| Net Book Amount   | 757,424                            | 5,607                            | 3,043              | 766,074         |
| <b>Consolidated and Parent entity</b>                         |                                    |                                  |                    |                 |
|   | Investment<br>Properties<br>\$'000 | Plant and<br>equipment<br>\$'000 | Software<br>\$'000 | Total<br>\$'000 |
| <b>At 1 July 2013</b>   |                                    |                                  |                    |                 |
| Cost  | 847,203                            | 11,369                           | 24,206             | 882,778         |
| Accumulated depreciation                                      | (89,779)                           | (5,762)                          | (21,163)           | (116,704)       |
| Net book amount   | 757,424                            | 5,607                            | 3,043              | 766,074         |
| <b>Year ended 30 June 2014</b>                                |                                    |                                  |                    |                 |
| Additions   | 7,771                              | 3,483                            | 3,705              | 14,959          |
| By Transfer to/ from Inventory                                | 62,666                             | -                                | -                  | 62,666          |
| Depreciation/ Amortisation charge                             | (10,732)                           | (1,478)                          | (799)              | (13,009)        |
| Impairment Write Back recognised in the Operating Result      | 1,228                              | -                                | -                  | 1,228           |
| Transfer (to)/ from Assets Held for Sale                      | (50,184)                           | -                                | -                  | (50,184)        |
| Other Disposals   | (12,528)                           | (1,338)                          | (8,967)            | (22,833)        |
| Depreciation/ Impairment Written Back on Disposal or Transfer | 4,878                              | 1,288                            | 8,967              | 15,133          |
| Closing Net Book Value as at 30 June                          | 760,523                            | 7,562                            | 5,949              | 774,034         |
| <b>At 30 June 2014</b>  |                                    |                                  |                    |                 |
| Cost  | 854,929                            | 13,514                           | 18,944             | 887,387         |
| Accumulated depreciation                                      | (94,406)                           | (5,952)                          | (12,995)           | (113,353)       |
| Net Book Amount   | 760,523                            | 7,562                            | 5,949              | 774,034         |

## 20 Non-Current Assets - Investments Accounted for Using the Equity Method

|                                      | Consolidated entity       |                           | Parent entity             |                           |
|--------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                                      | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| Crace Developments Pty Ltd (Note 38) | 1,474                     | 5,194                     | 1,474                     | 5,194                     |
| <b>Total Share in Associates</b>     | <b>1,474</b>              | <b>5,194</b>              | <b>1,474</b>              | <b>5,194</b>              |

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

## 21 Finance Lease Receivables

|   | Consolidated entity       |                           | Parent entity             |                           |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
|   | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>Current Finance Lease Receivables</b>                  |                           |                           |                           |                           |
| Due not later than one year                               | 6,505                     | 2,951                     | 6,505                     | 2,951                     |
| <b>Total Current Finance Lease Receivables</b>            | <b>6,505</b>              | <b>2,951</b>              | <b>6,505</b>              | <b>2,951</b>              |
| <b>Non-Current Finance Lease Receivables</b>              |                           |                           |                           |                           |
| Due not later than one year but not later than five years | 42,690                    | 38,880                    | 42,690                    | 38,880                    |
| <b>Total Non-Current Finance Lease Receivables</b>        | <b>42,690</b>             | <b>38,880</b>             | <b>42,690</b>             | <b>38,880</b>             |
| <b>Total Finance Lease Receivables</b>                    | <b>49,195</b>             | <b>41,831</b>             | <b>49,195</b>             | <b>41,831</b>             |

DHA finances on-base housing constructions 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.

## 22 Trade and Other Payables

|                                       | Consolidated entity       |                           | Parent entity             |                           |
|---------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                                       | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| Trade Creditors                       | 6,322                     | 6,510                     | 6,304                     | 6,514                     |
| Accrued expenses                      | 54,388                    | 49,662                    | 54,373                    | 49,654                    |
| Accrued Repairs and Maintenance       | 2,731                     | 1,872                     | 2,731                     | 1,872                     |
| Stamp Duty and Land Tax Payable       | 7,807                     | 7,696                     | 7,807                     | 7,696                     |
| <b>Total Trade and Other Payables</b> | <b>71,248</b>             | <b>65,740</b>             | <b>71,215</b>             | <b>65,736</b>             |

|  | Consolidated entity       |                           | Parent entity             |                           |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|  | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>Trade payables expected to be settled within 12 months:</b> |                           |                           |                           |                           |
| Related Entities   | 17,587                    | 13,232                    | 17,587                    | 13,232                    |
| External Parties   | 53,661                    | 52,508                    | 53,628                    | 52,504                    |
| <b>Total</b>   | <b>71,248</b>             | <b>65,740</b>             | <b>71,215</b>             | <b>65,736</b>             |

**Trade payables expected to be settled in more than 12 months:**

|  |               |               |               |               |
|--|---------------|---------------|---------------|---------------|
| <b>Total Trade and Other Payables:</b> | -             | -             | -             | -             |
| <b>Total Trade Payables</b>            | <b>71,248</b> | <b>65,740</b> | <b>71,215</b> | <b>65,736</b> |

## 23 Current Tax Liabilities

|                                | Consolidated entity       |                           | Parent entity             |                           |
|--------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                                | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>Current Tax Liabilities</b> | -                         | 8,191                     | -                         | 8,191                     |

## 24 Dividends

|                               | Consolidated entity       |                           | Parent entity             |                           |
|-------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                               | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>Provisions - Dividends</b> | <b>53,991</b>             | <b>51,073</b>             | <b>54,037</b>             | <b>51,073</b>             |

## 25 Non-Current Liabilities - Deferred Tax Liabilities

|  | Consolidated entity       |                           | Parent entity             |                           |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|  | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>The balance comprises temporary differences attributable to:</b>          |                           |                           |                           |                           |
| Property, plant and equipment  | 1,178                     | -                         | 1,178                     | -                         |
| Investment properties  | 5,842                     | 8,499                     | 5,842                     | 8,499                     |
| Prepayments  | 922                       | 6                         | 922                       | 6                         |
| R&D Expense  | 9,268                     | -                         | 9,268                     | -                         |
| Inventory  | 15,554                    | 9,475                     | 15,554                    | 9,475                     |
|  | <b>32,764</b>             | <b>17,980</b>             | <b>32,764</b>             | <b>17,980</b>             |
| Set-off of deferred tax liabilities pursuant to set-off provisions (Note 17) | <b>(32,764)</b>           | <b>(17,980)</b>           | <b>(32,764)</b>           | <b>(17,980)</b>           |
| Net deferred tax liabilities   | -                         | -                         | -                         | -                         |

| Movements - Consolidated entity                      | Property, plant and equipment \$'000 | Investment Properties \$'000 | R&D expenses \$'000 | Inventory \$'000 | Other \$'000 | Total \$'000 |
|--|--------------------------------------|------------------------------|---------------------|------------------|--------------|--------------|
| At 1 July 2013                                       | -                                    | 8,499                        | -                   | 9,475            | 6            | 17,980       |
| Charged/(credited) - Charged to the income statement | 1,178                                | (2,657)                      | 9,268               | 6,079            | 916          | 14,784       |
| At 30 June 2014                                      | 1,178                                | 5,842                        | 9,268               | 15,554           | 922          | 32,764       |
| Movements - Consolidated entity                      | Investment Properties \$'000         | Accrued Income \$'000        | R&D expenses \$'000 | Inventory \$'000 | Other \$'000 | Total \$'000 |
| At 1 July 2012                                       | 5,947                                | 777                          | 676                 | 6,008            | 8            | 13,416       |
| Charged/(credited) - Charged to the income statement | 2,552                                | (777)                        | (676)               | 3,467            | (2)          | 4,564        |
| At 30 June 2013                                      | 8,499                                | -                            | -                   | 9,475            | 6            | 17,980       |

