



# Annual Report

2004-05



**Defence Housing**  
AUTHORITY





# Defence Housing Authority

2004-05 Annual Report

**Head Office**

Defence Housing Authority  
26 Brisbane Avenue  
Barton ACT 2600

Switchboard: (02) 6217 8444  
Facsimile: (02) 6217 8500  
Website: [www.dha.gov.au](http://www.dha.gov.au)

Chairman: The Hon Peter V Jones AM  
Acting Managing Director: Mr Michael Del Gigante  
Chief Financial Officer: Mr John Kitney  
Internal Audit Manager: Mr Brendan Clarke

**Editorial**

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To obtain further information about the contents of this report, please contact:

Communication and Media Manager  
Defence Housing Authority  
26 Brisbane Avenue  
BARTON ACT 2600

Ph: 02 6217 8444  
Email: [communications@dha.gov.au](mailto:communications@dha.gov.au)

This report can also be found on the DHA's website at [www.dha.gov.au](http://www.dha.gov.au)

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14 October 2005

Senator the Hon Robert Hill  
Minister for Defence  
Parliament House  
CANBERRA ACT 2600

Senator the Hon Eric Abetz  
Special Minister of State  
Parliament House  
CANBERRA ACT 2600

Dear Ministers

On behalf of the Defence Housing Authority (DHA), and in accordance with the *Commonwealth Authorities and Companies Act 1997*, I am pleased to submit to you the Defence Housing Authority 2004–05 Annual Report.

This report covers DHA's activities in providing high-quality housing and relocation services to Australian Defence Force members and their families, during the past financial year.

The 2004–05 financial year has been another successful period for DHA in which we met all of our key strategic objectives and financial targets. DHA generated strong financial returns during the year which will result in payment to the Australian Government of an ordinary dividend of \$27 million, and tax equivalent payments of \$40.1 million.

While maintaining strong financial management, DHA has also achieved high levels of customer satisfaction in relation to our housing and relocation services. We are proud to continue supporting the excellent work of the men and women of the Australian Defence Force.

During the reporting period, the Managing Director of DHA was Mr Keith Lyon. Mr Lyon retired from DHA on 31 August 2005. The Board has appointed Mr Michael Del Gigante to act as Managing Director pending a permanent appointment to that position.

I convey the thanks of the Board and all associated with DHA for your interest in and support for the activities of the Authority.

Yours sincerely

A handwritten signature in black ink, appearing to read "Peter Jones", written in a cursive style.

**The Hon Peter Jones AM**  
DHA Chairman



# Acronyms and abbreviations

<b>ACS</b>	Australian Customs Service	<b>IT</b>	Information Technology
<b>ADF</b>	Australian Defence Force	<b>ITS</b>	Information Technology Services
<b>AFR</b>	Application for Relocation	<b>KPI</b>	Key Performance Indicator
<b>ANAO</b>	Australian National Audit Office	<b>L&amp;D</b>	Learning and Development
<b>APS</b>	Australian Public Service	<b>MWD</b>	Member With Dependents
<b>AWA</b>	Australian Workplace Agreement	<b>MWOD</b>	Member Without Dependents
<b>BAC</b>	Board Audit Committee	<b>NSSC</b>	National Service and Support Centre
<b>CA</b>	Certified Agreement	<b>OBS</b>	Off Balance Sheet
<b>COO</b>	Chief Operating Officer	<b>OH&amp;S</b>	Occupational Health and Safety
<b>CSIG</b>	Corporate Services Infrastructure Group	<b>PID</b>	Personal Information Digest
<b>DCO</b>	Defence Community Organisation	<b>PMS</b>	Property Management System
<b>DE</b>	Directorate of Entitlements	<b>PP&amp;E</b>	Property Plant and Equipment
<b>DFA</b>	Defence Families of Australia	<b>PWC</b>	Public Works Committee
<b>DHA</b>	Defence Housing Authority	<b>RA</b>	Rental Allowance
<b>DPE</b>	Defence Personnel Executive	<b>RAAF</b>	Royal Australian Air Force
<b>DSNSG</b>	Defence Special Needs Support Group	<b>ROA</b>	Return on Assets
<b>EBIT</b>	Earnings Before Interest and Tax	<b>SCG</b>	Staff Consultative Group
<b>FCP</b>	Fraud Control Plan	<b>SES</b>	Senior Executive Service
<b>FOI</b>	Freedom of Information	<b>SDM</b>	Service Delivery Model
<b>FRA</b>	Fraud Risk Assessment	<b>SLB</b>	Sale and Leaseback
<b>FMOs</b>	Finance Minister's Orders	<b>SOP</b>	Standard Operating Procedure
<b>GBE</b>	Government Business Enterprise	<b>SVA</b>	Shareholder Value Added
<b>HMC</b>	Housing Management Centre	<b>TER</b>	Tax Equivalent Regime
<b>HMI</b>	Housing Management Instructions	<b>TMS</b>	Tenant Management System
<b>ICT</b>	Information and Communication Technology		







# DHA – The year in review



# DHA at a glance

## Our vision

To be recognised as the expert 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.

Meeting the operational needs of the Australian Defence Force (ADF) requires the Defence Housing Authority (DHA) to provide cost-effective housing and relocation services to ADF members and their families, at a standard that supports the Department of Defence in the recruitment and retention of highly trained personnel. Considerable flexibility is required to meet the changing housing requirements of the Department of Defence in a shifting residential investment market.

## Our stakeholders

- Minister for Defence
- Minister for Finance and Administration
- Special Minister of State
- Parliamentary Secretary to the Minister for Defence
- Department of Defence
- Australian Defence Force
- Defence members and their families
- Defence Families of Australia
- Defence Community Organisation
- Defence Special Needs Support Group
- Department of Finance and Administration
- Australian Customs Service
- Customs Personnel
- Lessors and Private Investors
- DHA staff

## Our strategic themes

As part of our strategic focus on customers and clients, four strategic themes have been developed to guide our business. These themes provide the strategic direction for all operations and are closely linked to our Corporate Plan and Business Strategies.

In the past, we have operated on the following three strategic themes, 'Delight the customer', 'Meet commercial responsibilities' and 'Achieve operational excellence'. In 2004–05, a new strategic theme, 'Value for money for clients', was added to reflect our commitment to continuous improvement and provision of a more commercial focus for our clients.

Our four strategic themes are detailed below:

- **Delight the customer**, focusing on serving our tenants, the ADF members and their families;
- **Value for money for clients**, focusing on meeting the requirements of the Department of Defence and of private investors;
- **Meet commercial responsibilities**, focusing on meeting the financial requirements of Shareholder Ministers – appropriate financial returns, capital efficiency and cost-effectiveness for the Department of Defence; and
- **Achieve operational excellence**, aimed at achieving the personnel competencies and internal processes needed to meet our objectives and contractual commitments both effectively and profitably.

The first three themes reflect our ongoing commitment to stakeholders. The fourth theme represents the internal processes and competencies required to meet the needs of our stakeholders.

This Annual Report has been structured around these four strategic themes.

## Who we are

DHA was established as a Statutory Authority in 1988 under the *Defence Housing Authority Act 1987*. In 1992 DHA also became a Government Business Enterprise (GBE). Our primary function is to provide high quality housing and relocation services to members of the ADF and their families to meet the operational needs and

requirements of the Department of Defence. We also provide housing and relocation services to members of the Australian Customs Service (ACS).

