





About this report

This Annual Report has three purposes:

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

Structure of the report

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

Further information

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3 October 2014

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

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

Dear Ministers

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

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Derek Volker', followed by a period.

Derek Volker
Chairman
Defence Housing Australia

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01

DHA overview

Who we are and what we do
Report from the Chairman and Managing Director > Highlights and events



Who we are and what we do

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

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

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

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

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

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

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

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

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

DHA's vision and mission

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

Corporate objectives

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

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

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

DHA's values

Respect

Excellence

Integrity

Enthusiasm

Innovation

Teamwork

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

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

01 Report from the Chairman and Managing Director

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

Key outcomes for the year included:

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

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

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

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

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

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

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

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

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

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

The Directors of DHA are pleased to present this Annual Report for the financial year ended 30 June 2014.



Derek Volker
Chairman



Peter Howman
Managing Director

Defence highlights

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



Introduced mobile devices for DHA staff in 2013–14.

Business highlights

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



DHA's modular house in Johnston, Darwin.



DHA opens its Bluewattle sales and information centre in Townsville.



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

Industry highlights

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



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



DHA teamed with Greening Australia in Darwin.

Community highlights

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



Park opening event at Breezes Muirhead, Darwin.

Portfolio provisioning and management

Defence housing requirement > Property provisioning
Portfolio management > Major developments



- Housing supplied and managed effectively to meet Defence requirements
- Good stakeholder management and public relations

Key performance indicator	Target	Achievement
Housing provisioned for Defence against agreed provisioning plan	>98.5%	99.4%
Defence member satisfaction with property	80%	89%

Major outcomes

01

Provided a total portfolio of 17,590 properties, which met the key performance measure for housing provisioning.



02

Constructed and purchased 662 new dwellings for Defence families and a further 120 apartments for MCA.



03

Achieved overall lease additions of 1,537 against a Corporate Plan target of 1,522.



04

Acquired development sites in Thornton, Hunter Valley and Edmondson Park (NSW), Rockingham and Fremantle (WA), Raceview, Ipswich (QLD) and the Defence site 2CRU, Darwin (NT).



05

Continued work on residential developments including 13 sites in NSW worth \$502.9 million, one site in ACT worth \$46.6 million, 15 sites in QLD worth \$433.9 million, six sites in NT worth \$574.6 million, four sites in WA worth \$102.4 million, one site in VIC worth \$14.0 million and one site in SA worth \$30.5 million.



06

Gained UDIA six leaf EnviroDevelopment certification for six residential developments.



07

Achieved a net margin for land development sales of \$37.9 million including sales from stage three and four surplus lots at Breezes Muirhead, Darwin (NT) and all 78 surplus lots at Heartwood, Sydney (NSW).



08

Through Defence, received Parliamentary approval for the construction of 50 houses on RAAF Base Tindal (NT).



09

Through Defence, referred the construction of 80 houses at RAAF Base Darwin (NT) to the Parliamentary Standing Committee on Public Works.



10

Executed an agreement with the Queensland Government to secure land near Gallipoli Barracks in Brisbane for residential development.



11

Partnered with lessors to upgrade 21 properties in Sydney, Melbourne and Brisbane ensuring they remain in the portfolio for the longer term.



12

Increased the MCA off-base portfolio to a total of 425 apartments. A total of 62 MCA direct leases were added against a Corporate Plan target of 60.



Defence housing requirement

Overview

Housing is provided and managed for Defence members and their families in capital cities, major regional centres and some remote locations in Australia. Properties are acquired through construction, purchase and leasing programs and allocated in accordance with Defence policy. The subsequent tenancies are then managed by DHA. Some properties are owned by Defence, others by DHA. The majority are privately owned and leased to DHA. This chapter focuses on the housing portfolio. The next chapter focuses on the property and tenancy management business.

Defence Housing Forecast

Each year Defence provides a forecast of housing requirements (in terms of number, location and classification) for a five-year period. DHA works closely with Defence in this period to ensure supply aligns with changes in demand.

Property provisioning

Provisioning schedule

The provisioning schedule is drafted in response to the Defence Housing Forecast and takes into account factors such as vacancy rates, lease-ends, land supply, availability of capital and the state of private rental markets. Following negotiation, DHA is contracted to supply an agreed level of housing through an approved provisioning schedule. Generally, 85% of the Defence housing requirement is supplied. The balance is satisfied by private rentals and DHA manages the payment of rental allowances to members. In 2013–14, DHA was contracted to supply 17,590 dwellings that, after allowing for vacancies, would accommodate 15,921 Defence families. A further 3,485 members were expected to be accommodated in the private rental market.

Capital program

The capital program sets out how DHA's housing obligations to Defence, as agreed in the provisioning schedule, will be met. It takes into account expiring leases, lease extensions and renewals, direct leasing outcomes, the purchase of new properties and land acquisition and construction programs. The result is a large residential development, construction, acquisition, leasing and disposal program that must be approved by the Board. A summary of major developments in the 2013–14 capital program is at the end of this chapter.

In the 2013–14 capital program for Defence families, 662 new dwellings were constructed and purchased at a cost of \$318.9 million. Two hundred and two properties were leased directly from private investors and 396 leases were renewed on existing properties where leases and options had expired. As at 30 June 2014 a portfolio of 17,590 properties was provided, which exceeded the KPI of 98.5% for housing provisioning.

During 2013–14, the MCA portfolio acquired 120 properties and directly leased 62 properties from private investors. As at 30 June 2014 a total portfolio of 425 properties was provisioned, exceeding the Corporate Plan target of 421. MCA now has national coverage.

Leasing programs

As with construction and acquisitions, leased properties must meet Defence standards while offering the added advantage of flexible lease terms for lessors and managing risk for DHA.

In 2013–14, the strategic focus was on:

- leasing properties in desirable locations that would otherwise be difficult to acquire
- re-structuring lessor management to incorporate Defence and lessor customer service across the business and
- the ongoing expansion of the MCA program.

This approach resulted in the target of 1,522 lease additions for Defence families being exceeded. This target was achieved through the successful negotiation of new lease agreements with lessors, long-term extensions before current leases expired and the right to vary leases by extending or reducing the terms. Targets in previously challenging locations for provisioning, such as Rockingham, Liverpool and Sydney, were achieved in 2013–14. In Sydney, 26 apartments for Defence members were leased in Drummoyne, only six kilometres from the Sydney CBD.

The net leasing outcome (the difference between properties removed at end-of-lease and properties added through the leasing program) for 2013–14 was achieved, with approximately 140 extra properties retained in the portfolio.

To ensure the success of the leasing program, a focus on improvements to policies and procedures (previously the Leasing4U project) continued. This included a collaborative approach across the regions to ensure a solid foundation for future growth.

MCA leasing expanded in 2013–14. This was to facilitate the Defence member property portfolio growing to 1,000 dwellings by 2015–16. The MCA leasing program achieved 62 direct leases to expand the total MCA portfolio to 425.

Defence has indicated that, when the MCA portfolio reaches 1,000 dwellings, MCA and rent band choice properties will be interchangeable. This will give more flexibility in meeting the housing needs of Defence members.

Major land acquisitions

The acquisition of suitable, cost-effective land for Defence housing is an ongoing priority. As in previous years, DHA has responded to a general shortage of retail land in reasonable proximity to Defence bases and establishments by acquiring greenfield development sites. This continued in 2013–14 with several significant land purchases. These will ensure that sufficient, well-located and competitively priced land is available for the construction program in key locations for the medium-term.

Land acquisitions that took place in 2013–14 are listed in Table 1.

Table 1: Land acquisitions in 2013–14

Location	Expected number of properties	Nearby Defence establishments	
		Name	Distance
Hunter Valley, NSW	437 allotments	RAAF Base Williamtown	30 kilometres
Sydney, NSW	61 allotments	Holsworthy Barracks	11 kilometres
Darwin, NT	405 allotments	RAAF Base Darwin	13 kilometres
		Robertson Barracks	15 kilometres
		Larrakeyah Barracks	16 kilometres
Rockingham, WA	340 dwellings	<i>HMAS Stirling</i>	3 kilometres
Fremantle, WA	182 apartments	Campbell Barracks	10 kilometres
Ipswich, QLD	73 allotments	RAAF Base Amberley	16 kilometres

State and Territory Government agreements

To help meet the housing needs for Defence members in major cities, an innovative approach has been taken to source land in prime locations. As part of an agreement with the Queensland Government, DHA has acquired land close to Gallipoli Barracks in Brisbane that will provide 49 units for Defence members. In turn, DHA is constructing 17 apartments for the Queensland Government.

Discussions are ongoing with State and Territory Governments and other organisations regarding access to land close to Defence bases.

Portfolio management

Overview

The housing portfolio is managed over a full life-cycle, from establishment of the housing requirement with Defence, to exiting when leases expire or properties are surplus to requirement. Ownership of some properties is maintained for strategic purposes and used as a financial benchmark to determine the makeup of the portfolio. Properties are also selected for DHA's property investment programs with the sale proceeds being the largest source of capital for financing business. DHA works closely with investors to manage their properties through the leasing cycle, from purchase, lease extensions/ renewal to the return of their properties at lease end.

DHA is committed to ensuring that the quality and diversity of housing are improved as properties are replaced and refreshed. While this places demands on the capital program it ensures properties meet Defence and community standards. Success is measured by member satisfaction with DHA-provided housing exceeding the KPIs.

Housing is classified for provisioning and allocation purposes. This enables Defence members to select housing solutions in accordance with their rank and family composition entitlements. Since 1 July 2007, the system of housing classification has been based on market rents with properties assigned to rent bands by region. These are determined by Defence, in consultation with DHA, and updated annually. This system enables location to be factored into property classifications.

The majority of DHA's portfolio is detached three and four-bedroom houses. Townhouses, courtyard-style houses and apartments are increasingly being supplied in selected locations where detached housing is not available. These housing types are suited to members who prefer well-located inner city living over a larger property and garden. Approximately 46% of Defence families for whom DHA provides housing have no children and a further 18% have only one child under the age of four.

In 2013–14, Defence allowed DHA to offer 100 inner-city apartments in Sydney to Defence families with selected compositions. This policy change enables properties of this nature, that would not previously be deemed suitable by Defence, to be offered to eligible Defence members.

Total stock under management

As at 30 June 2014, a total portfolio of 18,577 properties worth approximately \$10 billion was managed across Australia. These properties accommodate Defence families. They also include off-base accommodation for Defence members, newly acquired properties, properties being refurbished or off-line for maintenance and those at the end of lease about to be disposed of. In addition to housing stock supplied to meet Defence requirements, properties are managed for the Australian Maritime Safety Authority and Australian Customs and Border Protection Services. DHA's total portfolio is summarised in Table 2.



Table 2: Housing portfolio 2013–14

Cities/locations	Purchases		Acquisitions	Constructions	Sales	Sale and leaseback	Disposals	Handback of Defence-owned properties	Leases	Direct lease	Lease options	Lease conversion	Housing stock	DHA owned	Leased from investors	Defence off-base annuity	On-base Defence stock	Other managed stock	Total housing stock
Adelaide		21	18			12	7	1		0	59	6		166	770	6	13	0	955
Brisbane		65	23			149	9	0		15	68	67		343	1,615	1	18	0	1,977
Cairns		10	0			8	1	1		10	32	7		22	207	2	0	0	231
Canberra		56	0			48	3	0		33	60	85		186	1,678	0	176	0	2,040
Darwin		27	74			80	12	1		26	134	46		836	1,098	9	314	4	2,261
Hunter Valley		2	5			13	1	3		7	96	24		130	865	45	0	0	1,040
Ipswich		17	64			38	0	2		6	38	1		136	803	13	64	0	1,016
Melbourne		10	18			34	7	13		10	71	10		285	570	120	407	0	1,382
Nowra		7	0			0	0	2		8	9	10		17	293	23	23	0	356
Perth		59	0			56	5	0		53	76	13		321	730	19	9	9	1,088
Sydney		108	118			169	41	0		68	106	95		1,018	1,958	10	51	0	3,037
Tindal		2	9			0	0	5		0	13	0		3	79	102	193	0	377
Toowoomba		5	0			22	0	2		3	24	5		9	202	12	5	0	228
Townsville		23	40			100	29	0		25	127	26		344	1,545	33	7	0	1,929
Wagga Wagga		4	0			0	0	11		0	29	0		9	209	85	56	0	359
Wodonga		5	0			0	0	2		0	14	2		20	261	20	0	0	301
Total		421	369			729	115	43		264	956	397		3,845	12,883	500	1,336	13	18,577

On-base housing

DHA's portfolio includes 1,336 houses located on Defence bases and establishments around the country (40% are in the NT). They are owned by Defence or financed by DHA under annuity arrangements.

Defence pays DHA fees to cover the cost of management and maintenance for 61 heritage listed houses. Approximately 380 houses are vacant and are assigned to separate management arrangements.

Work continued on the \$300.0 million program to upgrade and replace Defence-owned houses to ensure they meet minimum Defence standards by 2017.

After the successful construction of 97 new houses on Larrakeyah Barracks, Darwin (NT), a project to upgrade another 48 houses is now under way.

Work continued on upgrading 193 houses on RAAF Base Tindal (NT), with 103 completed as at 30 June 2014. This will ensure that the houses meet the Defence minimum standard for the next 15 years. Work continues on upgrades of on-base housing at *HMAS Cerberus* and Puckapunyal Army Base (VIC), Kapooka Village and RAAF Base Richmond (NSW) and 65 remote houses in Western Australia and North Queensland.

Defence received Parliamentary Standing Committee on Public Works approval in May 2014 for the construction of 50 tropically-designed houses on-base at RAAF Base Tindal (NT). This development project also involves the provision of infrastructure services and the delivery of parks, green spaces and community facilities. Completion of the project is expected in 2015–16.

In June 2014, the project to redevelop houses on RAAF Base Darwin was referred to Parliament. This project will replace 78 non-compliant houses with 80 three and four-bedroom compliant tropically-designed houses. The project will be carried out under annuity funding arrangements provided by DHA to Defence. Provided this is approved by Parliament, the project is expected to be completed in 2016–17.

Heritage housing

DHA manages 61 heritage listed properties across the Defence estate. These properties are located at the Royal Military College, Duntroon and *HMAS Creswell*, Jervis Bay (ACT); Garden Island, *HMAS Watson* and Victoria Barracks, Sydney (NSW); *HMAS Cerberus*, Mornington Peninsula (VIC); and Anglesea Barracks, Hobart (TAS). Since completion of a major upgrade program in 2010, minor upgrades continue to be undertaken as required. In 2013–14, a series of minor upgrades (new kitchens, bathrooms and laundries) were managed at *HMAS Watson* (NSW) and new fences provided for properties on Garden Island (WA).

In June 2013, a heritage site known as the Fremantle Gunners Cottages was acquired from Defence. These 10 properties will be renovated in keeping with the heritage requirements and turned into 16 homes for Defence families.

Sustainable housing

DHA's approach to sustainability looks beyond individual buildings. It incorporates direct design changes to buildings and urban precincts for environmental performance and encourages behavioural change in tenants for a healthier, more sustainable lifestyle. This holistic approach evaluates and then implements innovations in the following categories:

- better business—optimising business operations to meet ongoing sustainability objectives
- smart housing—key design changes that provide positive environmental effects while providing desirable features and
- enhanced communities—urban design that creates healthy, resilient communities.

With a view to being an innovative leader in the residential development industry, DHA seeks to meet the requirements of six leaf EnviroDevelopment certification from the UDIA. DHA focuses on investing in sustainability within individual buildings and by taking a holistic approach to urban planning.

In June 2014, DHA hosted the Government Land Organisation's sustainability network meeting in Sydney where each State gave a presentation on innovative trials they had run within their developments. At the meeting DHA launched a collaborative scoping project on compact housing. The study provides an opportunity for States to share information in this growing market. It also enables participants and the general community to work at a Government level, driving change around planning laws to encourage compact housing. The aim is to help meet the growing demand for affordable housing while meeting Defence rent band requirements.

Innovative housing

The Creating Homes of Choice (CHOC) working group is a new platform to collaborate on innovation across DHA. Within this group, proposals are assessed and tested for practicality, engaging all stakeholders to ensure initiatives are evaluated across all areas of the business. They are then rolled out as pilots within projects and, if successful, are incorporated into building specifications and business-as-usual processes.

CHOC currently oversees projects within the following areas:

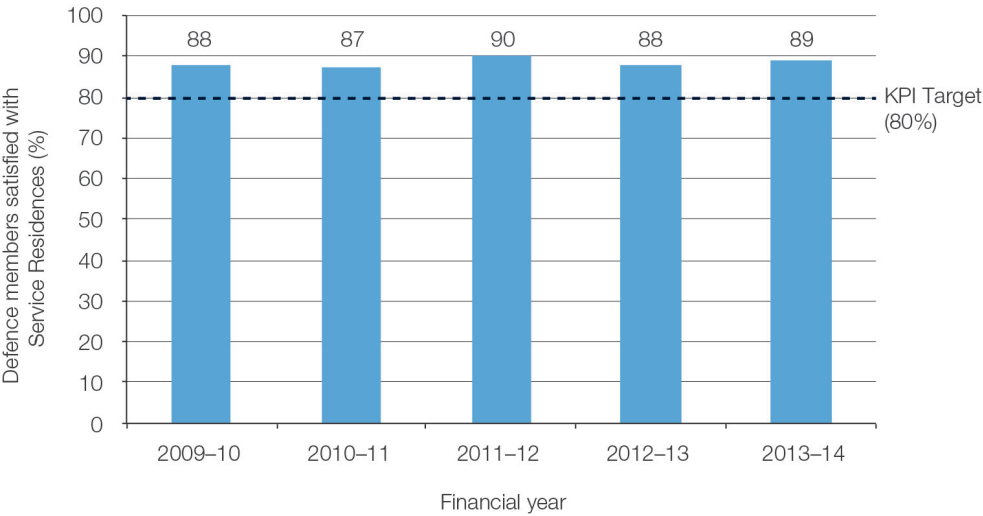
- Compact housing—exploring innovative design for housing on blocks under 200m² and working with Government land organisations to develop best practice from existing projects.
- Housing specifications—reassessing housing specifications and inclusions, focusing on innovative design to build desirable properties.
- Defence policy—developing a submission to assist Defence in streamlining its policy.
- Strata and body corporate management—ensuring that policies and procedures benefit both investors and Defence members as DHA's housing portfolio grows in medium and high-density areas.