## 26 Current Liabilities - Borrowings

|  | Consolidated entity       |                           | Parent entity             |                           |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|  | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| Loans from Department of Defence (Current)     | 114,100                   | 75,000                    | 114,100                   | 75,000                    |
| Loans from Department of Defence (Non-Current) | 395,480                   | 434,580                   | 395,480                   | 434,580                   |
| <b>Total Borrowings</b>                        | <b>509,580</b>            | <b>509,580</b>            | <b>509,580</b>            | <b>509,580</b>            |

|  | Consolidated entity       |                           | Parent entity             |                           |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|  | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>Maturity Schedule for Borrowings Payable:</b> |                           |                           |                           |                           |
| Within one year                                  | 114,100                   | 75,000                    | 114,100                   | 75,000                    |
| In one to five years                             | 165,480                   | 179,580                   | 165,480                   | 179,580                   |
| In more than five years                          | 230,000                   | 255,000                   | 230,000                   | 255,000                   |
| <b>Total Borrowings</b>                          | <b>509,580</b>            | <b>509,580</b>            | <b>509,580</b>            | <b>509,580</b>            |

DHA has an unsecured borrowing facility with the Department of Finance, 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 competitive neutrality charge. Government policy requires all loan arrangements to be appropriated through and borrowed from the Department of Defence.

## 27 Other Financial Liabilities

|  | Consolidated entity       |                           | Parent entity             |                           |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|  | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>Current</b>                           |                           |                           |                           |                           |
| Revenue in Advance                       | 27,201                    | 28,891                    | 27,201                    | 28,891                    |
| Lease Incentive                          | 177                       | 177                       | 177                       | 177                       |
| <b>Total Current</b>                     | <b>27,378</b>             | <b>29,068</b>             | <b>27,378</b>             | <b>29,068</b>             |
| <b>Non-Current</b>                       |                           |                           |                           |                           |
| Lease Incentive                          | 688                       | 959                       | 688                       | 959                       |
| <b>Total Non-Current</b>                 | <b>688</b>                | <b>959</b>                | <b>688</b>                | <b>959</b>                |
| <b>Total Other Financial Liabilities</b> | <b>28,066</b>             | <b>30,027</b>             | <b>28,066</b>             | <b>30,027</b>             |



## 28 Provisions

|                                     | Consolidated entity       |                           | Parent entity             |                           |
|-------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                                     | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>Current Provisions</b>           |                           |                           |                           |                           |
| <b>Employee Benefits</b>            |                           |                           |                           |                           |
| Annual Leave                        | 5,180                     | 4,871                     | 5,180                     | 4,871                     |
| Long Service Leave                  | 5,146                     | 5,105                     | 5,146                     | 5,105                     |
| Provision for Redundancy            | 3,429                     | -                         | 3,429                     | -                         |
|                                     | <u>13,755</u>             | <u>9,976</u>              | <u>13,755</u>             | <u>9,976</u>              |
| <b>Other</b>                        |                           |                           |                           |                           |
| Make Good Provision                 | 8,690                     | 7,305                     | 8,690                     | 7,305                     |
| Other General Provisions            | 16,710                    | 4,945                     | 16,685                    | 4,932                     |
|                                     | <u>25,400</u>             | <u>12,250</u>             | <u>25,375</u>             | <u>12,237</u>             |
| <b>Total Current Provisions</b>     | <u>39,155</u>             | <u>22,226</u>             | <u>39,130</u>             | <u>22,213</u>             |
| <b>Non-Current Provisions</b>       |                           |                           |                           |                           |
| <b>Other</b>                        |                           |                           |                           |                           |
| Make Good Provision                 | 88,594                    | 84,873                    | 88,594                    | 84,873                    |
| Other General Provisions            | 1,470                     | 1,319                     | 1,470                     | 1,319                     |
|                                     | <u>90,064</u>             | <u>86,192</u>             | <u>90,064</u>             | <u>86,192</u>             |
| <b>Employee Benefits</b>            |                           |                           |                           |                           |
| Long Service Leave                  | 3,049                     | 2,856                     | 3,049                     | 2,856                     |
|                                     | <u>3,049</u>              | <u>2,856</u>              | <u>3,049</u>              | <u>2,856</u>              |
| <b>Total Non-Current Provisions</b> | <u>93,113</u>             | <u>89,048</u>             | <u>93,113</u>             | <u>89,048</u>             |
| <b>Total Provisions</b>             | <u>132,268</u>            | <u>111,274</u>            | <u>132,243</u>            | <u>111,261</u>            |

### (a) Make Good Provision

Other general provisions include amounts 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.

## 28 Provisions (continued)

### (b) Movements in provisions

| Consolidated entity              | Make good<br>provision<br>\$'000 | Other<br>General<br>Provisions<br>\$'000 | Total<br>\$'000 |
|----------------------------------|----------------------------------|--|-----------------|
| 2014                             |                                  |  |                 |
| Carrying amount at start of year | 92,178                           | 6,264                                    | 98,442          |
| Additional provisions recognised | 7,946                            | 16,675                                   | 24,621          |
| Amount used                      | (2,840)                          | (4,759)                                  | (7,599)         |
| Carrying amount at end of period | <u>97,284</u>                    | <u>18,180</u>                            | <u>115,464</u>  |
|                                  |                                  |  |                 |
| Consolidated entity              | Make good<br>provision<br>\$'000 | Other<br>General<br>Provisions<br>\$'000 | Total<br>\$'000 |
| 2013                             |                                  |  |                 |
| Carrying amount at start of year | 87,062                           | 5,931                                    | 92,993          |
| Additional provisions recognised | 11,146                           | 5,076                                    | 16,222          |
| Amount used                      | (6,030)                          | (4,743)                                  | (10,773)        |
| Carrying amount at end of period | <u>92,178</u>                    | <u>6,264</u>                             | <u>98,442</u>   |