DHA is required by its enabling legislation to perform its functions in accordance with the policies of the Australian Government and in accordance with sound commercial practice.

DHA is within the Defence portfolio and responsible to Senator the Hon Robert Hill, Minister for Defence, through the Hon Teresa Gambaro MP, Parliamentary Secretary to the Minister for Defence.

Senator the Hon Nick Minchin, Minister for Finance and Administration, is a Joint Shareholder Minister of DHA and has delegated this responsibility to Senator the Hon Eric Abetz, Special Minister of State.

## What we do

We manage around 17,000 residences in all states and territories of Australia, representing around \$6 billion worth of housing stock. Around 61 per cent of these homes are owned by private investors and leased back to DHA through our very successful Sale and Leaseback (SLB) Program. In the next three years we will spend approximately \$1.5 billion on building and acquiring new homes.

We provide a full tenancy and maintenance service to all tenants. We also administer a range of entitlements and allowances paid to ADF members for their housing and relocation requirements.

We are committed to providing an efficient and high quality housing and relocation service which meets the needs of our customers, our clients and our investors.

Since assuming responsibility for relocations from the Department of Defence in 2001, we now organise relocations for around 30,000 members of the ADF and their families each year. With over 25 Housing Management Centres across Australia and 687 staff, we can ensure a face-to-face service is provided in the vicinity of most major military establishments around the country.



# Highlights and significant events



**July 04** – The Parliamentary Secretary to the Minister for Defence, the Hon Fran Bailey MP, announces that DHA will spend over \$23 million on the development of 100 homes at the Puckapunyal Army base in Victoria.

**August 04** – The Minister for Defence, Senator the Hon Robert Hill, announces that over 200 Defence homes at RAAF Base Tindal and Katherine in the Northern Territory will be upgraded as part of an \$18 million major refurbishment program.

**September 04** – DHA's Certified Agreement 2004–2007 is certified by the Australian Industrial Relations Commission on 20 September 2004.



On 29 September 2004, the \$5.4 million, Cavanagh Court development at Mitchelton in Brisbane, Queensland, is officially opened by the Parliamentary Secretary to the Minister for Defence, the Hon Teresa Gambaro MP, providing 27 townhouses for ADF members and their families.



**October 04** – The Parliamentary Secretary to the Minister for Defence, the Hon Teresa Gambaro MP and ACT Minister for Planning, Simon Corbell MLA, jointly announce a major agreement between DHA and the ACT Land Development Agency. The agreement is for the direct sale of 350 serviced blocks in the ACT to DHA, at a cost of \$60 million over three years.

**November 04** – DHA sponsors the ‘Puckapunyal Environmental Multipurpose Track’ at the Puckapunyal Military Area, Victoria. The track is designed to provide walking and bike paths for residents of Puckapunyal while preserving a safe ecological system for native animals. The track is officially opened in April 2005.



**December 04** – On 14 December 2004, the Hon Peter Jones, DHA Chairman, officially opens 12 new townhouses in Karratha, Western Australia.

**January 05** – DHA announces the purchase of 7 house and land packages at Queanbeyan, New South Wales, at a cost of \$3.1 million.

**February 05** – Defence Families of Australia (DFA) announce DHA as one of the major sponsors of ‘Belong 05’, a family picnic to welcome families to the Canberra region. The community event has over 30 displays from local community groups.



**March 05** – On 18 March 2005, Senator the Hon Robert Hill, Minister for Defence, announces a Joint Venture Agreement between DHA and the Canberra Investment Corporation for the development of land at Lyons, Darwin, Northern Territory. The \$41 million development will result in over 650 residential blocks, 300 of which will be used to build housing for ADF members and their families.



**April 05** – On 26 April 2005, ‘Clarence Jeffries Estate’ in Adamstown, New South Wales, is officially named by the Hon Teresa Gambaro MP, Parliamentary Secretary to the Minister for Defence. On this date 15 townhouses were complete with 53 houses expected for completion by the end of 2005.

**May 05** – The Parliamentary Secretary to the Minister for Defence, the Hon Teresa Gambaro MP, announces on 26 May that Parliament has endorsed a \$17.5 million plan to build 50 new homes for ADF members and their families at McDowall in Brisbane, Queensland.



**June 05** – On 3 June 2005, the Parliamentary Secretary to the Minister for Defence, the Hon Teresa Gambaro MP, announces the approval of 80 new homes to be built at Puckapunyal Army base in Victoria.

DHA is announced as a winner of a Silver award at the Australasian Reporting Awards for the 2003–04 Annual Report.



# Key achievements

## DELIGHT THE CUSTOMER

OBJECTIVES	KEY PERFORMANCE INDICATORS (KPIs)	KEY STRATEGIES AND ACTIVITIES	KEY ACHIEVEMENTS
ADF members and their families			
<p><b>Provide homes and related services that anticipate and meet customer expectations</b></p>	<ul style="list-style-type: none"> <li>• ADF member satisfaction with house.</li> <li>• ADF member satisfaction with maintenance services.</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain housing portfolio consistent with standards required by the Department of Defence and ADF members (quantity, choice, amenity and location).</li> <li>• Improve choice in homes, consistent with Department of Defence requirements.</li> </ul>	<ul style="list-style-type: none"> <li>• 451 properties constructed at a cost of \$155 million.</li> <li>• 520 properties acquired at a cost of \$241 million.</li> <li>• 81.5 per cent of customers satisfied with their Service Residence.</li> </ul>

OBJECTIVES	KEY PERFORMANCE INDICATORS (KPIs)	KEY STRATEGIES AND ACTIVITIES	KEY ACHIEVEMENTS
ADF members and their families			
		<ul style="list-style-type: none"> <li>Maintain a responsive quality maintenance service.</li> <li>Understand customer requirements and manage customer expectations.</li> </ul>	<ul style="list-style-type: none"> <li>83 per cent of customers satisfied with DHA maintenance services.</li> <li>Refurbished and/or upgraded 69 houses nationally.</li> </ul>
<b>Deliver relocation services that meet customer expectations and are customer oriented</b>	<ul style="list-style-type: none"> <li>ADF member satisfaction with overall DHA relocation services.</li> <li>ADF member satisfaction with allocations process.</li> </ul>	<ul style="list-style-type: none"> <li>Deliver a consistent, personalised, quality customer experience that meets contracted performance requirements.</li> <li>Integrate housing solutions with relocations management.</li> </ul>	<ul style="list-style-type: none"> <li>81 per cent of customers satisfied with DHA's total relocation services.</li> <li>82 per cent of customers satisfied with the reoccupation of premises, meeting DHA's maintenance and cleanliness standards.</li> <li>65 per cent of customers satisfied with allocations process.</li> </ul>