- Technology—expanding through innovative and mobile support applications to expand service offerings and contractor management.
- Innovation initiatives:
 - > delivering pilots such as geothermal energy, keyless entry and home energy management systems
 - > delivering more efficient utilisation of utilities (electricity and gas) in the house and
 - > working with telecommunications providers to facilitate the provision of land-line and broadband capability.

Tenant satisfaction

Defence members are surveyed annually to measure satisfaction with their current DHA-managed property. In 2013–14, 89% of 3,248 participants were satisfied with their current Service Residence. This result is similar to that in 2012–13.

Figure 1: Defence member satisfaction with current housing, 2009–10 to 2013–14



Newly constructed, acquired and leased housing must satisfy Defence criteria in terms of quality and level of amenity, inclusions and fittings. Examples include security, heating, cooling and covered outdoor areas. Satisfaction of Defence members living in new properties has been consistently high. In 2013–14, among 37 Defence families satisfaction with newly constructed properties was 89%. In the same survey, among 64 Defence families satisfaction with newly-acquired homes was 89%.

02 Major developments

AE2, Ermington – Sydney

AE2 has expansive views across the Parramatta River to Sydney Olympic Park and the Millennium Parklands.

The 16.3 hectare riverfront residential development incorporates a mixture of detached and terrace houses. On completion, the new community will feature more than 700 dwellings; of these, 210 will be retained to house Defence members and their families.

The development was named in recognition of the efforts of those on-board the *HMAS AE2* submarine that paved the way for Allied submarines by crossing the Dardanelles during the Gallipoli campaign in the First World War.

Construction is expected to be completed in 2015 to coincide with the centenary of the Gallipoli landings.

Fast facts

- UDIA six leaf EnviroDevelopment certified in November 2013
- 18 kilometres to Sydney CBD
- 5 kilometres to Parramatta CBD
- 6 kilometres to University of Western Sydney (Parramatta campus)
- 4 hectares of parkland and cycle way links to Rhodes and Sydney Olympic Park
- Convenient road and public transport access; including ferries to Circular Quay







Bayriver, Largs North – Port Adelaide

Bayriver is a vibrant waterside community located on the Lefevre Peninsula.

The 8.8 hectare residential development incorporates a mixture of detached houses and townhouses. On completion, the new community will have 160 high-quality, contemporary dwellings. Of these, at least 40 will be retained to house Defence members and their families with the remainder sold to the public. As at 30 June 2014, a total of 83 land lots had been sold.

As part of the UDIA six leaf EnviroDevelopment accreditation, the development has been recognised for its commitment to sustainability, featuring drought-resistant native landscaping and open spaces to complement the surroundings.

Fast facts

- UDIA six leaf EnviroDevelopment certified in March 2014
- 18 kilometres to Adelaide CBD
- Close to schools, shops and recreational facilities
- Walking distance to public transport
- Open spaces including children's playground
- Drought-resistant native landscaping to complement local surrounds



Bluewattle, Rasmussen – Townsville

Located next to the Ross River, Bluewattle is a masterplanned development, surrounded by the natural vistas of Mt Stuart to the east and Hervey Range to the west.

The 98 hectare residential development will predominantly incorporate detached houses, offering a diverse mix of quality houses on a variety of block sizes. On completion, the new community will have 1,300 dwellings; of these, 430 will be retained to house Defence members and their families, with the remainder to be sold to the public.

Bluewattle will include connected walkways, cycle ways, exercise zones and tropically-inspired community spaces. State-of-the-art playgrounds, picnic and barbeque areas will encourage neighbours to mingle, while children play safely and securely in the parks.

The butterfly is the inspiration for the name 'Bluewattle' as Rasmussen is home to nearly half of all known butterfly species in Australia, including the 'Wattle Blue'.

Fast facts

- UDIA six leaf EnviroDevelopment certified in March 2014
- 17 kilometres to Townsville CBD
- 11 kilometres to Lavarack Barracks
- 4 kilometres to Willows Shopping Centre
- Walking distance to established local shops
- Close proximity to schools and childcare facilities







Breezes Muirhead – Darwin

Positioned in Darwin's northern suburbs, Breezes Muirhead brings together tropical living and sustainability.

The 167 hectare residential development incorporates a mixture of detached houses and townhouses. On completion, the new community will have 1,150 dwellings that incorporate open plan designs and outdoor living areas that are tailored to the tropical environment. Of these, 339 will be retained for Defence members and their families with the remainder to be sold to the public. As at 30 June 2014, a total of 369 land lots had been sold.

Breezes Muirhead is an award-winning development that has been designed for the tropical environment with strategically planned street layouts and sweeping green spaces. This urban design technique, taking advantage of the prevailing cross-flow breezes for cooling the houses, inspired the name of the development.

Fast facts

- UDIA six leaf EnviroDevelopment certified in December 2013
- Planning Institute of Australia award-winning residential development
- 16 kilometres to Darwin CBD
- 16 kilometres to Larrakeyah Barracks
- 3 kilometres to Casuarina Shopping Square
- Specifically designed for the tropical environment
- Close to schools, shops and public transport
- Vast open spaces for gatherings and recreational activities



Crimson Hill, Lindfield – Sydney

Crimson Hill adjoins the Lane Cove National Park on Sydney's North Shore. The elevated site has views of the natural landscape and includes open spaces and sustainable designs.

The 13.8 hectare residential development will incorporate a mixture of detached houses, townhouses and apartments. On completion, the new community will have a mix of 345 architecturally designed dwellings, including 10 land lots that blend sympathetically into the surrounds. Of these, 153 will be retained to house Defence members and their families and the remainder sold to the public. As at 30 June 2014, a total of 109 contracts had been exchanged on off-the-plan apartments and 10 land lots had been sold.

The idea behind the Lone Pine icon in the development branding is to commemorate the Battle of Lone Pine; a First World War battle in which seven diggers received Victoria Cross medals; five of which were on one day. The five precincts, the nature trail and the community cottage at Crimson Hill have been named after these recipients. Crimson is the colour of the Victoria Cross ribbon.

Fast facts

- UDIA six leaf EnviroDevelopment certified in May 2014
- 15 kilometres to Sydney CBD
- 3 kilometres to Chatswood CBD
- Convenient road and public transport access
- State-of-the-art community centre
- A new, purpose built, FIFA 2-star accredited synthetic sports field





Fetherston Ridge, Weston – Canberra

Fetherston Ridge is located in the nation's capital on an elevated site. It offers uninterrupted views across an arboretum to the Brindabella Ranges.

The 8.3 hectare residential development will incorporate a mixture of detached houses and townhouses. On completion, the new community will have 117 dwellings that will complement the existing Weston community. Of these, 50 will be retained for Defence members and their families, with the remainder to be sold to the public.

Fetherston Ridge was named to complement the neighbouring Fetherston Gardens and to honour their founder, Tony Fetherston. He was an educator, a pioneer of horticulture in the Canberra community and served in the Royal Australian Air Force from 1934–44.

Fast facts

- 12 kilometres to Canberra CBD
- 5 kilometres to Woden Town Centre
- 13 kilometres to the Russell Offices Defence complex
- 2 kilometres to the Australian Defence College
- Close to schools, public transport and recreational facilities
- Adjoins the Fetherston Gardens Arboretum



Heartwood, Voyager Point – Sydney

Heartwood borders native bushland and the waterways of Williams Creek and the Georges River.

The 15.7 hectare residential development incorporates a mixture of detached houses and duplexes on a variety of block sizes. On completion, the new community will have 137 dwellings of which 59 will be retained for Defence members and their families. The rest have been sold to the public.

The development is named after the heartwood of the mahogany trees that surround the site.

Fast facts

- 40 kilometres to Sydney CBD
- 9 kilometres to Liverpool Shopping Centre
- Excellent local amenities
- Only a few minutes drive from M5 and M7 Motorways
- Walking distance to public transport





Orchard Rise, Kellyville – Sydney

Orchard Rise is located on an elevated site in the north-west Sydney suburb of Kellyville.

The 4 hectare residential development will incorporate a mixture of detached and terrace houses. On completion, the new community will feature more than 65 dwellings; of these 34 dwellings will be retained for Defence members and their families, with the remainder to be sold to the public.

The residential development is on a natural slope and is surrounded by mature bushland and nature trails. The name Orchard Rise is taken from the site's history as an old orchard from the 1940s and 1950s.

Fast facts

- 4 kilometres to Rouse Hill Town Centre
- 21 kilometres to RAAF Base Richmond
- Wide range of public and private schools
- Less than a 15 minute drive to Norwest Business Park and M7 Motorway
- Walking distance to Small Creek, surrounding reserves and nature trails



Samford Road, Enoggera – Brisbane

The residential development on Samford Road borders Gallipoli Barracks in Enoggera.

The 6,317m² residential development will incorporate a mixture of townhouses and apartments in three multi-storey buildings. On completion, the new community will have 55 dwellings; 48 two and three-bedroom apartments and seven townhouses. All dwellings will be retained for Defence members and their families.

The development will transform the site that was previously the location of seven, two-storey brick and weatherboard townhouses that did not meet Defence minimum standards. The development will feature initiatives that are being trialled by the CHOC working group.

The first dwellings are expected to be ready by October 2015.

Fast facts

- 8 kilometres to the Brisbane CBD
- 2 kilometres to Brookside Shopping Centre
- Immediately adjacent to Gallipoli Barracks
- Walking distance to public transport



Warner Lakes The Reserve, Warner – Brisbane

Warner Lakes The Reserve is a new residential development overlooking Lake Reflection and is 20 minutes from Enoggera Barracks.

The 35.6 hectare residential development was previously a clay quarry and potato farm and has been rehabilitated under the *Environment Protection and Biodiversity Conservation Act 1999*. On completion, the new community will have 466 contemporary dwellings. Of these, 130 will be retained for Defence members and their families, with the remainder to be sold to the public.

The name, Warner Lakes The Reserve, acknowledges the native habitat of local flora and fauna species in the surrounding bushland and the efforts to ensure the protection and sustainability of this natural environment.

Fast facts

- UDIA six leaf EnviroDevelopment certified in May 2014
- Adjoins the Warner Lakes residential development
- 21 kilometres to Brisbane CBD
- 17 kilometres to Gallipoli Barracks
- 5 kilometres to Strathpine Shopping Plaza
- Walking distance to local schools and shops
- More than 20 hectares of parklands with walking trails and open spaces
- A central park that includes a playground, barbeque facilities and community dog park



Yamanto Hills – Ipswich

Yamanto Hills is a residential development near Amberley, located close to community facilities, shopping centres, schools and public transport.

The 12 hectare residential development, which was previously vacant land, will have a new community of 134 dwellings that have been designed to capitalise on the topography of the site. All dwellings will be retained for Defence members and their families.

Homes in this architecturally-designed residential development feature excellent sound proofing and thermal ratings.

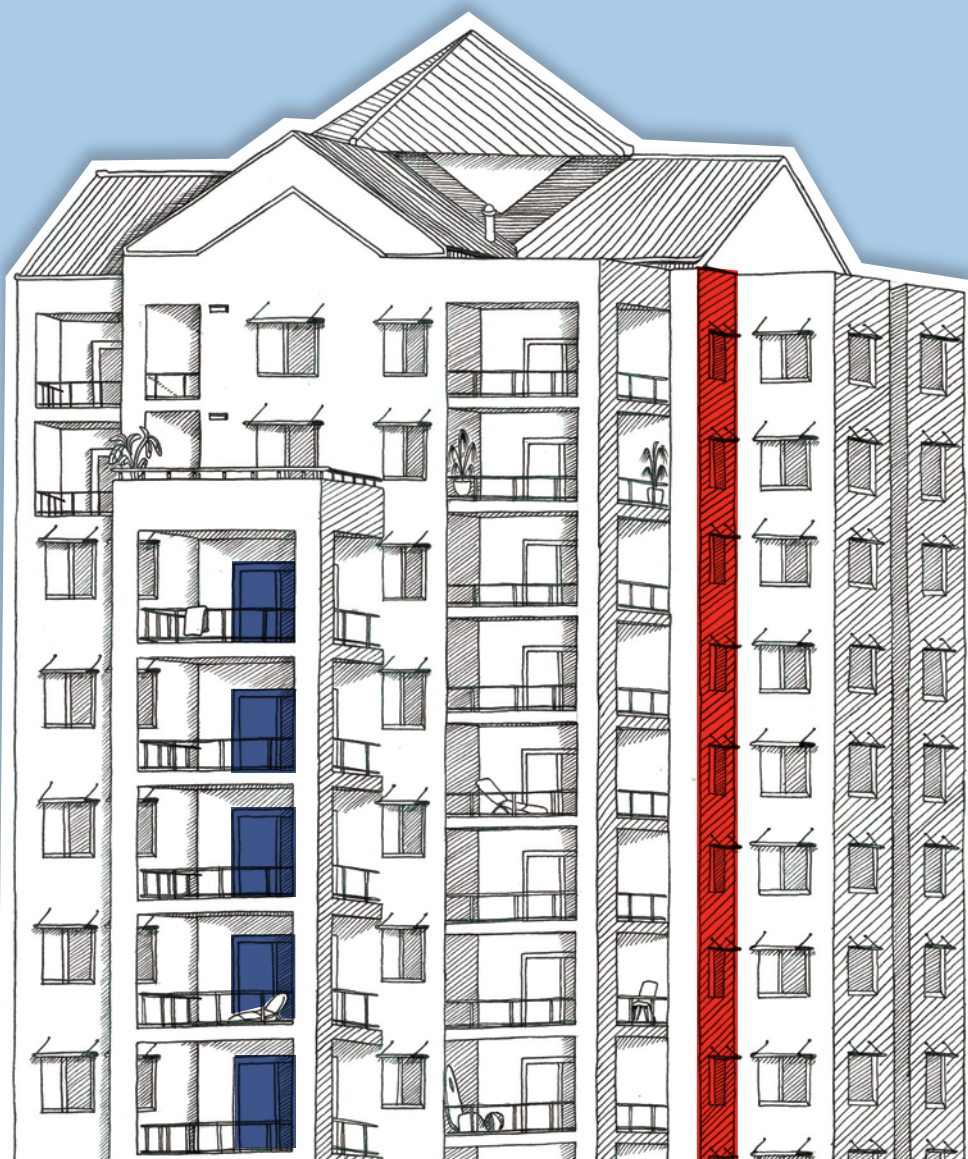
Fast facts

- 8 kilometres to Ipswich CBD
- 8 kilometres to RAAF Base Amberley
- Walking distance to Yamanto Shopping Centre
- Contemporary architecture
- Close to schools, public transport and recreational facilities



Property and tenancy management

Property and tenancy > Maintenance services
Housing solutions > Customer service > Major projects



03

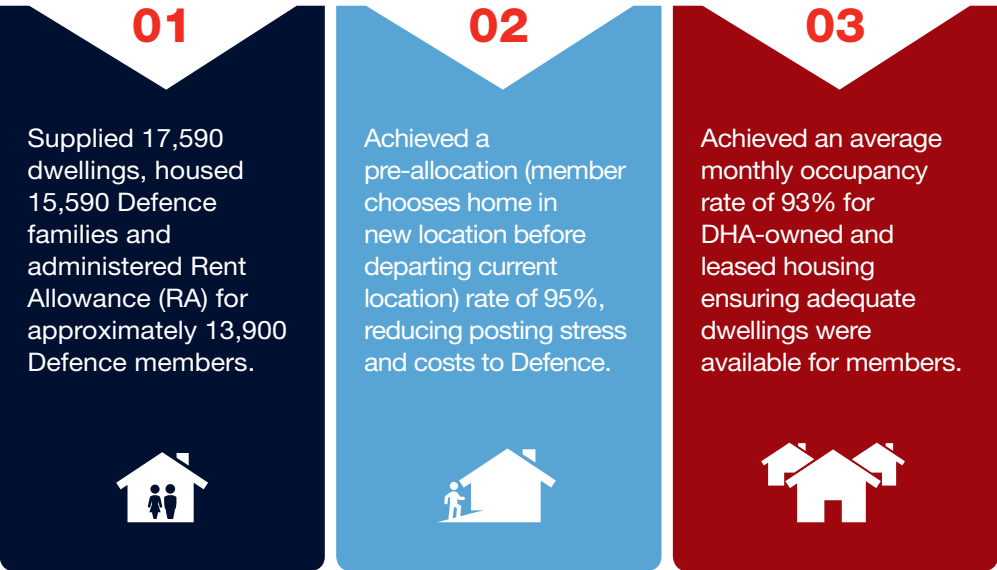
Objectives

Property and tenancy management

- Housing supplied and managed effectively to meet the Defence Housing Forecast
- Information technology solutions supporting business capabilities
- Enhancing customer service experience and perceptions

Key performance indicator	Target	Achievement
Defence member satisfaction with completed maintenance	90%	95%
Defence member satisfaction with overall customer service	80%	92%
Maximising pre-allocation (rolling 12 month average)	75%	95%

Major outcomes



03

Property and tenancy management

04

Achieved an average monthly vacancy rate of 5% for Defence-owned off-base houses, compared to 8% in 2012–13.