## 29 Cash Flow Reconciliation

|   | Consolidated entity       |                           | Parent entity             |                           |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
|   | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>Reconciliation of operating results to net cash from operating activities:</b> |                           |                           |                           |                           |
| Profit for the Period   | 89,985                    | 85,120                    | 90,063                    | 85,121                    |
| Depreciation - Plant and Equipment  | 2,277                     | 1,831                     | 2,277                     | 1,831                     |
| Depreciation - Investment Properties  | 10,732                    | 11,354                    | 10,732                    | 11,354                    |
| Impairment of Investment Properties   | 1,228                     | (1,948)                   | 1,228                     | (1,948)                   |
| Gain on Disposal of Assets  | (34,810)                  | (40,665)                  | (34,810)                  | (40,665)                  |
| Decrease on other Non Operating Cash Flow Revenue Items                           | (6,000)                   | (1,315)                   | (6,000)                   | (1,317)                   |
| Increase in other Non Operating Cash Flow Expense Items                           | 8,890                     | 4,118                     | 8,890                     | 4,118                     |
| Decrease in Net Receivables   | (17,921)                  | 3,593                     | (17,975)                  | 3,593                     |
| Decrease in Deferred Tax Assets   | 11,981                    | 2,667                     | 11,989                    | 2,671                     |
| Increase in Inventories   | (141,612)                 | (77,831)                  | (141,612)                 | (77,831)                  |
| Increase in Prepayments   | (5,760)                   | (2,331)                   | (5,760)                   | (2,331)                   |
| Increase in Provisions  | 20,994                    | 6,876                     | 20,982                    | 6,863                     |
| Increase/(Decrease) in Supplier Payments  | 5,508                     | (11,320)                  | 5,479                     | (11,325)                  |
| Increase in Other Liabilities   | 1,961                     | 2,975                     | 1,961                     | 2,974                     |
| Increase/(Decrease) in Tax Liabilities  | (14,784)                  | 4,150                     | (14,784)                  | 4,150                     |
| <b>Net Cash From / (Used by) Operating Activities</b>                             | <u>(67,331)</u>           | <u>(12,726)</u>           | <u>(67,340)</u>           | <u>(12,742)</u>           |

### 30 Contingent Liabilities and Assets

|                                     | Guarantees     |                | Total          |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | 2014<br>\$'000 | 2013<br>\$'000 | 2014<br>\$'000 | 2013<br>\$'000 |
| <b>Consolidated entity</b>          |                |                |                |                |
| <b>Contingent Liabilities</b>       |                |                |                |                |
| Balance from previous period        | 8,320          | 9,111          | 8,320          | 9,111          |
| New                                 | 15,115         | 7,520          | 15,115         | 7,520          |
| Obligations Expired                 | (4,315)        | (8,311)        | (4,315)        | (8,311)        |
| <b>Total Contingent Liabilities</b> | <b>19,120</b>  | <b>8,320</b>   | <b>19,120</b>  | <b>8,320</b>   |
| <b>Net Contingent Liabilities</b>   | <b>19,120</b>  | <b>8,320</b>   | <b>19,120</b>  | <b>8,320</b>   |

#### Quantifiable Contingencies

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

#### Unquantifiable Contingencies

As at 30 June 2014, DHA has no unquantifiable contingencies.

#### Remote Contingencies

As at 30 June 2014, DHA has no remote contingencies.

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

- CSS members: Contributions at the rate of 20.3% (2013: 20.3%) of salary for superannuation purposes, amounting to \$139,073 (2013: \$134,750);
- PSS members: Contributions at the rate of 19.1% (2013: 18.1%) of salary for superannuation purposes, amounting to \$3,194,194 (2013: \$2,901,836); and
- PSSap members: Contributions at the rate of 15.4% (2013: 15.4%) of salary for superannuation purposes, amounting to \$4,849,875 (2013: \$4,436,612).

### 32 Key Management Personnel Remuneration

The Directors of DHA during the year were:

|                                       |  |
|---------------------------------------|--|
| Mr Derek Volker AO                    | Chairman                                 |
| Mr Peter Howman                       | Managing Director                        |
| The Hon Arch Bevis                    | Director                                 |
| Ms Carol Holley                       | Director                                 |
| The Hon JAL (Sandy) Macdonald         | Director                                 |
| CDRE Vickie McConachie CSC RANR       | Director (appointed 5 December 2013)     |
| Ms Margaret Walker                    | Director                                 |
| Ms Janice Williams                    | Director                                 |
| Air Vice-Marshal Gary Beck AO (Ret'd) | Director (term expired 23 November 2013) |
| Mr Peter Sharp                        | Director (term expired 23 November 2013) |

The specified Executives of DHA during the financial year were:

|                          |  |
|--------------------------|--|
| Mr Peter Howman          | Managing Director  |
| Mr Jon Brocklehurst      | Chief Financial Officer  |
| Ms Madeline Dermatossian | Chief Operating Officer (commenced 22 July 2013)                                     |
| Mr Elvio Bechelli        | General Manager Sales, Marketing & Portfolio Management (commenced 12 December 2013) |
| Mr John Dietz            | General Manager Property Provisioning Group  |
| Mr Ross Jordan           | Company Secretary  |
| Mr Brett Jorgensen       | General Manager Property & Tenancy Services  |
| Mr Shane Nielsen         | Chief Information Officer & General Manager Business Solutions & Technology          |
| Mrs Lesley Pothan        | General Manager Corporate Affairs  |
| Mr Tony Winterbottom     | General Manager Sales, Marketing & Portfolio Management (resigned 1 November 2013)   |
| Mr Daniel Jones          | General Manager Finance (resigned 1 July 2014)                                       |

### 32 Key Management Personnel Remuneration (continued)

The directors and other key management personnel of DHA IML during or since the end of the financial year were:

|                        |   |
|------------------------|---|
| Ms Carol Holley        | Chair, Non Executive Director                                     |
| Mr Peter Howman        | Executive Director  |
| Mr Michael Del Gigante | Non Executive Director (resigned 12 December 2013)                |
| Mr Jon Brocklehurst    | Director and Public Officer (appointed director 27 November 2013) |
| Mr Ross Jordan         | Company Secretary   |
| Mr Robert Henman       | Compliance Officer  |
| Mr Daniel Jones        | Chief Operating Officer (resigned 1 July 2014)                    |

#### Key management personnel compensation

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

|                              | Consolidated entity |                 | Parent entity   |                 |
|------------------------------|---------------------|-----------------|-----------------|-----------------|
|                              | 30 June<br>2014     | 30 June<br>2013 | 30 June<br>2014 | 30 June<br>2013 |
|                              | \$                  | \$              | \$              | \$              |
| Short-term employee benefits | 476,386             | 510,366         | 476,386         | 510,366         |
| Post-employment benefits     | 47,564              | 29,037          | 47,564          | 29,037          |
|                              | <b>523,950</b>      | <b>539,403</b>  | <b>523,950</b>  | <b>539,403</b>  |