## VALUE FOR MONEY FOR CLIENTS

OBJECTIVES	KEY PERFORMANCE INDICATORS (KPIs)	KEY STRATEGIES AND ACTIVITIES	KEY ACHIEVEMENTS
Clients			
<b>Provide value for money to clients</b>	<ul style="list-style-type: none"> <li>Vacancy rate.</li> <li>Percentage of door-to-door removals.</li> <li>Achieve agreed provisioning level.</li> <li>Percentage of pre-allocations.</li> <li>Percentage change in DHA rents versus change in market rents.</li> <li>Number of houses under management of clients.</li> </ul>	<ul style="list-style-type: none"> <li>Provide efficient management of stock within agreed parameters and accurate financial forecasts for rent and other charges, while meeting KPIs.</li> <li>Minimise the Department of Defence's program costs.</li> <li>Provide married without dependents (MWOD) accommodation on base or off base, if agreed by the Department of Defence.</li> </ul>	<ul style="list-style-type: none"> <li>The vacancy rate in effective markets was 2.6 per cent compared to 3.5 per cent target. In limited markets the rate was 2.9 per cent compared to a target of 4 per cent.</li> <li>91 per cent of removals were door-to-door.</li> <li>70 per cent of families had housing solutions before departing their losing locality against a target of 65 per cent.</li> <li>5.22 per cent change in DHA rents versus a 3.88 per cent change in REIA (see financial overview).</li> <li>16,128 houses under management for the Department of Defence, an overall increase of 58 houses.</li> </ul>

OBJECTIVES	KEY PERFORMANCE INDICATORS (KPIs)	KEY STRATEGIES AND ACTIVITIES	KEY ACHIEVEMENTS
Clients			
<b>Maintain good working relationships with clients</b>	<ul style="list-style-type: none"> <li>• Good working relationships with clients.</li> </ul>	<ul style="list-style-type: none"> <li>• Pursue an effective partnering relationship and shared understanding with clients.</li> <li>• Conduct regular liaison with local commanders.</li> <li>• Manage DHA's reputation with clients.</li> </ul>	<ul style="list-style-type: none"> <li>• Met senior uniformed and civilian Defence Personnel on 80 occasions to discuss performance and housing issues.</li> <li>• 85 per cent of the Department of Defence survey respondents satisfied with the client relationship.</li> </ul>
Private investors			
<b>Provide attractive well managed investment options</b>	Percentage of lessors satisfied.	<ul style="list-style-type: none"> <li>• Provide attractive, appropriately priced and well managed investment options to maintain Sale and Leaseback Program.</li> <li>• Provide professional property management services.</li> </ul>	<ul style="list-style-type: none"> <li>• 95.5 per cent of lessors were satisfied with DHA's lessor management and 94.8 per cent were satisfied with the management of their leased property.</li> <li>• 96 per cent of new lessors were satisfied with the DHA lease administration and almost 96 per cent were satisfied with the overall level of service provided.</li> </ul>

## MEET COMMERCIAL RESPONSIBILITIES

OBJECTIVES	KEY PERFORMANCE INDICATORS (KPIs)	KEY STRATEGIES AND ACTIVITIES	KEY ACHIEVEMENTS
<b>Meet shareholder financial expectations</b>	<ul style="list-style-type: none"> <li>• Shareholder Value Added (SVA).</li> <li>• Return On Assets (ROA).</li> <li>• Profit (EBIT).</li> <li>• Special Dividends.</li> <li>• Standard &amp; Poor's rating.</li> <li>• Debt: Equity ratio (including OBS debt).</li> <li>• Percentage of DHA ownership.</li> <li>• Times interest cover.</li> <li>• Capital program achieved.</li> </ul>	<ul style="list-style-type: none"> <li>• Structure property portfolio to optimise returns and capital employed, to effectively meet the Provisioning Schedule and to maintain core stock.</li> <li>• Optimise capital structure and working capital management.</li> <li>• Improve DHA's ability to manage profitability in all of its business lines.</li> </ul>	<ul style="list-style-type: none"> <li>• SVA \$173.9 million (pre-tax) being 8.7 per cent.</li> <li>• ROA 5.0 per cent.</li> <li>• EBIT \$82.3 million.</li> <li>• Financial performance resulting in dividends of \$67.1 million, including \$40.1 million tax equivalents.</li> <li>• AA+ Standard &amp; Poor's credit rating was maintained.</li> </ul>



OBJECTIVES	KEY PERFORMANCE INDICATORS (KPIs)	KEY STRATEGIES AND ACTIVITIES	KEY ACHIEVEMENTS
		<ul style="list-style-type: none"> <li>Increase revenue by expanding client base using existing capacity and capabilities, if legislation permits.</li> </ul>	<ul style="list-style-type: none"> <li>The value of DHA property portfolio increased by 3.9 per cent.</li> <li>Gearing as at 30 June 2005 was 48.5 per cent.</li> <li>DHA's level of asset ownership reduced to 26.9 per cent.</li> </ul>

## ACHIEVE OPERATIONAL EXCELLENCE

OBJECTIVES	KEY PERFORMANCE INDICATORS (KPIs)	KEY STRATEGIES AND ACTIVITIES	KEY ACHIEVEMENTS
Business Processes			
<p><b>Ensure business processes are innovative, effective and efficient</b></p>	<ul style="list-style-type: none"> <li>Percentage of entitlements processed on time.</li> <li>Percentage of timely notice to members of itinerary.</li> </ul>	<ul style="list-style-type: none"> <li>Improve IT systems to support current and future business needs.</li> <li>Improve e-business capabilities.</li> <li>Undertake ongoing process improvement to achieve customer centered, consistent, efficient, user friendly processes and support functions, and to maximise pre-allocations.</li> <li>Contribute to social and environmental sustainability.</li> </ul>	<ul style="list-style-type: none"> <li>98 per cent of standard relocations and short relocations were processed on time. 99 per cent of crash relocations were processed on time.</li> <li>98 per cent of customers with standard relocations and 99 per cent of short relocations and crash relocations, received timely notice of itinerary.</li> <li>82 per cent of customers satisfied with the itinerary management process.</li> <li>DHA's new Tenant Management System (TMS) implemented in July 2004.</li> <li>E-Business strategy developed.</li> <li>Provided significant contribution to over 25 community initiatives.</li> <li>Raised more than \$15,000 for charities.</li> </ul>

OBJECTIVES	KEY PERFORMANCE INDICATORS (KPIs)	KEY STRATEGIES AND ACTIVITIES	KEY ACHIEVEMENTS
Learning and Growth			
<b>Attract and retain competent and highly motivated staff</b>	<ul style="list-style-type: none"> <li>• Staff satisfaction.</li> <li>• Staff turnover.</li> <li>• Percentage of customers satisfied with staff knowledge.</li> </ul>	<ul style="list-style-type: none"> <li>• Develop remuneration and a workplace consistent with being an employer of choice.</li> <li>• Use competency framework as the basis for learning and development needs analysis and delivery for all staff.</li> <li>• Promote and maintain an external and internal service culture in a commercial environment and integrate it into processes, measures and rewards.</li> <li>• Promote and maintain a team oriented culture.</li> </ul>	<ul style="list-style-type: none"> <li>• 76 per cent of customers satisfied with staff knowledge.</li> <li>• 90 staff provided with formal studies assistance.</li> <li>• 184 staff undertook Case Management Training and 148 undertook Advanced Case Management Training.</li> <li>• 90 staff undertook Property and Tenancy Management Training.</li> <li>• 67 staff undertook COGNOS Business Reporting Training.</li> <li>• New Certified Agreement certified in September 2004.</li> </ul>







# Overview



# Chairman & MD's Report

The 2004–05 financial year was both challenging and rewarding for the Defence Housing Authority (DHA). We introduced significant business and process improvements designed to strengthen our financial management as well as increase the quality and value of the services that we provide to our Australian Defence Force (ADF) members and their families.