05

Achieved a monthly average of 98% of housing contribution and RA payment notifications to Defence within a 10 day period, compared to a target of 95%.



06

Implemented an online booking and allocation service for on-base LIA, covering approximately 39,900 beds at 53 Defence bases.



07

Achieved a completion rate for routine maintenance of 86% within 15 days compared to a Services Agreement target of 80% completed. The completion rate within 28 days was 98%.



08

Implemented consistent workforce structures in regional offices.



Property and tenancy

Overview

Property and Tenancy Services (P&TS) is responsible for maintaining properties, presenting properties for allocation and providing support to Defence members during their tenancy. This is the customer-facing side of the business with approximately 380 staff in regional offices providing their services. This business also manages the administration of RA to members who are accommodated in the private rental market.

P&TS matches the housing portfolio to housing demand as Defence members and their families move on posting, or as their changing personal circumstances affect their housing needs.

Defence Housing Forecast

The Defence Housing Forecast is the starting point for the property and tenancy business, as it is for property provisioning. It advises how many Defence families are expected to need accommodation in the next financial year (and the following four years). For 2013–14, Defence estimated a housing requirement for 19,406 Defence members and their families, a 1.0% decrease on 2012–13.

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

Responsive maintenance

Responsive maintenance is a critical component of property and tenancy management. DHA is contracted to provide a quality 24-hour maintenance service and to deliver high-levels of tenant satisfaction with that service. To assist in achieving this objective, DHA provides a Maintenance Call Centre (MCC) to receive and take action on maintenance calls from tenants across Australia. During 2013–14, the MCC received 132,613 calls and made 116,850 outgoing calls. The MCC raised 44,672 maintenance requests and responded to 1,277 incoming emails from contractors, Defence members, real estate agents and DHA staff.

Mobile technology

During 2013–14, 147 mobile devices were introduced for property managers and other field staff as part of improvements to the tenancy service. The mobile devices are used during property inspections and give staff remote access to IT systems. The devices also include a function that enables staff to record outcomes of inspections directly into DHA's systems, access historical information about the property or the tenant and the ability to directly raise maintenance requests. This information is electronically available to lessors and tenants via their Online Services account.

The mobile devices have improved business efficiency with a significant reduction in data re-entry and post inspection administration. Improvements to mobile technology and associated systems will continue to refine the customer service experience.

Maintenance surveys

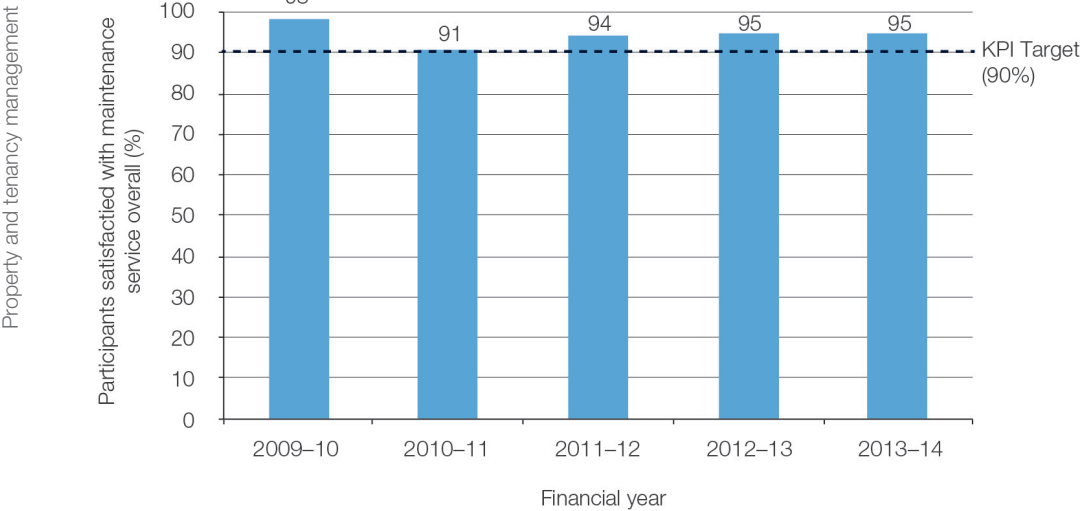
Defence member satisfaction is measured on customer service, contractor service and overall satisfaction with the maintenance service. Performance with completed and invoiced works remained strong, with 95% of 6,998 surveyed tenants expressing satisfaction with the overall service. This result is the same as that in 2012–13.

Contractor management

To enable DHA to give tenants and lessors a prompt and high-quality maintenance service, irrespective of location, local maintenance service providers are used in each region. Sophisticated contractor management software is used to assist the MCC and regional offices to manage about 1,000 individual contractors across the country. To maintain efficient and timely maintenance support, a rolling tender program is used to ensure all engaged contractors are compliant with the high standards of service. Through the rolling tender and software enhancement programs, supervision of the contractor workforce is continually being refined, work allocation is being automated and value-for-money improved.

03

Figure 2: Customer satisfaction with maintenance service, 2009–10 to 2013–14



Services Agreement on housing and related matters

The relationship with Defence is managed under the provisions of the Services Agreement on housing and related matters (Services Agreement).

In June 2014, Defence and DHA agreed to align the term of the Allocation and Tenancy Management (ATM) Agreement with the Services Agreement. This extended the term of the ATM by a further four years. In doing so, Defence recognised that value-for-money was provided and services were being delivered in an efficient and effective manner.



Allocation of housing

DHA aims to maximise the number of available properties during the peak posting period, minimise vacancies at other times and minimise the number of Defence families receiving RA. The web-based system, Online Services, is the main tool used by Defence members and their families to view properties they might be eligible to occupy (determined by location, rent band and family composition). Online systems, their capabilities and the quality of the service to Defence members are continually being enhanced in conjunction with improved regional workforce structures.

At 30 June 2014, 82% of the total Defence demand was satisfied by DHA-managed housing with the balance in private rental accommodation. The 2013–14 monthly average of Defence families on RA was 18%. One reason for the shift is the increase in the proportion of Defence members approved for RA following service recognition of an interdependent relationship, including de facto relationships. DHA generally does not have the opportunity to offer accommodation in these circumstances.

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

Living-In Accommodation

DHA entered into an agreement with Defence in June 2013 to manage the booking and allocation of LIA. A national roll out of a new booking and allocation service for on-base LIA was completed in 2013–14.

The new arrangements include an online automated booking tool that caters for permanent, group and individual transit (short-term) requests. Defence has approximately 39,900 beds nationally across 53 Defence bases. The LIA booking and allocation service is supported by a dedicated LIA contact centre that is based in Brisbane. The ownership and responsibility for maintenance of LIA assets remain the responsibility of Defence.

Defence bases in Queensland transitioned to the new booking arrangements in the second half of 2013. The remaining bases progressively transitioned over the remainder of the 2013–14 financial year.

The booking and allocation service provides a single access point for Defence members and employees to make and confirm LIA bookings. It also provides Defence managers with real-time and historical information regarding LIA assets to inform decision making at local, regional and national levels.

In addition to supplying and managing housing for Defence members, DHA is contracted by Defence to administer the payment of RA to Defence members who are accommodated in the private rental market. Defence members are responsible for finding their own private rental accommodation. However, they engage DHA when seeking approval for the arrangements they have negotiated with agents and landlords.

In the normal course of events, administration of RA involves approving the start of a housing-related allowance, conducting an annual review to confirm a continuing entitlement and administering the termination at the end of an approved arrangement. However, administration of RA can be complex involving changes to payment as members' circumstances change (for example, deployment on operations, sharing arrangements and movement to/from Defence schools and courses).

MCA

In 2006 DHA began providing apartments for Members Without Dependants and Members With Dependants (Unaccompanied) Choice Accommodation (MCA) in Darwin as an alternative to RA. This agreement has been extended nationally. More than 11,000 Defence members are housed in private rental accommodation. By 30 June 2014, the off-base apartment portfolio held 425 apartments. The Board approved a plan to expand this to 1,000 apartments by 2015–16. Work is well advanced to meet this plan.

Customer service

Communication with Defence members occurs in a variety of ways, reflecting the expectation that modern electronic communications will be available to support the delivery of services.

Interactions with Defence members and their families, maintenance providers, builders, agents and lessors occur every day. These people and organisations are DHA's customers and success is measured by their levels of satisfaction, especially Defence members and their families who live in DHA properties.

Communicating with Defence members

Regional office staff are regular participants in briefings to Defence members in the lead up to the peak posting period. These briefings encourage ongoing contact between regional offices and Defence units and formations in relation to housing matters. Online access to the full range of housing management services is also provided. Communication and marketing materials are used to inform Defence members and their families of the services available and how to use them.

Publications and online information are available to help customers understand and access services. These are distributed through the regional offices and staff.

DHA understands the difficult circumstances Defence families can face when moving on posting. In response, during 2013–14 training was provided to frontline staff and workshops were conducted to improve customer service during the stressful peak posting period.

Regional offices

The ongoing needs of individual Defence families are fundamental to DHA's service delivery model. The workforce is spread across 19 regional offices, matched to geographical concentrations of Defence units and establishments. Twelve are designated regional offices and the balance smaller 'branch' offices. At 30 June 2014, 381 people, or about 55% of the workforce, were employed in regional offices. This staffing provides a physical presence for Defence members seeking advice on housing services. Online Services and a national telephone contact centre are also maintained to manage these needs.

Customer Service Institute of Australia

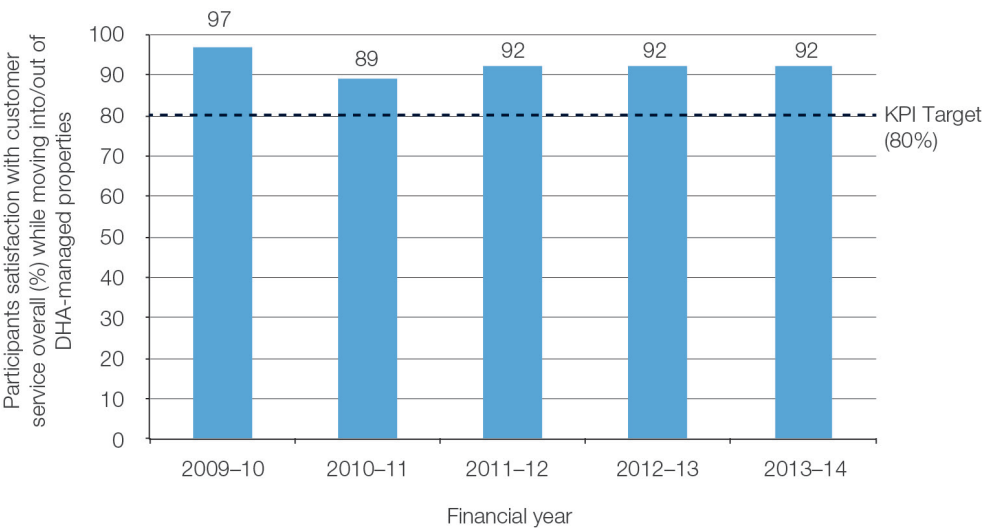
Certification with the Customer Service Institute of Australia (CSIA) was first sought in 2005–06 as part of a broad strategy to improve performance at the customer interface. The CSIA offers evaluation and certification by independent assessors against 29 international customer service standards. Certification is a recognised benchmark in both the public and private sectors. In addition, CSIA offers valuable insight and coaching in customer service. Since 2005–06, recertification has occurred five times: in 2007–08, 2008–09, 2010–11, 2011–12 and 2012–13.

The business was reassessed in August 2013 and achieved an overall score of 7.32 (out of 10); an improvement on the previous result and an excellent score.

Satisfaction with customer service

The quarterly housing survey measures Defence member satisfaction with overall customer service experienced while finding, occupying and vacating Service Residences. Survey results remain above the target of 80% with 92% of 3,229 participants indicating that they were satisfied with their customer service experience.

Figure 3: Defence member satisfaction with overall customer service while moving into/out of DHA-managed properties, 2009–10 to 2013–14



Customer relations management

Through regular surveys, the majority of customers tell DHA that they are satisfied with the services provided, especially with the quality of new housing. DHA also receives positive customer feedback on its services through regional offices and the national customer relations team. In 2013–2014, more than 220 compliments were received nationally from Defence members and their families and lessors. The main reasons for compliments were exemplary customer service, exceeding customer expectations, professional conduct and high levels of communication.

However, some complaints were also received. Complaints can be referred directly by tenants, other Defence personnel, lessors, the Defence Ombudsman or Ministers. DHA’s objective is to manage complaints at the point at which customers first express dissatisfaction. Logged complaints are reported to Defence on a monthly basis.

In 2013–14, 947 complaints were received nationally comprising a 25% increase on 2012–13 (756 complaints). The four main reasons for complaints were repairs and maintenance (382), neighbourhood disputes (87), condition of the property (89) and customer service (83). The increase in complaints can be partly attributed to better collection of data. This has helped to identify earlier customer trigger points and provide an in-depth understanding of customer satisfaction with the service provided. To assist in reducing the number of complaints, staff have undertaken training in issues management. This training has been developed to build staff knowledge and awareness and to help provide higher levels of customer service.

All complaints are managed in accordance with the complaints resolution process that is outlined in the *DHA Customer Service Charter*. If customers are not satisfied with the handling of their complaints they can request a review of the response. The customer relations team oversees these escalated complaints and provides assistance in complaint resolution. Most complaints are resolved at the local level.

A look at regional highlights across the organisation places the number of complaints received in context.

Regional offices highlights

Region	Offices	Client services delivered	Highlights
Northern Territory	Darwin Katherine	<ul style="list-style-type: none"> 2,207 properties managed 	<ul style="list-style-type: none"> Upgraded 18 houses on Larrakeyah Barracks Upgraded 51 houses on RAAF Base Tindal Delivered 83 constructions in Muirhead, Bellamack and Johnston Acquired 10 new MCA properties
North Queensland	Townsville Cairns	<ul style="list-style-type: none"> 2,160 properties managed 	<ul style="list-style-type: none"> Finalised program to upgrade 30 Defence-owned properties in remote localities Started land sales and house construction at Bluewattle in Rasmussen Attended Townsville and Cairns Defence Community Organisation (DCO) family days

Regional offices highlights (continued)

Region	Offices	Client services delivered	Highlights
South Queensland	Brisbane	<ul style="list-style-type: none"> 1,977 properties managed 	<ul style="list-style-type: none"> Started civil works for stages one and two 'A' at Warner Lakes The Reserve, Warner Awarded the tender to construct seven townhouses and 48 apartments at Samford Rd, Enoggera Gained development approval for 44 townhouses at Wardell St, Enoggera Started the redevelopment of four rent band three properties at Taurama St, Gaythorne Began construction of final 23 townhouses at Gordon Olive Estate, McDowall Expanded the MCA portfolio to 120 properties
	Ipswich Toowoomba Canungra	<ul style="list-style-type: none"> 1,244 properties managed 	<ul style="list-style-type: none"> Established new regional office on 1 July 2013 Constructed 52 houses in stage two at Yamanto Hills Started civil works in stage three at Yamanto Hills that will deliver 62 houses Secured Raceview development site Attended Oakey DCO family day Attended tree planting event for the Bundamba Creek rehabilitation project
Hunter	Newcastle	<ul style="list-style-type: none"> 1,040 properties managed 	<ul style="list-style-type: none"> Relocated office and MCC from Raymond Terrace to Newcastle CBD Acquired development sites in Thornton Attended charity runs for cancer-related charities

Regional offices highlights (continued)

Region	Offices	Client services delivered	Highlights
Sydney	Parramatta	<ul style="list-style-type: none"> 3,032 properties managed 	<ul style="list-style-type: none"> Delivered 111 dwellings at AE2 Ermington, the first Sydney development to receive UDIA EnviroDevelopment certification Substantially completed houses scheduled for delivery in early 2014–15 at Heartwood, Voyager Point Moved forward with construction at Crimson Hill, Lindfield Completed seven on-base upgrades at RAAF Base Richmond Started refresh of Coogee/Little Bay leased houses; 45 shared cost upgrades and lease extensions completed Attended Sydney and Liverpool DCO family days
Nowra	Nowra	<ul style="list-style-type: none"> 356 properties managed 	<ul style="list-style-type: none"> Attended Nowra DCO family day
Australian Capital Territory	Canberra	<ul style="list-style-type: none"> 2,040 properties managed 	<ul style="list-style-type: none"> Completed civil works and started construction of 50 dwellings at Weston Started construction work on 23 new dwellings at Casey Attended Canberra DCO family day
Riverina	Wagga Wagga Wodonga	<ul style="list-style-type: none"> 660 properties managed 	<ul style="list-style-type: none"> Upgraded 15 on-base houses at Kapooka Completed infrastructure works at Kapooka Village Attended Wagga Wagga and Wodonga DCO family days
Victoria/ Tasmania	Melbourne Puckapunyal Cerberus Sale	<ul style="list-style-type: none"> 1,382 properties managed 	<ul style="list-style-type: none"> Upgraded 147 houses at Puckapunyal Upgraded 28 on-base houses at Cerberus Retrofitted 276 properties with air-conditioning at a total cost of \$1.5 million Replaced 20 old wall furnaces with ducted heating

Regional offices highlights (continued)

Region	Offices	Client services delivered	Highlights
South Australia	Adelaide	<ul style="list-style-type: none">• 955 properties managed	<ul style="list-style-type: none">• Completed construction of 40 houses at Bayriver, Largs North and tenanted them within two weeks• Attended Adelaide DCO welcome day• Supported the Cancer Council and Operation Flinders
Western Australia	Perth	<ul style="list-style-type: none">• 1,088 properties managed	<ul style="list-style-type: none">• Purchased development site in Victoria St, Fremantle• Acquired 12 MCA properties• Attended Welcome to the West DCO day• Attended Pilbara Regiment family induction day

Major projects

Information and communication technologies

During 2013–14, the development of new and improved information technology solutions continued while sustaining business-as-usual capabilities. To support and deliver services such as property management, leasing operations, customer relationship management, staff training and development, DHA relies on robust information and technology systems. These systems support thousands of interactions every week with Defence members, builders, contractors, lessors, valuers, staff and Government.