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

### 33 Senior Executive Remuneration

#### (a) Senior Executive Remuneration Expense for the Reporting Period

|                        | Consolidated entity |           | Parent entity |           |
|------------------------|---------------------|-----------|---------------|-----------|
|                        | 2014                | 2013      | 2014          | 2013      |
|                        | Number              | Number    | Number        | Number    |
| \$195,000 to \$224,999 | -                   | 1         | -             | 1         |
| \$225,000 to \$254,999 | 3                   | 2         | 3             | 2         |
| \$255,000 to \$284,999 | 3                   | 4         | 3             | 4         |
| \$285,000 to \$314,999 | 2                   | 1         | 2             | 1         |
| \$315,000 to \$344,999 | 1                   | 1         | 1             | 1         |
| \$375,000 to \$404,999 | -                   | 2         | -             | 2         |
| \$405,000 to \$434,999 | 1                   | -         | 1             | -         |
| \$435,000 to \$464,999 | 2                   | 1         | 2             | 1         |
| \$465,000 to \$494,999 | -                   | -         | -             | -         |
| \$495,000 to \$524,999 | -                   | 1         | -             | 1         |
| \$525,000 to \$554,999 | -                   | -         | -             | -         |
| \$555,000 to \$584,999 | 1                   | -         | 1             | -         |
| <b>Total</b>           | <b>13</b>           | <b>13</b> | <b>13</b>     | <b>13</b> |

### 33. Senior Executive Remuneration (continued)

#### (a) Senior Executive Remuneration Expense for the Reporting Period (continued)

Total expense recognised in relation to Senior Executive employment

|  | Consolidated entity   |                       | Parent entity         |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | 30 June<br>2014<br>\$ | 30 June<br>2013<br>\$ | 30 June<br>2014<br>\$ | 30 June<br>2013<br>\$ |
| <b>Short-Term Employee Benefits</b>            |                       |                       |                       |                       |
| Salary   | 3,048,335             | 2,890,897             | 3,048,335             | 2,890,897             |
| Performance Bonus                              | 376,807               | 399,561               | 376,807               | 399,561               |
| Retention Bonus                                | 30,000                | 30,000                | 30,000                | 30,000                |
| <b>Total Short-Term Employee Benefits</b>      | <b>3,455,142</b>      | <b>3,320,458</b>      | <b>3,455,142</b>      | <b>3,320,458</b>      |
| <b>Post-Employment Benefits</b>                |                       |                       |                       |                       |
| Superannuation (Post-Employment Benefits)      | 376,807               | 458,764               | 376,807               | 458,764               |
| <b>Total Post-Employment Benefits</b>          | <b>376,807</b>        | <b>458,764</b>        | <b>376,807</b>        | <b>458,764</b>        |
| <b>Other Long-Term Employee Benefits</b>       |                       |                       |                       |                       |
| Annual Leave Accrued                           | 211,285               | 228,421               | 211,285               | 228,421               |
| Long Service Leave                             | 95,078                | 102,789               | 95,078                | 102,789               |
| <b>Total Other Long-Term Employee Benefits</b> | <b>306,363</b>        | <b>331,210</b>        | <b>306,363</b>        | <b>331,210</b>        |
| <b>Termination Benefits</b>                    |                       |                       |                       |                       |
| Termination Benefits                           | 265,880               | -                     | 265,880               | -                     |
| <b>Termination benefits</b>                    | <b>265,880</b>        | <b>-</b>              | <b>265,880</b>        | <b>-</b>              |
| <b>Total Employment Benefits</b>               | <b>4,404,192</b>      | <b>4,110,432</b>      | <b>4,404,192</b>      | <b>4,110,432</b>      |

#### (b) Average Annual Remuneration Paid to Substantive Senior Executives during the Reporting Period

Reporting Period Ended 30 June 2014

| Consolidated entity  | Senior Executives No. | Reportable salary \$ | Contributed superannuation \$ | Bonus paid \$ | Total \$ |
|--|-----------------------|----------------------|-------------------------------|---------------|----------|
| <b>Total remuneration (including part-time arrangements)</b> |                       |                      |                               |               |          |
| Less than \$195,000  | 1                     | 113,313              | 17,969                        | -             | 131,282  |
| \$195,000 - \$224,999  | 1                     | 167,011              | 34,246                        | 21,365        | 222,622  |
| \$225,000 - \$254,999  | 1                     | 202,051              | 15,099                        | 36,607        | 253,757  |
| \$255,000 - \$284,999  | 4                     | 210,024              | 32,759                        | 28,564        | 271,347  |
| \$285,000 - \$314,999  | 1                     | 238,642              | 34,572                        | 28,824        | 302,038  |
| \$375,000 - \$404,999  | 2                     | 302,029              | 46,688                        | 18,318        | 367,035  |
| \$495,000 - \$524,999  | 1                     | 378,051              | 48,617                        | 50,998        | 477,666  |
| <b>Total number of substantive senior executives</b>         | <b>11</b>             |                      |                               |               |          |

### 33. Senior Executive Remuneration (continued)

#### (b) Average Annual Remuneration Paid to Substantive Senior Executives during the Reporting Period (continued)

##### Average Annual Remuneration Packages for Substantive Senior Executives as at 30 June 2013

| Reporting Period Ended 30 June 2013                          |                       |                         |                                  |                  |             |
|--|-----------------------|-------------------------|----------------------------------|------------------|-------------|
| Consolidated entity  | Senior Executives No. | Reportable salary<br>\$ | Contributed superannuation<br>\$ | Bonus paid<br>\$ | Total<br>\$ |
| <b>Total remuneration (including part-time arrangements)</b> |                       |                         |                                  |                  |             |
| Less than \$195,000  | 1                     | 102,751                 | 16,889                           | 14,931           | 134,571     |
| \$195,000 - \$224,999  | 1                     | 152,236                 | 25,066                           | 19,749           | 197,051     |
| \$225,000 - \$284,999  | 5                     | 198,740                 | 31,328                           | 24,906           | 254,974     |
| \$285,000 - \$314,999  | 1                     | 231,941                 | 34,572                           | 27,715           | 294,228     |
| \$315,000 - \$404,999  | 2                     | 261,261                 | 42,065                           | 35,027           | 338,353     |
| \$405,000 - \$434,999  | 1                     | 337,685                 | 46,547                           | 41,906           | 426,138     |
| \$435,000 - \$539,999  | 1                     | 396,737                 | 32,116                           | 95,467           | 524,320     |
| Total number of substantive senior executives                | <u>12</u>             |                         |                                  |                  |             |

#### (c) Other Highly Paid Staff

##### Average Annual remuneration Packages for other highly paid staff as at 30 June 2014

| Reporting Period Ended 30 June 2014 |                             |                         |                                  |                  |             |
|-------------------------------------|-----------------------------|-------------------------|----------------------------------|------------------|-------------|
| Consolidated entity                 | Other Highly Paid Staff No. | Reportable salary<br>\$ | Contributed superannuation<br>\$ | Bonus paid<br>\$ | Total<br>\$ |
| <b>Relevant remuneration bands</b>  |                             |                         |                                  |                  |             |
| \$195,000 - \$224,999               | 12                          | 161,009                 | 26,055                           | 19,148           | 206,212     |
| \$225,000 - \$254,999               | 10                          | 182,538                 | 27,801                           | 22,212           | 232,551     |
| \$255,000 - \$284,999               | 1                           | 202,476                 | 29,243                           | 28,800           | 260,519     |
| Total number of highly paid staff   | <u>23</u>                   |                         |                                  |                  |             |