We also endured a downturn part-way through the year in key residential property markets, particularly in the Sydney and Canberra regions. Despite the downward market change, we achieved good sales for the reporting period. Much of our success in terms of sales can be attributed to the attractiveness of our Sale and Leaseback (SLB) Program for private investors, and the professional attitude of our staff.

Throughout the year we provided quality housing, tenancy management and relocation services to ADF members and their families. Our customers' satisfaction with their total relocation experience was in excess of our target for the year, and has become a stronger focus for our organisation.

We met all of our contractual Key Performance Indicators (KPIs), with one exception being that ADF members would like a greater choice of homes. Managing this expectation in future years will require a careful balance of vacancy rates against the provision of greater choice for our customers.

Our financial performance for the reporting period was strong, and we achieved Earnings Before Interest and Tax (EBIT) of \$82.3 million.

Some of our most notable achievements for the reporting period were:

- during 2004–05, we built 451 properties at a cost of \$155 million, and acquired 520 properties at a cost of \$241 million;
- EBIT for 2004–05 was \$82.3 million (compared with \$74.2 million in 2003–04);
- net profit was \$66.9 million, which was \$26.5 million above target;
- a joint venture partnership with Canberra Investment Corporation at Lyons in Darwin. This \$41 million project will result in the construction of over 300 new homes;
- a new service delivery model was introduced, designed to improve customer service and the number of houses pre-allocated;
- the number of houses on the rent bill was increased to 16,128;
- profitability on houses sold through the SLB Program was equivalent to 10 per cent, on par with the results in 2003–04; and
- arranged physical uplifts for 30,809 ADF members.

## Delighting the customer

### **SERVICE DELIVERY**

Last year we reported on the development of new initiatives aimed at improving our customer service.

Of particular note was our new service delivery model that combined our relocation and housing allocation functions into one role – so that a single DHA Relocation Consultant in the location to which the customer is moving helps organise all of their relocation and housing requirements.

The first stage of this new service delivery model and related processes was introduced during 2004–05.

Our rate of pre-allocations increased to an average of 70 per cent for the year as a direct result of the new model, surpassing our target of 65 per cent.

The benefits of pre-allocation of housing, or ‘door-to-door’ removals (where customers have chosen their new home before moving to their new location) are enjoyed by our customers and the Department of Defence alike.

For families, there is more time to organise things like schooling, childcare or employment for a non-Defence spouse, while cost savings through a reduced need for temporary accommodation and allowances are passed on to the Department of Defence.

While the new service delivery model encouraged pre-allocations, the choice of available homes was limited by a lack of early confirmation from existing tenants that they would be relocating and hence need accommodation.

DHA homes can only be listed as being available for a new tenant after the existing tenant has confirmed with us that they will be vacating the home.

The challenge for 2005–06 is to encourage the majority of customers to confirm as early as possible their intentions to relocate – which will in turn greatly improve the choice of homes for other families.

Work on refining the service delivery model to make it easy for customers to confirm their intentions to relocate was well under way in the reporting period, and new processes will be implemented in time for the 2005–06 peak posting cycle.

During 2004–05, we completed the regionalisation of our Housing Management Centres (HMCs). The benefits of this regionalisation process, such as improved consistency of customer service and cost efficiencies, are reflected in the excellent operational results.

This year we also conducted a review of our website content with the assistance of key customer groups. The purpose of the review was to help us to identify ways to improve the usefulness of the website from a customer perspective.

We also put in place a plan to establish a working group to oversee improvements and new customer service initiatives to cement our role as ‘the home of service’.



## HOUSES

Our capital program continues to be ambitious, even in the midst of weak property market conditions. Our top priority is meeting the housing needs of ADF families, as advised by the Department of Defence.

During 2004–05, we built 451 properties at a cost of \$155 million, and acquired 520 properties at a cost of \$241 million.

In addition to our construction and acquisition activity, we refurbished and/or upgraded 69 houses.

Our SLB Program is now a mature, proven and popular investment option. This innovative program allows us to develop quality residential properties in key locations across the country, sell them to investors and then lease them back.

Our investors reap the benefits of a low-risk investment strategy with the security of a long term lease and regular rental income regardless of any vacancies. Our leases also include worry-free maintenance and property management, along with excellent ‘make-good’ provisions at the expiry of the lease term.

This program has become a key part of our financial strategy, with investors providing an average of \$280 million per year in capital funds to DHA over the past four years.

In addition to providing investment opportunities, our construction program provides significant benefits for local communities. We use local building firms, suppliers and businesses where possible, and the flow-on effects to the local economy can be substantial.

We are continuing to explore new ways to build houses that take full advantage of climatic and environmental conditions, which in turn reduce the reliance on artificial heating and cooling. Every home that we build meets a minimum four-star energy rating.

The design principles being used for our development at Lyons in Darwin are a good example of where an entire suburb will be built with regard to natural breezeways and other climatic features.



## Value for money for clients

We continue to enjoy a productive working relationship with the Department of Defence, using formal liaison arrangements, as well as regular informal interaction between staff at all levels.

The high level of collaboration between DHA and the Department of Defence has been encouraging, in particular the effort to identify ways to improve customer service through refinement of existing processes.

This year we also continued to work closely with key stakeholder organisations, including Defence Families of Australia (DFA). In June, we hosted one day of the DFA Annual Conference at our Head Office in Canberra – providing an invaluable opportunity for interaction between DHA key decision makers and state and territory representatives from DFA.

In terms of dollar figures, low vacancy rates provide excellent value for money for the Department of Defence. DHA was also able to reduce the number of ADF members with dependants on rental allowance (RA) from 2,662 in 2003–04 to 2,433 in 2004–05. DHA has provided ongoing support to Defence in the development of future housing policy.

DHA has pre-allocated 70 per cent of houses, enabling ADF members to move door-to-door. This saves the Department of Defence temporary accommodation and storage costs and makes the moving process simpler and easier for ADF members and their families.

## Meeting our commercial responsibilities

As a Government Business Enterprise (GBE), DHA has a responsibility to operate commercially. We have to meet return on equity targets agreed with our Shareholder Ministers.

We are paid rents at market rates by the Department of Defence, and our fees are commercially negotiated and independently benchmarked. All of our tax exemptions have been removed, and we make tax equivalent payments to the Australian Government.

Our financial performance for the reporting period resulted in all KPIs being met or exceeding our Corporate Plan targets. EBIT for 2004–05 was \$82.3 million (compared with \$74.2 million in 2003–04).

During 2004–05, we introduced new measures designed to improve our financial management and control. We adopted inventories accounting in accordance with Australian Accounting Standard AASB 1019. In line with this change, all properties that are held with the intent to sell have been classified as inventories.

This change to our accounting policy has resulted in disclosure that is more transparent and relevant to our business.

During 2004–05, we also restructured our business lines to provide a better focus on our capital management.

## Achieving operational excellence

### STAFF

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Following the completion of our staff survey in March 2004, action plans were developed and put into place across all key business lines and implemented throughout 2004–05.

As a direct result of the action plans, we have provided a significant amount of specialised training for staff, and continue to focus on ensuring that staff have the right skills and tools to best perform their jobs.