Throughout the year, the suite of online services continued to expand to support field staff, Defence members and external stakeholders. This included delivering an extension to the overall housing allocation model by providing LIA booking and allocation services. The success of the delivery of this was reliant on a technology based solution that was integrated into Online Services. It now provides a seamless experience for Defence members when booking all types of on-base LIA.

People and corporate

DHA staff > Enterprise Agreement
Corporate initiatives > Work health and safety



04

Objective

People and corporate


- Motivated, engaged and productive staff

Key performance indicator	Target	Achievement
Staff retention and turnover rate	>85%	86.7%
Work health and safety incident rate (per 100 employees)	<2.0 incidents resulting in time off work	0.4 incidents
Percentage of salaries spent on training	>1.5%	2.2%
Wages expense ratio	5.9%	5.6%

Major outcomes


01

Supported major workforce changes associated with the streamlining of DHA's housing allocation business.




02

Acquired and implemented a new learning management system and introduced a suite of e-learning modules to support business operations.



03

Delivered a suite of leadership, performance management and personal effectiveness programs to improve leadership and individual capabilities and results.



04

Introduced Prevention First, a comprehensive management system to manage Work Health and Safety (WHS).



05

Integrated the contractor WHS management program across all business areas while delivering comprehensive WHS reviews of contractors.



06

Established a Corporate Shared Services (CSS) function to streamline the provision of transactional support services for staff.



04

People and corporate



04 People and corporate

DHA staff

Overview

DHA is committed to fostering a collaborative working environment and employment conditions that are flexible, motivating and have a positive influence on the recruitment and retention of staff. In addition, embracing a good workplace culture, with a focus on governance, customer and client satisfaction, stakeholder engagement and team work are high priorities. These priorities are assisted by the development of robust systems and strong staff capability.

Programs conducted in 2013–14 responded to these priorities and were undertaken to:

- support both retention and flexibility of staff during major workforce changes
- enhance leadership, managerial and personal effectiveness with a focus on performance development
- reduce incidents and costs associated with workforce safety and risk
- provide strategic and operational Human Resources (HR) support that is both people focused and responsive to business needs and
- provide HR, Learning and Development (L&D) and WHS systems to support the efficient provision and operation of HR services across the business.

During 2013–14, programs to support staff and the business focused on the development of organisational capability, productivity, engagement and performance. This was coupled with the growing of individual talent, resilience and flexibility.

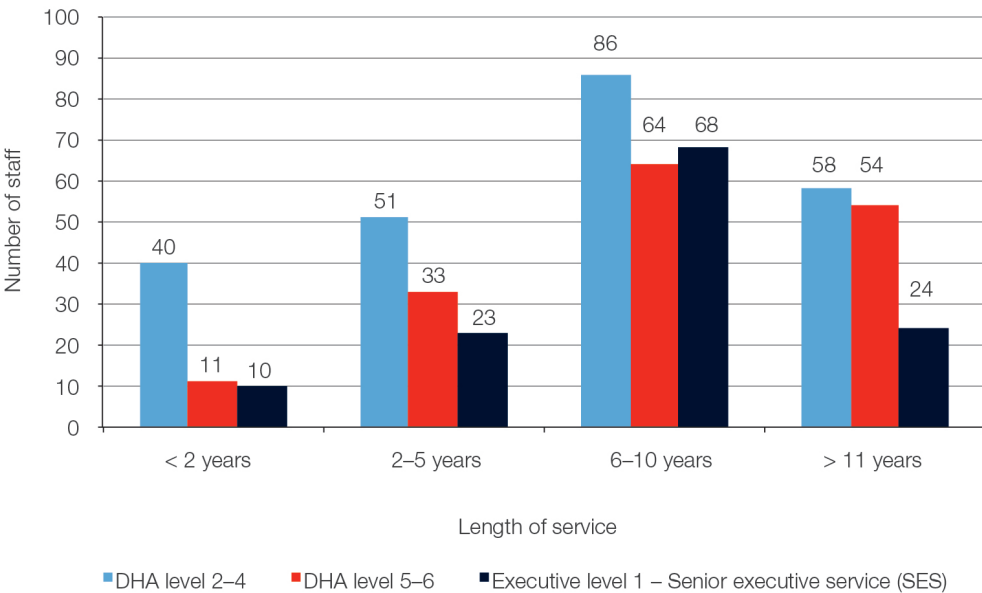
Staffing profile

Substantial changes to the staffing profile occurred in 2013–14 as a result of streamlining the housing allocation business. The changes were designed to enhance the consistency of customer service and to provide more comprehensive management of housing services.

To help them in their new roles and working structures, staff were given personalised assistance, including change advisory services, individual career support, administration of recruitment and restructuring activities and comprehensive training. This has led to significant improvements in workforce productivity and the retention of the key ATM contract with associated savings for Defence.

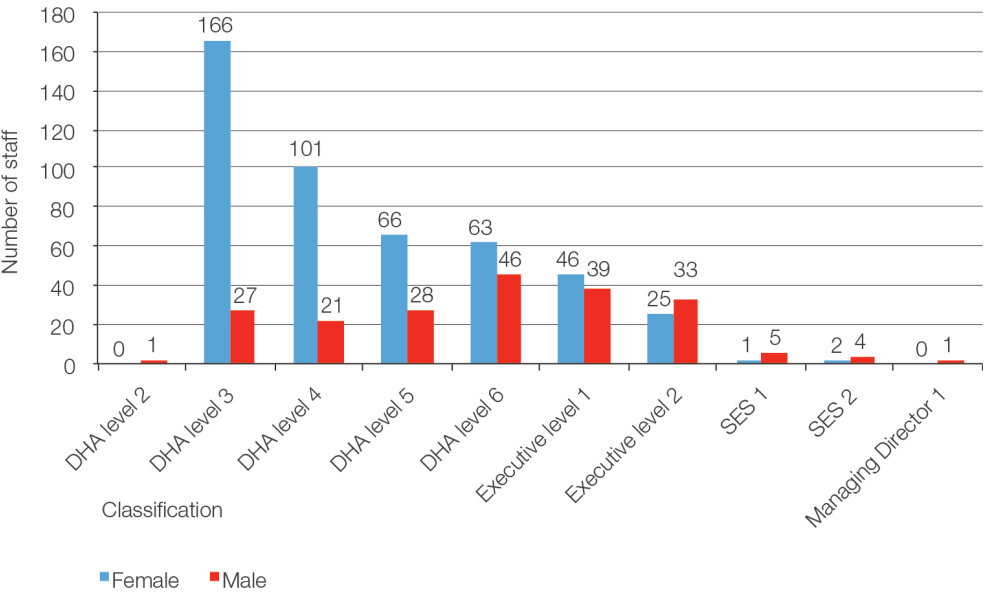
The implementation of TechnologyOne, a new financial system, and the establishment of Corporate Shared Services (CSS) were other changes to the staff profile. The HR team worked collectively to support these initiatives.

Figure 4: Ongoing staff by length of service and classification as at 30 June 2014



Length of Service	DHA level 2-4	DHA level 5-6	Executive Level 1-SES
< 2 years	40	11	10
2-5 years	51	33	23
6-10 years	86	64	68
>11 years	58	54	24
Total	235	162	125

Figure 5: Staff by classification and gender as at 30 June 2014



Classification	Female	Male
DHA level 2		1
DHA level 3	166	27
DHA level 4	101	21
DHA level 5	66	28
DHA level 6	63	46
Executive level 1	46	39
Executive level 2	25	33
SES 1	1	5
SES 2	2	4
Managing Director		1
Total	470	205

Engaging with staff

HR has several successful means of communicating with staff. As in previous years, the HR network has proved to be a key communication platform for the delivery of information to middle and senior managers. The staff consultation forum has also proved successful in 2013–14 when engaging with staff.

Throughout the year, HR sought to work more closely with business units by involving staff in day-to-day meetings and strategic projects. In support of organisational changes, HR worked extensively with project teams while delivering the information, support and advice staff needed to make the best possible decisions.

People and performance management

In 2013–14, a strong focus remained on people and performance management. With early intervention and proactive performance management, these initiatives continued to strengthen performance culture.

Staff performance was high in 2013–14, with 93% of staff achieving a performance rating that exceeded their agreed targets.



04

Enterprise Agreement

People and corporate

During 2013–14, the *DHA Enterprise Agreement 2012–14* (EA) continued to be applied to all non-Senior Executive Service staff. The EA provided staff with flexible and competitive remuneration packages and attractive employment conditions.

The nominal expiry date of the EA was 30 June 2014. DHA is working towards a new EA in line with the Australian Government public sector workplace bargaining policy. Staff will be covered by the terms and conditions of the existing EA until a new agreement is negotiated and approved.

Table 3: Enterprise Agreement salary ranges

Classification	Salary range
DHA Trainee	\$42,964–\$48,930
DHA Level 2	\$49,264–\$55,236
DHA Level 3	\$55,485–\$61,480
DHA Level 4	\$61,307–\$68,507
DHA Level 5	\$69,070–\$75,387
DHA Level 6	\$76,247–\$87,668
Executive level 1	\$92,570–\$112,974
Executive level 2	\$110,008–\$141,150



Learning and development

In 2013–14, L&D initiatives included:

- Implementation of an online learning management system that greatly improved the effectiveness of L&D activities and allowed for the cost-effective extension of staff capabilities.
- Delivery of customer service and technical training that provided consistent customer service and diligent administration of Defence member entitlements.
- Delivery of the e-learning and face-to-face modules to align with new capabilities and business strategy. The e-learning modules enabled the continuous and consistent delivery of training to all staff.
- Delivery of a comprehensive induction program as part of the change in the housing allocation business. The program was supported by coaching to enhance day-to-day performance in line with leading industry methods.
- Delivery of leadership, performance management and personal effectiveness workshops to improve capabilities and results.
- Delivery of e-learning WHS induction modules to assist DHA to meet its obligations to staff and contractors.

Rewards and recognition

Staff achievement is rewarded through:

- Annual awards for excellence for exceptional individual staff performance in their respective business units.
- Service awards for five, 10, 15, 20 and 25 years of employment with DHA.
- *WOW awards* that give staff the opportunity to recognise their colleagues' accomplishments.

Table 4: Annual awards for excellence 2013

Employee of the year	
Finance	Glen Pearson
Business unit recipients	
Property Provisioning Group	James Wallace
P&TS	Myra Cooper
Riverina	Mark Nye
Nowra	Cathy Ricetti
Canberra	Chloe Taunton
Northern Territory region	Scott McNeill
Northern Queensland region	Lisa Kennedy
Ipswich region	Steven McMeikan
South Queensland region	Ron Davis
New South Wales region	Richard Archer
Sydney East	Frank Tripolone
Sydney West	Adrian Papahatzis
Victoria/Tasmania region	Tracy Richardson
South Australia region	Michelle Gill
Western Australia region	Kelly Kessels
Company Secretary's Office	Rachael Prior
Corporate Affairs	Ian Gregory
Sales and Marketing	Christina Agresta
Finance	Glen Pearson





Corporate shared services

In 2013–14, CSS was set up to provide a consistent, responsive approach to the delivery of common corporate functions. The new team has brought together:

- Accounts Payable from Finance
- service desk from Business Solutions and Technology (BS&T)
- vehicle management and travel from Corporate Affairs, and
- ad hoc purchasing and minor asset management.

The combination of these functions in CSS facilitates cross training of staff, leading to greater coverage of functions, consistency and capacity to improve and refine processes.

The first phase was completed successfully and paved the way for further enhancements in the provision of internal services.

Staff health and wellbeing programs

In 2013–14, the staff wellbeing program grew to include the option to participate in a health screening assessment and a 10,000 steps challenge. Participation in the 10,000 steps challenge was well received with 213 staff members completing the challenge in December 2013. The employee assistance program, flu vaccinations, eye health and the quit smoking program were also maintained.

With the increased pace of work and change across the business, building levels of workplace resilience has been a priority. Information was provided to staff regularly to increase individual awareness of the risk of stress and fatigue.

Apprenticeship support scheme

The apprenticeship support scheme is in its fifth year of operation. The program has supported more than 20 apprentices in trades across Australia. This year, DHA celebrated the graduation of another five apprentices, bringing the total number of apprentices graduating under the scheme to 16. The program has been extended until June 2015 to fund current apprentices, enabling a further four apprentices to graduate.

Work health and safety

In 2013–14, the management and promotion of safety at work continued to be a major focus. This involved taking responsibility for the health, safety and wellbeing of workers and others impacted by business actions. This has been supported by Prevention First, a professional and comprehensive WHS management system. This included working collaboratively with contractors across the business to improve WHS management. The National WHS committee, contractor advisory group and staff advisory group have also been key forums to promote the identification and management of WHS risk.

Major WHS achievements for 2013–14 included:

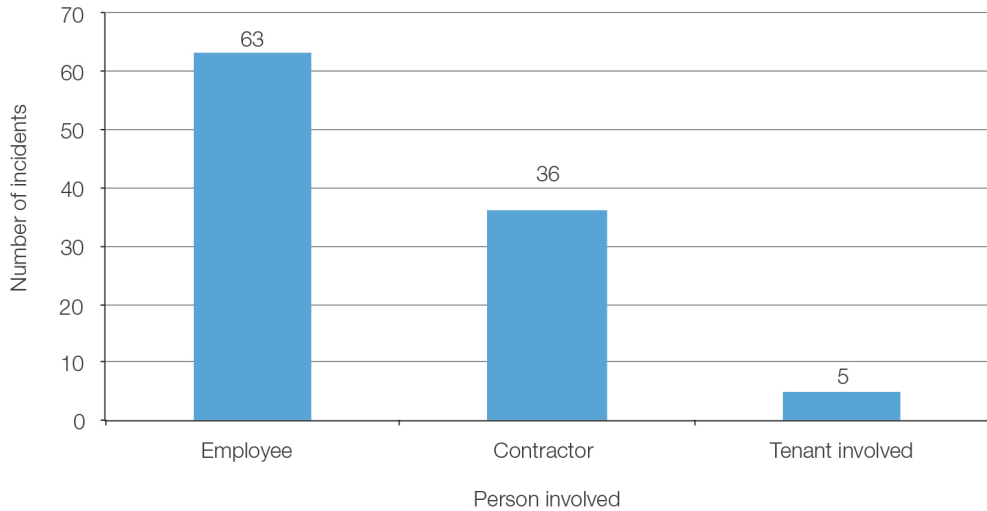
- establishing specific KPIs to support the monitoring of WHS performance
- introducing the total recordable injury frequency rate (the total number of injuries x 200,000 / number of hours worked by all employees = injury rate) as the primary indicator
- the review and subsequent redevelopment of contractor WHS management processes and
- the development and implementation of e-learning WHS modules for staff and contractors.

Incident reporting

Changes in the management of WHS resulted in improvements to the system used to monitor and report on WHS performance, as well as enhancements to incident reporting.

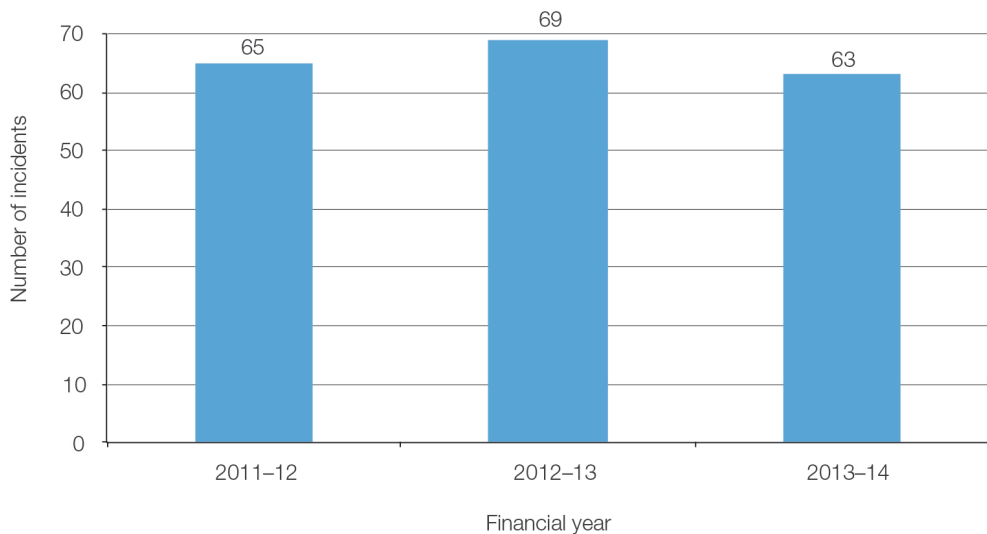
Despite an increase in the number of incidents reported, there have been fewer staff related incidents in 2013–14 compared with the number in 2012–13. The financial year closed with a staff total recordable injury frequency rate of 16.33, an excellent outcome by industry standards.



Figure 6: All work health and safety incidents as at 30 June 2014

A total of 114 incidents was reported in 2013–14. However, after assessment the number of confirmed WHS incidents reduced to 104.

Staff were involved in 63 incidents with 20% of these reportable to the regulator, Comcare. Contractors were involved in 36 incidents with 47% of these reportable to the regulator. Tenants were involved in five incidents with three of these reportable to the regulator.

Figure 7: Employee work health and safety incidents as at 30 June 2014

Workers compensation

Seven workers compensation claims were accepted in 2013–14. Of these, two claims were for injuries sustained in previous financial years. One of the five claims was for a minor burn and the other four were musculoskeletal injuries.