##### Average Annual remuneration Packages for other highly paid staff as at 30 June 2013

| Reporting Period Ended 30 June 2013 |                                       |                         |                                  |                  |             |
|-------------------------------------|---------------------------------------|-------------------------|----------------------------------|------------------|-------------|
| Consolidated entity                 | Other Highly Paid Staff No.<br>\$'000 | Reportable salary<br>\$ | Contributed superannuation<br>\$ | Bonus paid<br>\$ | Total<br>\$ |
| <b>Relevant remuneration bands</b>  |                                       |                         |                                  |                  |             |
| \$195,000 - \$224,999               | 18                                    | 152,706                 | 24,044                           | 16,628           | 193,378     |
| \$225,000 - \$254,999               | 6                                     | 171,284                 | 28,674                           | 21,970           | 221,928     |
| \$255,000 - \$284,999               | 6                                     | 171,284                 | 28,674                           | 21,970           | 221,928     |
| Total number of highly paid staff   | <u>30</u>                             |                         |                                  |                  |             |

### 34 Remuneration of Auditors

|   | Consolidated entity   |                       | Parent entity         |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 30 June<br>2014<br>\$ | 30 June<br>2013<br>\$ | 30 June<br>2014<br>\$ | 30 June<br>2013<br>\$ |
| Amount Received or Due and Receivable by Auditors   |                       |                       |                       |                       |
| Australian National Audit Office (ANAO) for the Audit of the Financial Statements                           | <b>212,300</b>        | 212,300               | <b>212,300</b>        | 212,300               |
|   | <b>212,300</b>        | 212,300               | <b>212,300</b>        | 212,300               |
| <br>  |                       |                       |                       |                       |
| Audit Fees relating to the audit of DHA IML are paid to the ANAO. DHA IML is liable for 100% of these fees. | <b>16,500</b>         | 14,300                | -                     | -                     |
|   | <b>16,500</b>         | 14,300                | -                     | -                     |
| <br>  |                       |                       |                       |                       |
| <i>Other services</i>   |                       |                       |                       |                       |
| Provision of the Australian Financial Services License (AFSL) for DHA IML                                   | <b>10,500</b>         | -                     | -                     | -                     |
| Total remuneration for other services   | <b>10,500</b>         | -                     | -                     | -                     |

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 2013/2014 on the ANAO's behalf. Fees for these services are included above.



### 35 Related Party Disclosures

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

Key management personnel are detailed in Note 32. DHA has entered into two joint ventures which are detailed in Note 37.

DHA and DHA IML entered into the Services Agreement on the 23 May 2013 to assist in the running of the business. The service fee for the financial year ended 30 June 2014 was \$125,292. Under the Services Agreement DHA paid \$18,633 (2013: \$10,427) in directors fees to Carol Holley and Michael Del Gigante. Peter Howman and Jon Brocklehurst were not paid any additional amounts in relation to their roles as directors of DHA IML.

DHA IML has not provided remuneration to key management personnel. Key management personnel are provided to DHA IML by DHA under the Services Agreement.

The services to be provided by DHA to DHA IML include:

- The use of DHA employees to assist with compliance with regulatory obligations;
- Accounting, taxation reporting and other secretarial services;
- Allowing DHA IML to occupy DHA's premises as its registered office for the purpose of the Corporations Act;
- Provide material, equipment and services necessary for the administration of the business; and
- Provide maintenance and administration of all equipment and assets used in the administration and provision of services.

The Service Fee for the 2013-14 financial year has been agreed by the two parties. The Service Agreement does not include any additional fees payable to DHA pertaining to the performance of the Company.

DHA IML on behalf of DHA Residential Property Fund No1. (Fund) entered into seventy five (75) sale and lease back transactions with DHA on 27 September 2013 for \$42.1 million and four (4) sale and lease back transaction with DHA on 25 November 2013 for \$2.32 million. The key terms of the lease agreement are outline below:

- (a) Lease terms are between 9 to 12 years;
- (b) Rent is set at market value and will be indexed by 4.25% per year. The rent is reviewed on the 5th and 10th year of the lease and will be higher of market rent or the indexed rent value;
- (c) Expenses relating to the property are deducted from the gross rent by DHA;
- (d) DHA organises and covers the cost of repairs and maintenance; and
- (e) DHA charges a property management fee of 14.3% (including GST) per annum on the gross rental income for freestanding houses and 11% (including GST) per annum on the gross rental income for townhouses and apartments.

### 36 Economic Dependency

DHA depends on the Department of Defence in accordance with the Services Agreement between the Department of Defence and DHA. DHA received 57.4% of its total revenue from the Department of Defence and from Defence members for the year ended 30 June 2014 (2013: 54.8%).

### 37 Interests in Joint Venture Developments

#### (a) 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 2014.

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

|                                      | Consolidated entity       |                           | Parent entity             |                           |
|--------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                                      | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>Income Statement</b>              |                           |                           |                           |                           |
| Revenue                              | (1)                       | (1)                       | (1)                       | (1)                       |
| <b>Total Profit</b>                  | <b>(1)</b>                | <b>(1)</b>                | <b>(1)</b>                | <b>(1)</b>                |
| <b>Current assets</b>                |                           |                           |                           |                           |
| Cash                                 | 62                        | 63                        | 62                        | 63                        |
| <b>Total Current Assets</b>          | <b>62</b>                 | <b>63</b>                 | <b>62</b>                 | <b>63</b>                 |
| <b>Total Assets</b>                  | <b>62</b>                 | <b>63</b>                 | <b>62</b>                 | <b>63</b>                 |
| <b>Current Liabilities</b>           |                           |                           |                           |                           |
| Provisions                           | 77                        | 77                        | 77                        | 77                        |
| <b>Total Current Liabilities</b>     | <b>77</b>                 | <b>77</b>                 | <b>77</b>                 | <b>77</b>                 |
| <b>Non-current liabilities</b>       |                           |                           |                           |                           |
| <b>Total non-current liabilities</b> | <b>-</b>                  | <b>-</b>                  | <b>-</b>                  | <b>-</b>                  |
| <b>Net Assets</b>                    | <b>(15)</b>               | <b>(14)</b>               | <b>(15)</b>               | <b>(14)</b>               |
| <b>Equity</b>                        | <b>(15)</b>               | <b>(14)</b>               | <b>(15)</b>               | <b>(14)</b>               |

There were no significant contingent liabilities or commitments for expenditure at 30 June 2014.