### SYSTEMS

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Initiatives under our Business Improvement Program continued to be implemented, with our new Tenant Management System (TMS) fully operational in time for the peak ADF posting cycle in 2004–05.

Work on upgrading our Property Management System (PMS) was completed during the year, and this new system – which complements the TMS – will be implemented early in 2005–06.

## GOVERNANCE

The DHA Board plays an important role in the governance and strategic direction of our business. During the year the Board accepted a number of recommendations of an independent review, designed to enhance the Board's effectiveness.

We have audit and risk management strategies in place that are consistent with relevant Australian Standards, as well as a Board Audit Committee to provide tight focus on risk management and fraud, and a Property Committee to review major property developments.

Our Corporate Plan is regularly reviewed, both to track our performance against priority areas, as well as to ensure that it continues to be relevant to prevailing business and market conditions.

## THE FUTURE

We move forward into 2005–06 with a good track record of financial performance and customer satisfaction. Through careful planning and anticipation, we are prepared for the challenges that face us, and have already put in place business improvements and processes designed to ensure that we not only continue our successful record but also build on our capabilities.

The property market will also play an important role in shaping our business strategy, and we will continue to explore innovative ways to maximise sales in the current difficult environment, and examine alternative financing arrangements.

Our capital program for the next three year corporate planning period is estimated at \$1.5 billion.

We will continue to build new homes in key areas of Defence need, including major residential developments in Darwin, Townsville, Sydney, Brisbane and Canberra. The quality of our homes will continue to be of a high standard and offer our ADF families real choice in housing.

Our SLB Program will continue to be central to our business and, coupled with some of our major new developments, will continue to provide exciting and valuable opportunities for investors.

The DHA Board continues to seek amendments to the *Defence Housing Authority Act 1987* that will allow us to take full advantage of business opportunities, add flexibility to our financial management and strengthen our position as a modern GBE.

## REPORT OF OPERATIONS

The Directors of the Defence Housing Authority are pleased to present their annual report for the financial year ending 30 June 2005.

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 Minister's Orders. This report is made in accordance with a resolution of the Directors.



The Hon Peter V Jones AM  
Chairman

Mr Michael Del Gigante  
Acting Managing  
Director



# Financial overview

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The 2004–05 financial year was a difficult year for DHA. The property investment markets softened progressively through the year, particularly in Sydney and Canberra. This resulted in a reduction in turnover from \$842 million in 2003–04 to \$778 million in 2004–05.

DHA achieved EBIT of \$82.3 million in 2004–05, up on the EBIT of \$74.2 million achieved in 2003–04. Net Profit was \$66.9 million, which was \$26.5 million above target.

Rental and associated fees revenues were below target because there were fewer houses on the rent bill than budgeted for the period July to November 2004. However, from December 2004 to June 2005, DHA met its target of plus/minus one per cent of the provisioning target agreed with the Department of Defence.

Operational income (rent/associated fees and relocations revenue) was down on budget by \$8.1 million. This shortfall of income was offset almost exactly by operational efficiencies and strong expenditure control, particularly with respect to staff numbers. Savings of \$2.8 million were achieved in salaries, \$2.5 million in repairs and maintenance and \$3.2 million in other expenditures.

Profit on the disposal of properties, through the SLB Program and outright disposal, was \$30 million, up substantially from its target. \$22.1 million of this reported profit arose from a change in accounting policy for properties acquired or constructed for the purpose of sale. Further, depreciation expense was reduced by \$4.1 million because inventory properties are not depreciable.

Property ownership stood at 27 per cent at year's end. This result was a significant achievement in the face of considerable difficulties with property sales, particularly in Sydney and Canberra. The overall ownership level for 2003–04 was 27.2 per cent. Defence annuity stock represented 6.1 per cent of total stock. Stock under DHA ownership totalled 20.9 per cent, of which 6.1 per cent is inventory stock for sale.

New borrowings of \$75 million occurred during 2004–05. This brought total borrowings to \$375 million. Gearing at year's end was 48.5 per cent, a slight increase on the 45.5 per cent level in 2003–04.

The overall shareholder value added (SVA) return was \$173.9 million (pre-tax), or 8.7 per cent, for 2004–05. This was a reduction on the 12.3 per cent achieved in 2003–04 and occurred because of the softening property markets. The capital value of DHA investment properties grew by about 4.5 per cent. Inventory stock increased in capital value by 3 per cent. In 2003–04, the capital value of DHA-owned properties grew by close to 12 per cent.

DHA managed a portfolio of 16,824 properties across Australia as at 30 June 2005. The total value of these assets was \$6 billion, of which \$1.4 billion was owned by DHA. The remainder was leased from private investors or was the subject of finance leases with the Department of Defence, on and off base.

Return on equity was 4.5 per cent. Interest cover was 4.7 times. These statistics were affected by the change in accounting for SLB stock, which occurred during 2004–05.

## Containing costs to Defence

The relationship between the Department of Defence and DHA is covered by the Services Agreement on Housing and Related Requirements (Services Agreement) and the Relocations Services Agreement. The 2004–05 provisioning schedule forecast a stock level of 16,252 properties by year end. The actual stock level achieved by DHA was 16,128, a result which is well within the one per cent tolerance specified in the Services Agreement.

DHA achieved vacancy rates of 2.6 per cent in effective market areas and 2.9 per cent in limited market areas. Both results were well below the targets of 3.5 per cent and 4 per cent respectively. These low vacancy rates provide excellent value for money for the Department of Defence. DHA was also able to reduce the number of ADF members with dependants on RA from 2,662 in 2003–04 to 2,433 in 2004–05.

Real Estate Institute of Australia (REIA) data (weighted to DHA's portfolio) shows a market rent increase of 3.88 per cent for the year to 31 March 2005. DHA average rents for the year to June 2005 increased by 5.22 per cent, or 4.88 per cent in the areas measured by REIA. The difference in rental growth per house between REIA data and the DHA's portfolio is largely attributable to the shift in DHA's housing portfolio relative to the broader market that is measured by REIA.

DHA's management of allocations has led to fewer houses being required to meet ADF demands, reduced vacancies and shorter duration of vacant periods, and an increase in door-to-door removals. As a consequence, DHA has saved the Department of Defence substantial funds through a reduced rent bill and reduced removal costs.

## Returns to Government

DHA paid \$28.4 million to the Australian Government in 2004–05 as an ordinary dividend in respect of the 2003–04 profit. In addition, tax equivalent payments (in the form of dividends) totalling \$42.3 million were also paid to the Government during the year. In respect of the tax equivalent dividend, \$24.2 million was paid for 2003–04 operations, and \$18.1 million for stamp duty and land tax due in 2004–05, as a result of the removal of tax exemptions from 1 July 2003. In accordance with the Services Agreement, DHA passed this additional cost through to the Department of Defence.

The DHA Board has recommended to shareholders an ordinary dividend of \$27.0 million for 2004–05. The Board has also recommended a tax equivalent payment (in the form of a dividend) of \$22.0 million for 2004–05. These amounts will be paid to the Australian Government in 2005–06.

DHA did not return any capital to the Government in 2004–05. \$1.1 billion had been returned to the Government in the four years to 30 June 2004.