WHS directions, notices and investigations

No directions, notices or investigations under the *Work Health and Safety Act* were conducted or given to the business in 2013–14.

Corporate lease arrangements

DHA has a presence in 22 locations across Australia. In 2013–14 DHA:

- entered into lease arrangements for two new offices
- negotiated three new office leases for existing locations and
- exercised a further term for one office.



Property investment and lease management

Lessor satisfaction > Promotion of sales and leasing programs



05

Objective

Property investment and lease management


- Sustainable long-term financial structure

Key performance indicator	2013–14 target	2013–14 achievement
Lessors satisfied with overall customer service	90%	97%

Major outcomes


01

Generated \$386.4 million in property investment revenues, above the Corporate Plan figure of \$379.6 million.




02

Successfully launched DHA Residential Property Fund No.1 through the subsidiary DHA IML.



03

Exceeded DHA lessor satisfaction targets with almost all aspects of leasing, property management and customer service (86% to 97% nationally).



05

Property investment and lease management

04

Generated a high number of new registrations of interest in the property investment program through a consistent multi-channel marketing campaign.



05

Expanded the scope of work on sales development and partnerships to increase the client base and generate value for investors.



06

Continued to foster business-to-business relationships with financial institutions and brokers, increasing property investment settlements and reinforcing DHA's reputation as a credible investment option.



07

Continued to foster relationships with lessors through exclusive events, promotions and subscriptions.



08

Established a mid-lease sales program to assist investors in the sale of their DHA property during the term of the lease.



Overview

Revenue generated from the sale and lease back of properties continues to be DHA's primary source of capital. Direct leasing from private owners and negotiation with lessors to renew or extend leases and undertake upgrades help to ensure that quality, well-located properties are available to Defence members and investors.

At 30 June 2014, 69% of the portfolio was managed on behalf of investors. Lessor satisfaction with almost all aspects of leasing and customer service remained consistently high (86% to 97%). Combined with positive capital and rental growth, this contributed to an increase in repeat purchases and referrals year-on-year.

During 2013–14, efforts focussed on delivering against KPIs while establishing new channels and products. Fostering of relationships and partnerships continued as well as action to increase awareness of the DHA brand. These activities helped confirm DHA's reputation in the industry as a credible investment option.

As part of a brand audit in 2013–14, research was conducted to measure brand awareness. Results showed that 62% of members of the general public had recognition of the brand with 61% of respondents being able to correctly describe services provided.

DHA's competitive advantage

Others have attempted to emulate the DHA property investment program. However, the GBE status, Services Agreement with Defence, the security of Defence members as tenants, the standard of property delivered in accordance with Defence guidelines and the diversification of supply offered Australia-wide mean there is no comparable organisation within the property industry.

Property investment program

Each year properties are sold to investors under a leaseback arrangement. The properties have been built or acquired in locations where housing is needed for Defence members. They meet Defence requirements in terms of rent, size, amenity, inclusions, location and proximity to Defence establishments.

Sales of properties to retail investors were strong during the year, reflecting favourable market conditions supported by low interest rates and high levels of investor confidence.

DHA settled sales on 729 properties in 2013–14, generating \$386.4 million in revenue against the Corporate Plan figure of \$379.6 million. Profit was \$22.7 million. Repeat purchases and referrals from existing lessors fell slightly to 22.1% of settlements in 2013–14, compared with 24.0% of settlements in 2012–13.

Lease Agreement

Distinguishing features of the Lease Agreement provided to investors under the property investment program are:

- a long-term lease (typically between nine and 12 years; greater when lease extensions are exercised)
- guaranteed rental income during the lease term, with rent payable from settlement and no loss of income when Defence tenants change¹
- DHA Property Care services² provided during the lease term, comprising:
 - > property and tenancy management, including periodic inspections, itemised statements and a complimentary bill paying service
 - > organising and covering the cost of most non-structural maintenance, including the repair and replacement of fixed appliances as required
 - > annual rent review to market valuation by an independent licensed valuer
 - > emergency repair to preserve the property and protect human health, safety and security as required
 - > restoration at lease-end to ensure the property is returned in good order, including professional cleaning, repainting and recarpeting.³

1 Rent subject to abatement in limited circumstances.

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

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

Unlisted Property Fund

DHA IML is a solely-owned subsidiary of DHA and is the manager and responsible entity for the DHA Residential Property Fund No. 1 (Fund).

In late 2013, 47.1 million one-dollar units were issued, raising \$47.1 million. These funds were used to purchase a geographically diversified portfolio of 79 DHA properties valued at \$44.4 million under a sale and leaseback transaction.

Quarterly distributions attributable to unit holders for the reporting period totalled \$1,186,920 (\$0.0084 cents per unit). The value of the properties in the Fund, independently determined by registered valuers, increased by 4.3% during the reporting period.



Lessor satisfaction

Surveys are undertaken to measure lessor satisfaction. The largest of these is the annual lessor survey that measures satisfaction with customer service, one of the KPIs, as well as aspects of property management. The results of this survey aid in improving lessor relations and product development.

The KPI for satisfaction with customer service (90%) was met nationally in 2013–14, with 1,733 (97%) of the 1,791 lessors who responded to this question reporting satisfaction. This result is similar to last year's (96%) when variations in sample sizes are taken into account.

Satisfaction with the value-for-money of the property management service fee (89% of 1,787), feedback from the periodic inspections (85% of 1,756) and the maintenance service (93% of 1,748) continued to be above the target of 80% nationally. There were no statistically significant differences when comparing 2012–13 and 2013–14 results.

In 2013–14, the majority of respondents (91% of 1,789) indicated they would recommend investing in DHA property to others and consider negotiating a new lease on expiry of their existing lease (88% of 1,786).

Promotion of sales and leasing programs

To assist with promoting direct leasing as a way for investors to do business with DHA in 2013–14, strategic marketing campaigns were introduced to bring in leads in areas such as Sydney, Rockingham and Liverpool. These campaigns generated good leads in the short-term and potential long-term lessor contacts for the future. The campaigns assisted in more than 200 new direct leases being achieved in 2013–14.

Website and mobile applications

In 2013–14, DHA continued to make ongoing improvements to its website. This follows the successful merging of two websites (dha.gov.au and invest.dha.gov.au) into a single site.

A new ‘look and feel’ was applied to the website to improve accessibility and to ensure the website met the industry technical standard of *Web Content Accessibility Guidelines 3.0*. This included making the site mobile-friendly to ensure greater visibility across mobile devices.

Improvements have also been made to Online Services, the web-based portal where lessors can access details of their DHA property portfolio, including financial statements, property photos and inspection reports. These improvements have increased functionality and engagement with customers.

Advertising and media

Most of DHA’s advertising and media activity in 2013–14 focused on promoting the property investment program. Mainstream media including online, radio and press advertising were the most common channels used.

Despite high investor demand during the reporting period, a targeted advertising campaign was undertaken to maintain brand awareness and ensure future demand. Testimonial and case study advertising of investor experiences continued to be a key tool in this campaign.

In July 2013, the—*You don’t have to be a Defence member to invest in Defence housing* advertising campaign was launched. It has been extremely effective in overcoming misconceptions that only Defence members could buy properties. A follow-up campaign was launched in January 2014—*Any Tom, Dick and Harry, or Jane, Mary and Susan can invest in Defence housing*—which has continued to provide positive results and contributed to enquiries.

Targeted advertising was undertaken to attract private owners to lease property to DHA in locations where it was needed. With the launch of the *BYO property* campaign in February 2014, there has been an increase in enquiries relating to this program. Email direct marketing was the channel most used for this purpose, targeting subscribers of property and investment-related publications.

Both the property investment product and BYO programs gained considerable media attention throughout the reporting period, as the security of DHA's leases continued to be recognised in comparison to other investments. Publications covering these products on multiple occasions included *Money*, *Your Investment Property* and *Smart Property Investment* magazines. Executives were also interviewed on the Sky Business Switzer Program on four separate occasions.

The 2014 NRL season is the second year of the marketing agreement with the Canberra Raiders. This agreement helps to increase brand awareness and, more specifically, promote the property investment program to a mass media audience. The agreement contributed to a high number of new registrations of interest and some settlements. This included Josh McCrone, a Canberra Raiders player, who purchased a property and provided a testimonial for advertising purposes. A one-year extension to the marketing agreement for the 2015 season was signed in 2013.

Property investment seminars

During 2013–14, investment seminars continued to be hosted for prospective private investors in most capital cities and many regional centres throughout Australia. The sessions provided an overview of DHA's business, the benefits of its lease agreement and how to buy a property.

Highlights of the seminar were videos of properties and testimonials from lessors. Attendees were able to ask questions of DHA representatives and were given a comprehensive information pack. On many occasions, financial representatives were also present to take questions or to make appointments to see prospective investors.

Industry partnership seminars and initiatives

During the year, initiatives through sales development and partnerships included:

- attending financial services industry conferences to build awareness of the program in the self-managed super fund and finance sectors
- meeting financial institutions to build awareness of the property investment program and its risk profile
- presenting at numerous seminars with clients of financial service firms, including Aussie Home Loans
- participating at on-base events with Defence Health and Australian Defence Credit Union to promote the program to Defence members, and
- establishing relationships with service providers to offer value insurance and lending product solutions to lessors and investors.



Lessor exclusive events

Throughout the year, relationships continued to be fostered with lessors through seminars, exclusive events and special subscriptions and offers.

The Inside Word seminar series provided lessors with the opportunity to hear from Michael Pascoe, a well-known finance and economics commentator. Events were held in Canberra, Melbourne, Sydney and Perth on what is a 'normal' economy and how Australia (and investors) can get back to economic health. Lessors had the opportunity to network, access industry experts and speak directly with DHA staff.

Events were hosted in Sydney and Melbourne for DHA lessors and magazine subscribers to attend a presentation on current trends in the finance and investment sectors. This was also presented by Michael Pascoe.

In partnership with *Gourmet Traveller* magazine, a music and wine event was hosted at the Sydney Conservatorium of Music. Half of the attendees were DHA lessors and the remainder were magazine subscribers, seeking to learn more about the sales and leasing programs.



06

Objective

- Sustainable long-term financial structure

Key performance indicator	Target	Achievement
Return on equity	6.0%	6.4%
Return on capital employed	7.7%	8.0%
Net profit after tax	\$84.3 million	\$90.1 million
Gearing	35.3%	35.7%
Property investment holding period	1.9 years	1.7 years
Ordinary dividend	\$50.6 million	\$54.0 million

Major outcomes

02

Achieved NPAT of \$90.1 million, above the Corporate Plan figure of \$84.3 million.

Generated total net revenues of \$1,191.4 million including \$386.4 million of sales through the property investment program and \$112.5 million from development land sales.

03

Achieved return on equity of 6.4% compared with the Corporate Plan figure of 6.0%.



04

Proposed a dividend payment of \$54.0 million to the Government compared with the Corporate Plan figure of \$50.6 million.



05

Estimated payments to Government of \$114.9 million comprising dividends, income tax and State tax equivalents.



06

Maintained a capital structure consistent with targets for gearing ratio and the percentage of the property portfolio DHA owns.



07

Sold 302 lots to the public from the residential developments Breezes Muirhead (NT), Bayriver (SA), AE2 and Heartwood (NSW). Total revenue generated from the sale of land was \$112.5 million.



Overview

A strong financial position and capital structure was maintained through 2013–14. DHA's NPAT was \$90.1 million against a Corporate Plan figure of \$84.3 million. As a result, a dividend of \$54.0 million will be proposed to Shareholder Ministers for payment to Government in relation to the 2013–14 financial year. DHA delivered returns of 8.0% on total capital employed and a 6.4% return on the Government's equity investment. Both outcomes were above the budget figures for the year.

Operating results

Total net income were \$1,191.4 million compared with \$1,041.2 million in 2012–13 and were generated primarily through housing services revenue earned from Defence and property and land sales.

Expenses totalled \$1,079.4 million, compared with \$942.0 million in 2012–13. The increased expenditure was mainly the result of higher property rental expenses, costs associated with development and capital services, and higher personnel expenditure.



Rental outlays to lessors for residential properties totalled \$336.0 million. This was an increase of \$19.0 million or 6.0% compared to 2012–13 and flowed from a general increase in market rents and an increased number of leases.

Financial performance is reported in accordance with Australian and international accounting standards. DHA's financial performance in 2013–14 was affected by an additional charge of \$4.5 million in relation to the lease restoration or make-good provision and \$3.4 million in relation to its provision for redundancy (recognised to provide for organisational changes). Despite these charges DHA has met its principal financial targets for the year.

Returns to shareholders

In accordance with guidelines for GBEs, an annual dividend payment is made to the Government as the owner of DHA. The Board proposed to Shareholder Ministers a dividend of \$54.0 million for the 2013–14 financial year, representing 60% of NPAT.

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

In relation to income tax, it is estimated DHA will pay \$23.4 million to the Australian Taxation Office for the 2013–14 financial year. An interim payment of \$29.8 million was made on 30 June 2014 in relation to State tax equivalent liability and DHA has provided for equivalent amounts of \$11.0 million for stamp duty, \$22.3 million for land tax, \$4.2 million for payroll tax and \$54.0 million for the proposed dividend. In total, DHA will pay \$114.9 million to the Government in relation to the 2013–14 financial year.

Residential property markets

DHA's financial performance is affected by costs and income associated with land development, construction activity, property sales and property portfolio management. All four areas are dependant on the state of residential property markets across Australia. During the 2013–14 financial year, there have been relatively soft conditions in residential property markets in many capital and regional cities, although strong capital growth occurred in Sydney. National rental growth was modest compared to 2012–13. Despite these conditions, property sales targets were achieved and principal financial targets were met in 2013–14.



DHA property portfolio

As at 30 June 2014, 18,577 properties were managed across Australia worth approximately \$10 billion. Of these properties, close to two-thirds are owned by private investors and leased to DHA under market-based arrangements. The majority of the leases were established under the property investment program. DHA owned 3,426 properties or 18.4% of the portfolio at 30 June 2014, with 2,390 being held as long-term investment stock and the balance being inventory properties identified for sale through the property investment program.

In accordance with relevant accounting standards, inventory properties are held at the lower of cost and net realisable value and investment properties are held at the lower of cost and recoverable value. DHA's inventory and investment properties and land holdings are valued by licensed property valuers on an annual basis. Investment and inventory properties are carried in the financial statements at \$1.8 billion at 30 June 2014. The market value of these properties is \$2.6 billion.

Surplus property sales

An important element of DHA's asset and portfolio management strategy is the sale of surplus properties. In 2013–14, \$54.6 million in revenue was generated from this source. Surplus housing stock is identified on the basis that it no longer meets the operational requirements of Defence, is positioned in an unsuitable location, or does not meet the Defence minimum amenity standards.

Development land sales

DHA has a number of major residential developments across Australia that will assist in meeting Defence housing requirements. Land lots not required for this purpose are sold on the open market. In 2013–14, 302 lots were sold to the public from the residential developments Breezes Muirhead (NT), Bayriver (SA), AE2 and Heartwood (NSW). Total revenue generated from the sale of land was \$112.5 million.

Capital structure

DHA employs total capital of almost \$2.0 billion, which is funded through \$1,428.9 million in equity and \$509.6 million in debt. The equity is provided by the Government (as the owner of DHA) and the debt arrangements are provided through a loan arrangement with the Government. At 30 June 2014, gearing was 35.7% and the financial results for the year provided interest cover at 5.1 times.

A primary source of funding is the sale of properties through the property investment program. Therefore, DHA focuses on maintaining the attractiveness of properties to individual investors. The overall sales objective is to achieve sufficient revenues from the sale and leaseback of inventory properties to help to keep net cash from operating activities positive over the cycle.

DHA has loan arrangements through the Department of Finance (Finance) and Defence. DHA does not have a commercial overdraft facility or access to re-drawable loan facilities. There were no new borrowings in 2013–14.

Standard & Poor's credit rating

Standard & Poor's credit rating has assigned DHA a long-term issuer rating of AA+. The credit rating assists DHA when negotiating financial transactions.