### 37 Interests in Joint Venture Developments (continued)

#### (b) Lyons Joint Venture

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.

|                                      | Consolidated entity       |                           | Parent entity             |                           |
|--------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                                      | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>Income Statement</b>              |                           |                           |                           |                           |
| Revenues                             | 116                       | 126                       | 116                       | 126                       |
| Expenses                             | -                         | (1)                       | -                         | (1)                       |
| <b>Total Profit</b>                  | <b>116</b>                | <b>125</b>                | <b>116</b>                | <b>125</b>                |
| <b>Current assets</b>                |                           |                           |                           |                           |
| Cash                                 | 271                       | 140                       | 271                       | 140                       |
| Receivables                          | -                         | 1                         | -                         | 1                         |
| <b>Total Current Assets</b>          | <b>271</b>                | <b>141</b>                | <b>271</b>                | <b>141</b>                |
| <b>Non-current assets</b>            |                           |                           |                           |                           |
| Inventory                            | -                         | 138                       | -                         | 138                       |
| <b>Total Non-Current Assets</b>      | <b>-</b>                  | <b>138</b>                | <b>-</b>                  | <b>138</b>                |
| <b>Total Assets</b>                  | <b>271</b>                | <b>279</b>                | <b>271</b>                | <b>279</b>                |
| <b>Current liabilities</b>           |                           |                           |                           |                           |
| Payables                             | -                         | 141                       | -                         | 141                       |
| <b>Total Current Liabilities</b>     | <b>-</b>                  | <b>141</b>                | <b>-</b>                  | <b>141</b>                |
| <b>Non-current liabilities</b>       |                           |                           |                           |                           |
| <b>Total non-current liabilities</b> | <b>-</b>                  | <b>-</b>                  | <b>-</b>                  | <b>-</b>                  |
| <b>Net Assets</b>                    | <b>271</b>                | <b>138</b>                | <b>271</b>                | <b>138</b>                |
| <b>Equity</b>                        | <b>271</b>                | <b>138</b>                | <b>271</b>                | <b>138</b>                |

There were no significant contingent liabilities or commitments for expenditure at 30 June 2014.

### 38 Investments in Associates

#### (a) Crace Developments

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 50% participant in Crace Joint Venture between Canberra Investment Corporation Ltd, Tatebrook Pty Limited, DHA and the Land Development Agency. The Crace Shareholders Agreement provides DHA significant influence over the management of the company.

|   | Consolidated entity       |                           | Parent entity             |                           |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
|   | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>Movements in Carrying Amounts</b>    |                           |                           |                           |                           |
| Carrying Amount at Beginning of Period  | 5,194                     | 3,878                     | 5,194                     | 3,878                     |
| Share of Profit/(Loss) after Income Tax | 1,296                     | 1,316                     | 1,296                     | 1,316                     |
| Capital Repayment                       | (5,016)                   | -                         | (5,016)                   | -                         |
|   | <u>1,474</u>              | <u>5,194</u>              | <u>1,474</u>              | <u>5,194</u>              |

#### 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<br>Interest<br>% | Company's share of: |                       |                    |                  |
|----------------------------|----------------------------|---------------------|-----------------------|--------------------|------------------|
|                            |                            | Assets<br>\$'000    | Liabilities<br>\$'000 | Revenues<br>\$'000 | Profit<br>\$'000 |
| <b>2014</b>                |                            |                     |                       |                    |                  |
| Crace Developments Pty Ltd | 10                         | 1,624               | 350                   | 1,729              | 1,296            |
| <b>2013</b>                |                            |                     |                       |                    |                  |
| Crace Developments Pty Ltd | 10                         | 6,193               | 1,063                 | 1,864              | 1,316            |

#### Contingent liabilities of associates

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

## 39 Subsidiaries

### DHA Investment Management Limited

On the 14th December 2012, DHA created a wholly owned subsidiary DHA Investment Management Limited (DHA IML) where its principal objective is to establish, operate and administer Managed Investment Schemes.

DHA IML holds an Australian Financial Services Licence and is the responsible entity, the manager and the issuer of the units in DHA Residential Property Fund No. 1 (the Fund).

DHA IML is responsible for the operation and management of the Fund and must perform in accordance with the duties under the Corporations Act 2001, the Fund's Constitution and the Fund's Compliance Plan.

The following tables set out the Statement of Comprehensive Income and Statement of Financial Position for DHA IML for the period 14 December 2012 to 30 June 2013 and the full year comparative for 30 June 2014.

#### Statement of Comprehensive income

|  | Year ended<br>30 June 2014<br>\$'000 | Year ended<br>30 June 2013<br>\$'000 |
|--|--------------------------------------|--------------------------------------|
| Revenue  |                                      |                                      |
| Finance Income                                   | 131                                  | 16                                   |
| <b>Total Revenue</b>                             | <b>131</b>                           | <b>16</b>                            |
| Expenses   |                                      |                                      |
| Other Expenses                                   | (243)                                | (17)                                 |
| <b>Total Expenses</b>                            | <b>(243)</b>                         | <b>(17)</b>                          |
| Income Tax expense                               | (33)                                 | -                                    |
| <b>(Loss) for the period</b>                     | <b>(78)</b>                          | <b>(1)</b>                           |
| Other Comprehensive Income                       | -                                    | -                                    |
| <b>Total Comprehensive Income for the Period</b> | <b>(78)</b>                          | <b>(1)</b>                           |

#### Statement of Financial Position

|                                  | As at<br>30 June 2014<br>\$'000 | As at<br>30 June 2013<br>\$'000 |
|----------------------------------|---------------------------------|---------------------------------|
| <b>Assets</b>                    |                                 |                                 |
| <b>Current Assets</b>            |                                 |                                 |
| Cash and Cash Equivalents        | 1024                            | 1,015                           |
| Trade and Other Receivables      | 3                               |                                 |
| Current Tax Receivables          | 26                              |                                 |
| <b>Total Current Assets</b>      | <b>1053</b>                     | <b>1,015</b>                    |
| <b>Non Current Asset</b>         |                                 |                                 |
| Deferred Tax Assets              | 7                               | 4                               |
| <b>Total Non Current Assets</b>  | <b>7</b>                        | <b>4</b>                        |
| <b>Total Assets</b>              | <b>1060</b>                     | <b>1,019</b>                    |
| <b>Liabilities</b>               |                                 |                                 |
| <b>Current Liabilities</b>       |                                 |                                 |
| Trade and Other Payables         | 114                             | 7                               |
| Provisions                       | 25                              | 13                              |
| <b>Total Current Liabilities</b> | <b>139</b>                      | <b>20</b>                       |
| <b>Total Liabilities</b>         | <b>139</b>                      | <b>20</b>                       |
| <b>Net Assets</b>                | <b>921</b>                      | <b>999</b>                      |
| <b>Equity</b>                    |                                 |                                 |
| Contributed Equity               | 1000                            | 1,000                           |
| Retained Earnings                | (79)                            | (1)                             |
| <b>Total Equity</b>              | <b>921</b>                      | <b>999</b>                      |