## Tax status

In May 2004, Shareholder Ministers removed the last exemptions for state taxes and fees, applicable to DHA, in line with the Australian Government’s Competitive Neutrality policy. DHA makes tax equivalent payments to the Government in the form of dividends. DHA complies fully with Fringe Benefits Tax and Goods and Services Tax legislation, making payments to the Australian Taxation Office.

## Standard & Poor’s credit rating

Standard & Poor’s credit rating of DHA continues to be a stand-alone credit rating of AA+. This credit rating assists DHA in obtaining competitive cost of funds on its borrowing requirements.



## Capital structure

During 2002–03, Macquarie Bank was engaged to conduct an asset sales scoping study, on behalf of the Minister for Finance and Administration. DHA is implementing the recommendations of the study report, in particular by reducing its property ownership levels. At 30 June 2005, DHA owned 27 per cent of its stock and plans to reduce this to around 23 per cent by June 2009. Because of the tightening of the residential property market, the Authority has deferred by one year its achievement of the 23 per cent ownership target.

During 2004–05, the DHA Board adopted inventory accounting for its SLB stock. This change facilitated a better understanding of its property holdings and makes the setting of targets and the reporting of achievements more transparent.

DHA continues to reduce the amount of equity invested by the Government, through the payment of special dividends. The DHA Board reviews its capital requirements on a regular basis and plans to return more capital to government and increase its gearing, when trading in the property investment market recovers.

DHA sources its new capital requirements from its SLB Program and through borrowings. The DHA Board has approved the exploration of possible SLB sales to institutions. The Request For Tender will be issued in September 2005. DHA is committed to exploring the potential use of Public Private Partnerships for future major housing development projects. All construction is contracted to the private sector. The Lyons project in Darwin has now commenced in conjunction with the Canberra Investment Corporation.



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Delight the customer



# Services to customers

We provide a range of housing and relocation services to our customers – members of the ADF and their families. We aim to delight the customer through the provision of homes and related services, and through the delivery of customer-oriented relocation services that anticipate and meet customer expectations.

## Overview

Currently we manage a portfolio of around 17,000 properties in all states and territories, representing approximately \$6 billion worth of housing stock. Of these properties, approximately 2,000 are located on Defence bases with the remainder situated off-base. Over the next three years, we will spend approximately \$1.5 billion on building and acquiring new homes.

## Key achievements

- 92 per cent tenant satisfaction rate with newly constructed homes;
- Delivered 971 new homes through construction and acquisition; and
- Introduced a new Information Technology Services (ITS) system for better relocations management.

## Meeting the housing needs of our ADF members

Over the past 17 years, we have dramatically increased both the quality and the diversity of housing available to ADF members and their families through the construction and acquisition of housing. This provides members with a diverse range of housing solutions to suit their lifestyle choices. As well as the traditional





detached family homes, townhouses, apartments and courtyard housing have been built to better suit different family profiles and lifestyles. Townhouses, in a variety of styles, have been developed for ADF members who desire minimal lawn and garden maintenance. Apartments with shared recreational amenities and undercover parking have, in many cases, been developed in choice inner city locations. Courtyard developments are also well suited to smaller allotments, particularly in inner suburban areas of large cities.

## Constructions and acquisitions

The construction and acquisition program will continue to be DHA's main method of meeting the Department of Defence housing requirement, with an expenditure of approximately \$1.5 billion planned over the next three years.

In 2004–05, DHA construction activity was prevalent across most parts of the country, with construction occurring as far south as Hobart and as far north as Darwin. Construction of 451 houses was completed on and off ADF bases at a cost of \$155 million. In addition, 520 houses were acquired in the major cities and many regional centres of Australia at a cost of \$241 million.

In September 2004, the \$5.4 million Cavanagh Court development in Brisbane was officially opened by the Parliamentary Secretary to the Minister for Defence, the Hon Teresa Gambaro MP, providing 27 townhouses for ADF members and their families, close to Enoggera Barracks.

In December 2004, Stage 1 of the Dawes Terrace development, Queanbeyan, NSW, was completed with Stage 2 set to be finished in July 2005. A total of 38 homes at a cost of \$12 million will provide attractive accommodation for ADF members and their families, bringing the total number of Defence homes in Queanbeyan and Jerrabomberra areas to 362.

Consultation and design work has commenced on the Lee Point Road development, Darwin, following the signing of a joint venture agreement between DHA and the Canberra Investment Corporation in March this year. Civil works are expected to commence in early 2006 and will deliver more than 650 fully serviced residential land allotments, to be known as the suburb of Lyons. Of these, at least 300 blocks, positioned throughout the development, will be available for ADF members and their families, featuring state-of-the-art houses specifically built for Darwin's tropical climate. The remaining blocks will be available for the public. The local economy in Darwin will benefit greatly from

this \$41 million development, in terms of increased employment and DHA's commitment to using local contractors where possible.

In May 2005, Parliament endorsed a \$17.5 million plan to build 50 new homes for ADF members and their families at McDowall, Brisbane, with an expected completion date of November 2006. This development is in an ideal location for ADF members and presents a great opportunity for the community to invest in the Brisbane residential market with houses to be sold through the SLB Program.

In the same month, DHA also gained the approval of the Board for the acquisition and development of land at Bruce, ACT. The site, which cost \$6.2 million, is expected to yield 52 'family friendly' homes. Land servicing will commence in September 2005. This acquisition is in addition to land being purchased under an agreement with the ACT Land Development Agency, involving the direct purchase of 350 serviced blocks throughout Canberra over the next three years.

### **ON-BASE CONSTRUCTION AND REFURBISHMENT**

On-base construction and refurbishment formed a significant part of our capital program, with 20 new homes constructed on-base at Puckapunyal Army base in Victoria and completed in early 2005. Following this development, approval has now been given for the construction of an additional 80 new homes at Puckapunyal, commencing in August 2005 and costing an estimated \$19.6 million. All 80 homes are expected to be completed by November 2006.

Defence Housing at RAAF Base Tindal in the Northern Territory continues to be upgraded as part of an \$18 million major refurbishment program. This program includes the upgrading of amenities to provide additional living/family areas, ensuites, new kitchens and internal repainting. A refurbished program of homes in the Wattle Grove III area, adjoining the Holsworthy Army base, continued during 2004-05, with 53 homes being refurbished.

## **DHA relocation services**

### **RELOCATIONS PERFORMANCE IN 2004-05**

Last year 30,809 ADF members relocated. This included Defence postings, member initiated moves and DHA-funded moves. Each move was organised locally by a DHA Case Manager from the HMC in the gaining locality. This ensured that members and their families were efficiently relocated, with a minimum of inconvenience and in accordance with Department of Defence policy.

The DHA National Service and Support Centre (NSSC) manages the process of interpreting posting orders and issuing relocation packs to members. The NSSC also provides support to HMCs through the calculation of entitlements and allowances and arranging temporary accommodation and travel bookings for standard postings. In April 2005, this activity was devolved to all regions.





We recognise the significant pressures that frequent moves can place on ADF families and strive to deliver housing and relocation services that reduce the stress of relocation. The satisfaction of ADF members and their families is critical to our success.

### **BENEFITS OF DECENTRALISED GAINING LOCALITY CASE MANAGEMENT SYSTEM**

Improvements to our decentralised case management system during 2004 have further improved the quality of relocation services. This decentralised system means that ADF members are case-managed by the gaining HMC, rather than by the losing HMC.