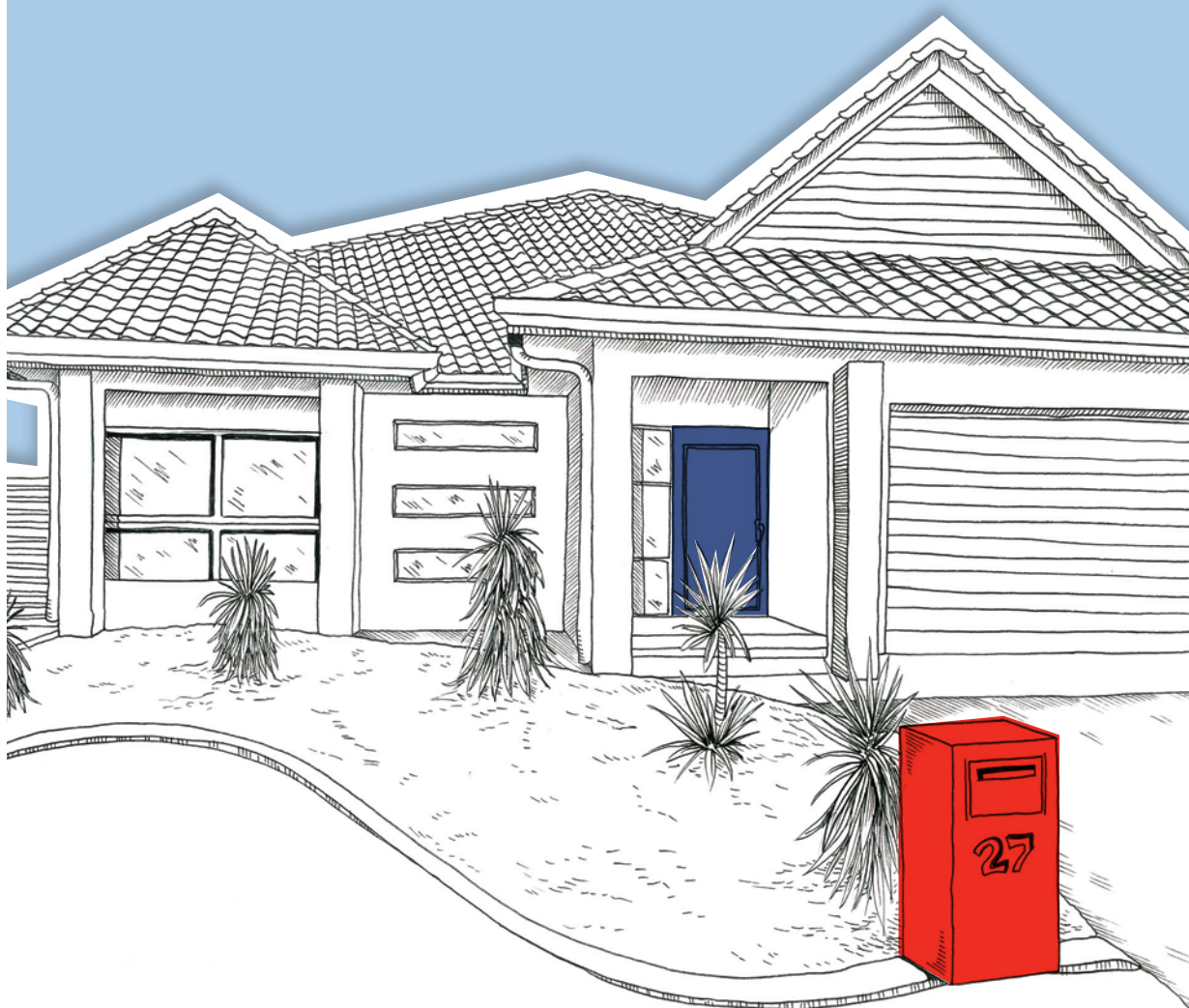
Table 5: Financial summary

	2009–10	2010–11	2011–12	2012–13	2013–14
Net profit after tax (NPAT)	\$87.8m	\$87.3m	\$82.8m	\$85.1m	\$90.1m
Annual dividend	\$52.7m	\$52.4m	\$49.7m	\$51.1m	\$54.0 m
Return on equity	7.3%	6.7%	6.2%	6.2%	6.4%
Return on capital employed	8.8%	8.4%	7.9%	7.5%	8.0%
Value of portfolio under management	\$8.6b	\$8.9b	\$9.0b	\$9.0b	\$9.5b
Total managed stock (stock numbers)	18,058	18,394	18,279	18,304	18,577
Constructions and acquisitions ¹	1,130 ²	1,078 ²	767	649	790
Revenue—disposal of surplus stock	\$40.9m	\$55.6m	\$53.2m	\$51.2m	\$54.6m
Revenue—from property investment	\$327.6m	\$367.0m	\$324.9m	\$353.4m	\$386.4m
Contracted maintenance to DHA-managed properties	\$44.2m	\$43.7m	\$45.3m	\$46.4m	\$48.0m

¹ These numbers relate to total managed stock.

² These figures include constructions funded by the Nation Building-Economic Stimulus Plan.

Shareholder Ministers > DHA Board > DHA Executive



Governance

Overview

DHA operates within a governance framework intended to produce accountable business outcomes and sound organisational performance. This framework derives primarily from the *DHA Act* and the *Commonwealth Authorities and Companies Act 1997* (CAC Act). It is consistent with the *Commonwealth Government Business Enterprise Governance and Oversight Guidelines* published in October 2011.

Defence Housing Australia Act 1987

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

Under the *DHA Act*, its other functions include:

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

These extra functions may be performed only to the extent mentioned in a Ministerial determination.

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

As of 1 July 2014, *The Public Governance, Performance and Accountability Act 2013* (PGPA Act) replaces the *FMA Act* and the *CAC Act*. Consequently, DHA will become a corporate Commonwealth entity under the *PGPA Act*. Its functions under the *DHA Act* will not change.

Commonwealth Authorities and Companies Act 1997

DHA complies with the requirements of the *CAC Act* with respect to:

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

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

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

CAC Act Compliance

DHA reports quarterly to Shareholder Ministers on compliance with the provisions of the *CAC Act*, including financial sustainability. It is required to comply with the *Commonwealth Authorities (Annual Reporting) Orders 2011* (CAC Orders). Under section 12 of the CAC Orders, DHA is required to provide particulars of Ministerial determinations issued under the *DHA Act*, or other legislation and of general policies of the Australian Government notified by the responsible Minister under section 28 of the *CAC Act*. No Ministerial determinations were issued during 2013–14.

Under section 28 of the *CAC Act*, if DHA has not fully complied with a direction or general policy during the financial year, the report must include an explanation of the extent of, and reasons for, the non-compliance. During 2013–14 there were no instances of non-compliance with a general policy of the Australian Government. However, DHA reported five instances of non-compliance with section 28B of the *CAC Act*.

Beginning in the 2013–14 financial year, under section 15 of the CAC Orders, DHA is required to disclose the decision-making process undertaken by the Board if it approved payment for a good or service from another entity, or provision of a grant to another entity, where:

- (a) a director of DHA is also a director of the other entity
- (b) the value of the transaction, or if there is more than one transaction, the total value of those transactions, exceeds \$10,000 (GST inclusive).

There was no such matter requiring disclosure.

Under section 20 of the *CAC Orders*, DHA is required to disclose changes in financial conditions and community service obligations. However, information can be excluded if the directors believe, on reasonable grounds, that the information is commercially sensitive and would likely result in unreasonable commercial prejudice.

07 Shareholder Ministers

DHA sits within the Defence portfolio of the Australian Government.

During the 2013–14 financial year, a Federal Election was held and Ministerial responsibility for DHA changed.

From 19 September 2013, the Board reported to Senator the Hon. David Johnston, Minister for Defence, and Senator the Hon. Mathias Cormann, Minister for Finance, as Shareholder Ministers of DHA. Minister Johnston has delegated responsibility for operational matters to the Hon. Stuart Robert MP, Assistant Minister for Defence.

Up to 18 September 2013, the Board reported to the Hon. Stephen Smith MP, Minister for Defence, and Senator the Hon. Penny Wong, Minister for Finance and Deregulation. Minister Smith had delegated responsibility for supervision of operational matters to the Hon. Warren Snowdon MP, Minister for Defence Science and Personnel.

DHA provides quarterly performance reports to Shareholder Ministers that detail quarter-to-quarter progress in delivering the Corporate Plan. It liaises regularly with Shareholder Ministers' Departments on key issues.

DHA Board

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

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

The Board comprises nine directors:

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

During 2013–14, the Board met seven times. The Board also held an annual strategic meeting in November 2013 at which key strategic objectives were identified and discussed. In addition, the members of the Board visited Sydney in June 2014 to inspect DHA residential development sites.

Board committees

Three Board committees assist the board in the discharge of its responsibilities: Audit Committee, Property Committee and Nomination and Remuneration Committee. Amendments to the *DHA Act* in 2006 established the DHA Advisory Committee to advise on the performance of DHA's functions.

Board Audit Committee

The Board Audit Committee meets at least quarterly and reports to the Board on its activities at least twice a year. During 2013–14, four meetings of the committee were held.

The key functions of the committee are to:

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

Board Property Committee

The Board Property Committee meets at least quarterly and as required. During 2013–14 it met six times. The committee acts in an advisory capacity to the Board on major property transactions and property matters generally.

The key functions of the committee are to:

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

Nomination and Remuneration Committee

During 2013–14, the Nomination and Remuneration Committee met three times. The key functions of the committee are to:

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

DHA Advisory Committee

During 2013–14, the DHA Advisory Committee met once. The key function of the committee is to give advice and information on the performance of DHA's functions. The committee comprises:

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

Performance reporting

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

Corporate Plan

The three-year Corporate Plan sets the strategic direction of the business and is reviewed on an annual basis. To achieve its mission and fulfil the outcomes desired by the Shareholder Ministers, DHA has set six corporate objectives. The Corporate Plan is approved by the Board and provided to the Shareholder Ministers.

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

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

Annual Report

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

Statement of Corporate Intent

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

Board performance and education

The Board has agreed that there should be regular reviews of its performance and processes. The assessment also provides an independent confirmation that the Board, as a decision-making body, is working within the principles and practices of good governance as detailed in the Board Charter.

A review of Board performance was conducted in December 2013 under the supervision of the Nomination and Remuneration Committee, with the Board findings reported to Shareholder Ministers. A further review is planned in late-2014.

In 2013–14, the Board received briefings on demographic forces shaping the market for Defence housing, the risks and rewards of apartment development, upcoming legislative change and plans for work health and safety accreditation.



Mr Derek Volker AO

Mr Volker was appointed Chairman of the DHA Board on 26 July 2008 and reappointed for a further term on 13 October 2011. He is also Chairman of the Nomination and Remuneration Committee and Chairman of the Property Committee.

Mr Volker headed three Commonwealth Departments over the 15 year period to 1996—Veterans’ Affairs, Social Security and Employment, Education and Training. From 1996 to 2004,

he was Chairman of the Government Relations Group in the national law firm Corrs Chambers Westgarth and he has been a company director and consultant to several major Australian and international companies. For the ACT Government, he has held the positions of Chair of the ACT Business Incentives Scheme Panel, Chair of ACT Tourism, Chair of the Education Export Council, Chairman of the ACT Skills Commission and Chairman of the City West Precinct committee.



Mr Peter Howman

MBA GDipCompSc GDipBus

Mr Howman was appointed as the Managing Director of DHA in February 2013. He was appointed a Director of DHA IML in December 2012.

As Managing Director, Mr Howman is responsible for strategic outcomes and has day-to-day responsibility for achieving shareholder, customer, financial and operational KPIs.

Mr Howman joined DHA in October 2007 as Chief Operating Officer. In this role he was responsible for operational management of DHA and worked closely with the then Managing Director in setting the strategic direction and management of the organisation.

Before joining DHA, Mr Howman was the General Manager Commercial Systems at Thales. He was responsible for order capture and project delivery of commercial Information and Communications Technology (ICT) solutions in the security, transport and infrastructure enterprise domains. He has also held senior executive positions at major global companies including the Boeing Company, Hewlett Packard, Lockheed Martin, Siemens Plessey and Rockwell Collins.

Mr Howman also has a wealth of first-hand experience with Defence through his 21 years of service with the Royal Australian Air Force (RAAF).



AVM Gary Beck (Rtd) AO

Air Vice Marshal (AVM) Beck (Rtd) was appointed to the DHA Board on 23 November 2006 following his nomination by the Chief of the Defence Force and was reappointed on 23 November 2009 and 24 November 2011. He was the Chairman of the DHA Advisory Committee. His term expired on 23 November 2013.

AVM Beck is a senior consultant with RMC Pty. Ltd. He is a member of the ACT Council of Save the Children Australia and is patron of Duo, an organisation providing respite to carers of the disabled in Canberra. He concluded eight years with the Department of Veterans' Affairs in a statutory appointment as Director of War Graves. Before this he concluded a 38-year career in the RAAF, with his final posting as Commandant Australian Defence Force Academy. His two prior senior Defence appointments were Air Commander Australia and Chief of Air Force Personnel.



The Hon. Arch Bevis

Mr Bevis was appointed to the DHA Board on 13 October 2011. He is a member of the Property and Nomination and Remuneration Committees.

Mr Bevis was a Member of the House of Representatives from 1990 to 2010. He held various portfolio responsibilities serving as Parliamentary Secretary for Defence, Shadow Minister for Defence, Shadow Minister for Industrial Relations and Shadow Minister for Homeland Security, Aviation and Transport Security. He chaired various Parliamentary committees involved with industry, Defence and security, and was leader of Australian delegations to Japan and the NATO Assembly. Mr Bevis also participated in Australian American Leadership Dialogues on Security. Before entering Parliament, Mr Bevis was a senior officer of the Queensland Teachers' Union. He was a board member of the Queensland Teachers' Union Health Fund and Chairperson of the Union Shopper. Mr Bevis is a Member of the Defence Force Remuneration Tribunal.



Ms Carol Holley

BA

Ms Holley was appointed to the DHA Board on 23 November 2009 and was appointed to the Property Committee in July 2011. She was appointed to the DHA IML Board on 14 December 2012 and was formally appointed as Chair of the Board on 6 February 2013.

Ms Holley's current board appointments include Non-Executive Director and Chair of the Audit committee of Australian Pharmaceutical Industries Limited and Independent Member of the audit committee of Sinclair Knight Merz. In addition, Ms Holley is the independent Chair of the Risk management and Audit committees of NSW Police Force, NSW Department of Planning and Infrastructure, Land and Housing Corporation, Northern Sydney Local Health District and the Central Coast Local Health District. Ms Holley was a Partner of Hill Rogers, Chartered Accountants for 25 years, holds a Bachelor of Arts from the University of Sydney and is a Chartered Accountant, a Fellow of the Australian Institute of Company Directors, a registered company auditor and registered tax agent.



The Hon. J.A.L. (Sandy) Macdonald

LLB

Mr Macdonald was appointed to the DHA Board on 24 July 2008 and reappointed on 13 October 2011 and 13 January 2014. He is a member of the Audit and Property Committees.

Mr Macdonald was elected to the Senate in 1993 and retired from Parliament on 30 June 2008. During his parliamentary career he was Deputy Leader of the Nationals in the Senate, Parliamentary Secretary for Trade and Parliamentary Secretary for Defence. His committee experience was broad, but with particular reference to Defence, international affairs and security. He served for eight years as the Chair of the Senate Foreign Affairs, Defence and Trade committee. From 2011 to 2014, he served on the ANZAC Centenary Advisory board which advised Government on the activities planned for the ANZAC Centenary period. From 2008 to 2014, he served as a Non-Executive Director of Incremental Oil and Gas Ltd. He has had considerable experience in community activities. He lives near Quirindi, where he is a wool and beef producer.



CDRE Vicki McConachie CSC RANR
BA/LLB, LLM

Commodore (CDRE) McConachie was appointed to the DHA Board on 5 December 2013. She is the Chair of the DHA Advisory Committee and is a member of the Audit Committee.

CDRE McConachie has had a long and distinguished career in the Royal Australian Navy commencing in 1984. Highlights include postings as Commanding Officer *HMAS KUTTABUL*, Chief of Staff to the Inspector General Australian Defence Force, Chief of International Law/Deputy Staff Judge Advocate Multi National Force Iraq, Director General Australian Defence Force Legal Service, Director General Navy People and Head Navy People and Reputation. She also served for more than two years as a member of the Chief of Navy Senior Advisory committee.

CDRE McConachie has been awarded the Conspicuous Service Cross for her work as Fleet Legal Officer and the US Meritorious Service Medal for her service as Deputy Staff Judge Advocate and Chief of International Law in the Headquarters of Multi National Force Iraq. CDRE McConachie is currently heading a legal division in the Commonwealth Government and is a member of the Royal Australian Navy Reserve.



Mr Peter Sharp (Rtd)

Mr Sharp, the nominee of the Secretary, Defence, was appointed to the DHA Board on 23 November 2006 and reappointed on 23 November 2009 and 27 November 2011. He was a member of the Audit and Property Committees. His term expired on 23 November 2013.

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



Ms Margaret Walker

BCom

Ms Walker was appointed to the DHA Board on 15 July 2009 and reappointed on 12 July 2012. She is the Chair of the Audit committee and a member of the Nomination and Remuneration Committee.

Ms Walker is a Non-Executive Director of Buderim Ginger Limited where she also holds the position of Chairman of the audit and risk committee. She is also a Non-Executive Director of Cystic Fibrosis Australia.

Ms Walker holds a Bachelor of Commerce and is a member of the Australian Society of Certified Practicing Accountants and a graduate member of the Australian Institute of Company Directors. She has more than 25 years of senior executive experience with a variety of organisations, including 10 years in strategic roles as Executive Director and Director Operations of a Commonwealth Bank-owned subsidiary, Tactical Global Management (TGM). TGM was then a pre-eminent global macro hedge fund firm with offices in Brisbane and London and US\$1.2 billion funds under management.



Ms Janice (Jan) Williams

BSW (first class honours)

Ms Williams was appointed to the DHA Board in December 2012. She is a member of the Property Committee.

Ms Williams is currently a Director of Jardine Developments, which delivers small scale unit developments and refurbishments, and was made a Fellow of the UDIA and the Australian Institute of Management. She is also a Director of the board of the Residential Tenancies Authority (Queensland). She was previously Chief Executive of the UDIA.

Ms Williams has been highly involved in the development and management of affordable housing in Queensland through her roles as Director of BHC Ltd and Catalyst Housing Ltd. She currently sits on a Brisbane City Council panel that addresses planning issues and has held key roles in the promotion of social inclusion, the development of community services, urban planning and excellence in design.

Ms Williams graduated from the University of Queensland with first class honours and was awarded the University Medal for outstanding academic achievement.

Table 6: Meetings attended by Board members
(number attended/number held while a Board or Committee member)

	Board	Board Audit Committee	Board Property Committee	Board Nomination and Remuneration Committee	DHA IML	Advisory Committee
No. of times board/ committee met during 2013–14	7	4	6	3	4	1
Mr Derek Volker AO, Chairman	7/7		6/6	3/3		
Mr Peter Howman, Managing Director	7/7				3/3	1
AVM Gary Beck AO (Rtd)	2/2*	2/2				1
The Hon. Arch Bevis	7/7		6/6	3/3		
Ms Carol Holley	5/7		5/6		3/3	
The Hon. JAL (Sandy) Macdonald	7/7	4/4	6/6			
Mr Peter Sharp (Rtd)	2/2**	2/2	2/2	1/1		
Ms Margaret Walker	7/7	4/4		3/3		
Ms Jan Williams	7/7		6/6			
CDRE Vicki McConachie	3/3***	2/2				1

* AVM Beck's term expired on 23 November 2013.

