

2007–08 Annual Report

At home wherever you are
Defence Housing Australia, Celebrating 20 years



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Defence Housing
AUSTRALIA

About this report

This Annual Report has three purposes:

- 1 to comply with formal reporting obligations under the Commonwealth Authorities and Companies Act 1997, and the Public Service Act 1999;
- 2 to detail Defence Housing Australia's (DHA) performance for the financial year as measured against its stated objectives; and
- 3 to provide information to Australian Defence Force (ADF) members, investors and potential investors, the general public and markets, about DHA's business.

Structure of the report

This Annual Report is based on DHA's Corporate Plan. The financial statements are reported on a "for-profit basis" and therefore do not reflect the Portfolio Budget Statement (PBS) which is a "not-for-profit" forecast.

Further information

To obtain further information about the contents of this report or if you would like a printed copy, please contact:

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This report can also be found on the DHA website (www.dha.gov.au).

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AUSTRALIA

15 October 2008

The Hon. Joel Fitzgibbon MP
Minister for Defence
Parliament House
CANBERRA ACT 2600

The Hon. Lindsay Tanner MP
Minister for Finance and Deregulation
Parliament House
CANBERRA ACT 2600

Dear Ministers

On behalf of Defence Housing Australia (DHA), and in accordance with section 9 of the *Commonwealth Authorities and Companies Act 1997* (CAC Act), I am pleased to submit the Defence Housing Australia 2007–08 Annual Report.

This report covers DHA's activities in providing housing and relocation services to Australian Defence Force (ADF) members and their families and other Federal Government agencies during 2007-08. The year also marked a major milestone for DHA as it celebrated 20 years of providing housing services to Defence and, as such, the report looks at how DHA has progressed in that time.

DHA's main role is to supply housing and related services to ADF members and their families in support of Defence operational, recruitment and retention goals. DHA aims to ensure that ADF members, particularly those deployed, are not unnecessarily distracted in the performance of their mission by concerns about the housing and relocation of their families. By providing the best possible service, DHA makes certain that housing is not a cause of members separating from the Services. Indeed, housing should be one of the headline attractions for new recruits to the ADF and in retaining them once recruited.

In terms of its financial performance, DHA achieved a Net Operating Surplus after Income Tax of \$73.8 million, 22% higher than targeted in the Corporate Plan, with a Return on Equity of 6.8% against a Corporate Plan target of 5.7%. This strong performance was achieved largely through more efficient processes in a year where conditions were challenging because of rising interest rates and difficult credit and liquidity markets. The Board is proposing a dividend of \$44.3 million against a Corporate Plan target of \$39.0 million, an increase of 13.6%.

Good results were achieved across DHA's Key Performance Indicators (KPIs), reflecting its commitment to excellence in the delivery of Defence housing and relocation services while also maintaining a healthy, financial structure. All customer service KPIs were exceeded, representing an improvement on previous performance.

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

Yours sincerely



Derek Volker
Chairman
Defence Housing Australia

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DHA blueprint

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Who we are and what we do



Our vision

Excellence in Defence housing and relocation services.

Our mission

To deliver total housing and relocation services that meet Defence operational and client needs through a strong customer and business focus.

The mission requires DHA to provide cost-effective housing where and when it is required, at a standard that supports Defence in the recruitment and retention of its highly-trained personnel. Considerable flexibility is required to meet the changing housing requirements of a mobile Defence Force in a dynamic residential investment market.

Corporate objectives

To achieve the mission and to fulfil the outcomes desired by the Shareholder Ministers, DHA set seven corporate objectives.

1. Provide housing and related services that anticipate and meet customer needs.
2. Provide relocation services that facilitate customer mobility.
3. Meet agreed shareholder financial requirements.
4. Provide value to Defence and other clients.
5. Attract and retain lessors and other investors.
6. Operate commercially, efficiently and innovatively.
7. Attract, develop and retain commercially minded, customer focused staff.

This Annual Report has been structured in accordance with these objectives.

Our values

DHA has defined a set of core values that capture key aspects of DHA's approach to its business.

Respect – we collaborate, are ready to listen and learn, and show respect for each other, our customers, stakeholders and the community.

Excellence – our goals are achieved with a commitment to quality and professionalism in all aspects of our work and with a customer and commercial focus.

Integrity – we have moral courage backed by trust for each other, honesty, responsibility, and accountability for our actions.

Enthusiasm – pride and empowerment come from our passion and commitment.

Innovation – we initiate and embrace new and better ways of working and improving our business.

These values are explicitly recognised in DHA's recruitment processes and its staff are encouraged to live them in order to contribute to workplace harmony and improve the way in which DHA conducts its business. DHA also complies with the *Public Service Act 1999*, and upholds and promotes the Australian Public Service Values and Code of Conduct.

DHA is committed to providing a safe workplace, free from discrimination and harassment, and to recognising the individual contributions of staff members. DHA is also committed to high standards in relationships with maintenance and other contractors, and with private investors to whom it has property-management responsibilities.

Our history

In 1984, Australian Government concern at widespread dissatisfaction with Defence housing led to the establishment of a special task force to investigate and to make recommendations for improvement. The task force found that major problems in the delivery of Defence housing were a likely contributor to higher than expected wastage rates of skilled personnel.

In response, DHA was established in 1988 as a statutory authority under the *Defence Housing Australia Act 1987*. The original mission for DHA was, *'To provide Defence personnel and their families with good housing consistent with community standards and which contribute positively to their quality of life. In achieving this mission, the Authority shall meet Defence operational needs, follow sound commercial principles and be a responsive and innovative organisation.'*

DHA commenced operations on 1 January 1988, and accepted responsibility for the management of some 23,000 houses across the nation.

In 2001, DHA also assumed responsibility for ADF member relocations. Approximately 30,000 ADF relocations are organised each year for members and their families.

Our capabilities

The primary function of DHA is to supply housing and related services to ADF members and their families in line with Defence operational requirements. DHA seeks to deliver a quality service, recognising that ADF members, particularly those deployed, should not be unnecessarily distracted by housing and relocations matters affecting their families at home.

Further, DHA recognises that the provision of quality housing services can be an important factor in attracting new recruits to the ADF. It understands that housing and relocation services should never be a cause of members leaving the ADF, but rather, a compelling reason for members to continue to serve.

At current high levels of operational tempo, the stress of relocation is exacerbated. This is particularly the case in relation to securing a home in the family's new location. In this regard, DHA aims to maximise housing options including the opportunity for Defence families to pre-select a home in their new location.

DHA's contribution to operational capability and broader Defence personnel goals reflects the synergies that DHA can derive from combining its core objective of providing accommodation with its responsibilities for property and tenancy management. DHA provides a full property management service to all its tenants including maintenance. DHA also administers a range of allowances paid to ADF members in satisfaction of their housing and relocation entitlements.

To meet its Defence housing obligations, DHA manages an ongoing and comprehensive property development, construction and acquisition program. In 2007–08 more than 1,000 new properties were provisioned through construction or acquisition, the majority of which were available for the Sale and Leaseback Program.

DHA's capital program drives its borrowing requirement. It is a substantial program due to expiring leases, changes in the location of ADF units and the need to replace DHA properties that do not meet new Defence housing standards.

DHA currently manages approximately 17,400 properties in all states and territories of Australia, representing around \$7.6 billion worth of housing stock. Approximately 63% of these homes are owned by investors and leased back to DHA primarily through the Sale and Leaseback Program.

DHA stakeholders

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

The DHA Board reports to the Hon. Joel Fitzgibbon MP, Minister for Defence, and the Hon. Lindsay Tanner MP, Minister for Finance and Deregulation, as Joint Shareholder Ministers of DHA. Mr Fitzgibbon has delegated responsibility for oversight of operational matters to the Hon. Warren Snowdon MP, Minister for Defence Science and Personnel.

Prior to the 2007 Federal election, the DHA Board reported to the Hon. Dr Brendan Nelson MP, former Minister for Defence, and the Hon. Peter Lindsay MP, former Parliamentary Secretary to the Minister for Defence. Senator the Hon. Nick Minchin, the former Minister for Finance and Administration, was a Joint Shareholder Minister of DHA and had delegated management responsibility to the Hon. Gary Nairn MP, the former Special Minister of State.

DHA stakeholders chart

FEDERAL MINISTERS WITH RESPONSIBILITY FOR DHA



The Hon.
Joel Fitzgibbon MP,
Minister for Defence



The Hon.
Lindsay Tanner MP,
Minister for Finance
and Deregulation



The Hon.
Warren Snowdon MP,
Minister for Defence Science
and Personnel

DEFENCE HOUSING AUSTRALIA BOARD OF DIRECTORS

DHA DELIVERS TO:

The Department of Defence and members of the Australian Defence Force.

Australian Customs Service (ACS) and Australian Customs Service staff.

Individual and Institutional lessors.

Defence Stakeholder organisations: Defence Families Australia, Defence Community Organisation and Defence Special Needs Support Group.

Housing and relocation services:

1. Housing to meet the needs of our customers through construction, acquisition and leasing
2. Relocation services
3. Maintenance services
4. Tenancy management

Quality housing through:

1. The Sale and Leaseback Program
2. Direct Leasing
3. Lease management and investor relations.

1. Support for stakeholder activities
2. Stakeholder relations

Chairman and Managing Director's report

In 2008 DHA marks a major milestone as it celebrates 20 years of providing high-quality housing services to ADF members and their families. During those 20 years DHA has emerged as a Government Business Enterprise (GBE) significantly more professional and commercial in approach, while preserving and enhancing a high quality of service to ADF members.

DHA's main role is to supply housing and related services to ADF members and their families in support of Defence operational, recruitment and retention goals. DHA aims to ensure that ADF members, particularly those deployed, are not unnecessarily distracted in the performance of their mission by concerns about the housing and relocation of their families. By providing the best possible service, DHA also makes certain that housing is not a cause of members separating from the Services. Indeed, housing should be one of the headline attractions for new recruits to the ADF, and in retaining them once recruited.

The governance of DHA has undergone some major changes during the past financial year including the changeover in Shareholder Ministers mid-year as a result of the Federal Election. During 2007–08 two Directors retired from the DHA Board, each having made valuable contributions. In February 2008, the Hon. Peter V Jones AM retired as Chairman after five years of distinguished service to DHA. Director, Wayne Stokes was appointed interim Chairman.

During the financial year DHA has delivered a number of new housing developments across the country including the \$27 million Fernhill Estate located in Bruce in the Australian Capital Territory. This 52-home development is one of several projects DHA has developed to cater for the new Headquarters Joint Operations Command just outside Canberra which is due to open during 2008-09. Other major projects include the construction of 45 homes to the value of \$16.5 million in Townsville, Queensland and the continued development of 300 homes in Lyons in the Northern Territory. Also in the Northern Territory, DHA is making good progress with the development of the Muirhead suburb.

DHA and its consortium partners were successful in a tender for the right to develop the new Canberra suburb of Crace in a 50/50 joint venture with the Land Development Agency (LDA). The LDA vision for this northern suburb is for the supply of affordable land and homes to the Canberra market and DHA is to purchase a number of lots over four years.

In terms of its financial performance, DHA achieved a Net Operating Surplus after Income Tax of \$73.8 million, 22% higher than targeted in the Corporate Plan, and a Return on Equity of 6.8% against a Corporate Plan target of 5.7%. This strong performance was achieved largely through more efficient processes in a year where conditions were challenging due to rising interest rates and difficult credit and liquidity markets. The Board is proposing a dividend of \$44.3 million against a Corporate Plan target of \$39.0 million, an increase of 13.6%.

Good results were also achieved across DHA's Key Performance Indicators (KPIs). All customer service KPIs were exceeded and represent an improvement on previous performance. Notably, member satisfaction with our housing was 87% against a target of 80% and overall satisfaction with relocation services rated at 93% against a target of 80%.

In 2008–09 DHA has an ambitious capital program to deliver in a difficult housing market and with significant limitations on available resources. DHA will ensure that it maintains a healthy long term financial structure and achieves a rate of return that is satisfactory to the Australian Government. DHA is also committed to the principles of sustainable development and will be enhancing its sustainability initiatives.

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

The Directors of DHA are pleased to present this Annual Report for the financial year ended 30 June 2008.



Derek Volker
Chairman



Michael Del Gigante
Managing Director

Highlights and events

JULY 2007



The Hon. Mr Peter Lindsay MP, Parliamentary Secretary to the Minister for Defence, opened the Lyons Neighbourhood Centre, a central hub for the new community of Lyons, Darwin. The Centre was built at a cost of \$1 million, with Darwin City Council providing partial funding. The Centre is provided for use by council and local residents and community groups.

Incorporated into the centre is an impressive collection of indigenous art, created by local artists from the Larrakia community. The artwork represents a key feature of the project's recognition of the Larrakia cultural heritage.

SEPTEMBER 2007



Jerrabomberra media event, Australian Capital Territory

Special Minister of State, the Hon. Gary Nairn MP, attended a media event on 10 September 2007 to mark the completion of nine homes at Cassinia Rise, Jerrabomberra built at a cost of \$5 million.

The homes are for Defence members based in existing Defence establishments in Canberra. Members posted to the new Headquarters Joint Operations Command in Bungendore will also have access to the homes

OCTOBER 2007



MyHome TV, New South Wales

DHA made its small screen debut during October with a segment on Channel Nine's MyHome TV, a weekend morning program that provides information about buying and selling property. The segment featured three perspectives of DHA: that of an investor, an ADF family and a staff member, and provided good national exposure to DHA.

MARCH 2008



Official opening of Fernhill Estate, Australian Capital Territory

The \$27 million Fernhill Estate development in Bruce, was officially opened by the Parliamentary Secretary for Defence Support, the Hon. Dr Mike Kelly AM MP. The Estate is set within a mixed-use development and provides 52 high-quality, four-bedroom homes for Defence families in this sought-after Canberra suburb. The Estate features 21 different house designs each with landscaped and drought-resistant gardens that minimise water use while maximising space for growing families.

MAY 2008



Lone Pine Park commemorative ceremony, Victoria

A commemorative ceremony hosted by the Minister for Defence Science and Personnel, the Hon. Warren Snowdon MP, was held at Puckapunyal in May 2008. The event celebrated the completion of 103 new homes on the base and officially opened Lone Pine Park, adjacent to the new housing. The Park, completed in January 2008, commemorates the Battle of Lone Pine in 1915.

DHA's \$19.6 million development at Puckapunyal has brought housing on this base into line with current community standards. The modern, three and four-bedroom homes feature ensuites, double garages and covered outdoor areas.

JUNE 2008



Celebrate Lyons, Northern Territory

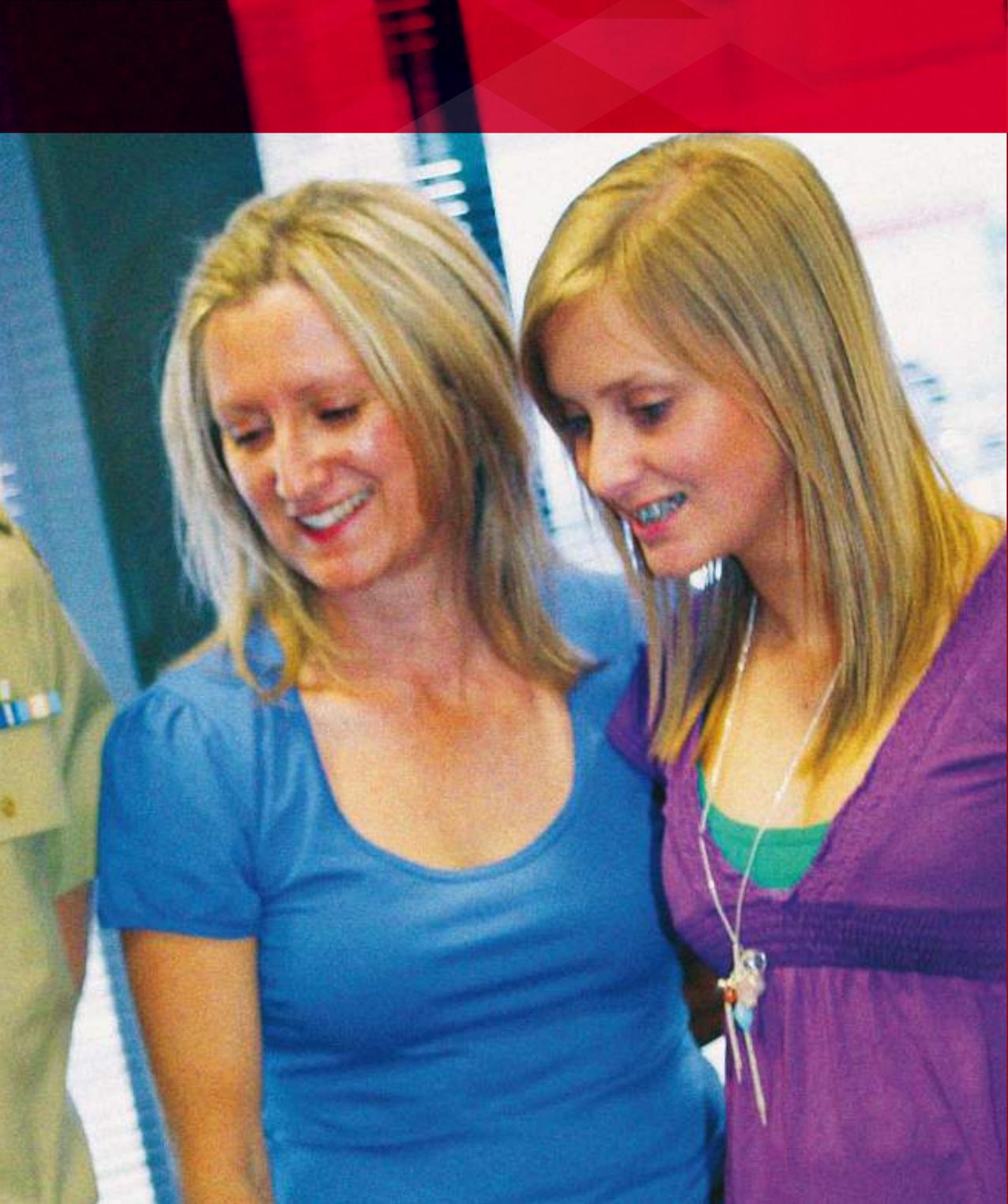
Lyons is a new Darwin suburb being built at a cost of \$175 million by the Lyons Joint Venture comprised of DHA and its partner, the Canberra Investment Corporation (CIC). Celebrate Lyons was an outdoor concert hosted by DHA and CIC and attended by Chief Minister for the Northern Territory, the Hon. Paul Henderson MLA and the Member for Solomon, Damian Hale MP.

The outdoor concert was attended by more than 800 people and featured performances by a number of local schools and artists including national identity Jessica Mauboy. During the concert the Joint Venture committed to provide \$50,000 in funding to The Smith Family in the Northern Territory over five years. This funding is to be used in its Mentoring Program in schools across the Territory.

Delight the Customer

13 _ Services to customers





Objective

Provide housing and related services that anticipate and meet customer needs.



KEY PERFORMANCE INDICATOR	2007-08 TARGET	2007-08 ACHIEVEMENT
ADF member satisfaction with house	80 per cent	87 per cent
ADF member satisfaction with maintenance services	80 per cent	96 per cent

Major outcomes

1. DHA substantially met its obligation to Defence to provide housing in accordance with an agreed provisioning schedule.
2. Twenty additional houses were constructed on-base at Kapooka near Wagga Wagga as part of a short notice expansion in the housing required to support additional instructors at the Army Recruit Training Centre.
3. The DHA portfolio was reclassified according to market rent (instead of amenity) in line with the New Housing Classification Policy introduced on 1 July 2007.
4. An asbestos register and management plan was completed for all houses within a defined age profile.

Services to customers

Meeting the housing needs of ADF members

Over the past 20 years, DHA has significantly increased both the quality and diversity of housing available to ADF members and their families. As well as traditional detached family homes, DHA provides townhouses, courtyard style houses and apartments to meet the differing needs of ADF families. In particular, townhouses and courtyard style developments allow DHA to provision housing in well located inner suburban areas. These are particularly suited to ADF members who desire minimal lawn and garden maintenance. In addition, and within limits controlled by Defence, a small number of apartments with shared recreational amenities and undercover parking have also been made available in desirable inner-city locations.

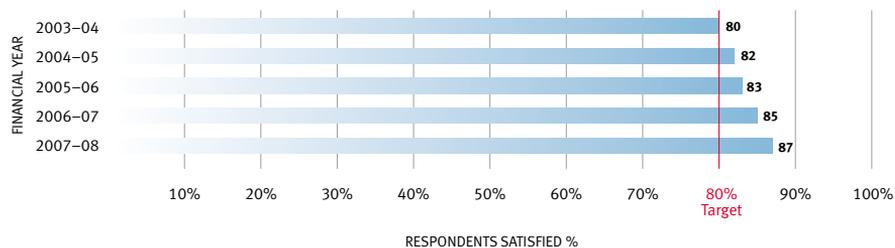
New Housing Classification Policy

The New Housing Classification Policy (NHCP) was launched by Defence and DHA on 1 July 2007. It redefines the basis for classifying service residences and introduces a higher minimum standard. Properties are now classified based on their market rent, allowing members to choose from a wider range of smaller well located properties, or larger properties further from major centres. Location is thus a major factor in defining the classification of service residences. The introduction of the NHCP proceeded very smoothly.

Satisfaction with current DHA accommodation

DHA's annual tenant survey measures ADF member satisfaction with their current service residence. In 2007–08, 87% of 2,555 respondents were satisfied with their current accommodation, a modest increase compared with 2006–07. Sample sizes in past years have ranged from 1,635 to 2,668 respondents.