One of the successes of the decentralised (gaining locality) case management system has been the individual attention received by each ADF member, with a particular focus on the needs of the member in the new (gaining) locality. The system allows the Case Manager to assess the ADF member's individual requirements, taking into consideration matters such as entitlements arising from the member's rank, number of dependents, special needs requirements and availability of housing in the gaining locality. The Case Manager also has local knowledge of community facilities and services such as schools, childcare centres, shops and transportation.

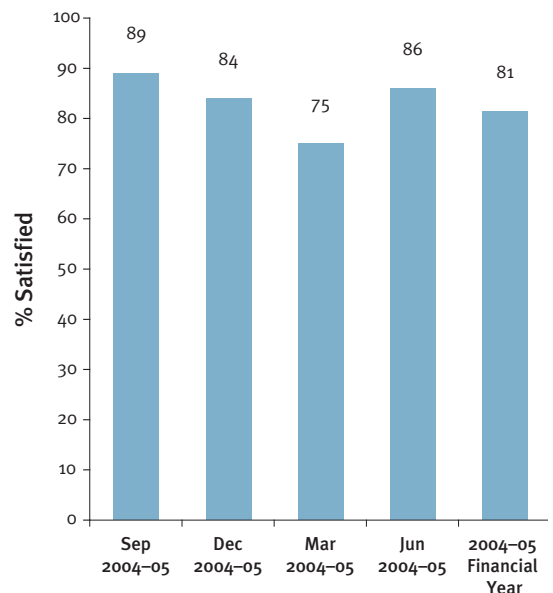
The ADF member satisfaction results achieved during 2004–05 have also been pleasing, considering the impact of the new ITS system. Close monitoring of process times, workloads and potential backlogs, and the timely resolution of relocation issues, contribute to this success. The high levels of customer satisfaction and support from DFA confirms that the decentralised (gaining locality) case management system was received positively by ADF members.

### **POSITIVE FEEDBACK FROM CUSTOMER SURVEYS**

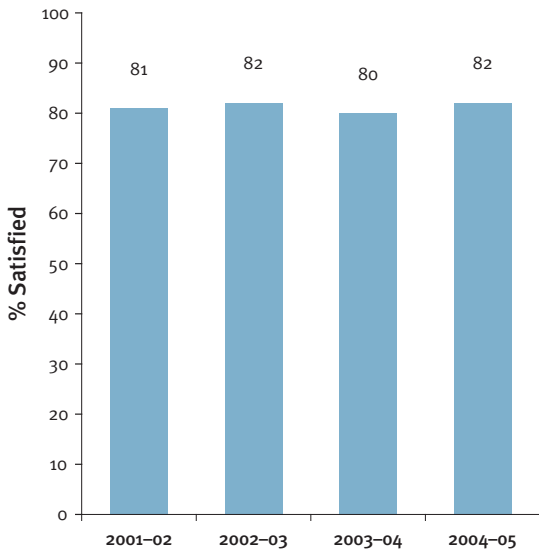
Through our annual relocations survey, we measure customer satisfaction with the total relocation process, including the move out of a DHA home, itinerary management, removals and finding and occupying a DHA home.

The positive trend in customer satisfaction since DHA assumed responsibility for the relocation of ADF members has continued throughout 2004–05. This has resulted in DHA exceeding the KPI for customer satisfaction with relocations services. During the year, 81 per cent of those who responded to the survey indicated that they were satisfied with DHA's relocation service, excluding those dissatisfied with removals, which are not managed by DHA. In 2004–05, 82 per cent of customers were satisfied with their current accommodation.

### **PERCENTAGE SATISFIED WITH TOTAL RELOCATION EXPERIENCE**



## PERCENTAGE SATISFIED WITH CURRENT DHA ACCOMMODATION



## HOMEFIND

HomeFind is our online housing selection tool. It allows ADF members and their families to search for a suitable DHA home in the location to which they are being posted.

HomeFind is an interactive website displaying details of all DHA residences available for occupancy in each location. The residences are grouped by the category to which ADF members are entitled. The information about each residence on HomeFind includes internal and external photographs, a scale floor plan and a description of the fittings of the residence. The floor plan of each room can be enlarged and printed to allow families to plan the detailed layout of furniture.

DHA issues each customer with a HomeFind login ID and password at the time their completed Application for Relocation (AFR) is submitted, allowing members and families to view all available residences in the new location. When a family finds their preferred home, they can reserve it online. This enhances the opportunities for door-to-door removals which are less stressful for ADF members and their families and also reduces temporary accommodation and storage costs. It also allows earlier selection of schools, better opportunities for selection of spouse employment, child care and other arrangements that need to be made in the new location. During 2004-05, 70 per cent of ADF members were able to pre-select their homes using the Case Management System and HomeFind.

ADF members and their families who do not have home access to the internet can access a computer terminal at any DHA or DCO office.





## DHA welcomes you home

To help ADF members and their families settle into their new homes, a DHA staff member meets each family at their front doorstep – to welcome them home. The family is given a ‘welcome kit’ and handed keys to the property.

In recognition of the stresses that frequent moves can place on families, the DHA ‘welcome’ allows the family to meet a local staff member, and to complete the necessary paperwork in the comfort of their new home.

This service is just one more way in which we can delight the customer.

### **FAST CONNECT**

Fast Connect is a free, non-compulsory, utility disconnection and connection service for telephone, electricity and gas. Access to this service is facilitated by DHA for ADF members who are relocating. ADF members receive a choice of utility providers (if available) and can also elect for internet, pay TV and message bank services. The benefits to members of Fast Connect, such as early advice of their new home phone numbers (so they can let their family and friends know their contact details in advance), add value to this handy service.

### **ADF MEMBER ACCESS TO RELOCATION INFORMATION**

All customer information and the majority of forms required for relocation and tenancy are available from the DHA website (which incorporates HomeFind). A range of relocation booklets, with a focus on relocation entitlements, are maintained and distributed either directly to customers or through the HMCs, the Department of Defence and other stakeholders.

We also interact with our customers through:

- DHA representatives at both the current and gaining localities; and
- telephone, via working and after-hours telephone contact numbers.

The focus of this information is to make relocation a simpler and less stressful experience for ADF members and their families.

# Property management

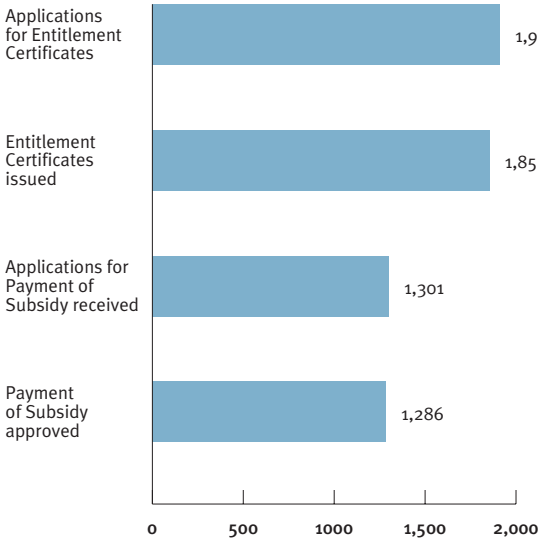
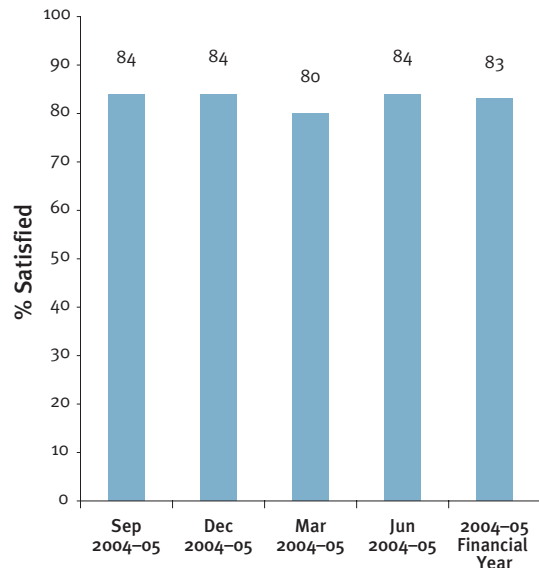
## MAINTENANCE

We provide a comprehensive and responsive maintenance service to ADF tenants living in DHA residences. This includes the provision of a 24-hour telephone emergency maintenance service.