** Mr Sharp's term expired on 23 November 2013.

*** CDRE McConachie was appointed to the board on 5 December 2013.

The board also met in out-of-session meetings on seven occasions.

07 DHA Executive

Ms Madeline Dermatossian **Chief Operating Officer (COO)**

Educational qualifications and memberships:

- Executive Management Program, Harvard Business School
- Diploma in Law, Solicitors Admission Board
- Member of The Law Society of New South Wales
- Member of the Australian Institute of Company Directors

Key responsibilities include:

- Acquisitions
- Developments and constructions
- Property and tenancy services and maintenance
- Property investment program
- Sales, marketing and portfolio management
- Alternative funding arrangements
- Business planning and strategies
- Service and project delivery
- Business plan achievements

The COO works closely with the Managing Director and contributes to the overall direction and management of the organisation. This includes all business projects, initiatives and the work of the operational General Managers and their associated business units.

The COO also partners with the Chief Financial Officer to develop, implement and manage all aspects of the operational and development budget.



Mr John Dietz**General Manager, Property Provisioning Group (PPG)**

Educational qualifications and memberships:

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

Key responsibilities include:

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

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

**Mr Brett Jorgensen****General Manager, Property and Tenancy Services (P&TS)**

Educational qualifications and memberships:

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

Key responsibilities include:

- Property and tenancy management services
- Housing allocation and maintenance services
- Client relations and performance management reporting to Defence

The General Manager, P&TS, is responsible for meeting DHA's objectives relating to the delivery of housing services to Defence members and their families. This includes the provision of housing allocation and maintenance services, portfolio and housing stock management, accommodation booking services and the administration of RA. The division is responsible for managing, maintaining and enhancing DHA's relationship with Defence.



Mr Elvio Bechelli**General Manager, Portfolio Management,
Marketing and Strategic Projects (PMMSP)**

Educational qualifications and memberships:

- Bachelor of Business
- Member of Australian Society of Certified Practising Accountants

Key responsibilities include:

- Property investment program
- Marketing and communication
- Portfolio management
- Strategic business opportunities

The General Manager, PMMSP, is responsible for all sales and marketing activities. The property investment program is a major source of funding to enable business operations. The role also has oversight of strategic projects and provides support to the COO's division.

**Mr Jon Brocklehurst****Chief Financial Officer (CFO)**

Educational qualifications and memberships:

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

Key responsibilities include:

- Finance
- Human resources
- Business solutions and technology
- Investment management
- Treasury and risk management

The CFO ensures responsible fiscal management and capital planning, sound corporate governance and effective risk management for the organisation.

The CFO also has responsibility for the management of DHA's portfolio of strategic investment property.



Mr Shane Nielsen

General Manager, Business Solutions and Technology (B&TS) and Chief Information Officer

Educational qualifications and memberships:

- Bachelor of Applied Science (Computing Science)

Key responsibilities include:

- Information Communications and Technology (ICT) development and delivery
- Business process management, improvement and re-engineering

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



Ms Lesley Pothan

General Manager, Corporate Affairs

Educational qualifications and memberships:

- Bachelor of Commerce and Accounting

Key responsibilities include:

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

The General Manager, Corporate Affairs, provides strategic direction for people management including workforce planning and organisational development needs and opportunities. The division is responsible for providing core support functions, including all aspects of human resources and corporate services. The division delivers facilities management with approximately 20 office leases, emergency and protective security, procurement and contract management, and management of a fleet of 170 vehicles.



Mr Ross Jordan**Company Secretary**

Educational qualifications and memberships:

- Bachelor of Arts
- Bachelor of Laws
- Master of Social Science
- Graduate of Australian Institute of Company Directors

Key responsibilities include:

- Corporate governance including liaison with Shareholder Advice Units
- Board and committee secretariat and support
- Liaison with Ministers' offices

The Company Secretary's main responsibilities include management of the Board and committee secretariat, liaison between DHA and the Ministerial and Shareholder Units and ensuring that DHA's legal framework and corporate governance requirements are met in accordance with the *DHA Act* and the *CAC Act*.

**Mr Vern Gallagher****General Manager, Strategic Relationships and Innovation**

Educational qualifications and memberships:

- Bachelor of Science Physics (University of Melbourne)
- Graduate Diploma Management (University of NSW)
- Graduate Diploma Human Resources Management (University of Canberra)

Key responsibilities include:

- Major stakeholder relationships
- Strategic direction
- Innovation in housing and delivery
- Research and development

The General Manager, Strategic Relationships and Innovation, is responsible for innovation focussed projects across the business and the development and maintenance of key external relationships. These include Defence policy, Government Departments, State Governments, the Parliamentary Standing Committee on Public Works and housing bodies.



Mr Robert Henman**General Manager, Investment Management**

Educational qualifications and memberships:

- Bachelor of Business (Accounting)
- Certified Practicing Accountant (CPA)
- Graduate Diploma, Australian Institute of Company Directors (GAICD)
- Advanced Diploma of Financial Licensing Management
- Fellow of Finance and Treasury Association (FFTP)

Key responsibilities include:

- Investment housing portfolio
- DHA IML
- Treasury
- Risk management

The General Manager, Investment Management, is responsible for the investment housing portfolio, cash flow, managing investments and borrowings and liquidity management. Business continuity, fraud, insurances, and the annual risk management plan are also managed as part of this role.

Mr Henman is a Responsible Manager and Compliance Officer of DHA IML and a Director of Crace Developments Pty Limited on behalf of DHA.



Internal and external review

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

Internal audit

Internal audit services are outsourced to KPMG. These services give objective and independent assurance to the Managing Director, the Executive and the DHA Board Audit Committee that financial and operational controls are operating efficiently, effectively and ethically.

Through an internal audit plan, the KPMG internal audit function assists DHA to achieve its objectives by providing a systematic and disciplined approach to evaluating and improving the effectiveness and efficiency of risk and financial management, control and governance processes. The plan promotes better practice and identifies potential risks that could impede achievement of successful outcomes, as well as providing recommendations to improve business performance. The Board Audit Committee monitors the implementation of internal audit recommendations and reports progress to the Board.

Risk management

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

Each year DHA participates in Comcover's benchmarking survey where participating Commonwealth agencies' risk management practices are assessed and rated accordingly. DHA achieved a rating of 8.5, which compares with the average maturity level across all participating agencies of 7.0.

Fraud prevention measures

DHA undertakes a regular Fraud Risk Assessment (FRA) consistent with the *PGPA Act* (including PGPA rule 2014) and in accordance with the *Australian Standard on Risk Management AS/NZS/ISO 31000:2009* and *Australian Standard AS 8001:2008 Fraud and Corruption Control*. The FRA is a proactive approach to minimising the potential for fraud in business, whether by staff or external third parties.

The Fraud Control Plan (FCP) is based on the FRA and summarises DHA's fraud-control strategies. Supporting the FCP is the *Fraud Policy*. These establish the framework for management and staff on the approach to fraud control. The FCP and *Fraud Policy* provide guidance to staff on action to deter and detect fraud and are available on DHA's intranet. DHA treats potential fraud seriously and acknowledges the significance of 'whistle-blowers' in detecting fraud. The risk manager provides annual updates to the Board Audit Committee on the effectiveness of internal controls and on efforts to mitigate exposures to fraud. No instances of fraud were recorded during the 2013–14 financial year.

Parliamentary committees

Before commencement, public works with an estimated value in excess of \$15 million require consideration by the Parliamentary Standing Committee on Public Works and approval from the Parliament. During 2013–14, two projects were referred to the committee for consideration. They were the development and construction of housing for Defence members at RAAF Base Tindal (NT), and RAAF Base Darwin (NT). DHA also received committee approval for medium works, valued between \$2.0 million and \$15.0 million, at 11 sites around Australia.

A decision was taken by the Parliament during the 2013–14 year that DHA projects would no longer be scrutinised by the Parliamentary Standing Committee on Public Works. Defence projects will continue to be referred to the Committee.

DHA comes under the scrutiny of the Senate Standing Committee on Foreign Affairs, Defence and Trade. It was required to appear before the Committee once during 2013–14.

Freedom of information

DHA is required to comply with the *Freedom of Information Act 1982*. Seventeen requests were made for access to information under the Act during 2013–14; two received practical refusal notifications, four were withdrawn, two were pending a decision at 30 June 2014, eight were granted in part, and one granted in full. All requests for information were processed within statutory timeframes.

Requests under the *Freedom of Information Act 1982* for access to information should be made in writing to:

Company Secretary

Defence Housing Australia
26 Brisbane Ave
BARTON ACT 2600
E. foi@dha.gov.au

Privacy

DHA takes its obligations of handling information on staff and customers seriously and adheres to the Australian Privacy Principles (APPs) as detailed in the *Privacy Act 1988*. Privacy reforms made to the *Privacy Act 1988* by the *Privacy Amendment (Enhancing Privacy Protection) Act 2012* came into effect on 12 March 2014. DHA has successfully transitioned to the new privacy arrangements to ensure compliance with the new APPs.

Ombudsman

During 2013–14, the Commonwealth Ombudsman received 35 approaches concerning DHA's business. Seven of these were the subject of investigation, one of which is ongoing.

Indemnities and insurance

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

Access to documents

Copies of the DHA Act are available from Canprint Communications or over the counter from Information Victoria bookshop, Print applied technology or Service SA Government legislation outlet.

An online version of the DHA Act can be downloaded from the Attorney-General Department's website at comlaw.gov.au.

The Annual Report can be downloaded from dha.gov.au. DHA also produces and distributes brochures and other promotional material. Requests for copies of publications can be made to:

Head of Marketing Communication

Defence Housing Australia

26 Brisbane Ave

BARTON ACT 2600

T. 02 6217 8444

E. communications@dha.gov.au

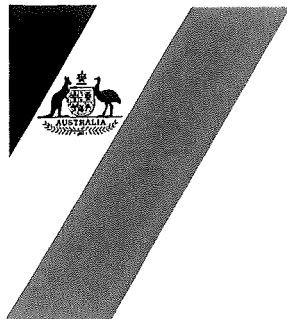


DEFENCE HOUSING AUSTRALIA

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

		Consolidated entity		Parent entity	
		30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
	Notes				
INCOME					
Revenue					
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
Total Revenue		1,155,957	1,004,346	1,155,951	1,004,330
Gains					
Net Gains from Disposal of Investment Properties	6	35,452	36,837	35,452	36,837
Total Income		1,191,409	1,041,183	1,191,403	1,041,167
EXPENSES					
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
Total Expenses		1,079,488	941,999	1,079,371	941,982
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
Profit Before Income Tax on Continuing Operations		113,333	100,501	113,444	100,502
Income Tax Expense	12	23,348	15,381	23,381	15,381
Profit After Income Tax		89,985	85,120	90,063	85,121
Total Comprehensive Income		89,985	85,120	90,063	85,121

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

		Consolidated entity		Parent entity	
		30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
Notes					
ASSETS					
Current Assets					
	13	283,025	330,444	282,001	329,428
	14	27,261	9,340	27,313	9,340
	16	37,665	31,905	37,665	31,905
	18	373,251	276,712	373,251	276,712
	15	25,243	21,522	25,243	21,522
		746,445	669,923	745,473	668,907
Non-Current Assets					
	17	4,261	16,242	4,253	16,242
	18	655,137	672,466	655,137	672,465
	19	13,511	8,650	13,511	8,650
	19	760,523	757,424	760,523	757,424
	21	42,690	38,880	42,690	38,880
	20	1,474	5,194	1,474	5,194
	39	-	-	1,000	1,000
		1,477,596	1,498,856	1,478,588	1,499,855
		2,224,041	2,168,779	2,224,061	2,168,762
LIABILITIES					
Current Liabilities					
	22	71,248	65,740	71,215	65,736
	23	-	8,191	-	8,191
	24	53,991	51,073	54,037	51,073
	26	114,100	75,000	114,100	75,000
	27	27,378	29,068	27,378	29,068
	28	39,155	22,226	39,130	22,213
		305,872	251,298	305,860	251,281
Non-Current Liabilities					
	26	395,480	434,580	395,480	434,580
	27	688	959	688	959
	28	93,113	89,048	93,113	89,048
		489,281	524,587	489,281	524,587
		795,153	775,885	795,141	775,868
		1,428,888	1,392,894	1,428,920	1,392,894
EQUITY					
		403,863	403,863	403,863	403,863
		1,025,025	989,031	1,025,057	989,031
		1,428,888	1,392,894	1,428,920	1,392,894

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

		Consolidated entity		Parent entity	
		30 June	30 June	30 June	30 June
		2014	2013	2014	2013
Notes		\$'000	\$'000	\$'000	\$'000
OPERATING ACTIVITIES					
Cash Received					
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
Total Cash Received		1,134,240	1,004,631	1,134,232	1,004,615
Cash Used					
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
Total Cash Used		1,201,571	1,017,357	1,201,572	1,017,357
Net Cash Used By Operating Activities	29	(67,331)	(12,726)	(67,340)	(12,742)
INVESTING ACTIVITIES					
Cash Received					
Proceeds from Sales of Investment Properties		83,063	118,023	83,064	118,023
Cash Used					
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
Total Cash Used		12,078	20,389	12,078	21,389
Net Cash from Investing Activities		70,985	97,634	70,986	96,634
FINANCING ACTIVITIES					
Cash Used					
Dividend Paid		51,073	49,654	51,073	49,654
Total Cash Used		51,073	49,654	51,073	49,654
Net Cash Used By Financing Activities		(51,073)	(49,654)	(51,073)	(49,654)
Net Increase in Cash Held		(47,419)	35,254	(47,427)	34,238
Cash and Cash Equivalents at the Beginning of the Reporting Period		330,444	295,190	329,428	295,190
Cash and Cash Equivalents at the End of the Reporting Period	13	283,025	330,444	282,001	329,428

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

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

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

	Consolidated entity		Parent entity	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Contingent Assets				
Assets	-	-	-	-
Total Contingent Assets	-	-	-	-
Contingent Liabilities				
Liabilities	19,120	8,320	19,120	8,320
Total Contingent Liabilities	19,120	8,320	19,120	8,320
Net Contingent Liabilities	19,120	8,320	19,120	8,320

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:

	2014	2013
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	30 June	30 June	30 June
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Final Dividend	53,991	51,073	54,037	51,073

3 Housing Services Provided

	Consolidated entity		Parent entity	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'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
Total Housing Service Provided	648,542	631,247	648,441	631,247

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

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

4 Allocation Services Provided

	Consolidated entity		Parent entity	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Allocation Administration Fees	10,474	8,919	10,474	8,919

5 Interest Received

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

6 Net Gains from Disposal of Investment Properties

	Consolidated entity		Parent entity	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'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)
Net Gains from Disposal of Investment Properties	35,452	36,837	35,452	36,837

7 Employee Benefits

	Consolidated entity		Parent entity	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'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	-
Total Employee Benefits	69,488	63,693	69,421	63,693

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

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30 June 2014
(continued)

8 Rates, Repairs and Maintenance

	Consolidated entity		Parent entity	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'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
Total Rates, Repairs and Maintenance	169,388	169,902	169,388	169,902

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	30 June	30 June	30 June
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Depreciation				
Investment Properties	10,732	11,354	10,732	11,354
Plant and Equipment	1,478	943	1,478	943
Total Depreciation	12,210	12,297	12,210	12,297
Amortisation				
Software	799	888	799	888
Total Amortisation	799	888	799	888
Total Depreciation and Amortisation	13,009	13,185	13,009	13,185

10 Finance Costs

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

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	30 June	30 June	30 June
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'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)
	23,348	15,381	23,381	15,381
Income Tax Expense is Attributable to:				
Profit from Continuing Operations	23,348	15,381	23,381	15,381
Aggregate Income Tax Expense	23,348	15,381	23,381	15,381

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

	Consolidated entity		Parent entity	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'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
Income tax expense	23,348	15,381	23,381	15,381

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	30 June	30 June	30 June
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'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
Total Cash and Cash Equivalents	283,025	330,444	282,001	329,428

14 Current Assets - Trade and Other Receivables

	Consolidated entity		Parent entity	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Current				
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	-
Total Receivables for Goods and Services	27,261	9,340	27,313	9,340
Good and Services				
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
Total Trade and Other Receivables (Net)	27,261	9,340	27,313	9,340

14 Current Assets - Trade and Other Receivables (continued)

(a) Receivables are expected to be recovered in:

	Consolidated entity		Parent entity	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'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	30 June	30 June	30 June
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'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	30 June	30 June	30 June
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'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
Total Investment Properties Held for Sale	25,243	21,522	25,243	21,522

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

16 Other Current Assets

	Consolidated entity		Parent entity	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Other Current Assets				
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
Total Other Current Assets	37,665	31,905	37,665	31,905

17 Non-Current Assets - Deferred Tax Assets

	Consolidated entity		Parent entity	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
The balance comprises temporary differences attributable to:				
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	-
	37,025	34,222	37,017	34,222
Set-off of deferred tax liabilities pursuant to set-off provisions	(32,764)	(17,980)	(32,764)	(17,980)
Net deferred tax assets	4,261	16,242	4,253	16,242
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
	4,261	16,242	4,253	16,242

Movements - Consolidated entity	Make Good Provision \$'000	Employee Benefits \$'000	Provisions \$'000	Property Plant and Equipment \$'000	Other \$'000	Total \$'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	29,185	6,408	1,107	-	325	37,025
Movements - Consolidated entity	Make Good Provision \$'000	Employee Benefits \$'000	Provisions \$'000	Property Plant and Equipment \$'000	Other \$'000	Total \$'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	27,719	5,028	986	148	341	34,222

18 Inventories

	Consolidated entity		Parent entity	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'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
Total Inventories	1,028,388	949,178	1,028,388	949,177
	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
	1,028,388	949,178	1,028,388	949,177

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

Defence Housing Australia
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30 June 2014
(continued)

19 Non-Current Assets - Property, Plant and Equipment

	Consolidated entity		Parent entity	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
Consolidated				
Investment Properties				
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>
Investment Properties - Impaired				
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>
Total Investment Properties	<u>760,523</u>	<u>757,424</u>	<u>760,523</u>	<u>757,424</u>
Plant and Equipment				
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>
Software				
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>
Total Plant, Equipment and Software	<u>13,511</u>	<u>8,650</u>	<u>13,511</u>	<u>8,650</u>
Total Property, Plant and Equipment	<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 Properties \$'000	Plant and equipment \$'000	Software \$'000	Total \$'000
At 1 July 2012				
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
Year ended 30 June 2013				
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
At 30 June 2013				
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
Consolidated and Parent entity				
	Investment Properties \$'000	Plant and equipment \$'000	Software \$'000	Total \$'000
At 1 July 2013				
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
Year ended 30 June 2014				
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
At 30 June 2014				
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 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
Crace Developments Pty Ltd (Note 38)	1,474	5,194	1,474	5,194
Total Share in Associates	1,474	5,194	1,474	5,194

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

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.