Customer satisfaction with current DHA accommodation, 2003–04 to 2007–08



Construction and acquisition of housing

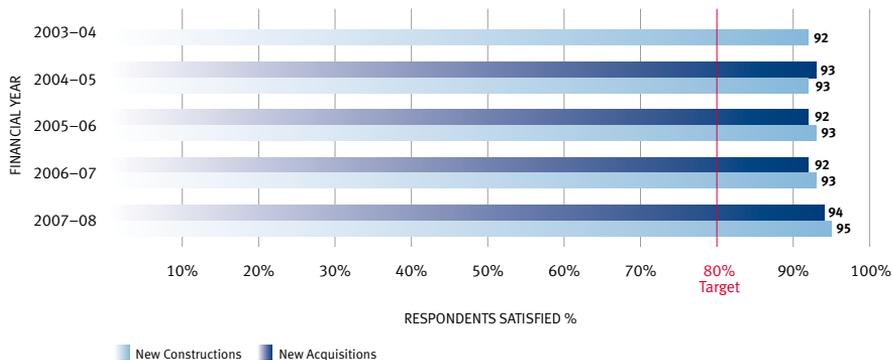
In order to satisfy the Defence housing requirement, DHA manages a large property development, construction and acquisition program. Over the next three years we anticipate approximately \$1,233 million in capital expenditure on this program.

In addition to development and construction, DHA acquires existing properties from owners and builders to ensure capital program requirements are achieved. All acquired properties must comply with exacting DHA and Defence requirements.

In 2007–08, DHA housing activity took place across most parts of Australia, with construction of 658 properties on and off ADF bases, and the acquisition of a further 421 new dwellings.

Satisfaction of ADF members living in newly constructed or acquired service residences has been consistently high since surveying began, with the highest results being recorded this year. Sample sizes this year were 157 and 182 for the new acquisitions and new constructions surveys respectively. In past years sample sizes have ranged from 60 to 169.

Customer satisfaction with newly acquired and constructed DHA accommodation, 2003–04 to 2007–08



Major projects

Lyons, Darwin, Northern Territory

The creation of the new Darwin suburb of Lyons is well underway with DHA releasing the first 46 houses for Defence families during 2007–08.

DHA's objective for this development is to deliver an innovative, high-quality and ecologically sustainable urban environment, suitable for Darwin's tropical climate. A mixture of lot sizes will provide choice to Defence families in line with their needs and desires. The planning of Lyons ensures that community safety is optimised and the positioning of houses maximises the capture of cooling breezes.

The Lyons development – a joint venture between DHA and the Canberra Investment Corporation – will provide 700 dwelling sites. Of these, at least 300 blocks, positioned throughout the development, will be available for ADF members and their families. The local economy in Darwin will benefit greatly from this development by way of increased employment and DHA's commitment to using local contractors where possible.

Muirhead, Darwin, Northern Territory

This future Darwin residential project is in the preliminary stages of development, with current activity focused on finalising negotiations with the Northern Territory's planning authorities.

The Muirhead land was acquired from Defence in 2006. Details are currently being finalised for a portion of the land to be excised and retained for Defence purposes. Negotiations with the Northern Territory Government are focused on optimisation of yield in terms of the number of allotments that will be approved, and the desire for an innovative, affordable and sustainable urban development.

Fairview Rise, Ipswich, Queensland

In June 2006 the construction of 162 houses at Ipswich, Queensland, started at a cost of \$50.9 million.

This development will provide high-quality housing for ADF members and their families posted to RAAF Base Amberley. Located at Fairview Rise, and a convenient distance to the base and Ipswich city centre, the development is scheduled for completion progressively through to June 2009. Energy conservation principles have been applied to a number of aspects of the project including urban layout, engineering and housing design.

In particular, the project discourages the use of cars and promotes walking and cycling by providing footpath networks, coordinated with those planned for the neighbouring suburb of Flinders View. Public bus routes have been designed into the subdivision. Stormwater engineering and landscaping will be integrated to reduce the quantity, and improve the quality of stormwater run-off. Water-sensitive natural watercourses are utilised to the extent available in lieu of piped systems for stormwater. Civil works have been completed for Stage 2, with construction of a further 85 dwellings forecast to commence in August 2008.

Bruce, Canberra, Australian Capital Territory

Construction of the \$27 million development of Fernhill Estate at Bruce began in April 2007 and was completed in December 2007.

These 52 high-quality, four-bedroom homes have been designed to suit the needs of Defence families and feature double garages, ensuites and covered outdoor entertainment areas. The estate features 21 different house designs to provide variety in layout and to create difference and style in the streetscape.

Only two kilometres from the Belconnen city centre and on the doorstep of some of Canberra's major institutions, Fernhill Estate is in an exceptional location providing excellent access to schools, hospitals and shopping.

Caringbah, Sydney, New South Wales

In May 2007 construction commenced on 40 townhouse dwellings located at Caringbah, New South Wales.

This development is located within the Sutherland Shire, 22 kilometres to the south of the Sydney central business district, and considered to be an area in high demand by Defence members. Construction works will deliver three bedroom townhouses with internal access to double garages in a secure basement car park. Delivery is planned for the peak posting period in 2008-09.

Crace, Canberra, Australian Capital Territory

DHA is part of a joint venture with the Canberra Investment Corporation, and the PBS Property Group.

In late 2007 the ACT Land Development Agency (LDA) announced that a consortium made up of the Canberra Investment Corporation (80%), the PBS Property Group (10%) and DHA (10%) was successful in the tender for the right to develop the new Canberra suburb of Crace in a 50/50 joint venture with the LDA. The LDA vision for this northern suburb is for the supply of affordable land and homes to the Canberra market. DHA is expected to purchase a number of lots over four years.

On-base construction and refurbishment

DHA has managed the construction and delivery of 20 houses and associated infrastructure works in the Kapooka Village near Wagga Wagga in NSW in support of an expansion in the capacity of the Army Recruit Training Centre located at Kapooka.

This \$5.68 million project is rejuvenating the existing village. Essential services are being upgraded, and when the houses are occupied, 20 additional families will join the community and send children to the local school. The new four bedroom houses are located on former lots and have been designed to visually complement the existing streetscapes. The houses also have sustainability features such as passive solar design and rainwater tanks.

Defence houses at RAAF Base Tindal in the Northern Territory continue to be upgraded as part of a major refurbishment program. This program includes the upgrade of amenities to provide additional living/family areas, master bedrooms, new kitchens and internal repainting. The original program is scheduled to be completed by December 2008. Separately, DHA is working with Defence on a program to upgrade this on-base housing to the new minimum standard.

In Sydney, a program of refurbishment and upgrading of housing stock that commenced in 2004 is nearing completion. Approximately \$20 million has been spent on some 224 homes, initially in the Wattle Grove area, but more recently in the wider Sydney area, including Caringbah, Frenchs Forest and Bligh Park.

Housing Management Centres

DHA maintains a physical presence in capital cities, major regional centres, and on a number of ADF bases and establishments around Australia. These Housing Management Centres (HMCs) are the ADF member's first point of contact for relocation and housing services including housing allocations, rent allowance and house maintenance.

In addition to managing the incoming member's relocation and the tenancy of their chosen housing solution, HMC staff members are a valued source of local knowledge on community services and housing market conditions.

DHA Housing Portfolio 2007–08

	DARWIN	TINDAL	CAIRNS	TOWNSVILLE	BRISBANE	IPSWICH	TOOWOOMBA	SYDNEY	HUNTER VALLEY	NOWRA	CANBERRA	ALBURY/WODONGA	WAGGA WAGGA	MELBOURNE	ADELAIDE	PERTH	AUSTRALIA TOTAL
Purchases																	
Newly acquired properties	5	1	0	30	82	39	20	39	29	19	58	10	43	18	25	3	421
Newly constructed properties	70	0	14	45	26	108	0	20	18	0	140	15	36	49	57	60	658
Sales																	
Sale and Leaseback Program	35	0	11	11	88	101	7	16	77	20	136	35	6	40	50	1	634
Disposals (surplus properties)	4	0	2	16	20	11	9	53	13	3	4	9	0	20	1	0	165
Handback of on-base Defence stock	0	0	0	0	0	0	0	0	0	16	4	0	1	57	9	1	88
Leases																	
Direct leases	9	0	0	18	7	10	1	11	13	1	4	2	5	0	2	4	87
Lease options	88	33	33	63	91	20	41	178	78	14	45	14	3	17	50	44	812
Lease conversions	7	12	0	32	7	0	0	26	13	1	27	0	0	3	0	6	134
Housing Stock at 30 June 2008																	
DHA owned	251	3	13	435	318	143	22	1,193	122	23	337	22	37	270	193	264	3,646
Leased from investors	880	127	227	1,092	952	515	205	2,256	861	284	1,378	217	191	643	529	628	10,985
Defence off-base annuity	11	109	6	33	5	53	43	11	81	32	0	29	119	172	5	21	730
On-base Defence stock	742	193	0	7	83	0	6	52	0	43	194	35	82	432	47	10	1,926
Other managed stock	8	0	0	28	0	0	0	0	0	0	2	0	0	0	2	66	106
Total housing stock	1,892	432	246	1,595	1,358	711	276	3,512	1,064	382	1,911	303	429	1,517	776	989	17,393

Property management

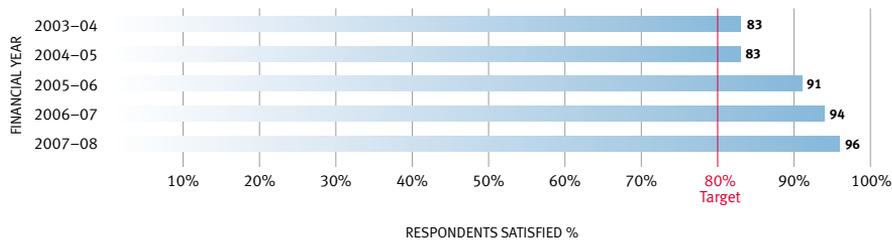
Maintenance

DHA provides a comprehensive and responsive maintenance service to ADF families living in service residences. This includes the provision of a 24-hour telephone emergency maintenance helpline.

Where possible, DHA uses local contractors to provide repair and maintenance services. Selection of contractors is made on a value-for-money basis, and contractors are sourced primarily from a standing DHA Residential Maintenance Service Panel.

DHA measures ADF member satisfaction with customer service, contractors' service and overall maintenance performance. Satisfaction remains strong, with 96% of 6,920 tenants in service residences nationally being satisfied with the overall service. Sample sizes in past years ranged from 2,548 to 6,928.

Customer satisfaction with DHA's maintenance services, 2003–04 to 2007–08



Tenant management

DHA staff liaise regularly with ADF members and their families on tenancy-related matters. This includes welcoming families to their new homes, helping them to settle into their locality, advising them of their obligations as Defence tenants, and reminding them of their responsibilities before they move again.

During 2007–08, HMCs focussed on the development of operational procedures and on the training of staff in the application of those procedures with a view to improved customer satisfaction and greater consistency across the business. All Property Consultants received training in the new Housing Management Instructions and in the fundamentals of portfolio management.



Facilitate Defence Force Mobility

23 _ DHA Relocation Services





Objective

Provide relocation services that facilitate customer mobility.



KEY PERFORMANCE INDICATOR	2007-08 TARGET	2007-08 ACHIEVEMENT
ADF member satisfaction with overall DHA relocations services	80 per cent	93 per cent

Major outcomes

1. Implementation of the New Housing Classification Policy (NHCP) which fundamentally changed the basis on which housing is classified and introduced a new and improved minimum standard.
2. Improvements to the HomeFind internet application to support NHCP as well as improvements to the online Application for Relocation form.

DHA relocation services

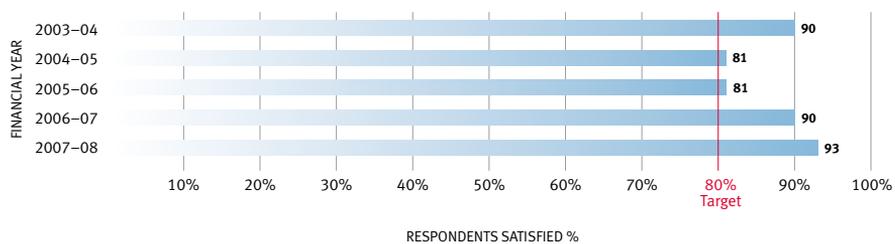
DHA currently organises around 30,000 relocations each year for ADF members and their families.

ADF members are relocated primarily in response to Defence posting requirements but can also be the subject of a relocation due to changes in personal circumstances and DHA-initiated moves (eg. when a service residence becomes available and the member agrees to relocate). Each move is organised by a HMC Case Manager who ensures that the member and his/her family are efficiently and effectively relocated, with a minimum of inconvenience and in accordance with Defence policy.

To assist ADF members and their families settle, a DHA staff member meets each family on arrival at their new home. The family is given a 'welcome kit' and receives the keys to their property. In recognition of the stress that frequent moves can place on families, the DHA 'welcome' enables the family to meet a local staff member and complete the necessary paperwork in the comfort of their new home. This service is one way in which DHA can make the move a more positive experience for our customers.

DHA's relocations survey measures customer satisfaction with the complete relocation process. Positive results in customer satisfaction continued through 2007–08 with 93% of 4,375 respondents indicating that they were satisfied with their total relocation experience. This exceeded the target of 80%. Sample sizes in past years ranged from 1,724 to 4,488.

Customer satisfaction with total relocation experience, 2003–04 to 2007–08



The relocation process



E-channel capability (online services)

DHA continues to extend its e-channel capability with new and improved systems that provide both Defence members and DHA staff with better and more efficient access during the relocation process.

HomeFind

HomeFind is DHA's online housing selection tool allowing ADF members and their families to search via the internet for a suitable DHA home in the location to which they are being posted, before actually moving.

HomeFind is an interactive website displaying details of all DHA homes that are or will be available for occupancy in each location, according to member entitlement. The New Housing Classification Policy created an opportunity for a major upgrade of HomeFind, the introduction of which has proved very successful. The new look HomeFind better explains Defence and DHA policies affecting house selection and includes improved mapping capabilities and information on local facilities. Early selection of a new home increases the opportunity for door-to-door removals, which are less stressful for members, and reduces the cost to Defence of temporary accommodation and storage. This 'pre-allocation' also allows earlier selection of schools, better opportunities for securing spouse employment, child care and other arrangements that need to be made in the new location.

During 2007–08, 85% of ADF members who moved into a service residence used HomeFind to select their homes before departing their losing locality.

Online Application for Relocation

The electronic Application for Relocation form (AFR) is now a significant means by which members communicate relocations information to DHA. Members are guided through the application to ensure that relevant questions are answered. Over 38% of members submitted their AFR online during 2007–08.

Fast Connect

Fast Connect is a free, non-compulsory disconnection and connection service for telephone, electricity and gas utilities. DHA facilitates access to the services provided by Fast Connect for ADF members who are relocating.

ADF members receive a choice of utility providers (if available) and can also elect for connection of internet, pay television and message bank services. Fast Connect also includes early notification of new home phone numbers.

Meet Shareholder Requirements

29 _ Financial Overview 2007-08





Objective

Meet agreed shareholder financial requirements.



KEY PERFORMANCE INDICATOR	2007–08 TARGET	2007–08 ACHIEVEMENT
Return on Equity	5.7 per cent	6.8 per cent
Earnings Before Interest and Tax (EBIT)*	\$99.2 million	\$99.1 million
Profit Before Tax (PBT)*	\$79.7 million	\$84.2 million
Net Operating Surplus after Income Tax	\$60.5 million	\$73.8 million
Shareholder Value Added (SVA)*	9.1 per cent	12.8 per cent
Debt: Equity Ratio (including off-budget balance sheet debt)	61.8 per cent	66.9 per cent
Percentage of DHA Ownership	20.1 per cent	21.0 per cent
Ordinary Dividends	\$39.0 million	\$44.3 million
State Tax (Equivalents)	\$20.8 million	\$31.3 million

* These results are adjusted for one-off changes to disclosure requirements for 2007–08 in respect of state tax equivalent payments.

Major outcome

1. The full-year return on equity, profit before tax, annual dividends and tax equivalent payments met or exceeded targets, therefore fulfilling shareholder requirements.

Financial overview 2007–08

DHA's net operating surplus after income tax for 2007–08 was \$73.8 million against a target of \$60.5 million. This result compared with a net operating surplus after income tax of \$101.8 million in 2006–07.

Adjusting for one-off changes to disclosure requirements for 2007–08 in respect of state tax equivalent payments, DHA's operating surplus after income tax for 2007–08 was \$105.1 million compared with \$101.8 million in 2006–07.

DHA's operating result was underpinned by housing services revenues, the sale of surplus investment properties and cost control initiatives in repairs and maintenance expenditures. In 2007–08, total housing services revenue was \$445.4 million, compared with \$395.7 million in 2006–07. Gearing was 66.9% compared with 59.1% in 2006–07. Interest times cover was 4.95. Adjusting for one-off changes, interest times cover was 6.35 compared to 5.7 in the previous year.

DHA operates under Australian-equivalent International Financial Reporting Standards (AeIFRS) which allows for easier comparison of financial performance between 2007–08 and 2006–07. Notes to the accounts clearly articulate changes to accounting treatments made in 2007–08.

Operating results

DHA's income totalled \$824.8 million in 2007–08 compared with \$837.4 million in 2006–07. This decrease was primarily due to fewer sales of inventory properties via the Sale and Leaseback Program compared to the previous year, and generally lower margins. Overall, 634 properties were sold and leased back during the year, compared with 761 in 2006–07 which also included an institutional transaction.

Expenses in 2007–08 totalled \$740.6 million, compared with \$737.1 million in 2006–07. The increase in expenses was due to the inclusion of state tax equivalent payments of \$31.3 million in 2007–08 that do not appear in the 2006–07 results. Adjusting for this one-off change in disclosure requirements, expenses in 2007–08 were \$709.3 million, compared with \$737.1 million in 2006–07. The decrease in expenses was due to:

- fewer inventory properties and surplus properties being sold resulting in reduced cost of sales being brought to account; and
- cost control initiatives.

Under AeIFRS, inventories are held at the lower of cost or net realisable value and investment properties are held at the lower of cost or fair value. Both property groups are assessed on an individual asset basis rather than by class. DHA's inventory and investment properties and land holdings were reviewed by licensed property valuers at year end. The DHA Board agreed with the assessment of 'fair value' and consequently wrote down the carrying values of inventory and investment properties by \$10.5 million. The write-down in 2006–07 of inventory and investment properties totalled \$3.3 million.



Rental outlays to lessors for residential properties increased by \$18.6 million or 9.4%. The rental outlays increased for three reasons: 1) a general increase in assessed rent; 2) improvement in the quality of housing stock; and 3) additional leases year-on-year. DHA's administrative costs decreased year on year. Employee expenses increased by \$6.8 million, or 14.7%. Adjusting for the one-off changes to disclosure requirements in respect of state tax equivalent payments (specifically payroll tax), employee expenses increased by \$3.5 million, or 7.5%.

Returns to shareholders

The amendments to the Defence Housing Australia Act 1987 in 2006 removed DHA's tax exemption for company tax. As a result, DHA submitted its first company tax return to the Australian Taxation Office (ATO) for the 2007–08 year. DHA also complies fully with the Commonwealth Fringe Benefits Tax and the Goods and Services Tax legislation, providing these payments to the ATO.

DHA is also required to comply with the Australian Government's competitive neutrality policy which ensures that DHA is not able to enjoy a commercial advantage resulting from tax exemptions flowing from its status as a Government Business Enterprise. In accordance with this policy, DHA makes state tax equivalent payments to the Australian Government in respect of applicable state taxes.

Total dividends and state tax equivalent payments attributable to the 2007–08 operating result amounts to \$75.6 million, a decrease of \$2.9 million or 3.7% over the 2006–07 result. This comprises state tax equivalents totalling \$31.3 million and an ordinary dividend of \$44.3 million.

Sale of surplus housing

An important element of DHA's asset-management strategy is the sale of surplus properties. In 2007–08, \$42 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; or
- is at the end of its economic life and disposal is considered the optimal outcome.

Residential investment markets

DHA's financial performance is reliant on land development, construction and property sales. All three areas are highly dependent on the state of residential property markets across Australia. During the 2007–08 financial year residential property markets in Brisbane and Adelaide performed best. Over the same period Perth was the slowest market, ending five years of out-performance driven by the resources boom.

Over the next three years, in accordance with the Corporate Plan, DHA will construct and acquire some 2,400 properties. This equates to an average annual outlay of approximately \$410 million.

DHA continues to investigate other options for financing its demanding capital program, particularly the scope for additional institutional Sale and Leaseback transactions. However, following extensive market soundings, DHA has decided it is not appropriate to pursue this avenue further at this time.

DHA stock

DHA managed a portfolio of 17,393 properties across Australia as at 30 June 2008. The total 'fair value' of these assets was approximately \$7.6 billion with properties owned by DHA valued at \$1.8 billion. Off-base property ownership stood at 21.0% at year end against a Corporate Plan target of 20.1%. Off-base properties include DHA investment properties (15%) and DHA inventory properties for sale (6%). Over the last three years DHA has been progressively increasing its strategic holdings of investment properties. During 2007–08, the number of DHA investment properties increased from 2,526 to 2,605 at year-end.

Capital structure

For the last three years DHA has used the Australian Investment Property Standard (AASB 140) to account for its investment properties. These properties are now recorded at cost and depreciated accordingly, which facilitates a better understanding of DHA's property holdings and makes the setting of targets and the reporting of achievements more transparent.

DHA will focus on maintaining the attractiveness of the Sale and Leaseback product to individual investors in the face of difficult residential property market conditions and changes in tax structures for individual investors. The overall sales objective is to achieve a sufficient increase in revenues from the Sale and Leaseback of inventory properties to ensure there is no build up of DHA inventory holdings and that net cash from operating activities becomes positive.

DHA has loan arrangements through the Department of Finance and Deregulation. However, DHA does not have a commercial overdraft nor does it have access to re-drawable loan facilities. New borrowings in 2007–08 totalled \$60 million. Borrowings outstanding totalled \$400 million as at 30 June 2008 leaving \$150 million in undrawn funds.