#### 40 Financial Instruments

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

|   | Consolidated entity       |                           | Parent entity             |                           |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
|   | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>Financial Assets</b>                   |                           |                           |                           |                           |
| Cash at Bank                              | 7,309                     | 1,928                     | 6,987                     | 912                       |
| Cash on Hand                              | 14                        | 16                        | 14                        | 16                        |
| Short Term Deposits                       | 275,702                   | 328,500                   | 275,000                   | 328,500                   |
| Trade and Other Receivables               | 27,261                    | 9,340                     | 27,313                    | 9,340                     |
| Finance Lease Current                     | 6,505                     | 2,951                     | 6,505                     | 2,951                     |
| Finance Lease Non-Current                 | 42,690                    | 38,880                    | 42,690                    | 38,880                    |
| Carrying Amount of Financial Assets       | <b>359,481</b>            | 381,615                   | <b>358,509</b>            | 380,599                   |
| <b>Financial Liabilities</b>              |                           |                           |                           |                           |
| Borrowings                                | 509,580                   | 509,580                   | 509,580                   | 509,580                   |
| Trade and Other Payables (Current)        | 71,248                    | 65,740                    | 71,215                    | 65,736                    |
| Other Financial Liabilities (Non Current) | 27,378                    | 29,068                    | 27,378                    | 29,068                    |
| Dividends                                 | 53,991                    | 51,073                    | 54,037                    | 51,073                    |
| Other Financial Liabilities (Current)     | 688                       | 959                       | 688                       | 959                       |
|   | <b>662,885</b>            | 656,420                   | <b>662,898</b>            | 656,416                   |
|   |                           |                           |                           |                           |
|   | Consolidated entity       |                           | Parent entity             |                           |
|   | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>Net Income from Financial Assets</b>   |                           |                           |                           |                           |
| Interest                                  | 13,829                    | 14,493                    | 13,799                    | 14,477                    |
| Annuity Revenue                           | 3,657                     | 725                       | 3,657                     | 725                       |
| Net Gain Loans and Receivables            | <b>17,486</b>             | 15,218                    | <b>17,456</b>             | 15,202                    |

#### 40 Financial Instruments (continued)

|   | Consolidated entity       |                           | Parent entity             |                           |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
|   | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>Net Expenses from Financial Liabilities</b>  |                           |                           |                           |                           |
| Finance Expenses                                | 29,999                    | 30,854                    | 29,999                    | 30,854                    |
| Net Loss Financial Liabilities - Amortised Cost | <u>29,999</u>             | <u>30,854</u>             | <u>29,999</u>             | <u>30,854</u>             |

#### (a) Fair value of Financial Instruments

|                                    | Carrying Amount |                | Fair Value     |                |
|------------------------------------|-----------------|----------------|----------------|----------------|
|                                    | 2014<br>\$'000  | 2014<br>\$'000 | 2013<br>\$'000 | 2013<br>\$'000 |
| <b>Consolidated entity</b>         |                 |                |                |                |
| <b>Financial Assets</b>            |                 |                |                |                |
| Cash at Bank                       | 7,309           | 7,309          | 1,928          | 1,928          |
| Cash on Hand                       | 14              | 14             | 16             | 16             |
| Short Term Investments             | 275,702         | 275,702        | 328,500        | 328,500        |
| Receivables for Goods and Services | 27,261          | 27,261         | 9,340          | 9,340          |
| Finance Lease Receivable           | 49,195          | 54,905         | 41,831         | 44,268         |
| <b>Total</b>                       | <u>359,481</u>  | <u>365,191</u> | <u>381,615</u> | <u>384,052</u> |

|                              | Carrying Amount |                | Fair Value     |                |
|------------------------------|-----------------|----------------|----------------|----------------|
|                              | 2014<br>\$'000  | 2014<br>\$'000 | 2013<br>\$'000 | 2013<br>\$'000 |
| <b>Consolidated entity</b>   |                 |                |                |                |
| <b>Financial Liabilities</b> |                 |                |                |                |
| Department of Defence Loans  | 509,580         | 526,916        | 509,580        | 520,647        |
| Trade and Other Payables     | 71,248          | 71,248         | 65,740         | 65,740         |
| Other Financial Liabilities  | 28,066          | 28,066         | 30,027         | 30,027         |
| Dividends                    | 53,991          | 53,991         | 51,073         | 51,073         |
| <b>Total</b>                 | <u>662,885</u>  | <u>680,221</u> | <u>656,420</u> | <u>667,487</u> |

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.

## 40 Financial Instruments (continued)

### (b) 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

|                                    | Consolidated entity       |                           | Parent entity             |                           |
|------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                                    | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>Financial Assets</b>            |                           |                           |                           |                           |
| Cash at Bank                       | 7,309                     | 1,928                     | 6,987                     | 912                       |
| Cash on Hand                       | 14                        | 16                        | 14                        | 16                        |
| Short Term Investments             | 275,702                   | 328,500                   | 275,000                   | 328,500                   |
| Receivables for Goods and Services | 27,261                    | 9,340                     | 27,313                    | 9,340                     |
| Finance Lease Receivable           | 49,195                    | 41,831                    | 49,195                    | 41,831                    |
| <b>Total</b>                       | <b>359,481</b>            | <b>381,615</b>            | <b>358,509</b>            | <b>380,599</b>            |
|                                    |                           |                           |                           |                           |
|                                    | Consolidated entity       |                           | Parent entity             |                           |
|                                    | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>Financial Liabilities</b>       |                           |                           |                           |                           |
| Department of Defence Loans        | 509,580                   | 509,580                   | 509,580                   | 509,580                   |
| Trade and Other Payables           | 71,248                    | 65,740                    | 71,215                    | 65,736                    |
| Other Financial Liabilities        | 28,066                    | 30,027                    | 28,066                    | 30,027                    |
| Dividends                          | 53,991                    | 51,073                    | 54,037                    | 51,073                    |
| <b>Total</b>                       | <b>662,885</b>            | <b>656,420</b>            | <b>662,898</b>            | <b>656,416</b>            |



#### 40 Financial Instruments (continued)

##### (b) Credit Risk (continued)

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

|                            | Not Past Due<br>Nor Impaired<br>2014<br>\$'000 | Not Past Due<br>Nor Impaired<br>2013<br>\$'000 | Past Due or<br>Impaired<br>2014<br>\$'000 | Past Due or<br>Impaired<br>2013<br>\$'000 |
|----------------------------|--|--|---|---|
| <b>Consolidated entity</b> |  |  |   |   |
| <b>Financial Assets</b>    |  |  |   |   |
| Trade Receivables          | 27,261   | 9,340  | -   | -   |
| <b>Total</b>               | <b>27,261</b>                                  | <b>9,340</b>                                   | <b>-</b>                                  | <b>-</b>                                  |

###### Ageing of Financial Assets that are past due but not impaired for 2014

|  | 0 to 30 days<br>\$'000 | 31 to 60 days<br>\$'000 | 61 to 90 days<br>\$'000 | 90+ days<br>\$'000 | Total<br>\$'000 |
|--|------------------------|-------------------------|-------------------------|--------------------|-----------------|
| <b>Consolidated entity</b>               |                        |                         |                         |                    |                 |
| Receivables for Goods and Services (Net) | -                      | -                       | -                       | -                  | -               |
| <b>Total</b>                             | <b>-</b>               | <b>-</b>                | <b>-</b>                | <b>-</b>           | <b>-</b>        |