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

22 Trade and Other Payables

	Consolidated entity		Parent entity	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'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
Total Trade and Other Payables	71,248	65,740	71,215	65,736

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

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

Total Trade and Other Payables:	-	-	-	-
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Total Trade Payables	71,248	65,740	71,215	65,736
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23 Current Tax Liabilities

	Consolidated entity		Parent entity	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Current Tax Liabilities	-	8,191	-	8,191

24 Dividends

	Consolidated entity		Parent entity	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Provisions - Dividends	53,991	51,073	54,037	51,073

25 Non-Current Liabilities - Deferred Tax Liabilities

	Consolidated entity		Parent entity	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
The balance comprises temporary differences attributable to:				
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
	32,764	17,980	32,764	17,980
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 17)	(32,764)	(17,980)	(32,764)	(17,980)
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	30 June	30 June	30 June
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'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
Total Borrowings	509,580	509,580	509,580	509,580

	Consolidated entity		Parent entity	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Maturity Schedule for Borrowings Payable:				
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
Total Borrowings	509,580	509,580	509,580	509,580

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	30 June	30 June	30 June
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Current				
Revenue in Advance	27,201	28,891	27,201	28,891
Lease Incentive	177	177	177	177
Total Current	27,378	29,068	27,378	29,068
Non-Current				
Lease Incentive	688	959	688	959
Total Non-Current	688	959	688	959
Total Other Financial Liabilities	28,066	30,027	28,066	30,027

28 Provisions

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

(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 2014	Make good provision \$'000	Other General Provisions \$'000	Total \$'000
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	97,284	18,180	115,464

Consolidated entity 2013	Make good provision \$'000	Other General Provisions \$'000	Total \$'000
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	92,178	6,264	98,442

29 Cash Flow Reconciliation

	Consolidated entity		Parent entity	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
Reconciliation of operating results to net cash from operating activities:				
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
Net Cash From / (Used by) Operating Activities	(67,331)	(12,726)	(67,340)	(12,742)

30 Contingent Liabilities and Assets

	Guarantees		Total	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Consolidated entity				
Contingent Liabilities				
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)
Total Contingent Liabilities	19,120	8,320	19,120	8,320
Net Contingent Liabilities	19,120	8,320	19,120	8,320

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 2014	30 June 2013	30 June 2014	30 June 2013
	\$	\$	\$	\$
Short-term employee benefits	476,386	510,366	476,386	510,366
Post-employment benefits	47,564	29,037	47,564	29,037
	523,950	539,403	523,950	539,403

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	-
Total	13	13	13	13

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	30 June	30 June	30 June
	2014	2013	2014	2013
	\$	\$	\$	\$
Short-Term Employee Benefits				
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
Total Short-Term Employee Benefits	3,455,142	3,320,458	3,455,142	3,320,458
Post-Employment Benefits				
Superannuation (Post-Employment Benefits)	376,807	458,764	376,807	458,764
Total Post-Employment Benefits	376,807	458,764	376,807	458,764
Other Long-Term Employee Benefits				
Annual Leave Accrued	211,285	228,421	211,285	228,421
Long Service Leave	95,078	102,789	95,078	102,789
Total Other Long-Term Employee Benefits	306,363	331,210	306,363	331,210
Termination Benefits				
Termination Benefits	265,880	-	265,880	-
Termination benefits	265,880	-	265,880	-
Total Employment Benefits	4,404,192	4,110,432	4,404,192	4,110,432

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

Reporting Period Ended 30 June 2014

	Senior Executives No.	Reportable salary \$	Contributed superannuation \$	Bonus paid \$	Total \$
Consolidated entity					
Total remuneration (including part-time arrangements)					
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
Total number of substantive senior executives	11				

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 \$	Contributed superannuation \$	Bonus paid \$	Total \$
Total remuneration (including part-time arrangements)					
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
\$255,000 - \$284,999	5	198,740	31,328	24,906	254,974
\$285,000 - \$314,999	1	231,941	34,572	27,715	294,228
\$375,000 - \$404,999	2	261,261	42,065	35,027	338,353
\$405,000 - \$434,999	1	337,685	46,547	41,906	426,138
\$510,000- \$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 \$	Contributed superannuation \$	Bonus paid \$	Total \$
Relevant remuneration bands					
\$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. \$'000	Reportable salary \$	Contributed superannuation \$	Bonus paid \$	Total \$
Relevant remuneration bands					
\$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 2014	30 June 2013	30 June 2014	30 June 2013
	\$	\$	\$	\$
Amount Received or Due and Receivable by Auditors				
Australian National Audit Office (ANAO) for the Audit of the Financial Statements	212,300	212,300	212,300	212,300
	212,300	212,300	212,300	212,300
Audit Fees relating to the audit of DHA IML are paid to the ANAO. DHA IML is liable for 100% of these fees.	16,500	14,300	-	-
	16,500	14,300	-	-
<i>Other services</i>				
Provision of the Australian Financial Services License (AFSL) for DHA IML	10,500	-	-	-
Total remuneration for other services	10,500	-	-	-

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 shareholders 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	30 June	30 June	30 June
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Income Statement				
Revenue	(1)	(1)	(1)	(1)
Total Profit	(1)	(1)	(1)	(1)
Current assets				
Cash	62	63	62	63
Total Current Assets	62	63	62	63
Total Assets	62	63	62	63
Current Liabilities				
Provisions	77	77	77	77
Total Current Liabilities	77	77	77	77
Non-current liabilities				
Total non-current liabilities	-	-	-	-
Net Assets	(15)	(14)	(15)	(14)
Equity	(15)	(14)	(15)	(14)

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

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	30 June	30 June	30 June
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Movements in Carrying Amounts				
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 Interest %	Company's share of:			
		Assets \$'000	Liabilities \$'000	Revenues \$'000	Profit \$'000
2014					
Crace Developments Pty Ltd	10	1,624	350	1,729	1,296
2013					
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 30 June 2014 \$'000	Year ended 30 June 2013 \$'000
Revenue		
Finance Income	131	16
Total Revenue	131	16
Expenses		
Other Expenses	(243)	(17)
Total Expenses	(243)	(17)
Income Tax expense	(33)	-
(Loss) for the period	(78)	(1)
Other Comprehensive Income	-	-
Total Comprehensive Income for the Period	(78)	(1)

Statement of Financial Position

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

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	30 June	30 June	30 June
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
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	359,481	381,615	358,509	380,599
Financial Liabilities				
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
	662,885	656,420	662,898	656,416
Net Income from Financial Assets				
Interest	13,829	14,493	13,799	14,477
Annuity Revenue	3,657	725	3,657	725
Net Gain Loans and Receivables	17,486	15,218	17,456	15,202

40 Financial Instruments (continued)

	Consolidated entity		Parent entity	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
Net Expenses from Financial Liabilities				
Finance Expenses	29,999	30,854	29,999	30,854
Net Loss Financial Liabilities - Amortised Cost	29,999	30,854	29,999	30,854

(a) Fair value of Financial Instruments

	Carrying Amount 2014 \$'000	Fair Value 2014 \$'000	Carrying Amount 2013 \$'000	Fair Value 2013 \$'000
Consolidated entity				
Financial Assets				
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
Total	359,481	365,191	381,615	384,052

	Carrying Amount 2014 \$'000	Fair Value 2014 \$'000	Carrying Amount 2013 \$'000	Fair Value 2013 \$'000
Consolidated entity				
Financial Liabilities				
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
Total	662,885	680,221	656,420	667,487

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	30 June	30 June	30 June
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
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
Total	359,481	381,615	358,509	380,599

	Consolidated entity		Parent entity	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Financial Liabilities				
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
Total	662,885	656,420	662,898	656,416

40 Financial Instruments (continued)

(b) Credit Risk (continued)

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

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

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

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

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

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

(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 Demand \$'000	With 1 Year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'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	-	-	-
Total non-derivatives	-	267,405	65,480	100,000	230,000

40 Financial Instruments (continued)

(c) Liquidity Risk (continued)

	On Demand \$'000	Within 1 Year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'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	-	-	-
Total non-derivatives	-	221,840	114,100	165,480	155,000

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

		Change in risk variable %	Effect on	
Risk Variable			Profit and Loss \$,000	Equity \$,000
Interest Rate risk	Interest	0.60	2,542	

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

		Change in risk variable %	Effect on	
Risk Variable			Profit and Loss \$,000	Equity \$,000
Interest Rate risk	Interest	1.20	2,382	0

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 2014	30 June 2013	30 June 2014	30 June 2013
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Loans and Receivables				
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
Total Loans and Receivables	359,481	381,615	358,509	380,599
Total Financial Assets	359,481	381,615	358,509	380,599
	Consolidated entity		Parent entity	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	\$'000	\$'000	\$'000	\$'000
Financial Liabilities				
Financial liabilities measured at amortised cost				
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
Total Financial liabilities measured at amortised cost	662,885	656,420	662,898	656,416
Total Financial Liabilities	662,885	656,420	662,898	656,416

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.

	30 June 2014 \$'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	<u>46,340</u>

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.

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Index of Annual Report requirements

Index of Annual Report requirements

The following table shows compliance with the *Commonwealth Authorities (Annual Reporting) Orders 2011* issued by the former Minister for Finance and Deregulation on 22 September 2011.

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Acronyms and abbreviations



10

Acronyms and abbreviations

ACT	Australian Capital Territory
AO	Officer of the Order of Australia
APPs	Australian Privacy Principles
ATM	Allocation and Tenancy Management
AVM	Air Vice Marshal
BS&T	Business Solutions and Technology
BYO	Bring Your Own
CAC	Commonwealth Authorities and Companies
CBD	Central Business District
CDRE	Commodore
CHOC	Creating Homes of Choice
COO	Chief Operating Officer
CSIA	Customer Service Institute of Australia
CSS	Corporate Shared Services
DCO	Defence Community Organisation
DHA	Defence Housing Australia
Dr	Doctor
EA	Enterprise Agreement
FCP	Fraud Control Plan
FMA	Financial Management and Accountability
FOI	Freedom of Information
FRA	Fraud Risk Assessment
Fund	DHA Residential Property Fund No. 1
GBE	Government Business Enterprise
GST	Goods and Services Tax
HMAS	Her Majesty's Australian Ship
Hon.	Honourable

HR	Human Resources
ICT	Information Communication and Technology
IML	Investment Management Limited
KPI	Key Performance Indicator
L&D	Learning and Development
LIA	Living In Accommodation
MCA	Members without dependants and members with dependants (unaccompanied) Choice Accommodation
MCC	Maintenance Call Centre
MP	Member of Parliament
NPAT	Net Profit After Tax
NSW	New South Wales
NT	Northern Territory
P&TS	Property and Tenancy Services
PGPA	Public Governance, Performance and Accountability
PPG	Property Provisioning Group
QLD	Queensland
RA	Rent Allowance
RAAF	Royal Australian Air Force
Rtd	Retired
SA	South Australia
Services Agreement	Services Agreement on Housing and Related Matters
SES	Senior Executive Service
TAS	Tasmania
TGM	Tactical Global Management
UDIA	Urban Development Institute of Australia
VIC	Victoria
WA	Western Australia
WHS	Work Health and Safety





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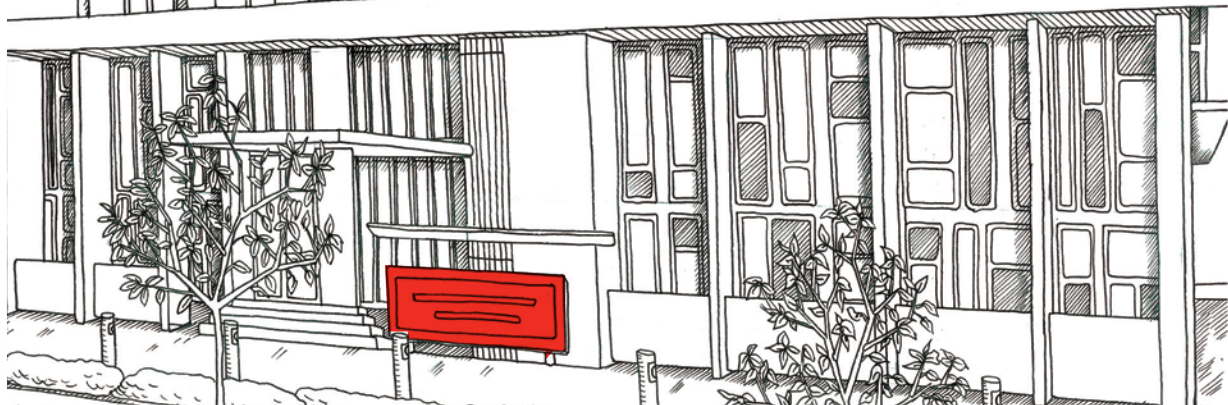
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DHA directory



Housing enquiries

T. 139 342
 0830–1700
 Australian EST Monday to Friday
 International: + 61 2 6268 3700
 0900–1800
 Australian EST Monday to Friday

Maintenance enquiries

T. 139 342

General maintenance

0830–1630
 Australian EST Monday to Friday

Emergency maintenance

24-hour service

Investment enquiries

T. 133 342
 E. sales@dha.gov.au

Head Office

Defence Housing Australia
 26 Brisbane Avenue
 BARTON ACT 2600
 F. 02 6222 2200
 E. info@dha.gov.au

Canberra regional office

Level 5, TransACT House
 470 Northbourne Avenue
 DICKSON ACT 2602
 F. 02 6222 2279

Sydney Regional Office

Level 13
 The Jessie Street Centre
 2–12 Macquarie Street
 PARRAMATTA NSW 2150
 Locked Bag 5033
 PARRAMATTA NSW 2124
 F. 02 6222 2223

Hunter Valley Regional Office

Suite 2, 45D Fitzroy Street
 CARRINGTON NSW 2294
 F. 02 6222 2255

Nowra Regional Office

Suite 3, Level 2 Bridgeton House
 55–57 Berry Street
 NOWRA NSW 2541
 F. 02 6222 2207

Wagga Wagga Regional Office

11–15 Fitzmaurice Street
 WAGGA WAGGA NSW 2650
 F. 02 6222 2245

Brisbane Regional Office

Ground Floor, Suite 3–6 Highpoint Plaza
 240 Waterworks Road
 ASHGROVE QLD 4060
 F. 02 6222 2273

Ipswich Regional Office

Shop 12, Yamanto Shopping Centre
 Corner Warwick and Powells Road
 YAMANTO QLD 4305
 F. 02 6222 2203

Toowoomba Regional Office

The Old Post Office Building
 Courtyard Tenancy, Suite 4
 138 Margaret Street
 TOOWOOMBA QLD 4350
 F. 02 6222 2203

Townsville Regional Office

63–65 Bamford Lane
 KIRWAN QLD 4817
 F. 02 6222 2251

Cairns Regional Office

Grove House 10 Grove Street
 CAIRNS QLD 4870
 F. 02 6222 2201

Canungra Regional Office

Building N03, Kokoda Barracks
 Beechmont Road
 CANUNGRA QLD 4275
 F. 02 6222 2217

Darwin Regional Office

1 Carey Street
 DARWIN NT 0800
 F. 02 6222 2257

Tindal Regional Office

Unit 2, 42 Katherine Terrace
 KATHERINE NT 0850
 F. 02 6222 2265

Melbourne Regional Office

Suite 305, Level 3
 120 Bay Street
 PORT MELBOURNE VIC 3207
 F. 02 6222 2231

Puckapunyal Regional Office

Building 549 Vivi Street
 PUCKAPUNYAL VIC 3662
 F. 02 6222 2241

Sale Regional Office

Building 115
 Catalina Street
 RAAF Base
 EAST SALE VIC 3852
 PO Box 481
 F. 02 6222 2231

Cerberus Regional Office

Shop Front Cerberus
 HMAS Cerberus Western Port
 CERBERUS VIC 3920
 F. 02 6222 2260

Wodonga Regional Office

83 Hume Street
 WODONGA VIC 3690
 F. 02 6222 2215

Adelaide Regional Office

Level 1, 1 Main Street
 MAWSON LAKES SA 5095
 F. 02 6222 2209

Perth Regional Office

Unit 43, Level 1 Fremantle Malls
 27–35 William Street
 FREMANTLE WA 6160
 PO Box 1608
 FREMANTLE WA 6959
 F. 02 6222 2221