Standard & Poor's credit rating

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

Financial summary

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Shareholder value added (\$)	\$225.8m	\$195.4m	\$173.9m	\$101.0m	\$168.2m	\$175.3m
Shareholder value added (%)	15.5%	12.3%	8.7%	8.6%	9.6%	12.8%
Earnings before interest and tax (1)	\$81.2m	\$74.2m	\$82.3m	\$110.3m	\$108.66m	\$99.1m
Annual dividends, including tax paid during the financial year (2)	\$66.5m	\$80.7m	\$70.7m	\$76.8m	\$78.5m	\$75.6m
Special dividends/capital returns	\$307.0m	\$150.0m	0	0	0	0
Total managed stock	17,311	16,756	16,824	16,875	17,005	17,393
Acquisitions	539	489	451	460	482	421
Constructions	420	620	520	510	508	658
Leased or renewed leased stock (not including SLB)	230	1,063	515	343	307	221
Sale of surplus stock	573	468	412	327	241	165
Revenue generated from sale of surplus stock	\$136.0m	\$111.4m	\$109.3m	\$69.2m	\$68.4m	\$42m
Sale and Leaseback Program (properties)	1,061	891	699	844	761	634
Revenues generated from Sale and Leaseback Program	\$338.3m	\$322.7m	\$246.9m	\$353.6m	\$315.7m	\$265.1m
Contracted maintenance to DHA houses	\$33.6m	\$32.2m	\$29.5m	\$32.0m	\$33.6m	\$30.8m
Number of relocations	32,256	30,378	30,809	32,130	33,073	34,608
Peak posting cycle pre-allocation rate	72%	75%	70%	72%	72%	85%
Total staff	779	781	687	689	697	697

Notes:

1. The 2007-08 EBIT result includes \$31.3 million of state tax equivalent payments. In previous years these payments were included as part of DHA's dividend payment to shareholders and were therefore reported below EBIT. Adjusting for this change to disclosure, on an equivalent prior year basis, the result for 2007-08 would have been \$130.0 million.
2. The 2007-08 result of \$75.6 million excludes income tax payable as DHA became an ATO Tax Entity on 1 July 2007. On an equivalent prior year basis, the result for 2007-08 would have been \$99.32 million.



Value for Money for Clients

37 _ Services to Clients





Objective

Provide value to Defence and other clients.



KEY PERFORMANCE INDICATOR	2007–08 TARGET	2007–08 ACHIEVEMENT
Per cent change in DHA rents versus change in market rents	≤ 10 per cent	9.6 per cent
Stock provisioned for client against agreed provisioning plan	± 5 per cent	4.4 per cent
Vacancy rate for Defence-owned and annuity houses off-base and available for occupancy	≤ 5 per cent	4.4 per cent

* Note: These results are adjusted for one-off changes to disclosure requirements in respect of State tax equivalent payments.

Major outcome

1. The NHCP was implemented with minimum disruption to service levels, achieving a longstanding Defence objective to reshape the basis on which member entitlements are determined.
2. Rent movements for DHA's houses under management were well within the market movement, giving DHA a competitive edge in providing greater value for money for clients.
3. Average vacancy rates were below target, reflecting DHA's focus on operational effectiveness.

Services to clients

DHA continues to provide high-quality and value-for-money services to its two clients, the Department of Defence and the Australian Customs Service.

Agreements with Defence

Services Agreement on Housing and Related Requirements

The DHA relationship with Defence is broadly managed under the provisions of the Services Agreement, a long-term agreement that came into effect on 1 July 2006. It provides a sound basis for dealing with the myriad of issues facing the two agencies in the delivery of housing and related services to ADF members. In particular, it has facilitated appropriate joint responses to short notice demand for new housing due to the expansion of the Army, especially in locations such as Wagga Wagga, the home of Army recruit training.

Liaison and consultation with the Department of Defence

Defence and DHA worked together on a major rewrite of the Housing Management Instructions (HMIs) that are used as guidance by field staff engaged in the delivery and oversight of housing and related services. The new edition of the HMIs became effective on 1 March 2008 and reflects significant innovation in the way the Defence/DHA relationship is managed in the field.

Relocations Services Agreement

Under the Relocations Services Agreement, DHA currently provides the full suite of relocations services to ADF members. During 2007–08, DHA has consistently achieved Key Performance Indicator (KPI) targets for customer satisfaction with significant improvements recorded in complaints management and ‘finding a home’. DHA has also worked with Defence to better understand the opportunities presented by the expected market testing of the Relocations Services Agreement following expiry of the current agreement in July 2010.

Containing costs to the Department of Defence

Total provisioning for Defence in 2007–08 was 16,739 houses against a total provisioning target of 16,782. This provisioning was matched by classification to the approved target with a variance of only 4.4%; an excellent result considering the impact of the reclassification of the entire portfolio under NHCP. Vacancy management arrangements under the new Services Agreement are designed to encourage DHA to actively manage vacancies. In this regard, DHA was successful in limiting its vacancy level to 5.5%. For Defence owned and annuity service residences off-base, DHA was able to achieve a 4.6% vacancy level during 2007–08, against a contracted target of 5%.

Heritage housing

The ongoing management of heritage properties requires the preparation of conservation and heritage management plans to assist Defence to meet its obligations under the *Environmental Protection and Biodiversity Conservation Act 1999*.

DHA manages more than 70 properties for Defence that are either heritage listed or part of a heritage precinct. DHA has prepared a heritage register that identifies these properties. Together with Defence, DHA has implemented a Heritage Management Framework that enables DHA to care for these properties with due regard to their heritage value.

The most significant projects undertaken in 2007–08 are described below.

ANGELSEA BARRACKS

Established in the early 1800s, Anglesea Barracks, Hobart, is the oldest military establishment still occupied by the ADF. The initial role of the Barracks was to provide military security for the convict settlement and the civilian population within the penal colony.

Heritage upgrades at Anglesea Barracks involved the restoration of the Commander's residence (the former hospital) and the original Married Quarters. The replacement of materials, such as pressed metal ceilings, brickwork and stairs, were closely matched to the original in order to retain the colonial style architecture of the 1800s. The total cost of the Anglesea Barracks refurbishments was \$1.8 million.

SPECTACLE ISLAND

In September 2007, restoration work commenced at Spectacle Island on Sydney Harbour. Originally chosen for the storage of explosives, Spectacle Island is used as a Naval Repository for decommissioned and historical objects, and remains the oldest naval explosives manufacturing and storage complex in Australia.

Significant structural repair work was undertaken to the sandstone walls of the Commander's residence. The residence also received a complete internal and external repaint, new carpet, repolished timber floors and other minor works.

Asbestos management

The National Occupational Health and Safety Code of Practice for the Management and Control of Asbestos in Workplaces [NOHSC: 2018 (2005)] recommends that all agencies in control of residential properties should develop an asbestos management plan, conduct risk assessments of properties under their control and record all findings in an asbestos register.

To meet these obligations, DHA has undertaken a review of all asbestos materials in the DHA housing portfolio. DHA engaged selected asbestos industry consultants to undertake a comprehensive evaluation and risk assessment of materials in the dwellings. All information has been collated in an online database.

Detailed policies and procedures have been developed to minimise potential risks to tenants, staff and contractors. These are regularly reviewed and updated to reflect changed circumstances or legislative requirements.

Defence HomeOwner Scheme

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

During 2007–08, a competitive tender process was conducted by Defence to select the administrator for both the Defence HomeOwner Scheme and the new Defence Home Ownership Assistance Scheme (DHOAS). DHA was not successful and has transitioned out of the role as at 30 June 2008.

During 2007–08 however, DHA continued to manage the Defence HomeOwner Scheme on behalf of the Department of Defence. DHA's role was to handle inquiries about the benefits of the Scheme, to assess eligibility and to manage subsidy arrangements.

Accessing the benefits of the Scheme involved a two-stage process:

- serving and former members apply for an Entitlement Certificate that certifies their general eligibility for benefit; and
- if successful, certificate holders apply for the subsidy payment when a bank loan is approved.

During 2007–08, a total of 801 applications for Entitlement Certificates were received by DHA and 770 Entitlement Certificates were issued. The number of Entitlement Certificates issued was much lower than the previous year and is mainly attributable to members awaiting the introduction of the new DHOAS. There were 610 applications for Payment of Subsidy received, 597 of which were approved. There were on average, just under 6,500 subsidy recipients each month, and as at 30 June 2008 a total of \$11.5 million had been paid in subsidy payments.

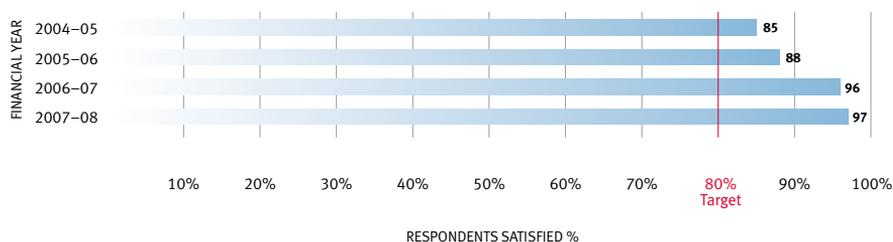
There were no complaints from ADF members regarding the administration of the Scheme.

Australian Customs Service

Since 2001, DHA has provided residential property management services to the Australian Customs Service. The services relate to more than 100 houses primarily situated in remote locations around Australia. The relationship with Customs is strong and has been effective in shaping DHA's response to a significant increase in demand for housing in remote locations associated with the Australian Government's border security initiatives.

Customs Officers' satisfaction with DHA's maintenance service overall remains strong, with tenants being satisfied with 97% of 212 work orders nationally. Results for overall satisfaction are presented below. Sample sizes in past years ranged from 201 to 323.

Overall Customs Officer satisfaction with DHA's maintenance service, 2004–05 to 2007–08



Lessor Management

43 _ Servicing Lessors and Investors





Objective

Attract and retain lessors and other investors.



KEY PERFORMANCE INDICATOR	2007-08 TARGET	2007-08 ACHIEVEMENT
Percentage of lessors satisfied with lease terms	90 per cent	95 per cent

Major outcome

1. The individual Sale and Leaseback offer was adjusted in response to market conditions providing additional incentives to attract investors.
2. Business-to-business marketing of the Sale and Leaseback Program was launched.
3. Refreshed investor website was launched.

Servicing lessors and investors

DHA's lessors play a vital role in enabling DHA to provide quality housing for ADF members and their families. Leased properties make up around 63% of DHA's Australia-wide property portfolio. During 2007–08, DHA continued to develop its direct leasing and Sale and Leaseback programs, representing approximately 11,000 leased properties.

DHA has sales representatives located in offices in Sydney, Adelaide, Brisbane, Canberra, Melbourne and Perth dedicated to assisting investors seeking DHA investment properties. DHA staff in HMCs around Australia are responsible for day-to-day management of all leased properties. Financial services to lessors and rental revaluations are managed centrally from Canberra. Freecall 13 and 1800 numbers are provided to allow prospective investors and lessors to contact DHA.

Leasing programs

As DHA is a Government Business Enterprise, other property investments usually cannot match the security of income DHA provides including zero vacancy risk and guaranteed income for the term of the lease. DHA's property management and maintenance service is mutually beneficial to investors and Defence tenants ensuring high quality housing is achieved.

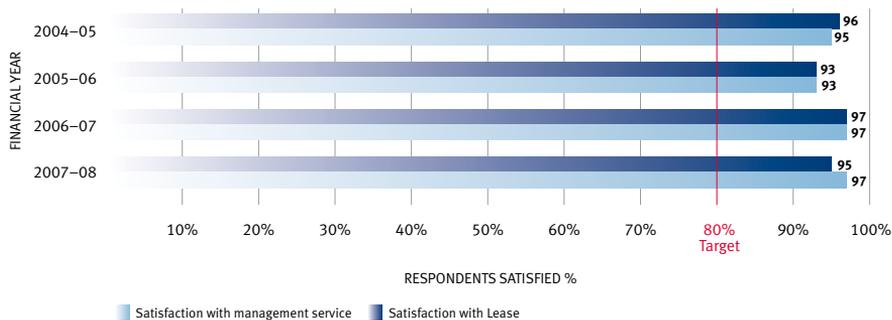
Key features of a DHA lease are:

- a long-term agreement (between three and 12 years);
- rent paid from the date of settlement until the end of the lease;
- annual rent reviews to market valuation;
- zero vacancy risk for the term of the lease;
- property management and maintenance for a single fee; and
- the property returned in good condition (subject to normal wear and tear) at the expiry of the lease term.

Satisfaction with DHA's ongoing management of leased properties is measured by an annual lessor survey. Since surveying began in 2004, satisfaction with lease terms and with overall property management has consistently been above the target of 90%. Lessors' positive view of DHA is also demonstrated by the fact that this year 1,640 lessors (92%) indicated that they would recommend investing in a DHA property and 1,334 (75%) said they would be likely to purchase another DHA property in the future.

The 2007–08 DHA lessor survey also indicated that 61% of respondents (1,102) had contacted DHA within the preceding 12 months. For those who also provided ratings of customer service, satisfaction with accessibility to DHA staff remained high but was slightly lower in 2008 (92% of 1089 respondents) when compared with 2006 (95% of 1,201). However, results from 2007–08 in terms of satisfaction with staff courtesy and helpfulness (96% of 1,090), staff knowledge (94% of 1066) and timeliness of response (88% of 1088) were similar to those from 2006–07. Lessors were significantly more likely to be satisfied with the outcome of the revaluation in 2008 (85% of 1,775) than in 2006 (79% of 1,671).

Satisfaction with lease terms and property management, 2004–05 to 2007–08



Satisfaction with value for money of the property management fee (89% of 1,780 respondents), feedback from annual property inspections (91% of 1,776) and the maintenance service (94% of 1,766) exceeded the KPI target of 80%.

Sale and Leaseback Program

In 2007–08, DHA continued to focus on selling owned, acquired and newly constructed properties to private investors under the Sale and Leaseback Program. Properties are sold with a long-term lease to DHA and are available in locations around Australia where housing is required for ADF members. In 2007–08, the individual Sale and Leaseback Program delivered 634 sales generating \$265.1 million in revenue.

DHA conducts an ongoing survey of investors who recently purchased a property through the Sale and Leaseback Program. This year's post purchase survey continued to achieve outstanding satisfaction levels, with 99% of 277 respondents reporting that they would recommend investing in a DHA property and 92% indicating that they were likely to invest with DHA in the near future.

Direct leasing program

Each year DHA leases properties directly from private owners. Like all DHA housing, directly leased properties must meet Defence requirements in terms of location, size, accommodation and inclusions (which may include amenities not commonly available in private-market rental properties). As with the Sale and Leaseback Program, DHA provides property-management and maintenance services to the lessor as part of the lease agreement.

In 2007–08, DHA leased 87 properties directly from private lessors. During the year DHA exercised options on 812 leases and 134 leases were renewed following the expiry of the original lease agreement. During the period, 75% of direct leases were initiated with six-year lease terms and included an option period to enable DHA to extend the lease at its discretion.

Websites

DHA hosts two websites providing information on residential investments and property leasing.

invest website (www.invest.dha.gov.au)

A refreshed version of this website, which is dedicated to investment opportunities under the Sale and Leaseback Program, was launched in the first half of 2007–08, in line with DHA's refreshed brand. The website outlines DHA's leasing arrangements; provides property descriptions, photos, floor plans and a map of each property listed for sale; and, provides a number of tools and additional information resources. Investors can register to receive property sale alerts, newsletters and other promotional material via email.

Direct leasing website (www.dha.gov.au)

This website has a dedicated section for private investors to source information about DHA's direct leasing program, and a link to DHA's invest website. The website provides information about DHA's direct leasing arrangements and includes a list of current leasing requirements by region. Prospective lessors can offer their property to DHA by completing and submitting an online questionnaire.

Events and advertising

Business-to-consumer

New advertising campaigns launched in late 2006–07 continued to evolve and be adapted in 2007–08. Mainstream media, including press, radio and online advertising were the most common channels used. Advertising efforts were successful in increasing brand awareness and driving traffic to the invest website.

During 2007–08 DHA hosted information sessions for prospective investors in most capital cities and many regional centres throughout Australia. Remote areas of South Australia and Western Australia, where mining activity is prevalent, were also visited. The sessions are designed to provide an overview of DHA, the benefits of the DHA lease, and the type and location of properties available for sale. Formal and informal question and answer sessions are a vital part of this marketing strategy.

Business-to-business

For the first time, in 2007–08 DHA focussed marketing efforts on the business community, particularly professionals in the banking, finance, financial planning and property industries. Promotion was centred on business forums hosted by DHA in Sydney, Melbourne and Brisbane. These provided information about DHA's Sale and Leaseback Program, and included guest presentations by Chris Richardson, Director of Access Economics, and Ken Atchison, Managing Director of Atchison Consultants. Business-to-business marketing will continue to be a focus of DHA's marketing activities in 2008–09.

Commercial Operations





Objective

Operate commercially, efficiently and innovatively.



KEY PERFORMANCE INDICATOR	2007–08 TARGET	2007–08 ACHIEVEMENT
Satisfaction with customer service		
– Relocations	80 per cent	95 per cent
– Maintenance	80 per cent	92 per cent
Good working relationship with Defence	Satisfactory result in survey	Met (88 per cent)
Business Line Earnings before Interest and Tax *:		
Property Management	\$10.2m	\$24.3m
Relocations and allocations	\$ 0.3m	\$2.5m
Investment Management	\$44.7m	\$50.1m
Property Development	\$41.7m	\$15.4m
Financing	\$10.4m	\$14.1m
Sub-Total	\$107.3m	\$106.4m
Corporate	\$(8.1)m	\$(7.3)m
Total	\$99.2m	\$99.1m

* Targets adjusted for one-off changes to disclosure requirements for 2007–08 in respect of state tax equivalent payments.

Major outcome

1. DHA finished the year in a strong financial position. DHA met its overall financial performance targets and retains sufficient financial resources to effectively meet the challenging business environment ahead.
2. Following a two-year trial, the Minister for Defence Science and Personnel has approved the engagement of DHA to provide off-base housing for ADF single members in Darwin.

Sustainability

DHA is committed to living its corporate values: respect, excellence, integrity, enthusiasm and innovation. These values are the foundation of DHA's commitment to environmental, social and economic sustainability through its business practices particularly in respect of the property development life cycle.

The principles of sustainable development have been incorporated into DHA's decision making systems and processes as required under the *Environmental Protection and Biodiversity Conservation Act 1999*.

Environmental

Development and construction

DHA has adopted environmentally sustainable practices in accordance with the Nationwide House Energy Rating Scheme, the Commonwealth Energy Policy, and the Building Code of Australia. Additionally, DHA homes are designed and constructed in line with community standards and comply with local government codes of practice and related requirements.

To minimise energy and water use over time, DHA takes a multi-faceted approach. Passive solar performance is optimised in the house design and in the orientation on the house allotment. Fixtures and fittings are selected having regard for energy and water efficiency and typically are 5 star and AAA rated. Gardens are designed to require only low water use and maintenance, and feature a range of plant types including natives, thereby fostering biodiversity.

DHA ensures that its newly constructed estates comply with relevant environmental laws and standards. Independent consultants are engaged to conduct studies into potential adverse impacts on flora and fauna, heritage and fire risk. Any negative impacts are mitigated throughout the design and development phase.

Corporate

DHA has embarked on a deliberate strategy of reducing its carbon footprint through the widespread adoption in its offices of such initiatives as paper, packaging and cardboard recycling, and the recycling of toners, print cartridges and waste containers through Planet Ark. Where operationally viable, DHA purchases energy-efficient equipment including energy saving light bulbs. To align energy usage with staff work patterns, the lighting and air-conditioning of DHA's Head Office is electronically controlled. DHA also uses recycled paper and environmentally friendly materials in its customer relocation packs and other publications.

Social

The achievement of DHA's ambitious goals is only possible through the hard work and dedication of its staff. Therefore DHA seeks to build congenial and supportive workplace environments where staff are engaged and satisfied. Recognising and rewarding outstanding performance is encouraged at all levels. Challenging work opportunities are available around Australia and DHA remains focused on supporting its staff in their career progression.

DHA operates in every state and territory in Australia and proudly supports local communities. As an active member of the Defence community, DHA also maintains strong relationships with support and advocacy organisations to ensure that services provided by DHA satisfy the broader needs of the ADF.

DHA sponsorship

Under its community relations sponsorship program, DHA provides support to a number of Defence community projects. During 2007–08 this program provided grants and donations to a number of projects totalling \$65,500.

Defence Families of Australia (DFA)

This sponsorship assisted DFA to purchase laptop computers for DFA staff in each state and territory, and to build a website portal allowing ADF families across Australia to access important information.

Defence Community Organisation (DCO)

The DCO provides a range of individual and program related services to the ADF community. DHA sponsors the DCO family days, which provide families an opportunity to meet and relax together.

Defence Christmas Treat

The Defence Christmas Treat is an annual event held at RAAF Base Richmond over two days, providing entertainment, music, and a sideshow alley. DHA contributed \$5000 in December 2007.

Construction industry awards

DHA sponsored the 2007 Construction Industry Training Council/NRMA Insurance Graduating Apprentice and Industry Encouragement Awards. DHA Managing Director, Michael Del Gigante, presented the award for the Outstanding Woman in a Non-traditional trade category.

National Breast Cancer Foundation

The National Breast Cancer Foundation raises awareness of the need for further research into breast cancer. DHA contributed \$2,500 to this campaign during 2007–08.

Other activities

- 8/12 Medium Regiment "Gunner Bear" fundraising for Royal Darwin Hospital;
- Australian Defence Force Charity Ball, Brisbane;
- Telstra Business Women's Awards;
- Legacy 2007 National Conference, Townsville;
- Dragons Abreast, Dragon Boat Regatta, Canberra;
- RAAF Base Amberley Christmas Treat, Amberley;

- 2007 Australian Defence Force Volleyball Competition, Wodonga;
- Services Day Golf Tournament, Canberra;
- RAAF Base Williamtown Christmas Treat, Newcastle;
- Support of Swanbourne Primary School;
- WA Army Cadets, Perth;
- Legacy Open Day, Canberra;
- Defence Forces Cup Day, Canberra;
- Circus Quirkus Show for Special Needs Kids, Wodonga; and,
- Defence Community Organisation family days in Brisbane, Townsville and Sydney

Economic

DHA procures a wide range of goods and services to support its operations and does so in accordance with the objectives of government policy. Staff responsible for the procurement of goods and services are supported and empowered through accurate and timely consultancy advice provided by DHA's National Contracts team, ensuring that procurement activities:

- achieve value for money;
- encourage competition;
- are efficient, effective and reflect the ethical use of resources; and
- are accountable and transparent.