###### Ageing of Financial Assets that are past due but not impaired for 2013

|  | 0 to 30 days<br>\$'000 | 31 to 60 days<br>\$'000 | 61 to 90 days<br>\$'000 | 90+ days<br>\$'000 | Total<br>\$'000 |
|--|------------------------|-------------------------|-------------------------|--------------------|-----------------|
| <b>Consolidated entity</b>               |                        |                         |                         |                    |                 |
| Receivables for Goods and Services (Net) | -                      | -                       | -                       | -                  | -               |
| <b>Total</b>                             | <b>-</b>               | <b>-</b>                | <b>-</b>                | <b>-</b>           | <b>-</b>        |

##### (c) 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 of Financial Liabilities 2014

|                              | On<br>Demand<br>\$'000 | With 1<br>Year<br>\$'000 | Between<br>1 and 2<br>years<br>\$'000 | Between<br>2 and 5<br>years<br>\$'000 | Over 5<br>years<br>\$'000 |
|------------------------------|------------------------|--------------------------|---------------------------------------|---------------------------------------|---------------------------|
| Trade and Other Payables     | -                      | 71,248                   | -                                     | -                                     | -                         |
| Department of Defence Loans  | -                      | 114,100                  | 65,480                                | 100,000                               | 230,000                   |
| Other Financial Liabilities  | -                      | 28,066                   | -                                     | -                                     | -                         |
| Dividends                    | -                      | 53,991                   | -                                     | -                                     | -                         |
| <b>Total non-derivatives</b> | <b>-</b>               | <b>267,405</b>           | <b>65,480</b>                         | <b>100,000</b>                        | <b>230,000</b>            |

## 40 Financial Instruments (continued)

### (c) Liquidity Risk (continued)

|   | On<br>Demand<br>\$'000 | Within 1<br>Year<br>\$'000 | Between<br>1 and 2<br>years<br>\$'000 | Between<br>2 and 5<br>years<br>\$'000 | Over 5<br>years<br>\$'000 |
|---|------------------------|----------------------------|---------------------------------------|---------------------------------------|---------------------------|
| Maturities for Financial Liabilities 2013 |                        |                            |                                       |                                       |                           |
| Trade and Other Payables                  | -                      | 65,740                     | -                                     | -                                     | -                         |
| Department of Defence Loans               | -                      | 75,000                     | 114,100                               | 165,480                               | 155,000                   |
| Other Financial Liabilities               | -                      | 30,027                     | -                                     | -                                     | -                         |
| Dividends                                 | -                      | 51,073                     | -                                     | -                                     | -                         |
| <b>Total non-derivatives</b>              | <b>-</b>               | <b>221,840</b>             | <b>114,100</b>                        | <b>165,480</b>                        | <b>155,000</b>            |

### Derivatives

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.

DHA has no derivative financial liabilities in both the current and prior year.

### (d) 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 DHA is exposed to in 2014

| Risk Variable      | Change in risk<br>variable | Effect on                  |                   |
|--------------------|----------------------------|----------------------------|-------------------|
|                    |                            | Profit and Loss<br>\$,'000 | Equity<br>\$,'000 |
| Interest Rate risk | Interest                   | 0.60                       | 2,542             |

#### Sensitivity analysis of the risk that DHA is exposed to in 2013

| Risk Variable      | Change in risk<br>variable | Effect on                  |                   |
|--------------------|----------------------------|----------------------------|-------------------|
|                    |                            | Profit and Loss<br>\$,'000 | Equity<br>\$,'000 |
| Interest Rate risk | Interest                   | 1.20                       | 2,382             |

#### 40 Financial Instruments (continued)

##### (d) Market Risk (continued)

Interest rate sensitivity analysis has been calculated on a "reasonable possible" basis. The rate of 60 basis points (120 basis points 2013) was determined by using the standard parameters issued by the Department of Finance.

##### (e) Categories of Financial Instruments

|   | Consolidated entity       |                           | Parent entity             |                           |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
|   | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>Financial Assets</b>                                       |                           |                           |                           |                           |
| <b>Loans and Receivables</b>                                  |                           |                           |                           |                           |
| Cash at Bank  | 7,309                     | 1928                      | 6,987                     | 912                       |
| Cash on Hand  | 14                        | 16                        | 14                        | 16                        |
| Short Term Deposits   | 275,702                   | 328,500                   | 275,000                   | 328,500                   |
| Trade and Other Receivables                                   | 27,261                    | 9,340                     | 27,313                    | 9,340                     |
| Finance Lease Receivable                                      | 49,195                    | 41,831                    | 49,195                    | 41,831                    |
| <b>Total Loans and Receivables</b>                            | <b>359,481</b>            | <b>381,615</b>            | <b>358,509</b>            | <b>380,599</b>            |
| <b>Total Financial Assets</b>                                 | <b>359,481</b>            | <b>381,615</b>            | <b>358,509</b>            | <b>380,599</b>            |
| <br>  |                           |                           |                           |                           |
|   | Consolidated entity       |                           | Parent entity             |                           |
|   | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>Financial Liabilities</b>                                  |                           |                           |                           |                           |
| <b>Financial liabilities measured at amortised cost</b>       |                           |                           |                           |                           |
| Department of Defence Loans                                   | 509,580                   | 509,580                   | 509,580                   | 509,580                   |
| Trade and Other Payables                                      | 71,248                    | 65,740                    | 71,215                    | 65,736                    |
| Other Financial Liabilities                                   | 28,066                    | 30,027                    | 28,066                    | 30,027                    |
| Dividends   | 53,991                    | 51,073                    | 54,037                    | 51,073                    |
| <b>Total Financial liabilities measured at amortised cost</b> | <b>662,885</b>            | <b>656,420</b>            | <b>662,898</b>            | <b>656,416</b>            |
| <b>Total Financial Liabilities</b>                            | <b>662,885</b>            | <b>656,420</b>            | <b>662,898</b>            | <b>656,416</b>            |

**41 Asset Held In Trust**

DHA IML is a wholly owned subsidiary of DHA. DHA IML was established on 14 December 2012 and the principal activity during the financial year was as the manager and responsible entity for DHA Residential Property Fund No. 1 (the fund). As the responsible entity DHA IML holds assets in trust on behalf of the fund.

The fund was established to provide investors with an opportunity to gain exposure to Australian residential property predominately in capital cities. It offers exposure to a diverse mixture of properties including free standing houses, townhouses and apartments.

The fund was established on 27 September 2013 by entering into 75 sale and lease back transactions with DHA for \$42.10 million and 4 sale and lease back transactions for \$2.32 million on 25 November 2013.

As the fund was established on 27 September 2013, there are no prior year comparatives.

|  | <b>30 June<br/>2014</b><br>\$'000               |
|--|---|
| Opening Balance of Assets held in Trust as at 1 July 2013  | 0   |
| Assets obtained during the year                            | 44,420  |
| Assets disposed  | 0   |
| Changes in fair value                                      | 1,920   |
| Closing Balance of Assets held in Trust as at 30 June 2014 | <hr style="border: 0.5px solid black;"/> 46,340 |

**42 Subsequent Events**

There have been no events post 30 June 2014 which would have a material impact on the financial statements or operations of the DHA business.