Customer service

The Customer Service Institute of Australia (CSIA) is Australia's peak customer service organisation. The CSIA offers evaluation and certification by licensed assessors against 29 International Customer Service Standards. Certification provides independent recognition of the quality of customer focus across the organisation (service, financial, operational, and learning and growth), and is a recognised benchmark in both the public and private sectors.

After the CSIA audit in 2007–08 DHA achieved an average score of 6.0 for the 29 attributes assessed. A score of 6 to 10 indicates that the organisation has integrated this attribute/criterion into everyday operations. CSIA said that DHA was on its way to becoming a leading customer service organisation. DHA's third assessment will occur in 2008–09.

Communicating with customers

DHA communicates with customers using a mix of general and targeted approaches. Communication and marketing materials are used to inform ADF members and their families of the range of services available and how to access them. DHA maintains a range of hardcopy publications and online information products, designed to assist customers to understand and access housing and relocation services. Hardcopy publications are distributed via the HMCs and stakeholder groups such as the Defence Special Needs Support Group, Defence Families of Australia and Defence Community Organisation. Information about DHA's products is also available on DHA's website and distributed to its customers via email.

DHA also interacts with its customers:

- face-to-face through DHA representatives at both current and gaining localities;
- via telephone (with both business and emergency after-hours numbers); and
- via e-mail.

DHA's People

55 _ DHA people

64 _ Governance

70 _ Board Members

73 _ Executive Structure

74 _ DHA Executive





Objective

Attract, develop and retain commercially minded, customer focused staff.



KEY PERFORMANCE INDICATOR	2007-08 TARGET	2007-08 ACHIEVEMENT
Retention of commercially minded, customer focused staff	>75 per cent	82.49 per cent
% salaries spent on training of DHA staff	>0.80 per cent total salaries	1.45 per cent

Major outcome

1. To enhance and promote work/life balance, DHA introduced additional flexible working arrangements for staff, including a rostered day off that allows staff to have regular paid absences from the workplace.
2. DHA's commitment to best practice Occupational Health and Safety (OH&S) has resulted in a 50% decrease in compensation claims for 2007-08 when compared with 2006-07. This decrease in claims was reflected in a reduction in DHA's insurance premium by 20% and represents an annual saving of approximately \$93,500.
3. DHA continued to review and improve its suite of payroll practices, processes, procedures and systems. DHA's controls were recognised in the bi-annual internal payroll and HR systems audit which reported no specific findings and did not identify any areas for improvement.
4. Several major enhancements to DHA's HR management information system were developed , increasing DHA's database of HR and payroll information, and improving reporting capability.
5. To improve records management security and efficiencies, a significant upgrade of DHA's Total Records Management System was successfully implemented.

DHA people

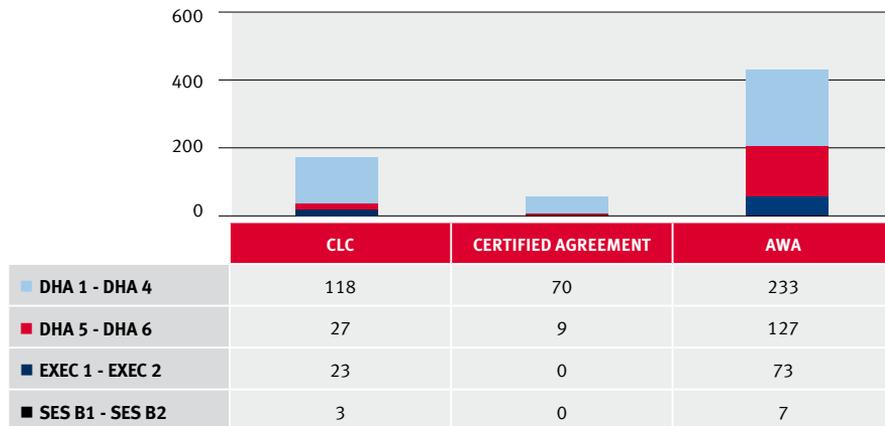
In 2007–08, DHA implemented a number of initiatives to improve the management and support of DHA’s most valuable resource, its people.

Staffing profile

Staff are employed under competitive pay and employment conditions provided via an individually negotiated Common Law Contract (CLC), Australian Workplace Agreement (AWA) or the DHA Certified Agreement 2004-07 (Certified Agreement).

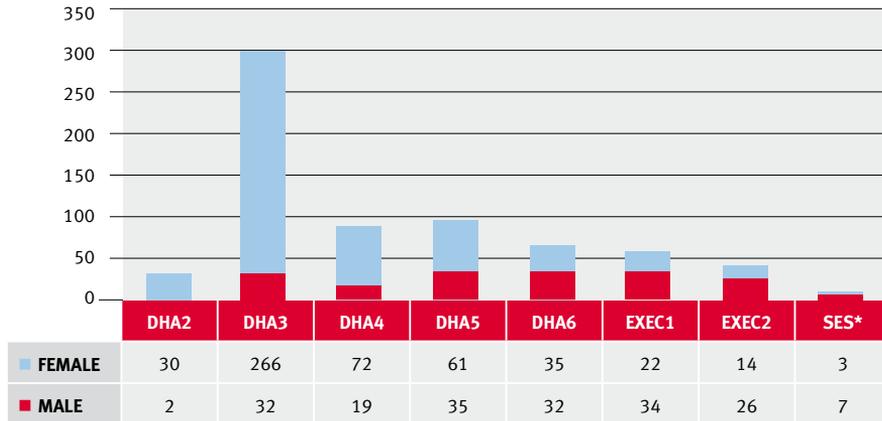
New employees to DHA are engaged by either a CLC or the Certified Agreement. The majority of DHA employees continue to have their remuneration and conditions of service covered by an AWA.

DHA Staff by Agency Agreement and Classification at 30 June 2008



As at 30 June 2008, the number of staff employed under an individual CLC was 171 and the number of staff employed under an AWA was 440. In addition, the Certified Agreement covered 79 staff members.

DHA Staff by Classification and Gender at 30 June 2008



* Senior Executive Service (SES) figures include one female and two males classified at the SES band 1 level, one female and four males classified at the SES band 2 level, and one female and one male at the SES band 3 level.

At 30 June 2008, the total number of staff engaged by DHA under the Public Service Act 1999 was 690 of whom 125 were employed on a non-ongoing basis. DHA staff are selected on the basis of merit and with due regard to the principles of workplace diversity.

Remuneration conditions

The Certified Agreement remuneration comprises salary payments, employer superannuation contributions, performance bonuses and performance based increments.

The DHA CLC and AWA provide staff with a competitive remuneration and employment conditions package that is flexible and consistent with the value DHA attaches to the staff member's skills, qualifications, knowledge and other attributes. These include access to performance bonuses, choice of superannuation arrangements, and in some instances special allowances.

All staff have access to salary sacrifice arrangements and generous leave provisions.

Additional bonuses and allowances

DHA recognises those staff with specialist skills, experience and qualifications by including a skills allowance in their remuneration package. The skills allowance assists with attracting new candidates, improves retention, provides continuity of corporate knowledge and ensures capability is maintained.

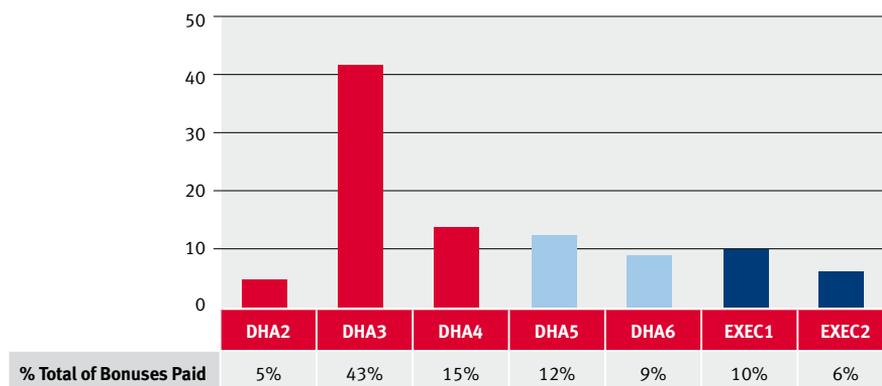
DHA has continued the retention bonus program for staff employed in the Northern Territory which, due to the transient nature of the region, had a higher turnover compared to other DHA regions. The program is designed to retain skilled staff members during the peak posting period from October through to February each year. In January 2008, 50% of Northern Territory staff received a full retention bonus for achieving more than 18 months continuous service with DHA.

Performance bonus

DHA performance bonus payments are based on each staff member's achievements against their annual performance development agreement and in line with DHA's performance management framework. The framework is designed to enhance individual and organisational performance towards achieving corporate objectives.

In August 2007, 88% of eligible staff employed on an AWA received a performance bonus. The chart below shows a breakdown of these bonuses by DHA classification. Of the performance bonuses received, 63% were paid to staff at DHA levels 2 to 4.

Breakdown of Performance Bonuses paid as at 30 June 2007



DHA also provides staff with the option to salary sacrifice their performance bonus into an approved superannuation fund of their choice.

DHA Remuneration Ranges, all Classifications

CA/CLC/AWA CLASSIFICATIONS	2007-2008	
	MINIMUM OF RANGE	MAXIMUM OF RANGE
DHA Level 1	\$29,834	\$38,120
DHA Level 2	\$38,943	\$44,450
DHA Level 3	\$43,861	\$49,990
DHA Level 4	\$48,463	\$59,540
DHA Level 5	\$54,343	\$68,150
DHA Level 6	\$57,803	\$78,090
Executive Level 1	\$72,020	\$88,030
Executive Level 2	\$84,060	\$102,740

New Collective Agreement

In March 2008 a Collective Agreement sub-committee (CASC) was elected by staff to negotiate the new DHA Collective Agreement (CA) in conjunction with the Staff Consultative Group (SCG).

DHA has encouraged all staff to participate in the CA negotiations and, in conjunction with the SCG and CASC, has conducted numerous staff workshops and focus groups nationally. These were conducted to ensure that all DHA staff had an opportunity to provide input into the terms and conditions that will be included within the new CA.

Best practice recruitment program

During 2007–08, DHA has worked closely with managers to improve its recruitment program, focusing on simplifying recruitment practices and enhancing recruitment advertising. The improvements to the program have enabled DHA to continue to attract and recruit suitable staff in a tight labour market.

Work/life balance

DHA continues to have many benefits in place to assist staff in achieving a work/life balance. DHA values the contribution of staff members and in return is able to offer support in several areas.

Entitlements available to staff include:

- flexible working arrangements, including a rostered day off initiative that allows staff to have regular paid absences from the workplace;
- one week of paid special leave annually; and
- financial assistance for staff members who utilise approved care options for their children during school holiday periods.

Special leave

Special leave is used by staff for a variety of reasons including emergency situations, moving house and family orientated activities such as attending school sporting events and assemblies, and graduation ceremonies.

One of the unique aspects of DHA's special leave arrangements is that staff who do not utilise their full entitlement each year benefit by receiving cash out of their remaining balance.

Having access to this special leave is popular with staff. In 2007–08, 67% of staff had received some form of special leave cash out and 45% of staff utilised some or all of their special leave entitlement.

Rewards and recognition

To acknowledge and show appreciation for the outstanding contributions of staff, DHA has in place a range of individual and team-based awards. These awards reflect the commitment, professionalism and outstanding achievements of the recipients, and recognise the wide range of skills and expertise available among DHA staff.

The DHA awards include:

- service awards for loyal and committed staff who have achieved five, 10, 15 and 20 years of DHA service; and,
- annual DHA Awards for Excellence, rewarding high-performing business units and individuals.

DHA Annual Awards for Excellence, 2007

DHA Employee of the Year Kristy-Lee Cooke (Townsville HMC)

Business Unit Recipients

BUSINESS UNIT	AWARD RECIPIENT
Business Solutions and Technology	Stacey Corkhill
Client Relations	Kevin Southgate
Development and Construction	Hoa Luu
Finance	Ljubica Siljanovska
Operations	John Petrelli
People and Corporate Resources	Carolyn Jasnos
Sales and Marketing	Paula Hollis
Northern Territory Region (Darwin HMC)	Dorreyelle Carmody
North Queensland Region (Townsville HMC)	Kristy-Lee Cooke
South Queensland Region (Brisbane HMC)	Robyn Munt
Sydney HMC	Judy Smith
Hunter HMC	Nicole Masters
Southern Region (Melbourne HMC)	Karen Gleeson
South West Australia Region (Adelaide HMC)	Vicki James
South West Australia Region (Perth HMC)	Clint Carlson
Canberra HMC	Veronica Wells

Business Unit of the Year Awards

AWARD DESCRIPTION	AWARD RECIPIENT
Best Performing Regional Unit	Riverina Region
Operational Business Unit Improvement	Sydney Region
General Manager, Operations – Team Award	Hunter Valley HMC
General Manager, Operations – Team Award	Nowra HMC
Head Office Business Unit Improvement Award	Business Solutions and Technology
Head Office Business Unit Improvement Award	Operations
Head Office Business Unit of the Year	Sales and Marketing



Learning and development

DHA is committed to providing relevant and cost-effective development opportunities to meet the needs of its staff and the organisation.

In 2007–08, DHA invested \$612,792 in staff training. This investment represents 1.45% of total salaries paid and includes expenditure on the following:

- online training to provide staff across Australia with access to DHA specific training courses that are self-paced, interactive and user-friendly;
- studies assistance as part of DHA's planned approach to staff development, offering staff the opportunity to undertake further professional and technical studies; and,
- coaching programs tailored to meet individual staff member's professional development needs, and designed to develop high-quality leaders who challenge and inspire staff.

Business support workshop

A successful business support workshop was held in Canberra in April 2008 with nine participants attending, representing Queensland, Melbourne, Sydney, Adelaide and Canberra. The annual workshops are highly regarded by the Business Support Managers and key administrative staff members who represent their business unit. The workshops present an excellent networking and educational opportunity for the staff involved.

This year, in addition to discussing the recent workplace legislative changes, several new HR developments were presented including DHA's 'new look' advertising, selection processes, the introduction of online induction and a general overview of other business support requirements. To provide Business Support Managers with a complete and informative overview of important DHA objectives, speakers representing Finance, Corporate Support and Business Services delivered presentations.

Occupational Health and Safety

DHA is committed to providing a safe and healthy workplace for all employees and visitors. Its occupational health and safety (OH&S) program includes up-to-date guidelines on safe working practices, annual assessments of work environments, and staff awareness of OH&S issues and programs.

By educating DHA staff on OH&S issues and regularly assessing its workplace procedures and practices, DHA has raised the health and safety standards of its workplace, resulting in a reduction in incidents and worker's compensation claims.

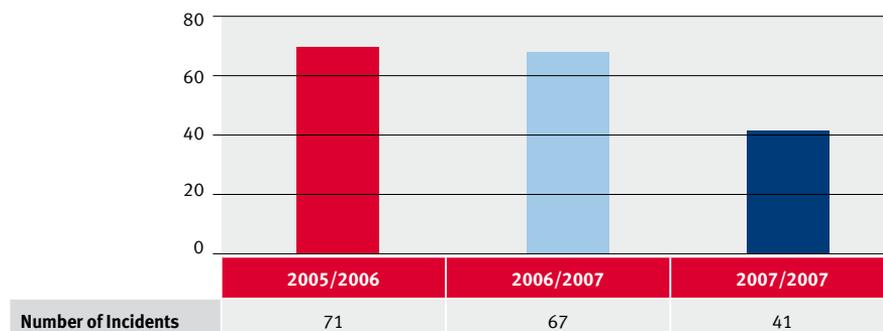
DHA supports safe working practices and OH&S programs and initiatives, through the effective use of the National OH&S Committee, first aid officers, and health and safety representatives. Qualified first aid officers, health and safety representatives, workplace harassment contact officers and emergency wardens receive a fortnightly allowance to recognise the additional training and responsibilities required for these important roles.

To assist staff at times when an independent counsellor may be of benefit, DHA also offers an Employee Assistance Program which provides free confidential professional counselling services to staff and their families. The service is available 24-hours-a-day, seven-days-a-week, nationally.

Incident reports

In 2007–08, a total of 41 OH&S related incidents were reported, which is a 39% decrease on the previous year. This trend is also reflected in a significant decline in both worker compensation claims and insurance premiums from the previous year.

Occupational Health & Safety Incidents



Workers' compensation

Comcare accepted liability for seven out of the nine claims for workers' compensation determined in 2007–08. The number of accepted compensation claims has reduced by 50% from the 2006–07 year. This reduction has reduced DHA's insurance premium by 20% from the previous year, equating to a saving of approximately \$93,500.

OH&S directions, audits and investigations

No directions or notices under the *Occupational Health and Safety Act 1991* were given to DHA, and no OH&S audits or investigations were undertaken in 2007–08.



Security and emergency

As part of DHA's commitment to safety, an online training program for emergency wardens has been rolled out nationally to all business units. This provides staff with the necessary skills required to manage fire and emergency situations. In further recognition of DHA's commitment to improve staff safety, the introduction of local emergency management plans and emergency management meetings has assisted to ensure that DHA voluntarily complies with Australian Standard 3745 – Emergency control organisations and procedures for buildings structures and workplaces.

Other activities

Lease management

DHA maintains a portfolio of 35 leased sites occupying approximately 15,000 square metres with an annual rental of approximately \$5 million. The commercial property portfolio comprises 32 HMCs, one Head Office facility, and two sublet premises. The National Contracts team centrally manage DHA leases and undertake lease negotiations, rental payments, market rent reviews and provide general leasing advice.

Process improvements

The HR team has continued to review and enhance the payroll and HR system (Aurion) processes, practices and procedures by ensuring accurate and timely processing and output. DHA's best practice controls were recognised in the independent bi-annual internal payroll and HR systems audit which reported no specific audit findings. The audit report highlighted that DHA has achieved significant improvements in its payroll processes since the last audit in 2004–05.

A number of enhancements to DHA's HR management information system were successfully implemented during 2007–08. The system improvements include:

- the implementation of a package management module that has an accurate and complete database of all DHA employee remuneration package details;
- the setting up of a facility to record and report upon employee conflict of interest information; and
- the configuration of a reporting tool to facilitate improved reporting capability.



Governance

DHA operates within a governance framework designed to ensure accountable business outcomes and enhanced organisational performance. The DHA Board makes decisions on DHA's direction and formalises the process for holding managers accountable and measuring performance.

Enabling legislation

Defence Housing Australia Act 1987

DHA is established under the *Defence Housing Australia Act 1987* (formerly known as the *Defence Housing Authority Act 1987*), and commenced operations on 1 January 1988. Under the Act, DHA's main function is to provide adequate and suitable housing for:

- members of the ADF and their families;
- officers and employees of the Department of Defence and their families; and
- persons contracted to provide goods or services to the Defence Force and the Department of Defence, and their families.

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

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

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

Commonwealth Authorities and Companies Act 1997

DHA also complies with the requirements of the Commonwealth Authorities and Companies Act 1997 with respect to:

- reporting to Ministers and Parliament;
- contents of the Annual Report;
- audit of DHA's financial statements by the Auditor-General;
- banking and investment powers of authorities;
- general policies of the Australian Government; and
- conduct of directors and officers, including the civil consequences of any breach of their duties by the directors and officers.

Planning Framework

How it is integrated

DHA has a tiered planning framework that cascades organisational plans from the Corporate Plan through to individual performance plans. This framework enables staff to translate high-level objectives into operational tasks.



Corporate Plan

DHA has a three-year rolling Corporate Plan that is updated annually. The process commences with environmental scanning, including collaboration with key external stakeholders. The Corporate Plan is based on a balanced scorecard in which objectives and strategies are developed. KPIs and targets enable the measurement of achievement against the objectives. The Corporate Plan is approved by the DHA Board and provided to DHA's Shareholder Ministers for noting.

A companion document, the Executive Management Plan, is prepared to set out the activities required to implement the strategies, and to allocate responsibilities for the activities and KPIs.

Business Plans

Each Business Unit develops an annual Business Plan, which incorporates all responsibilities from the Corporate Plan and Executive Management Plan, together with additional activities and measures linked to the budget relevant to that Business Unit.

Performance Development Agreements

Every staff member has a performance development agreement, setting out their individual responsibilities under the relevant Business Plan. The agreement also sets out training and professional development requirements.

Reporting framework

DHA's external and internal reporting is focused on the objectives set out in the Corporate Plan and associated KPIs, targets, budgets and forecast associated financial statements. Key initiatives and issues are reported where relevant.

Annual Report

The Annual Report sets out DHA's performance in delivering the objectives (as measured through KPIs) and strategies set out 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* and the *Public Service Act 1999*.

Quarterly reports to Shareholder Ministers

DHA provides a quarterly report to its Shareholder Ministers, setting out progress year-to-date in delivering the Corporate Plan, together with key initiatives and issues for the organisation.

Reporting to the DHA Board

The DHA Board receives regular reports on financial and other performance against Corporate Plan targets, together with papers on initiatives and issues as required.

Management reporting

Each Business Unit receives detailed financial and other performance data monthly, with some KPIs reported weekly. Ad hoc reports can be accessed as required. Each business unit reports progress monthly to the Managing Director. The executive management team monitors overall performance.



THE HON. JOEL FITZGIBBON MP

THE HON. LINDSAY TANNER MP

THE HON. WARREN SNOWDON MP

Shareholder Ministers

DHA sits within the Defence portfolio. During the 2007–08 financial year a Federal Election was held and Ministerial responsibility for DHA changed.

The DHA Board reports to the Hon. Joel Fitzgibbon MP, Minister for Defence, and the Hon. Lindsay Tanner, MP Minister for Finance and Deregulation, as Joint Shareholder Ministers of DHA. Mr Fitzgibbon has delegated responsibility for oversight of operational matters to the Hon. Warren Snowdon MP, Minister for Defence Science and Personnel.

Prior to the November election the DHA Board reported to the Hon. Dr Brendan Nelson MP, the former Minister for Defence, and the Hon. Peter Lindsay MP, the former Parliamentary Secretary to the Minister for Defence. Senator the Hon. Nick Minchin, the former Minister for Finance and Administration, was a Joint Shareholder Minister of DHA and had delegated management responsibility to the Hon. Gary Nairn MP, the former Special Minister of State.

CAC Act Compliance

Under section 12 of the Commonwealth Authorities and Companies (Report of Operations) Orders 2008, DHA is required to provide particulars of Ministerial directions issued under the DHA Act or other legislation, and also of general policies of the Australian Government notified by the responsible Minister under section 28 of the CAC Act:

- (i) during the financial year;
- (ii) since the end of the financial year; and
- (iii) continuing from previous financial years.

Where a direction or general policy reported under subclause (1) has not been fully complied with, the report is required to include an explanation of the extent of, and reasons for, the non-compliance.

DHA has received the following Ministerial directions under the DHA Act:

From the Minister for Defence Science and Personnel, the Hon. Warren Snowdon MP, dated 16 June 2008, directing DHA to provide services for the provision, management and maintenance of Members without Dependents Choice Accommodation, as described in the Australian Defence Force Pay and Conditions Manual, on a non-exclusive basis and in accordance with terms to be agreed with the Commonwealth of Australia (acting through the Department of Defence), being housing and housing-related services that are necessary in order to meet the operational needs of the Defence Force and the requirements of the Department of Defence.

From the Minister for Defence Science and Personnel, the Hon Warren Snowdon MP, dated 28 July 2008, directing DHA to provide housing allocations and tenancy management services to Members with Dependents, as described in the Australian Defence Force Pay and Conditions Manual, in accordance with terms to be agreed with the Commonwealth of Australia (acting through the Department of Defence), being housing and housing-related services that are necessary in order to meet the operational needs of the Defence Force and the requirements of the Department of Defence.

DHA is subject to the following general policies:

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

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

DHA has complied with the above-mentioned general policies of the Australian Government and will comply with the Ministerial directions when terms have been agreed with the Department of Defence.

DHA Board of Directors

During 2007–08 the DHA Board met 10 times. These meetings were held in Canberra. In addition, the members of the Board visited Darwin in July 2007 for briefings and a tour of key DHA development housing sites.

The DHA Board comprises nine directors:

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

Board Committees

Board Audit Committee

The Board Audit Committee is required to meet at least quarterly and reports to the full Board on its activities at least twice a year. During 2007–08, eight meetings of the Committee were held. The primary objectives of the Board Audit Committee are:

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

Nomination and Remuneration Committee

During 2007–08, the Nomination and Remuneration Committee met five times.

The functions of the Committee are to:

- advise Ministers on the skills and experience necessary for new directors;
- oversee and provide advice to the Managing Director on executive remuneration and overall remuneration strategies;
- assist the Board in relation to the review of the Managing Director's performance and remuneration; and
- ensure the provision of appropriate induction and continuing education programs for directors.

Property Committee

The Property Committee meets at least quarterly and on an ad hoc basis as required. During 2007–08, it met eight times. The key function of the Committee is to act in an advisory capacity to the Board on major property transactions. The roles 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; and
- assist in developing a standard format for Board reporting.

The Committee also reviews management proposals relating to:

- land purchases or disposals that require Board approval (over \$5 million);
- property projects that are environmentally or politically sensitive or carry a high level of risk; and
- any other property project, if requested to do so by the Board or management.

Meetings attended by DHA Board members

(number attended/number held while a board or committee member)

	RETIRED DURING 2007–08	BOARD	BOARD AUDIT COMMITTEE	BOARD PROPERTY COMMITTEE	BOARD NOMINATION & REMUNERATION COMMITTEE
No. of times board/committee met during 2007–08		10	8	8	3
The Hon. Peter V Jones	✓	3/6 Chairman		1/1	1/1 Chairman
Mr Wayne Stokes*	✓	10/10		8/8 Chairman	3/3
AVM Gary Beck AO (Rtd)		8/10			
Mr William Bowness		9/10		8/8	3/3
Ms Annabelle Chaplain	✓	7/9	5/7	7/7	
Mr Michael Del Gigante - Managing Director		9/10			
The Hon. W Lloyd Lange		9/10	7/8 Chairman		3/3
Mr Gary Potts		9/10	7/8		1/1
Mr Peter Sharp		10/10	7/8	6/6	

* Appointed Acting Chairman on 8 Feb 08 and as Chairman from 7 May 08 to 30 June 08

Board evaluation and review

The DHA Board has agreed that there should be regular reviews of its performance and processes.

The assessment also provides an independent confirmation that the Board, as a decision-making body, is working within the principles and practices of good governance as detailed in the Charter.

Board members

**THE HON. PETER V JONES**

AM FAICD

Chairman of the DHA Board

Mr Jones was appointed Chairman of the DHA Board on 15 June 2003, and was re-appointed on 23 November 2006. He resigned from the Board with effect from 7 February 2008. He was Chairman of the Nomination and Remuneration Committee and a member of the Property Committee.

Mr Jones was born in Tasmania, where he farmed until 1968 when he moved to Western Australia and continued his farming operations in the Great Southern Region of the state. Between 1974 and 1986, he was a member of the Western Australian Legislative Assembly, and served as a Minister in several portfolios including education, resources development, mines and energy. He has been associated with several government-owned trading enterprises, including the Western Australian Water Corporation, of which he was the founding Chairman and served for eight years until retiring in December 2002.

MR WAYNE STOKES

Mr Stokes was appointed as Interim Chairman of the DHA Board on 8 February 2008 and as Chairman for the period 7 May 2008 until 30 June 2008.

Mr Stokes originally joined the DHA Board on 25 June 2003 and was reappointed on 23 November 2006. He is Chairman of the Property Committee and sits on the Nomination and Remuneration Committee. Mr Stokes has more than 40 years experience in the Australian building and development industry, and has been a senior contributor to the industry through national roles with a range of professional bodies and government advisory boards. He has served the industry as National and State President of the Urban Development Institute of Australia and is a National and State Life Member of that organisation. His service to the Australian Government includes membership of the Board of the National Capital Authority and Chairmanship of the Indicative Planning Council for the Housing Industry (SA Division).

MR MICHAEL DEL GIGANTE

BCom (Hon) MCom MBA, FCPA, FICD

Managing Director

Mr Del Gigante was appointed Managing Director of DHA in August 2006. Previously he was Acting Managing Director.

Mr Del Gigante was appointed DHA's Chief Operating Officer in April 2004. Before joining DHA, he was Chief Executive Officer of TransACT Communications. Prior to this, he was Chief Financial Officer of ActewAGL, a large electricity, water and gas utility company in Canberra. Mr Del Gigante has held senior positions with the World Bank and the Inter-American Investment Corporation in Washington, DC. He has also held executive positions in a large US telecommunications company, Verizon (previously GTE), both in Europe and the United States, and for the Banco di Santo Spirito in Italy. He is also a member of the Advisory Board of the Royal Australian Mint.



THE HON. WILLIAM LLOYD LANGE

CPA

Mr Lange joined the DHA Board on 13 April 2006 and was reappointed on 4 December 2006. He is currently Chairman of the DHA Board Audit Committee and a member of the Nomination and Remuneration Committee.

Mr Lange has had extensive experience in public practice as an auditor and an accountant before entering the NSW Parliament, where he had a successful career spanning 20 years. He served as a Member of the Legislative Council, Shadow Minister for Mineral Resources and Energy, and Delegate to the Australian Constitutional Conventions in Hobart, Perth and Adelaide. He is also a Director of the Abigroup Risk Management Services Ltd and serves as a Member of Council for the University of New England.



AVM GARY BECK (Rtd)

AO GAICD

AVM Beck (Rtd) was appointed to the DHA Board on 23 November 2006 following his nomination by the Chief of the Defence Force.

AVM Beck (Rtd) chairs the legislated DHA Advisory Committee with membership including the Deputy Chiefs of the three Services. He is also an independent member of the Mental Health Council of Australia, and is patron of Tandem, an organisation providing respite to carers of the handicapped in the ACT. AVM Beck (Rtd) concluded eight years with the Department of Veterans' Affairs in a statutory appointment as Director of War Graves. He earlier concluded a 38-year career in the RAAF, with his final posting as Commandant Australian Defence Force Academy. His two prior senior Defence appointments were Air Commander Australia and Chief of Air Force Personnel.



MR WILLIAM BOWNESS

BCom, FCPA, FAPI, FAICD

Mr Bowness was appointed to the DHA Board in April 2006 and reappointed on 23 November 2006. He is a member of the Nomination and Remuneration Committee and the Property Committee.

Mr Bowness was the founder, Chairman and Chief Executive Officer of Melbourne-based property developer Wilbow Corporation Pty Ltd. The company was established in 1976 and subsequently opened branch offices in Brisbane, Queensland, Dallas, United States and Auckland, New Zealand. Wilbow Corporation was sold to a major public company in late 2006. Mr Bowness has made various contributions to the Melbourne community over the past 25 years. In 1998, he was appointed Chairman of the Monash Gallery of Art Committee of Management. In 2007, Mr Bowness was appointed a Director of Melbourne Affordable Housing Ltd, and was made a member of the Australian Grand Prix Corporation.

Board members

**MS ANNABELLE CHAPLAIN**

BA, MBA, FAICD

Ms Chaplain was appointed to the DHA Board on 24 February 2005 and sat on the Board Audit Committee and the Property Committee. Ms Chaplain's term expired on 22 May 2008.

Ms Chaplain is Chairman of Honeycombes Property Group Pty Ltd, Chairman of South East Queensland Water Corporation Ltd and a non-executive director of National Leisure and Gaming Limited and a number of private companies. Previously, she held directorships with Sunsuper Financial Services Pty Ltd, the Totalisator Board in Queensland, Ports Corporation of Queensland amongst others, gaining experience as a non-executive director in a range of industry sectors.

Ms Chaplain has more than 20 years experience in investment banking. She was until 2002 Local Managing Director and Head of Public Sector Client Management for ABN AMRO Australia Ltd and served on the Management Committee for Australia and New Zealand. Prior to taking on that role, she established ABN AMRO Australia's successful franchise in Queensland.

MR GARY POTTS

Mr Potts joined the DHA Board on 23 November 2006 and is a member of the Board Audit Committee and the Nomination and Remuneration Committee.

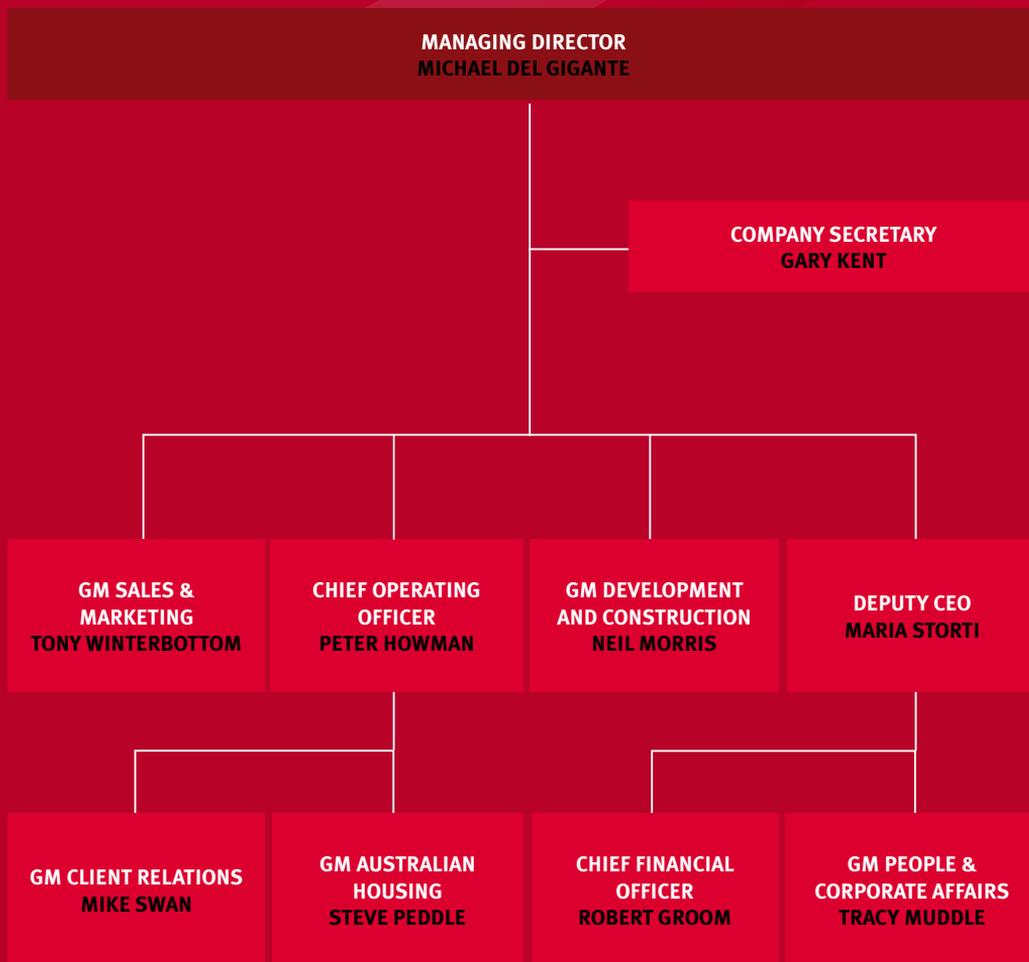
Mr Potts has more than 30 years experience in public policy and government operations. Until recently, he was a Commissioner of the Productivity Commission. Currently Mr Potts is a director of AGESt, a major public sector superannuation fund, and of Tuggeranong Office Park Pty Ltd. He is also Chairman of the Australian subsidiary of a foreign owned general insurance company. Prior to leaving the Australian Public Service in 2002, Mr Potts was an Executive Director and Deputy Secretary in the Australian Department of the Treasury.

MR PETER SHARP

Mr Sharp joined the DHA Board on 23 November 2006 and is currently a member of the DHA Board Audit and Property Committees.

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

Executive Organisational Structure



DHA Executive

**MS MARIA STORTI**

Deputy Chief Executive Officer

Ms Storti joined DHA in December 2007 as Deputy Chief Executive Officer. Prior to joining DHA Ms Storti worked within both the private and government sectors.

Ms Storti has significant breadth of experience in senior management and she is highly skilled in financial and strategic management. Most recently she was a partner with Ernst & Young in their business risk advisory practice. She has also held the positions of CFO of ActewAGL and Transact, and Director with Service One Credit Union. In 2004 Ms Storti was the winner of the ACT Corporate and Government Sector of the Telstra Business Women's Awards.

Key responsibilities include:

- Finance/treasury and risk;
- Corporate affairs;
- Board and Committee Secretariat;
- Legal;
- Strategic planning;
- Strategic projects;
- Internal audit;
- Shareholder relationship management; and
- Institutional Sale and Leaseback program.

MR PETER HOWMAN

Chief Operating Officer

Mr Howman joined DHA in late 2007, assuming the role of Chief Operating Officer. Prior to this appointment, he held the position of General Manager Commercial Systems for ADI/Thales. During this time, he developed and implemented improved strategies to grow their information systems software services business. He then moved on to develop and deliver significant new business opportunities in new markets, employing new technologies for ADI/Thales. Mr Howman has also held senior positions with HP – Federal Government, RLM Systems, Boeing, Rockwell, Siemens Plessey and the ADF. He brings to DHA more than a decade of experience in management, specialising in strategic development, delivering efficiencies, business growth and diversification.

Key responsibilities include:

- Overall responsibility for service delivery (operations);
- Strategic development;
- Business development/improvement;
- Information technology;
- Client relations; and
- DHA's capital program

MR NEIL MORRIS

General Manager, Development and Construction

Mr Morris joined DHA in December 2007 as General Manager, Development and Construction.

Directly prior to his position with DHA, Mr Morris held the position of Project Director with VicUrban, where he managed the development of many major projects including Werribee Field, a planned residential community of some 2,000 dwellings.

Mr Morris has held a number of senior positions in development organisations in Australia including Stockland Victoria, and the Urban and Regional Land Corporation. He brings to DHA more than 15 years experience in the development and construction industry.

Key responsibilities include:

- Facilitating the introduction of a commercial/property development culture at DHA;
- Delivery of DHA's Development and Construction Program;
- Project feasibility; and
- Sourcing of new property projects



MR TONY WINTERBOTTOM

General Manager, Sales and Marketing

Mr Winterbottom joined DHA in February 2006 as General Manager, Sales and Marketing. He has more than 19 years experience in his field, including five years based in Southern California as Director, Worldwide Marketing for a global technology company. He also managed profit and loss operations throughout Asia Pacific for the same company and has extensive business experience in Hong Kong, Japan, South Korea, China and South East Asia. Directly prior to joining DHA, Mr Winterbottom lead marketing for TransACT, a telecommunications provider in the ACT. He went on to manage all product development and residential sales for ActewAGL, an electricity, gas and internet retailer with the merged operation of these companies retail business areas.

Key responsibilities include:

- Marketing;
- Product development and management;
- Business development;
- Communication and media; and
- Sales and leasing

MR ROBERT GROOM

Acting Chief Financial Officer

Mr Groom joined DHA in September 2004 as Commercial Manager, Operations and transferred to Commercial Manager, Finance in 2005 before taking on the role of Deputy Chief Financial Officer, and then moving into the role of Acting Chief Financial Officer in early 2008. Mr Groom has more than 15 years experience in his field, including two years with TransACT as Manager Business Planning and Analysis, and four years with the Westralia Airports Corporation as Senior Financial Analyst. He has extensive experience in financial and management accounting, budgeting and financial forecasting, and investment planning and modelling.

Key responsibilities include:

- Financial planning and evaluation;
- Financial policies;
- External financial reporting;
- Financial management reporting;
- Financial systems; and
- Treasury and taxation

MR STEVE PEDDLE

General Manager, Australian Housing

Mr Peddle joined DHA in June 2005 and currently holds the position of General Manager, Australian Housing. He previously held the position of General Manager, Business Solutions and Technology.

Prior to DHA, Mr Peddle held the position of Chief Technology Officer at TransACT. Some of his duties included the management of a 110 channel digital television broadcast centre, the management of 30,000 customer connections as well as interconnectivity of multiple internet service providers. Mr Peddle has more than 20 years industry experience and has extensive skills in management.

Key responsibilities include:

- National management of seven regional offices;
- Relocations, allocations and removals;
- Property management, maintenance and projects, and tenancy management;
- Operations support; and
- Defence HomeOwner Scheme

DHA Executive

**MR GARY KENT**

Company Secretary

Mr Kent was appointed Company Secretary of DHA in 2003. He previously worked in the Australian Public Service before occupying positions as Adviser and Chief of Staff to several Federal Ministers.

Key responsibilities include:

- Board Secretariat; and,
- Ministerial and Parliamentary liaison

MR MIKE SWAN

General Manager, Client Relations

Mr Swan joined DHA in September 2004 as General Manager Client Relations, following a 35-year career in the Army.

Mr Swan brings to DHA a wide knowledge of the Defence organisation having served mainly on the joint staff and prior to separation from the Army, in the Corporate Services and Infrastructure Group (now Defence Support Group). Particular highlights of his service career include command of the Peace Monitoring Group on Bougainville in 2001 and an extended period as Acting Head of National Operations Division.

Key responsibilities include:

- Client management;
- Customer relations; and,
- Performance measurement.

MS TRACY MUDDLE

General Manager,
People & Corporate Affairs

Ms Muddle joined DHA in September 2004 and currently holds the position of General Manager, People and Corporate Affairs.

Ms Muddle commenced her career in the NSW Public Service before transferring to the Australian Government in May 2000 when she joined the Department of Finance and Administration. She held several senior positions within the Department, many in the Ministerial and Parliamentary Services Group. She was also selected to lead the team attached to the Building and Construction Industry Royal Commission in Melbourne as the Director, Corporate Services. Ms Muddle then returned to the Department of Finance and Administration as Branch Manager, Human Resource Services.

Key responsibilities include:

- Managing people and corporate resources functions;
- Procurement and national contracts; and,
- Physical security for DHA premises.

Internal and external review

DHA benefits from internal and external reviews of all processes, ensuring the business is operating in accordance with governing laws and procedures.

Internal audit

The model DHA employs is to engage the services of a highly-qualified, independent and experienced contractor to provide responsive and contemporary internal audit services.

During 2007–08 the internal audit program approved by the DHA Board Audit Committee sought to gain validation of the correct operation of key systems, the suitability of proposed systems and DHA's flexibility in respect of emerging business requirements.

In the 2007–08 period internal audit services have been provided by DHA's specialist outsource provider KPMG. With the contract arrangements due to terminate in August 2008, a tender process commenced and a preferred provider was identified. It is intended for a contract to be negotiated for a three year period commencing 1 August 2008, with an option to extend the Contract for a further two periods of one year each.

The services are to include:

- compliance audit services for all corporate support systems and operations;
- performance audit services to improve efficiency and effectiveness;
- comprehensive audits that combine compliance and efficiency and effectiveness;
- advice and assistance with the development of strategic and operational audit planning;
- management initiated audits;
- advice and assistance with the implementation and evaluation of DHA's Fraud Risk Assessment and Fraud Control Plan;
- ad hoc forensic accounting assignments and fraud investigations; and
- ad hoc consultancies on a needs basis.

DHA is focussed on achieving value for money and satisfaction in the quality of services delivered.

Risk management

Enterprise-wide risk management is an integral and integrated element of DHA's business operations. It is reflected in DHA's corporate governance and delivery against core objectives. DHA's risk management is centrally coordinated and relies upon regular reviews of business processes and procedures, internal and external audits, as well as various policy/plan documents such as the Business Continuity Plan, Fraud Policy, Security Plan and Financial Delegations.

Annually, a Strategic Corporate Risk Management Plan is prepared based on the methodology set out in the *Australian/New Zealand Standard AS/NZS 4360:2004*. It addresses both governance and business risks, and is approved by the Board with endorsement by the Board Audit Committee.

A major initiative for the year was the commencement of online risk management training, available and indeed encouraged, for all staff to complete.

Fraud prevention measures

DHA undertakes a regular Fraud Risk Assessment (FRA) consistent with the requirements of the *Commonwealth Fraud Control Guidelines 2002*, the supporting *Better Practice Guide 2004* and in accordance with the *Australian/New Zealand Standard AS/NZS 4360:2004*.

The FRA is a proactive approach to minimising the potential for instances of fraud within DHA, whether by employees or people external to DHA. The DHA Fraud Control Plan (FCP) is based on the FRA and summarises DHA's fraud-control strategies. The FCP also provides guidance to staff on action to take to deter and detect fraud. The FRA and FCP are available to managers and staff via DHA's intranet.

DHA treats fraud seriously and acknowledges in its FCP, the significance of 'whistleblowers' in detecting fraud. DHA's Risk Manager provides annual updates to the Board Audit Committee on the effectiveness of internal controls and on efforts to mitigate exposures to fraud. During the year the Fraud Control Policy was reviewed and approved by the Board.

Parliamentary committees and government inquiries

During the year, DHA was not required to provide a submission to the Joint Standing Committee on Public Works in relation to any of our proposed projects.

Freedom of information

Like all other Australian Government organisations, DHA is required to comply with the *Freedom of Information Act 1982*. During 2007–08, two requests were made for access to certain information under the Act. Requests under the *Freedom of Information Act 1982* for access to information should be made in writing to:

Freedom of Information Officer
Defence Housing Australia
26 Brisbane Avenue
BARTON ACT 2600

Privacy

DHA takes its custodianship of information on its staff and customers very seriously and adheres to the policies and procedures for information release as detailed in the Privacy Act 1988 and overseen by the Office of the Federal Privacy Commissioner. Like all Australian Government agencies, DHA lodges an annual Personal Information Digest entry with the Office of the Federal Privacy Commissioner.

Ombudsman

During 2007–08, the Commonwealth Ombudsman received a total of 28 approaches concerning DHA, representing a 22% decrease on the previous period. Of the approaches closed during 2007–08, eight were the subject of investigation. There were no investigations where a finding of administrative deficiency was recorded.

The courts and administrative tribunals

During the reporting period, there were no judicial decisions or decisions of administrative tribunals that had a significant impact on the operation of DHA.

Consultancy services

DHA engages the services of a limited number of companies and consultancy services. A summary list of such consultancies is presented to the Board Audit Committee on a six-monthly basis.

Indemnities and insurance

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

Corporate documents

In accordance with the *CAC Act* and the *Public Service Act 1999*, DHA is required to prepare an Annual Report, Corporate Plan and Statement of Corporate Intent. Financial statements prepared by DHA are subject to audit by the Australian National Audit Office.

Categories of documents

DHA holds no registers or similar documents that are open to the public on payment of a fee, nor does DHA hold any documents that are available for purchase.

Access to documents

Copies of the *Defence Housing Australia Act 1987* are available from Canprint Information Services or over the counter from Standards Australia outlets, Information Victoria bookshop or Goprint. For contact details, go to www.publications.gov.au/legislation. An online version of the Act can be downloaded from the Attorney-General Department's website at www.ag.gov.au. DHA's Annual Report is available free of charge and can be downloaded from DHA's website at www.dha.gov.au. DHA also produces and distributes brochures and other promotional material. Requests for copies of DHA publications can be made to:

National Manager, Marketing Communication
 Defence Housing Australia
 26 Brisbane Avenue
 BARTON ACT 2600
 Telephone: (02) 6217 8444

Commonwealth Disability Strategy

In accordance with the Commonwealth Disability Strategy DHA ensures that, wherever possible, policies, programs and services are as accessible to people with a disability as they are to every other member of the Australian community.

Role as an employer

DHA seeks to have a highly-skilled and motivated workforce, and ensures that workplace practices provide equitable working conditions for all staff. One of DHA's major strengths is its diversity of staff. DHA strives to create an inclusive environment that values, respects and utilises the contribution of people with different backgrounds, experiences and perspectives.

DHA is an equal opportunity employer. In recruitment and selection of staff, an equitable, merit-based and transparent process ensures that fair consideration is given to all applicants.

Recruitment information is provided in a range of formats to ensure accessibility to all potential applicants and to attract the maximum number of candidates.

Financial Statements

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DEFENCE HOUSING AUSTRALIA FINANCIAL STATEMENTS For The Year Ended 30 June 2008

- Statement by Directors
- Income Statement
- 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 Minister for Finance and Deregulation

Scope

I have audited the accompanying financial statements of Defence Housing Australia for the year ended 30 June 2008, which comprise: a statement by the Directors; income statement; balance sheet; statement of changes in equity; cash flow statement; schedules of commitments, contingencies; a summary of significant accounting policies; and other explanatory notes.

The Responsibility of the Board of Directors for the Financial Statements

The directors of Defence Housing Australia are responsible for the preparation and fair presentation of the financial statements in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997* and the Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Defence Housing Australia's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Defence Housing Australia's internal control. An audit also includes evaluating the appropriateness of 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 we have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

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

Auditor's Opinion

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

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, and the Australian Accounting Standards (including the Australian Accounting Interpretations); and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including Defence Housing Australia's financial position as at 30 June 2008 and of its financial performance and its cash flows for the year then ended.



Michael White
Executive Director
Delegate of the Auditor-General

Canberra
15 August 2008

**DEFENCE HOUSING AUSTRALIA
STATEMENT BY DIRECTORS**

In our opinion, the attached Financial Statements for the year ended 30 June 2008 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997* as amended.

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

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



Derek Volker AO
Chairman

15 August 2008



Michael Del Gigante
Managing Director

15 August 2008

**DEFENCE HOUSING AUSTRALIA
INCOME STATEMENT**

for the year ended 30 June 2008

		30 June 2008 \$'000	30 June 2007 \$'000
	Notes	<u> </u>	<u> </u>
INCOME			
Revenue			
Housing Services Provided	4	445,410	395,688
Relocation Services Provided	5	89,728	83,106
Sales of Inventories		255,268	316,901
Interest Received	6	7,638	12,696
Total Revenue		<u>798,044</u>	<u>808,391</u>
Gains			
Net Gains From Disposal of Investment Properties	7	25,309	26,344
Other Income		1,441	2,693
Total Income		<u>824,794</u>	<u>837,428</u>
EXPENSES			
Employee Expenses	8	52,997	46,221
Housing Services Lease Rentals		214,789	196,233
Rates, Repairs and Maintenance	9	94,216	72,810
Depreciation and Amortisation	10	12,168	11,235
Defence Member Relocation Services		63,783	60,423
Cost of Inventories		247,732	305,723
Borrowing Costs	11	22,455	21,043
Write Down and Impairment of Assets	12	10,620	3,429
Other Expenses		21,791	19,999
Total Expenditure		<u>740,551</u>	<u>737,116</u>
Operating Surplus Before Income Tax		<u>84,243</u>	<u>100,312</u>
Income Tax Expense/(Benefit)	13	10,445	(1,475)
Net Operating Surplus After Income Tax		<u>73,798</u>	<u>101,787</u>

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

**DEFENCE HOUSING AUSTRALIA
BALANCE SHEET**

as at 30 June 2008

	Notes	30 June 2008 \$'000	30 June 2007 \$'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	14	55,370	170,281
Trade and Other Receivables	15	29,141	30,617
Other Current Assets	17	29,759	29,788
Deferred Tax Assets	18	4,334	351
Inventories	19	350,708	234,120
		<u>469,312</u>	<u>465,157</u>
Investment Properties for Sale	16	77,862	29,104
Total Current Assets		<u>547,174</u>	<u>494,261</u>
Non-Current Assets			
Deferred Tax Assets	18	28,780	19,453
Inventories	19	294,057	333,644
Plant and Equipment	20	11,173	13,494
Investment Properties	22	644,352	592,567
Other Non-Current Assets	23	153,474	127,733
Investments Accounted for using the Equity Method	21	4,579	-
Total Non-Current Assets		<u>1,136,415</u>	<u>1,086,891</u>
Total Assets		<u>1,683,589</u>	<u>1,581,152</u>
LIABILITIES			
Current Liabilities			
Trade and Other Payables	24	30,046	36,483
Current Tax Liabilities	25	23,755	-
Dividends	26	44,279	-
Borrowings	28	65,000	125,000
Other Financial Liabilities	29	17,928	17,504
Provisions	30	17,243	9,777
Total Current Liabilities		<u>198,251</u>	<u>188,764</u>
Non-Current Liabilities			
Borrowings	28	335,000	215,000
Other Financial Liabilities	29	6,673	12,212
Provisions	30	74,222	66,552
Total Non-Current Liabilities		<u>415,895</u>	<u>293,764</u>
Total Liabilities		<u>614,146</u>	<u>482,528</u>
NET ASSETS		<u>1,069,443</u>	<u>1,098,624</u>
EQUITY			
Contributed Equity		249,148	249,148
Retained Surpluses		820,295	849,476
TOTAL EQUITY		<u>1,069,443</u>	<u>1,098,624</u>

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

DEFENCE HOUSING AUSTRALIA
CASH FLOW STATEMENT

for the year ended 30 June 2008

	30 June 2008 \$'000	30 June 2007 \$'000
Notes	<u> </u>	<u> </u>
OPERATING ACTIVITIES		
Cash Received		
Sales of Goods and Services	516,524	456,422
Sales of Inventories	256,440	324,783
Interest	9,597	12,187
Other	45	2,024
Total Cash Received	<u>782,606</u>	<u>795,416</u>
Cash Used		
Suppliers	388,908	335,082
Acquisition of Inventories	344,321	259,728
Employees	49,063	45,780
Interest	27,546	15,952
Total Cash Used	<u>809,838</u>	<u>656,542</u>
Net Cash (Used By) / From Operating Activities	31 (27,232)	138,874
INVESTING ACTIVITIES		
Cash Received		
Proceeds from Sales of Investment Properties	61,929	50,409
Proceeds from Plant and Equipment	46	-
Defence Annuities - Principal Repayments	1,444	11,599
Total Cash Received	<u>63,419</u>	<u>62,008</u>
Cash Used		
Acquisition of Investment Properties	123,942	160,463
Acquisition of Defence Annuity Properties	26,301	-
Acquisition of Plant and Equipment	2,154	1,901
Total Cash Used	<u>152,397</u>	<u>162,364</u>
Net Cash Used By Investing Activities	(88,978)	(100,356)
FINANCING ACTIVITIES		
Cash Received		
Proceeds from Debt	60,000	-
Total Cash Received	<u>60,000</u>	<u>-</u>
Cash Used		
Dividends Paid	58,701	77,599
Total Cash Used	<u>58,701</u>	<u>77,599</u>
Net Cash Used By / (From) Financing Activities	<u>1,299</u>	<u>(77,599)</u>
Net Decrease in Cash Held	(114,911)	(39,081)
Cash at the Beginning of the Reporting Period	170,281	209,362
Cash at the End of the Reporting Period	14 <u>55,370</u>	<u>170,281</u>

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

DEFENCE HOUSING AUSTRALIA
STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2008

	Retained Surpluses		Contributed Equity		TOTAL EQUITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Opening Balance	849,476	825,285	249,148	249,148	1,098,624	1,074,433
Adjustment for Errors	-	3	-	-	-	3
Adjusted Opening Balance	849,476	825,288	249,148	249,148	1,098,624	1,074,436
Net Operating Surplus after Income Tax for the Period	73,798	101,787	-	-	73,798	101,787
Sub-total Income and Expenses	73,798	101,787	-	-	73,798	101,787
Transactions with Owners	(102,979)	(77,599)	-	-	(102,979)	(77,599)
Dividends	(102,979)	(77,599)	-	-	(102,979)	(77,599)
Sub-total Transactions with Owners	(102,979)	(77,599)	-	-	(102,979)	(77,599)
Closing Balance as at 30 June	820,295	849,476	249,148	249,148	1,069,443	1,098,624
Closing Balance Attributable to the Australian Government	820,295	849,476	249,148	249,148	1,069,443	1,098,624

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

**DEFENCE HOUSING AUSTRALIA
SCHEDULE OF COMMITMENTS**

as at 30 June 2008

	30 June 2008 \$'000	30 June 2007 \$'000
BY TYPE		
Commitments Receivable		
Sublease Rental Income	625	593
Total Commitments Receivable⁴	625	593
Capital Commitments		
Inventories - Construction Commitments ¹	117,356	95,822
Total Capital Commitments	117,356	95,822
Other Commitments		
House Lease Rentals ²	1,967,557	1,503,953
Other ³	9,322	15,691
Total Other Commitments	1,976,879	1,519,644
Net Commitments By Type	2,093,610	1,614,873
BY MATURITY		
Commitments Payable		
Capital Commitments		
One Year or Less	113,786	95,822
From One to Five Years	3,570	-
Over Five Years	-	-
Total Capital Commitments	117,356	95,822
Operating Lease Commitments³		
One Year or Less	230,614	204,349
From One to Five Years	908,493	752,750
Over Five Years	837,772	562,545
Total Operating Lease Commitments	1,976,879	1,519,644
Commitments Receivable		
Total Commitments Receivable⁴	625	593
Net Commitments by Maturity	2,093,610	1,614,873

NB: Commitments are GST inclusive where relevant.

¹ Outstanding contractual payments for buildings under construction

² Outstanding payments due on properties leased under sale and leaseback program

³ Operating leases included are effectively non-cancellable and comprise:

Nature of Lease	General Description of Leasing Arrangement
Leases for Office Accommodation	Lease payments are subject to annual increases in accordance with upward movements in the consumer price index. Remaining lease terms are between one and seven years plus options to renew where available.
Agreements for the provision of motor vehicles to staff	No contingent rentals exist. There are no renewal or purchase options available to DHA.

⁴ Amount receivable on sub-let commercial property.

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

**DEFENCE HOUSING AUSTRALIA
SCHEDULE OF CONTINGENCIES**

as at 30 June 2008

Contingent Liabilities	Guarantees		Total	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Balance from Previous Period	1,372	795	1,372	795
New	695	577	695	577
Obligations expired	231	-	231	-
Total Contingent Liabilities	1,836	1,372	1,836	1,372
Contingent Assets	Guarantees		Other	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Balance from Previous Period	-	-	-	-
New	-	-	-	-
Total Contingent Assets	-	-	-	-
Net Contingencies	1,836	1,372	1,836	1,372

Details of each class of contingent liabilities and assets, including those not included above because they cannot be quantified or considered remote, are disclosed in Note 43: Contingent Liabilities and Assets.

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

DEFENCE HOUSING AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2008

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Notes to and forming part of the Financial Statements

Note 1: Summary of Significant Accounting Policies

1.1 Basis of Preparation of the Financial Report

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

The Financial Statements and notes have been prepared in accordance with:

- Finance Minister's Orders (or FMOs) for reporting periods ending on or after 1 July 2007; and
- Australian Accounting Standards and Interpretation issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial report has been prepared on an accrual basis and is 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 report is presented in Australian dollars and values are rounded to the nearest thousand dollars unless disclosure of the full amount is specifically required.

Unless alternative treatment is specifically required by an accounting standard, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies (other than unquantifiable or remote contingencies, which are reported at Note 43).

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

1.2 Significant Accounting Judgement and Estimates

In the process of applying the accounting policies listed in this note, DHA has made the following judgements that have the most significant impact on the amounts recorded in the financial statements:

- The net realisable value of completed inventory properties has been assessed by an independent valuer. Where the assessed value for an individual property is less than its cost, the carrying value of the property is written down to net realisable value.
- The fair value of investment properties has been assessed by an independent valuer. Where the assessed value for an individual property is less than its cost, the carrying value of the property is written down to fair value.
- An assessment of likely liabilities for make good costs that will be incurred at the lease expiry date has determined the amount required to be set aside to meet these obligations.

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

1.3 Statement of Compliance

In the current year, DHA has adopted all of the new and revised standards including AASB 7 Financial Instruments: Disclosure and interpretations issued by the Australian Accounting Standard Board (AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised standards and interpretations has not had any impact on DHA accounting policies or amounts reported in current or prior years.

Notes to and forming part of the Financial Statements

At the date of authorisation of the financial report, the following standards and interpretations were in issue but not yet effective:

Interpretation 12 "Service Concession Arrangements" - effective for annual reporting periods beginning on or after 1 January 2008.

Interpretation 13 "Customer Loyalty Programmes" - effective for annual reporting periods beginning on or after 1 July 2008.

Interpretation 14 "AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" - effective for annual reporting periods beginning on or after 1 January 2008.

AASB 8 "Operating Segments" and AASB 2007-3 "Amendments to Australian Accounting Standards arising from AASB 8" - effective for annual reporting periods beginning on or after 1 January 2009.

AASB 123 "Borrowing Costs" and AASB 2007-6 "Amendments to Australian Accounting Standards arising from AASB 123" - effective for annual reporting periods beginning on or after 1 July 2009.

AASB 101 "Presentation of Financial Statements" and AASB 2007-8 "Amendments to Australian Accounting Standards arising from AASB 101" – effective for annual reporting periods beginning on or after 1 January 2009.

AASB 2008-2 "Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation" - effective for annual reporting periods beginning on or after 1 January 2009.

AASB 3 "Business Combinations" and AASB 2008-3 "Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127" - effective for annual reporting periods beginning on or after 1 July 2009.

Pronouncements approved by the International Accounting Standards Board (IASB) / International Financial Reporting Interpretations Committee (IFRIC) where an equivalent pronouncement has not been issued by the AASB:

Improvements to International Financial Reporting Standards (IFRS) 2008.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate .

IFRIC 15 Agreements for the Construction of Real Estate.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation.

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material financial impact on the financial statements of the company but may change disclosures made.

These standards and interpretations will be first applied in the financial report of the company that relates to the annual reporting period beginning after the effective date of each pronouncement.

1.4 Revenue

All revenues are accounted for on an accrual basis.

Interest revenue is recognised on an accrual basis taking into account the interest rates applicable to the financial assets.

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

Receivables for goods and services are recognised at the nominal amounts due, less any provision for bad and doubtful debts. Collectability of debts is reviewed at 30 June each year. Provisions are made when collectability of the debt is judged to be less rather than more likely.

Notes to and forming part of the Financial Statements

1.5 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 taxation authority, 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 taxation authority, 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 taxation authority, are classified as operating cash flows.

1.6 Employee Benefits

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

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

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

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

Leave

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

The leave liabilities are calculated on the basis of employees' remuneration, including DHA's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to Part E, Chapter 43 of the Finance Minister's Orders 2007-2008. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation. The non-current portion of the liability for long service leave in respect of all employees at 30 June 2008, is recognised and measured at the present value of the estimated future cash flows, based on the short hand method.

Separation and redundancy

Provision is made for separation and redundancy benefit payments in accordance with DHA's People and Corporate Resources policy.

Superannuation

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

Notes to and forming part of the Financial Statements

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

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance and Deregulation as an administered item.

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

From 1 July 2005, new employees are eligible to join the PSSap scheme, which is a defined contribution scheme.

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

1.7 Leases

DHA as Lessee

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased non-current assets. Operating leases result in the lessor substantially retaining all such risks and benefits of the asset.

Operating Leases

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

DHA has two categories of operating leases:

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

DHA does not have any finance leases payable.

DHA as Lessor

Finance Leases

DHA finances on-base housing construction and certain off-base properties for 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 Revenue.

1.8 Sale and Leaseback Provision

AASB 117 requires that where a sale and leaseback transaction involves a leaseback, which is classified as an operating lease by the lessee, and the sale price is above 'fair value', the excess of sale price over fair value must be deferred and amortised by the vendor/lessee in proportion to the rental payments over the lease term.

On the basis that it is not possible to reliably estimate the component of the profit from sale and leaseback transactions that is above 'fair value', no part of the profit from the sale is separately identified for deferral in accordance with AASB 117. DHA records the entire sale proceeds as revenue at the time of settlement.

Notes to and forming part of the Financial Statements

As outlined in Note 1.7 above, DHA sells certain properties and leases them back by way of an operating lease. The operating lease agreements obligate DHA to undertake prescribed maintenance (make good) at the end of the lease period.

At the time of recording a sale, a provision is raised to recognise the make good obligation. This 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 3.6% (2007: 3%) and a discount rate of 6.5% (2007: 6.27%), being the 10 year bond rate as at 30 June.

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 emerging liability.

1.9 Interest Bearing Loans and Borrowings

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

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

1.10 Income Tax

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

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

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

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

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

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

1.11 Dividends

A provision for dividend is recognised as a liability when dividends are declared, determined or publicly recommended on or before the reporting date. DHA determines dividend liability annually and is required to pay 60% of adjusted after tax profits to shareholders as a dividend. In accordance with paragraph 41.3 of the FMOs and a DHA Board resolution, DHA has recognised the liability for the 2008 dividend at balance date. The annual dividend declared for 2006/07 was not provided for as at 30 June 2007. Refer also Note 2.

Notes to and forming part of the Financial Statements

1.12 Cash and Cash Equivalents

Cash means notes and coins held and any deposits held at call or readily convertible to cash with a bank or financial institution. Cash is recognised at its nominal amount.

1.13 Financial Assets

DHA classifies its financial assets as loans and receivables.

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

Financial assets are recognised and derecognised upon trade date.

Effective interest method

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

Income is recognised on an effective interest rate basis except for financial assets at fair value through profit or loss.

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 or held to maturity investments 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 Income Statement.

1.14 Financial Liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

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.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Notes to and forming part of the Financial Statements

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

Trade and Other Payables

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

1.15 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.

1.16 Software Development

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

1.17 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).

Properties

DHA adopts AASB 102 – Inventories, for all properties acquired or constructed with the intention of resale at a profit.

Other Land and Building assets owned by DHA are held for strategic provisioning purposes and are recorded in accordance with AASB 140 – Investment Property. These properties are held for the sustainable and flexible provision of housing to meet Defence requirements.

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. Leasehold improvements 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 following useful lives:

	2007-08	2006-07
Off-Base Properties	50 years	50 years
Plant, Equipment and Software	3 to 10 years	3 to 10 years

Impairment

While depreciation expense has been charged to the Income Statement, the accumulated provision for depreciation has been written back on assets subject to revaluation in accordance with Australian Accounting Standard AASB 116.

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

Notes to and forming part of the Financial Statements

Impairment

All assets were assessed for impairment on an individual basis as at 30 June. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

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.

1.18 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 valued at the lower of cost and fair value. The fair value represents the estimated selling price inclusive of GST less all estimated costs of completion and costs to be incurred in marketing and selling.

1.19 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 valued at the lower of cost and net realisable value. Costs are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being assigned costs on an individual basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

1.20 Repairs and Maintenance

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

1.21 Joint Ventures

Jointly controlled assets and operations

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

Jointly controlled entities

Interests in jointly controlled entities are accounted for under the equity method in the financial statements - refer note 1.26.

1.22 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.

Notes to and forming part of the Financial Statements

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

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

1.23 Competitive Neutrality

DHA provides services on a for-profit basis. Under Competitive Neutrality arrangements DHA is required to make payments in the form of dividends for state tax equivalent items. Included are payroll tax, land tax and stamp duty on new constructions.

1.24 Rounding

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

- Remuneration of Key Management Personnel;
- Remuneration of Auditors;
- Annual Dividends; and
- Interest in Joint Venture Developments - Lyons.

1.25 Financial Management Risk

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 rate and assessments of forecasts for interest rate. 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 Treasury who report to the DHA Board within five business days after the last business day of the month. Breaches of DHA's cash investment policy are to be reported to the Chief Finance Officer immediately for consent of action proposed or undertaken with full details provided in the monthly report to the DHA Board.

1.26 Investments in Associates

During the year DHA acquired 10% of the issued capital of Crace Developments Pty Ltd (Crace). It has been determined that Crace is an associate. Crace is a 50% participant in the Crace Joint Venture between Canberra Investment Corporation Ltd, PBS Property Group Pty Ltd, DHA and the Land Development Agency.

Associates are all entities over which DHA has significant influence but not control. The Crace Shareholders Agreement provides DHA significant influence over the management of the company. 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 39).

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

Notes to and forming part of the Financial Statements

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

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

1.27 State Tax Equivalent Payments

As a result of amendments to the DHA Act, DHA is now required by legislation to make state tax equivalent payments to the Commonwealth. Previously these amounts were included as part of DHA's dividend payment to shareholders. As a result of this change DHA is now required to report state tax equivalent payments as part of the relevant expense line item to which the payment relates. DHA pays state tax equivalent payments for land tax, stamp duty and payroll tax.

The state tax equivalent payments in relation to 2007/08 and the relevant expense line item disclosure were:

State Tax Equivalent Item	Expense Line Item Disclosure	<u>\$'000</u>
Land Tax	Rates, Repairs and Maintenance	17,750
Stamp Duty	Rates, Repairs and Maintenance	10,247
Payroll Tax	Employee Expenses	<u>3,287</u>
		<u><u>31,284</u></u>

Inclusion of the above amounts within the respective expense line items in 2007/08 has meant that a year-to-year comparison of net operating surplus after income tax does not appear comparable with 2006/07 due to the state tax equivalent payments being reported "below the line" as dividend payments. The impact of this change can be illustrated as follows:

	30 June 2008 \$'000	30 June 2007 \$'000
Net Operating Surplus After Income Tax (excluding State Tax Equivalent Payments)	<u>105,082</u>	101,787
Less: State Tax Equivalent Payments Disclosed as Expenses	<u>(31,284)</u>	-
Net Operating Surplus After Income Tax	<u><u>73,798</u></u>	<u>101,787</u>

Notes to and forming part of the Financial Statements

Note 2: Annual Dividends and State Tax Equivalent Payments

The DHA Board has declared a final dividend and approved the state tax equivalent payments for the year ending 30 June 2008 of \$50,659,437 (2007: \$58,700,000), comprising the following:

- a. a profit component of \$44,278,800 representing 60% of adjusted net profit after tax (2007: \$36,500,000); and
- b. a tax equivalent payment of \$6,380,637 representing payroll tax and stamp duty as if DHA had been legally liable to these taxes (2007: \$22,200,000 including an income tax equivalent dividend of \$16,514,000). This \$6,380,637 is included as a provision in Note 30.

These amounts will be paid to the Australian Government in 2008/09, subject to Ministerial approval.

As disclosed in Note 1.27, the state tax equivalent payments are disclosed in the relevant expense item to which the payment relates.

The annual dividend declared (including the state tax equivalent payments) for 2006/07 of \$58,700,000 was paid to the Australian Government in March 2008. This amount was not provided for as at 30 June 2007.

The DHA Board resolved on 26 June 2008 to provide for the dividend attributable to net profit for the year end 30 June 2008. DHA is required to pay 60% of adjusted after tax profits. In accordance with paragraph 41.3 of the FMOs and a DHA Board resolution, DHA has recognised the liability for the dividend.

Below is a summary of dividends paid and payable and state tax equivalent payments in respect of the year ending 30 June 2008.

	30 June 2008	30 June 2007
	<u>\$'000</u>	<u>\$'000</u>
Final dividend (payable in October 2008)		
- profit component	44,279	36,500
- tax equivalent payment	6,380	22,200
Interim tax equivalent payment (paid June 2008)	<u>24,904</u>	<u>19,799</u>
Total Dividends and State Tax Equivalent Payments in respect of 2007-2008	<u>75,563</u>	<u>78,499</u>

Note 3: Special Dividends

The DHA Board has not declared a special dividend for the year ending 30 June 2008 (2007: Nil).

Note 4: Housing Services Provided

Defence Rent and Charges	386,226	341,908
Defence Other Charges	18,265	17,746
Lessor Management Fees	30,749	27,881
Other Revenue	<u>10,170</u>	<u>8,153</u>
Total Housing Services Provided	<u>445,410</u>	<u>395,688</u>

Note 5: Relocation Services Provided

Relocation Administration Fees	16,896	15,916
Allocation Administration Fees	9,049	6,767
Relocation Services Recoverable	<u>63,783</u>	<u>60,423</u>
Total Relocation Services Provided	<u>89,728</u>	<u>83,106</u>

Notes to and forming part of the Financial Statements

	30 June 2008	30 June 2007
	\$'000	\$'000

Note 6: Interest Received

Deposits	<u>7,638</u>	<u>12,696</u>
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Note 7: Net Gains from Disposal of Investment Properties

Proceeds from Disposal	79,304	78,009
Net Book Value of Assets Disposed	(52,614)	(49,541)
Selling Expenses	<u>(1,381)</u>	<u>(2,124)</u>
Net Gains from Disposal of Investment Properties	<u>25,309</u>	<u>26,344</u>

Note 8: Employee Expenses

Remuneration for Services Provided	49,294	46,186
Separation and Redundancies	416	35
State Payroll Tax Equivalent	<u>3,287</u>	<u>-</u>
Total Employee Expenses	<u>52,997</u>	<u>46,221</u>

Note 9: Rates, Repairs and Maintenance

Rates and Municipal Charges	7,149	6,488
Repairs and Maintenance	30,791	39,452
Other Property Charges	24,180	20,521
Heritage Upgrades for Defence	4,099	6,349
State Property Tax Equivalents	<u>27,997</u>	<u>-</u>
Total Rates, Repairs and Maintenance	<u>94,216</u>	<u>72,810</u>

Note 10: Depreciation and Amortisation

Investment Properties	7,809	6,952
Other Infrastructure, Plant and Equipment	<u>4,359</u>	<u>4,283</u>
Total Depreciation and Amortisation	<u>12,168</u>	<u>11,235</u>

Note 11: Borrowing Costs

Loans	<u>22,455</u>	<u>21,043</u>
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Notes to and forming part of the Financial Statements

	30 June 2008	30 June 2007
	\$'000	\$'000

Note 12: Write Down and Impairment of Assets

Non-Financial Assets

Investment ¹	7,205	-
Inventory ²	3,321	3,256
Plant and Equipment ³	94	173
Total Write Down and Impairment of Assets	10,620	3,429

¹ To ensure compliance with AASB 140 Investment Property, an independent assessment of investment properties was undertaken by registered valuers in June 2008. The carrying value of individual properties, where the cost of the property exceeded the fair value have been written down accordingly. Refer also Note 22.

² To ensure compliance with AASB 102 – Inventories, an independent assessment of inventory properties was undertaken by registered valuers in June 2008. The carrying value of individual properties, where the cost of the property exceeded the net realisable value, have been written down accordingly. Refer also Note 19.

³ The carrying values of plant and equipment were reviewed and adjusted as appropriate to reflect fair value. The carrying amount of the assets were compared to the recoverable amounts or value in use and adjusted where it was considered that these amounts were in excess of the carrying amount. Refer also Note 20.

Note 13: Income Tax Expense

(a) Income Tax Expense

Current Tax	23,755	-
Deferred Tax	(13,310)	(1,475)
	10,445	(1,475)

Income Tax Expense (Benefit) is Attributable to:

Profit from Continuing Operations	10,445	(1,475)
Deferred Income Tax (Revenue) Expense Included in Income Tax Expense		
Comprises:		
Increase in Deferred Tax Assets (Note 18)	(13,310)	(1,475)

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

Profit from Continuing Operations Before Income Tax Expense	84,243	100,312
Tax at the Australian Tax Rate of 30% (2007: 0%)	25,273	-
Tax Effect of Amounts which are Not Deductible (Taxable) in Calculating Taxable Income:		
Entertainment	10	-
State Tax Equivalent Dividend	-	-
Tax Cost Base Valuations	(14,838)	-
Income Tax Expense	10,445	-

Notes to and forming part of the Financial Statements

Note 13: Income Tax Expense (continued)

DHA became a Federal Income taxpayer on 1 July 2007. The income tax benefit at 30 June 2007 comprises the movement in deductible temporary differences existing at 30 June 2007 that are deductible for income tax purposes from 1 July 2007.

As a result of DHA becoming a taxable entity on 1 July 2007, an unrecognised temporary difference was created between the accounting carrying value and the tax values for property held as Investment. The unrecognised value of the temporary difference at 30 June 2008 is \$620,763,000 (2007: Nil). The tax effect of this temporary difference is \$186,228,900 (2007: Nil)

30 June	30 June
2008	2007
\$'000	\$'000

Note 14: Cash and Cash Equivalents

Cash at Bank	2,651	2,106
Cash on Hand	16	17
Short Term Deposits	<u>52,703</u>	<u>168,158</u>
Total Cash and Cash Equivalents	<u>55,370</u>	<u>170,281</u>

All cash recognised is a current asset.

Note 15: Trade and Other Receivables

Department of Defence	5,454	16,743
Accrued Income	16,896	12,978
Other Receivables	<u>6,791</u>	<u>896</u>
Total Trade and Other Receivables	<u>29,141</u>	<u>30,617</u>

All receivables are current assets.

Credit terms are between 7 and 30 days.

Receivables are aged as follows:

Less than 30 Days	28,513	30,139
30 to 60 Days	18	26
60 to 90 Days	-	-
More than 90 Days	<u>610</u>	<u>452</u>
Total Trade and Other Receivables	<u>29,141</u>	<u>30,617</u>

Note 16: Investment Properties for Sale

Investment Properties at Cost	<u>77,862</u>	<u>29,104</u>
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This amount represents investment properties that are currently available for sale. No other investment properties have been identified for disposal in the next 12 months.

Note 17: Other Current Assets

Prepaid Property Rentals	24,142	25,841
Other Prepayments	296	158
Finance Lease Receivable (Note 23)	<u>5,321</u>	<u>3,789</u>
Total Other Current Assets	<u>29,759</u>	<u>29,788</u>

Notes to and forming part of the Financial Statements

	30 June 2008	30 June 2007
	\$'000	\$'000

Note 18: Deferred Tax Assets**The Balance comprises Temporary Differences attributable to:**

Employee Benefits	1,851	-
Doubtful Debts	40	-
Make Good Provision	21,292	19,068
Provisions	1,087	736
Property Plant and Equipment	95	-
Inventory Properties	8,062	-
Investment Properties	802	-
Total Deferred Tax Assets	33,229	19,804
Set-off of deferred tax liabilities pursuant to set-off provisions	(115)	-
Net Deferred Tax Assets	33,114	19,804
Deferred Tax Assets expected to be recovered within 12 Months	4,334	351
Deferred Tax Assets expected to be recovered after more than 12 Months	28,780	19,453
	33,114	19,804

Reconciliation of Deferred Tax Assets

	2008	2007
	\$'000	\$'000
Opening Balance 1 July	19,804	18,329
Credited to the Income Statement	13,310	1,475
Closing Balance 30 June	33,114	19,804

Note 19: Inventories

Completed Properties – At Cost	309,244	222,958
Completed Properties – At Net Realisable Value	139,985	133,287
Work in Progress – At Cost	195,536	211,519
Total Inventories	644,765	567,764

Current	350,708	234,120
Non-current	294,057	333,644
	644,765	567,764

The total fair value of completed inventory properties at 30 June 2008 is \$485,242,700 (2007: \$382,788,000).

Notes to and forming part of the Financial Statements

30 June	30 June
2008	2007
\$'000	\$'000

Note 20: Plant and Equipment

Plant, Equipment and Software Development	36,784	35,276
Less: Accumulated Depreciation	(25,611)	(21,783)
	11,173	13,494

Reconciliation of the Opening and Closing Balances of Plant, Equipment and Software Development

	2008	2007
	\$'000	\$'000
Opening Balance		
Gross Book Value	35,276	35,271
Accumulated Depreciation/Amortisation	(21,783)	(19,223)
Opening Net Book Value 1 July	13,494	16,048
Additions		
By Purchase	2,154	2,582
Depreciation/Amortisation Expense	(4,359)	(4,283)
Impairment Expenses	(94)	(173)
Recoverable Amount Write-Downs	-	(681)
Disposals		
Other Disposals/Transfer Assets Held For Sale	(708)	(1,723)
Depreciation Written Back on Disposal	686	1,723
Closing Net Book Value 30 June	11,173	13,494
Closing Net Book Value 30 June represented by:		
Gross Book Value	36,784	35,276
Accumulated Depreciation/Amortisation/Write-Down	(25,611)	(21,783)
Closing Net Book Value 30 June	11,173	13,494

Note 21: Investments Accounted for Using the Equity Method**Share in Associates (Note 39)**

Crace Developments Pty Ltd	4,579	-
Total Share in Associates	4,579	-

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

Notes to and forming part of the Financial Statements

	30 June 2008	30 June 2007
	\$'000	\$'000

Note 22: Investment Properties

Investment Properties - At Cost	627,792	652,134
Less: Accumulated Depreciation	<u>(57,436)</u>	<u>(59,567)</u>
	<u>570,356</u>	<u>592,567</u>
Investment Properties - At Cost Less Impairment	74,891	-
Less: Accumulated Depreciation	<u>(895)</u>	<u>-</u>
	<u>73,996</u>	<u>-</u>
Total Investment Properties	<u>644,352</u>	<u>592,567</u>

The fair value of the investment portfolio (including investment properties held for sale) is based on an assessment by independent valuers at \$1,344,083,274 (2007: \$1,224,000,000).

Reconciliation of the Opening and Closing Balances of Investment Properties

	2008	2007
	\$'000	\$'000
Opening Balance		
Gross Book Value	652,134	488,976
Accumulated Depreciation/Amortisation	<u>(59,567)</u>	<u>(53,178)</u>
Opening Net Book Value 1 July	<u>592,567</u>	<u>435,798</u>
Additions		
By Purchase	96,557	83,745
By Transfer from Inventory	51,026	97,702
Depreciation/Amortisation Expense	<u>(7,809)</u>	<u>(6,952)</u>
Impairment Expenses	<u>(7,205)</u>	<u>-</u>
Depreciation Written Back on Disposal	3,072	563
Disposals		
Other Disposals/Transfer Assets Held For Sale	<u>(83,856)</u>	<u>(18,289)</u>
Closing Net Book Value 30 June	<u>1,236,919</u>	<u>1,028,365</u>
Closing Net Book Value 30 June represented by:		
Gross Book Value	702,683	652,134
Accumulated Depreciation/Amortisation/Write-Down	<u>(58,331)</u>	<u>(59,567)</u>
Closing Net Book Value 30 June	<u>644,352</u>	<u>592,567</u>

Notes to and forming part of the Financial Statements

	30 June 2008	30 June 2007
	\$'000	\$'000

Note 23: Other Non-Current Assets

Finance lease receivable (refer below)	<u>153,474</u>	<u>127,733</u>
Total Other Non-Current Assets	<u>153,474</u>	<u>127,733</u>

Current Finance Lease Receivables		
Due not later than 1 year	<u>5,321</u>	<u>3,789</u>
Total Current Finance Lease Receivables (Note 17)	<u>5,321</u>	<u>3,789</u>

Non-Current Finance Lease Receivables		
Due later than 1 year not later than 5 years	<u>92,023</u>	<u>18,304</u>
Due later than 5 years	<u>61,451</u>	<u>109,429</u>
Total Non-Current Finance Lease Receivables	<u>153,474</u>	<u>127,733</u>
Total Finance Lease Receivables	<u>158,795</u>	<u>131,522</u>

Current

Total payments receivables	<u>17,115</u>	<u>13,431</u>
Future finance charges	<u>(11,794)</u>	<u>(9,642)</u>
Current Finance Lease Receivables	<u>5,321</u>	<u>3,789</u>

Non-Current

Total payments receivables	<u>237,180</u>	<u>193,318</u>
Future finance charges	<u>(83,706)</u>	<u>(65,585)</u>
Non-Current Finance Lease Receivables	<u>153,474</u>	<u>127,733</u>

DHA finances on-base housing construction and certain off-base properties for 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 Revenue.

Note 24: Trade and Other Payables

Trade Creditors	<u>11,300</u>	<u>17,031</u>
Accrued Expenses	<u>17,121</u>	<u>11,239</u>
Accrued Repairs and Maintenance	<u>1,625</u>	<u>3,122</u>
Other	<u>-</u>	<u>5,091</u>
Trade and Other Payables	<u>30,046</u>	<u>36,483</u>

Trade creditors are normally settled on 30 day terms

Note 25: Current Tax Liabilities

Income Tax Payable	<u>23,755</u>	<u>-</u>
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Note 26: Dividends

Payable to the Australian Government	<u>44,279</u>	<u>-</u>
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Notes to and forming part of the Financial Statements

	30 June 2008	30 June 2007
	\$'000	\$'000

Note 27: Deferred Tax Liabilities

The Balance comprises Temporary Differences attributable to:

Accrued Income	115	-
Total Deferred Tax Liabilities	<u>115</u>	<u>-</u>
Set-off of deferred tax liabilities pursuant to set-off provisions	(115)	-
Net Deferred Tax Liabilities	<u>-</u>	<u>-</u>

Note 28: Borrowings

Loans from Government	<u>400,000</u>	<u>340,000</u>
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Maturity Schedule for Loans:

Within One Year	65,000	125,000
In One to Five Years	335,000	215,000
In More than Five Years	-	-
Total Borrowings	<u>400,000</u>	<u>340,000</u>

Note 29: Other Financial Liabilities

Other Financial Liabilities are Represented By:

Current		
Revenue in Advance	<u>17,928</u>	17,504
Non-Current		
Revenue in Advance	<u>6,673</u>	12,212
Total Financial Liabilities	<u>24,601</u>	29,716

Notes to and forming part of the Financial Statements

30 June	30 June
2008	2007
\$'000	\$'000

Note 30: Provisions**Current**

Employee

Annual Leave	3,665	3,633
Long Service Leave	<u>2,475</u>	<u>2,543</u>
	<u>6,140</u>	<u>6,176</u>

Other

Other General Provisions

<u>11,103</u>	<u>3,601</u>
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Total Current Provisions

<u>17,243</u>	<u>9,777</u>
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Non-Current

Employee

Long Service Leave	<u>1,950</u>	<u>1,710</u>
	<u>1,950</u>	<u>1,710</u>

Other

Make Good Provision

70,975	63,560
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Other

<u>1,297</u>	<u>1,282</u>
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<u>72,272</u>	<u>64,842</u>
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Total Non-Current Provisions

<u>74,222</u>	<u>66,552</u>
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Reconciliation of Provision Movement	Other General Provisions	State Taxes and Payroll Tax	Bonus Provision	Make Good Provision	Total
Opening Balance 1 July	3,350	151	1,382	63,560	68,443
Additional provisions made	2,471	31,284	1,562	7,562	42,879
Amount used	<u>(1,488)</u>	<u>(24,930)</u>	<u>(1,382)</u>	<u>(147)</u>	<u>(27,947)</u>
Closing Balance 30 June	<u>4,333</u>	<u>6,505</u>	<u>1,562</u>	<u>70,975</u>	<u>83,375</u>

Other general provisions include amount set aside for:

- Make good on commercial tenancies at the expiration of the lease term;
- Redundancy payments;
- Staff bonus' in accordance with Australian Workplace Agreements in place; 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.

Notes to and forming part of the Financial Statements

30 June 2008 \$'000	30 June 2007 \$'000
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Note 31: Cash Flow Reconciliation

Reconciliation of Operating Result to Net Cash From Operating Activities:

Net Operating Surplus After Income Tax	73,798	101,787
Add:		
Depreciation - Investment Properties	7,809	6,952
Depreciation - Plant and Equipment	4,359	4,283
Write Down and Impairment of Assets	7,321	173
Gains on Disposal of Assets	(26,734)	(28,468)
Increase/(Decrease) Other Revenue Operating Cash Flow Items	(13,221)	-
(Increase) / Decrease in Net Receivables	1,476	(6,205)
(Increase) / Decrease in Deferred Tax Assets	(13,425)	(1,475)
(Increase) / Decrease in Inventories	(65,562)	53,847
(Increase) / Decrease in Prepayments	1,562	(2,676)
Increase / (Decrease) in Provisions	4,863	1,656
Increase / (Decrease) in Supplier Payables	(3,076)	5,799
Increase / (Decrease) in Other Liabilities	3,708	3,201
Reclassification of WIP from Inventory to Investment	(29,401)	-
Increase / (Decrease) in Investments in Associates	(4,579)	-
Increase / (Decrease) in Tax Liabilities	23,870	-
Net Cash (Used By) / From Operating Activities	(27,232)	138,874

Note 32: Superannuation

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

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

- CSS members: Contributions at the rate of 23.9% (2007: 23.9%) of salary for superannuation purposes, amounting to \$230,805 (2007: \$280,000);
- PSS members: Contributions at the rate of 14.8% (2007: 14.8%) of salary for superannuation purposes, amounting to \$3,003,473 (2007: \$3,160,000); and
- PSSap members: Contributions at the rate of 15.4% (2007: 15.4%) of salary for superannuation purposes, amounting to \$2,493,048 (2006: \$1,420,000).

Notes to and forming part of the Financial Statements

Note 33: Key Management Personnel Remuneration

Mr Wayne Stokes	Chairman (Appointed 6 May 2008 and Ceased 30 June 2008)
Mr Michael Del Gigante	Managing Director (Appointed 1 August 2006)
Mr William Bowness	Director
The Hon W Lloyd Lange	Director
Air Vice-Marshal Gary Beck AO (Ret'd)	Director (Appointed 23 November 2006)
Mr Gary Potts	Director (Appointed 23 November 2006)
Mr Peter Sharp	Director (Appointed 23 November 2006)
The Hon Peter V Jones AM	Chairman (Ceased 7 February 2008))
Ms Annabelle Chaplain	Director (Ceased 22 May 2008)

The specified Executives of DHA as at 30 June 2008 were:

Michael Del Gigante	Managing Director (Appointed 1 August 2006)
Maria Storti	Deputy Chief Executive Officer (Appointed 17 December 2007)
Peter Howman	Chief Operating Officer (Appointed 1 October 2007)
Neil Morris	Gen Mgr Development & Constructions (Appointed 21 November 2007)
Tracy Muddle	Gen Mgr People & Corporate Resources
Robert Groom	Acting Chief Financial Officer (Appointed 1 February 2008)
Tony Winterbottom	Gen Mgr Sales and Marketing
Steve Peddle	Gen Mgr Business Solutions & Technology
Mike Swan	Gen Mgr Client Relations

Specified Directors Remuneration

The number of Directors of DHA is shown below in the relevant remuneration bands:

	2008	2007
\$Nil - \$15,000	-	5
\$15,001 - \$30,000	-	2
\$30,001 - \$45,000	-	2
\$45,001 - \$60,000	6	4
\$60,001 - \$75,000	2	-
\$75,001 - \$90,000	-	1
\$355,001 - \$370,000	-	1
\$415,001 - \$430,000	1	-
Total Number of Directors of DHA	9	15
Total Remuneration Received or Due and Receivable by Directors shown above	\$ 878,660	\$ 774,764

All directors received remuneration from DHA during the year. In 2007, five directors did not receive remuneration as they held their position in their capacity as employees of the Department of Defence or the Australian Defence Force.

Specified Executives Remuneration

The number of executives of DHA is shown below in the relevant remuneration bands:

\$135,001 - \$150,000	-	1
\$150,001 - \$165,000	2	-
\$180,001 - \$195,000	1	1
\$195,001 - \$210,000	1	1
\$210,001 - \$225,000	-	3
\$225,001 - \$240,000	-	2
\$240,001 - \$255,000	4	-
\$285,001 - \$300,000	-	2
\$355,001 - \$370,000	-	1
\$415,001 - \$430,000	1	-
Total Number of Executives of DHA	9	11
Total Aggregate Amount of Total Remuneration of Executives shown above	\$ 2,121,804	\$ 2,598,120

Notes to and forming part of the Financial Statements

Note 33: Key Management Personnel Remuneration (continued)

The Director and Executive compensation includes wages and salaries, leave accruals, performance and other bonuses, superannuation, motor vehicles, any other allowances and fringe benefits included in remuneration agreements. Executive remuneration includes performance pay relating to the prior year.

Note 34: Remuneration of Auditors

	2008	2007
	\$	\$
Amount Received or Due and Receivable by Auditors ¹		
Australian National Audit Office (ANAO) for the audit of Financial Statements ²	<u>197,500</u>	<u>197,399</u>
	<u>197,500</u>	<u>197,399</u>
Audit fees relating to the audit of Lyons joint venture are paid to ANAO. DHA is liable for 50% of these fees.	<u>34,452</u>	<u>23,000</u>
	<u>34,452</u>	<u>23,000</u>

No other services were provided by the Auditor-General.

¹ The amounts are GST inclusive.

² 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 2007/08 on the ANAO's behalf. Fees for these services are included.

Note 35: Related Party Disclosures

Directors

The Directors of DHA during the year were:

The Hon Peter V Jones AM	Chairman
Mr Michael Del Gigante	Managing Director
The Hon W Lloyd Lange	Director
Mr Wayne Stokes	Director/Chairman
Air Vice-Marshal Gary Beck AO (Ret'd)	Director
Mr Gary Potts	Director
Mr Peter Sharp	Director
Mr William Bowness	Director
Ms Annabelle Chaplain	Director

Note 36: Economic Dependency

DHA depends on the Department of Defence in accordance with the Services Agreement on Housing and Relocation Services between Defence and DHA.

Note 37: Segment Reporting

DHA operates in a single segment within Australia providing housing and related services.

Notes to and forming part of the Financial Statements

Note 38: Interest in Joint Venture Developments

The Sanctuary - Wattle Grove

DHA holds a 50% interest in The Sanctuary development (formerly referred to as Wattle Grove Development) near Moorebank in Sydney. The principal activity of the joint venture entity is to develop housing sites for 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 2008.

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

	30 June 2008 \$'000	30 June 2007 \$'000
Income Statement		
Revenues	1	66
Total Profit	1	66
Balance Sheet		
Current assets		
Cash	57	56
Receivables	-	-
Total Current Assets	57	56
Current liabilities		
Provisions	77	77
Total Current Liabilities	77	77
Net Assets	(20)	(21)
Equity	(20)	(21)

Lyons

In March 2005, DHA entered into a joint venture with a subsidiary of Canberra Investment Corporation 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. The title for the land remains with DHA and is carried in its Balance Sheet at \$4,118,800. CIC's payment of \$14,250,000 to DHA for their stake in the development has been accounted for as "Revenue in advance" in DHA's Balance Sheet. As individual lots are developed and sold, this revenue has been recognised in the Income Statement.

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.

	23,112	9,002
Income Statement		
Revenues	23,112	9,002
Expenses	(17,881)	(7,138)
Total Profit	5,231	1,864
Balance Sheet		
Current assets		
Cash	2,237	1,665
Inventories	-	14,856
Receivables	1,125	551
Total Current Assets	3,362	17,072

Notes to and forming part of the Financial Statements

	30 June 2008 \$'000	30 June 2007 \$'000
Note 38: Interest in Joint Venture Developments (continued)		
Non Current Assets		
Inventory	1,991	6,455
Property Plant and Equipment	<u>28</u>	<u>5</u>
Total Non Current Assets	<u>2,019</u>	<u>6,460</u>
Total Assets	<u>5,381</u>	<u>23,532</u>
Current Liabilities		
Payables	4,161	2,216
Provisions	<u>-</u>	<u>4,341</u>
Total Current Liabilities	<u>4,161</u>	<u>6,557</u>
Net Assets	<u>1,220</u>	<u>16,975</u>
Equity	<u>1,220</u>	<u>16,975</u>

Note 39: Investments in Associates**(a) Movements in Carrying Amounts**

Carrying Amount at the Beginning of the Financial Year	-	-
Share of Profits after Income Tax	(115)	-
Investments during the Year	<u>4,694</u>	-
Carrying Amount at the End of the Financial Year	<u>4,579</u>	<u>-</u>

(b) Summarised Financial Information of Associates

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

	Ownership Interest %	DHA's Share of:			
		Assets	Liabilities	Revenues	Profit
2008					
Crace Developments Pty Ltd	10	<u>4,550</u>	<u>4,665</u>	<u>2</u>	<u>(115)</u>
		<u>4,550</u>	<u>4,665</u>	<u>2</u>	<u>(115)</u>
2007		-	-	-	-

(c) Contingent Liabilities of Associates

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

Notes to and forming part of the Financial Statements

	30 June 2008	30 June 2007
	\$'000	\$'000

Note 40: Financial Instruments**Note 40A: Categories of Financial Instruments****Financial Assets**

Loans and Receivables Financial Assets		
Cash at Bank	2,651	2,106
Cash on Hand	16	17
Short Term Investments	52,703	168,158
Receivables for Goods and Services (Net)	29,141	30,617
Finance Lease Receivable	<u>158,795</u>	<u>131,522</u>
	<u>243,306</u>	<u>332,420</u>
Carrying Amount of Financial Assets	<u>243,306</u>	<u>332,420</u>

Financial Liabilities

At Amortised Cost		
Government Loans	400,000	340,000
Trade Creditors	30,046	36,483
Revenue in Advance	<u>24,601</u>	<u>29,716</u>
	<u>454,647</u>	<u>406,199</u>
Carrying Amount of Financial Liabilities	<u>454,647</u>	<u>406,199</u>

Note 40B: Net Income and Expense from Financial Assets**Loans and Receivables**

Interest Revenue	7,638	12,696
Annuity Income	<u>11,546</u>	<u>10,048</u>
Net Gain/(Loss) Loans and Receivables	<u>19,184</u>	<u>22,744</u>
Net Gain/(Loss) from Financial Assets	<u>19,184</u>	<u>22,744</u>

Notes to and forming part of the Financial Statements

	30 June 2008 \$'000	30 June 2007 \$'000
Note 40C: Net Income and Expense from Financial Liabilities		
Financial Liabilities - at Amortised Cost		
Interest Expense	22,455	21,043
Net Gain/(Loss) Financial Liabilities - at Amortised Cost	22,455	21,043
Net Gain/(Loss) from Financial Liability	22,455	21,043

Note 40D: Fair Value of Financial Instruments

	Carrying Amount 2008 \$'000	Fair Value 2008 \$'000	Carrying Amount 2007 \$'000	Fair Value 2007 \$'000
FINANCIAL ASSETS				
Cash at Bank	2,651	2,651	2,106	2,106
Cash on Hand	16	16	17	17
Short Term Investments	52,703	52,703	168,158	168,158
Receivables for Goods and Services (Net)	29,140	29,140	30,617	30,617
Finance Lease Receivable	158,795	158,795	131,522	131,522
Total	243,305	243,305	332,420	332,420
FINANCIAL LIABILITIES				
Government Loans	400,000	392,515	340,000	335,896
Trade Creditors	30,046	30,046	36,483	36,483
Revenue in Advance	24,601	24,601	29,176	29,716
Total	454,647	447,162	405,659	402,095

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

Notes to and forming part of the Financial Statements

Note 40E: 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. 66% of the debt owing to DHA is owed by Defence.

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

	2008 \$'000	2007 \$'000
Financial Assets		
Cash at Bank	2,651	2,106
Cash on Hand	16	17
Short Term Investments	52,703	168,158
Receivables for Goods and Services (Net)	29,140	30,617
Finance Lease Receivable	158,795	131,522
Financial Liabilities		
Government Loans	400,000	340,000
Trade Creditors	30,046	36,483
Revenue in Advance	24,601	29,716
Total	697,952	738,619

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

	Past Due or Impaired 2008 \$'000	Past Due or Impaired 2007 \$'000
Financial Assets		
Trade Receivables	628	478
Total	628	478

Ageing of financial assets that are past due but not impaired for 2008

	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Financial Assets				
Receivable for Goods and Services (Net)	18	-	610	628
Total	18	-	610	628

Notes to and forming part of the Financial Statements

Note 40E: Credit Risk (continued)

Ageing of financial assets that are past due but not impaired for 2007

	31 to 60 Days \$'000	61 to 90 Days \$'000	90+ Days \$'000	Total \$'000
Financial Assets				
Receivable for Goods and Services (Net)	26	-	452	478
Total	26	-	452	478

Note 40F: 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 the operational units.

The following tables illustrates the maturities for financial liabilities

	On Demand 2008 \$'000	Within 1 Year 2008 \$'000	1 to 5 Years 2008 \$'000	> 5 Years 2008 \$'000	Total 2008 \$'000
Financial Liabilities					
Government Loans	-	65,000	335,000	-	400,000
Trade Creditors	30,046	-	-	-	30,046
Revenue in Advance	-	24,601	-	-	24,601
Total	30,046	89,601	335,000	-	454,647

	On Demand 2007 \$'000	Within 1 Year 2007 \$'000	1 to 5 Years 2007 \$'000	> 5 Years 2007 \$'000	Total 2007 \$'000
Financial Liabilities					
Government Loans	-	125,000	215,000	-	340,000
Trade Creditors	36,483	-	-	-	36,483
Revenue in Advance	-	29,716	-	-	29,716
Total	36,483	154,716	215,000	-	406,199

Notes to and forming part of the Financial Statements

Note 40G: Market Risk

DHA is exposed to risk to earnings from an adverse movement in interest rates. It 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 ensures 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 is exposed to interest rate risk primarily from loans and receivables. DHA's exposure to interest rate risk arising from fluctuations in interest rates is minimal due to interest rates applicable to borrowing being fixed.

The table below details the interest rate sensitivity analyses of the entity at the reporting date, holding all other variables constant. A 50 basis point change is deemed to be possible change and is used when reporting interest rate risk.

	Risk Variable	Change in Risk Variable %	Effect on	
			Profit and Loss 2008 \$'000	Equity 2008 \$'000
Interest Rate Risk	Interest	0.50	-	-

	Risk Variable	Change in Risk Variable %	Effect on	
			Profit and Loss 2007 \$'000	Equity 2007 \$'000
Interest Rate Risk	Interest	0.50	-	-

The method used to arrive at the possible change of 50 basis points was based on the analysis of the absolute nominal change of the Reserve Bank of Australia (RBA) monthly issued cash rate. Historical rates indicate that for the past five financial years, there was a bias towards an increase in interest rate ranging between 0 to 50 basis points. It is considered that 50 basis points is a 'reasonably possible' estimate as it accommodates for the maximum variations inherent in the interest rate movement over the past five years.

Note 41: Average Staffing Levels

	30 June	30 June
	2008	2007
The average staffing levels for DHA during the year were:	690	696

Note 42: Subsequent Events

On 24 July 2008 Mr Derek Volker AO was appointed Chairman of the DHA Board. The Hon Sandy Macdonald was appointed as a Director on 24 July 2008.

Other than the above appointments, there have been no events post 30 June 2008 which would have a material impact on the financial statements or operations of the DHA business.

Notes to and forming part of the Financial Statements

Note 43: Contingent Liabilities and Assets

Quantifiable Contingencies

The Schedule of Contingencies in the Financial Statements reports a number of contingent liabilities which arise as a result of DHA's interest in the Lyons Joint Venture, including guarantees made directly to financing organisations and statutory authorities in respect of the joint venture. The amount disclosed represents the aggregate amount of such guarantees. The extent to which an outflow of funds will be required is dependent on the future operation of the joint venture being more or less favourable than currently expected. No financial liabilities are expected to arise from provision of the guarantees.

Remote Contingencies

DHA in April 2006 and December 2006 entered into a contract with a major Australian bank to sell a substantial number of properties and to lease them back for periods ranging from 9 to 12 years, with further extensions available at the option of DHA. In selling the properties, DHA has made certain warranties concerning the quality of properties sold. The Directors of DHA are not aware, as at the date of this report, of any liability to the purchaser in respect of warranties given.

Statutory reporting compliance index

The following table shows compliance with the Commonwealth Authorities and Companies (Report of Operations) Orders 2005 issued by the Minister for Finance and Administration on 30 June 2005.

Commonwealth Authorities and Companies Act 1997 Schedule 1 – reporting requirements

SECTION	REPORTING REQUIREMENT	PAGE REFERENCE
s.1(a)	Report of operations	6-7
s.1(b)	Financial statements	86-123
s.1(c)	Auditor-General's report	83-84
s.2(3)	Directors' resolution on financial statements	85

Commonwealth Authorities and Companies (Report of operations) Orders 2005 Division 2 – General information about operations and activities

SECTION	REPORTING REQUIREMENT	PAGE REFERENCE
Enabling legislation and responsible Minister		
s.8(a)	Enabling legislation	64-65
s.8(b)	Ministerial responsibility	67
Organisational structure		
s.9	Organisational structure	73
s.9	Location of major activities and facilities	16-17 and inside back cover
Review of operations and future prospects		
s.10(1)(a)(i)	Performance measured against statutory objectives	64-65
s.10(1)(a)(ii)	Performance measured against the Corporate Plan	67
s.10(1)(a)(iii)	Performance measured against principal outputs and contributions	12-79
s.10(1)(b)	Factors, events or trends, including risks and opportunities	12-79
s.10(c)	Significant events under s.15 of the CAC Act	8-9
s.10(d)(i)	Principal outputs	12-79
s.10(d)(ii)	Major investing and financing activities	28-32, 86-123
s.10(d)(iii)	Key financial and non-financial performance indicators	12, 22, 28, 36, 42, 48, 54
s.10(e)	Significant changes in state of affairs or principal activities	6-7
s.10(f)(i)(ii)(iii)	Significant developments since the end of the financial year	<i>Nil to report</i>
Judicial decisions and reviews by outside bodies		
s.11(a)	Judicial decisions and administrative tribunal decisions	78 (<i>nil to report</i>)
s.11(b)	Reports on operations by the Auditor-General, a Parliamentary Committee or the Commonwealth Ombudsman.	77-79
s.11(b)	Independent Audit Report	83-84

SECTION	REPORTING REQUIREMENT	PAGE REFERENCE
Effects of Ministerial directions		
s.12(1)(a)(i) (ii)(iii)	Directions issued by the Minister, during or since the end of the financial year, or continuing from previous financial years	67-68
s.12(b)(i)(ii)(iii)	Government policies under section 28 of the CAC Act	64
Disclosure requirements for Government Business Enterprises		
s.13(1)(a)(i)	Significant changes in overall financial structure and condition	28-32, 86-123
s.13(1)(a)(ii)	Material events causing financial information not to be indicative of future results	Nil to report
s.13(b)	Dividends paid or recommended	30
s.13(c)(i)(ii)	Community service obligations	50-51, 79

Commonwealth Authorities and Companies (Report of operations) Orders 2005 Division 3 – Specific information

SECTION	REPORTING REQUIREMENT	PAGE REFERENCE
Directors		
s.14(1)(a)	Directors details	70-72
s.14(1)(b)	Board meeting attendance	69
Statement on governance		
s.15(1)	Governance practices	64-79
s.15(2)	Board committee details	68-69
s.15(3)(b)	Reviewing board performance	69
s.15(3)(d)	Risk management	77
s.15(3)(e)	Ethical standards	3, 78
Indemnities and insurance premium officers		
s.16(1)(a)(b)	Indemnity for officers or premiums paid	79

Commonwealth Authorities and Companies (Report of operations) Orders 2005 Division 4 – Miscellaneous

SECTION	REPORTING REQUIREMENT	PAGE REFERENCE
Other statutory requirements		
s.18	Commonwealth Disability Strategy	79
s.74 (<i>Occupational Health and Safety (Commonwealth Employment) Act 1991</i>)	Occupational Health and Safety	60-61
s.8(1) (<i>Freedom of Information Act 1982</i>)	Freedom of information	78
s.516A (<i>Environment Protection and Biodiversity Conservation Act 1999</i>)	Environmental sustainability development	49

As a statutory authority, DHA is not required to fulfill the *Requirements for Departmental Annual Reports* approved by the Joint Committee of Public Accounts and Audit under subsections 63(2) and 70(2) of the *Public Service Act 1999*, however in an effort to improve transparency this has also been undertaken.

Acronyms and abbreviations





ADF	Australian Defence Force
AeIFRS	Australian-equivalent International Financial Reporting Standards
AFR	Application For Relocation
ANAO	Australian National Audit Office
APS	Australian Public Service
AWA	Australian Workplace Agreement
BAC	Board Audit Committee
CA	Collective Agreement
CAC Act	Commonwealth Authorities and Companies Act 1997
Certified Agreement	DHA Certified Agreement 2004-2007
CLC	Common Law Contract
COO	Chief Operating Officer
CSIA	Customer Service Institute of Australia
CSIG	Corporate Services Infrastructure Group
Customs	Australian Customs Service
DCO	Defence Community Organisation
DE	Directorate of Entitlements
Defence	Department of Defence
DFA	Defence Families of Australia
DHA	Defence Housing Australia
DPE	Defence Personnel Executive
DSNSG	Defence Special Needs Support Group
E-AFR	Electronic Application For Relocation
EBIT	Earnings Before Interest and Tax
FCP	Fraud Control Plan
FOI	Freedom of Information
FRA	Fraud Risk Assessment
FMOs	Finance Minister's Orders
GBE	Government Business Enterprise
HMC	Housing Management Centre
HMI	Housing Management Instructions
HQJOC	Headquarters Joint Operations Command

ICT	Information and Communication Technology
IT	Information Technology
ITS	Information Technology Services
KPI	Key Performance Indicator
LIA	Living In Accommodation
L&D	Learning and Development
MWD	Member With Dependants
MWOD	Member Without Dependants
NHCP	New Housing Classification Policy
OBS	Off Balance Sheet
OH&S	Occupational Health and Safety
PBS	Portfolio Budget Statement
PDA	Performance Development Agreement
PID	Personal Information Digest
PMS	Property Management System
PP &E	Property Plant and Equipment
PWC	Public Works Committee
RA	Rent Allowance
RAAF	Royal Australian Air Force
ROA	Return On Assets
ROE	Return On Equity
SCG	Staff Consultative Group
SES	Senior Executive Service
SDM	Service Delivery Model
SLB	Sale and Leaseback
SOP	Standard Operating Procedure
SVA	Shareholder Value Added
TER	Tax Equivalent Regime
TMS	Tenant Management System
TPMS	Tenant Property Management System
WFML	Westpac Funds Management Ltd.

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between 8.00am and 6.00pm
Australian EST Monday to Friday

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Toll free: 1800 626 698
(24-hour hotline when in transit)

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