Where possible, DHA uses local contractors for the provision of repairs and maintenance services. These contractors are sourced primarily from a standing DHA Residential Maintenance Service Panel. This contractor panel is due to be re-tendered in a public tender process during 2006. Selection of contractors is made on a value-for-money basis.

ADF member satisfaction maintenance surveys measure both customer service and contractor performance. Overall, DHA has demonstrated a sound performance in the provision of maintenance services, with the national customer satisfaction level remaining in excess of 83 per cent during 2004-05.

## PERCENTAGE SATISFIED WITH DHA'S MAINTENANCE SERVICE



## DEFENCE HOMEOWNER

Defence HomeOwner is a subsidised home loan scheme that provides assistance to serving and former ADF members. The Australian Government provides an interest subsidy to eligible personnel for home loans financed by the National Australia Bank. DHA manages the scheme on behalf of the Department of Defence.

As at 30 June 2005, there were 6617 subsidy recipients. A total of \$9.28 million in subsidy payments was paid during the reporting period.

The following graph outlines the administration of the scheme during the 2004-05.

## HERITAGE LISTED PROPERTIES

We also manage approximately 75 heritage listed dwellings around Australia, with major concentrations of these properties at Victoria Barracks and Garden Island in Sydney, HMAS Creswell near Nowra and the Royal Military College, Duntroon, in Canberra.

Under recent amendments to the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act), DHA is required to prepare a Heritage Strategy demonstrating how it will integrate, within its corporate planning and management framework, the conservation and protection of the heritage service residences it manages. The Heritage Strategy is to be presented to the Minister for the Environment and Heritage by the end of 2005.

The EPBC Act also requires DHA to prepare management plans for each residence or group of residences and these will be commissioned by the end of October 2005, along with a Dilapidation Audit for each individual residence. The audit will be used to prepare a scope of conservation and upgrade works for each property.

A series of activities to assist DHA to address these statutory requirements, and to encourage best practice in the conservation and management of heritage service residences, has been outlined within a Heritage Management Framework prepared jointly by DHA and Defence Corporate Services and Infrastructure Group (CSIG – responsible within the Department of Defence for relocations and housing).



## TENANT MANAGEMENT

HMC staff regularly liaise with ADF members on tenancy related matters. This includes welcoming tenants to their new homes, helping them to settle into their locality and advising them of tenant responsibilities during their occupation of the home and when they are moving out of the property.

During 2004–05, HMC staff worked tirelessly towards the continuous improvement of operational procedures, in order to successfully manage the relationship between DHA and the ADF member tenants. This has resulted in a new policy agreement with the Department of Defence on Housing Management Instructions (HMIs). The HMIs will provide staff with policy guidelines on operational procedures, responsibilities, fees and charges and the fundamentals of portfolio housing management.



## Our Customer Service Charter

We are committed to providing quality housing and relocation services for members of the ADF community and their families. Our Customer Service Charter was developed in consultation with DHA staff and key stakeholders. It sets standards of customer service consistent with our motto ‘the home of service’. We have in place a clear dispute resolution process to ensure that complaints are dealt with in a fair and timely manner. Feedback from customers is encouraged to ensure continuous improvement of our customer service.

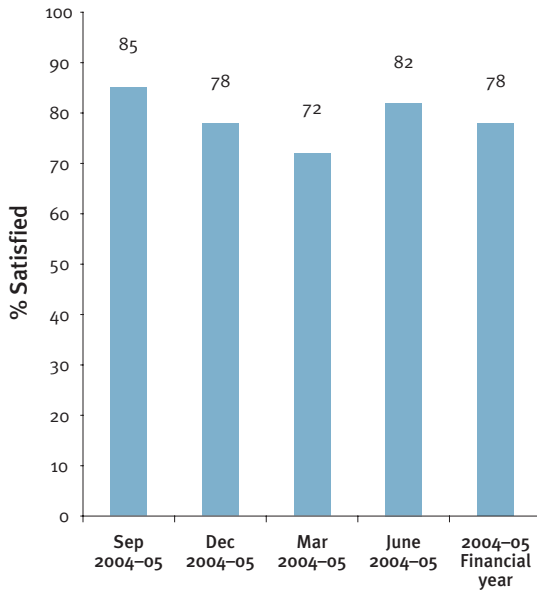
Through our annual relocations and maintenance surveys, we measure customer satisfaction of our customer service and staff knowledge.

In 2004–05, 83 per cent of relocation survey respondents were satisfied with DHA staff knowledge. As a weighted average from both the relocations survey and maintenance survey, 82 per cent of respondents were satisfied with DHA’s customer service.

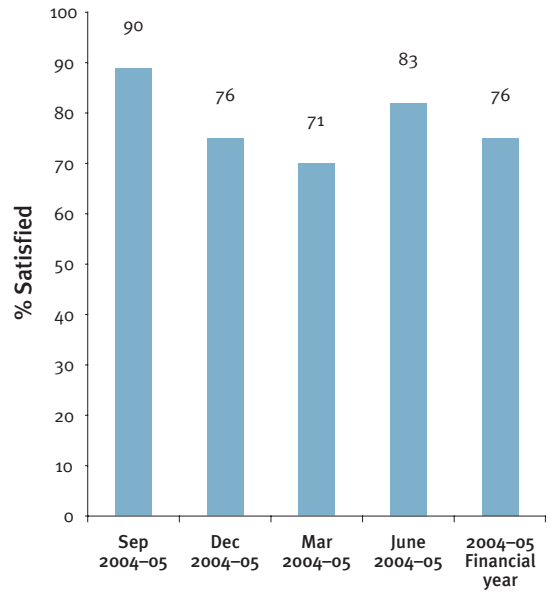




## PERCENTAGE SATISFIED WITH CUSTOMER SERVICE



## PERCENTAGE SATISFIED WITH STAFF KNOWLEDGE



Copies of our Customer Service Charter can be obtained from any DHA office or from the DHA website: [www.dha.gov.au](http://www.dha.gov.au)

Customers can also provide feedback by calling DHA's Customer Service Line – 1800 249 711, by email to [clientservices@dha.gov.au](mailto:clientservices@dha.gov.au) or by writing to the Customer Relations Manager, 26 Brisbane Avenue, Barton ACT 2600.



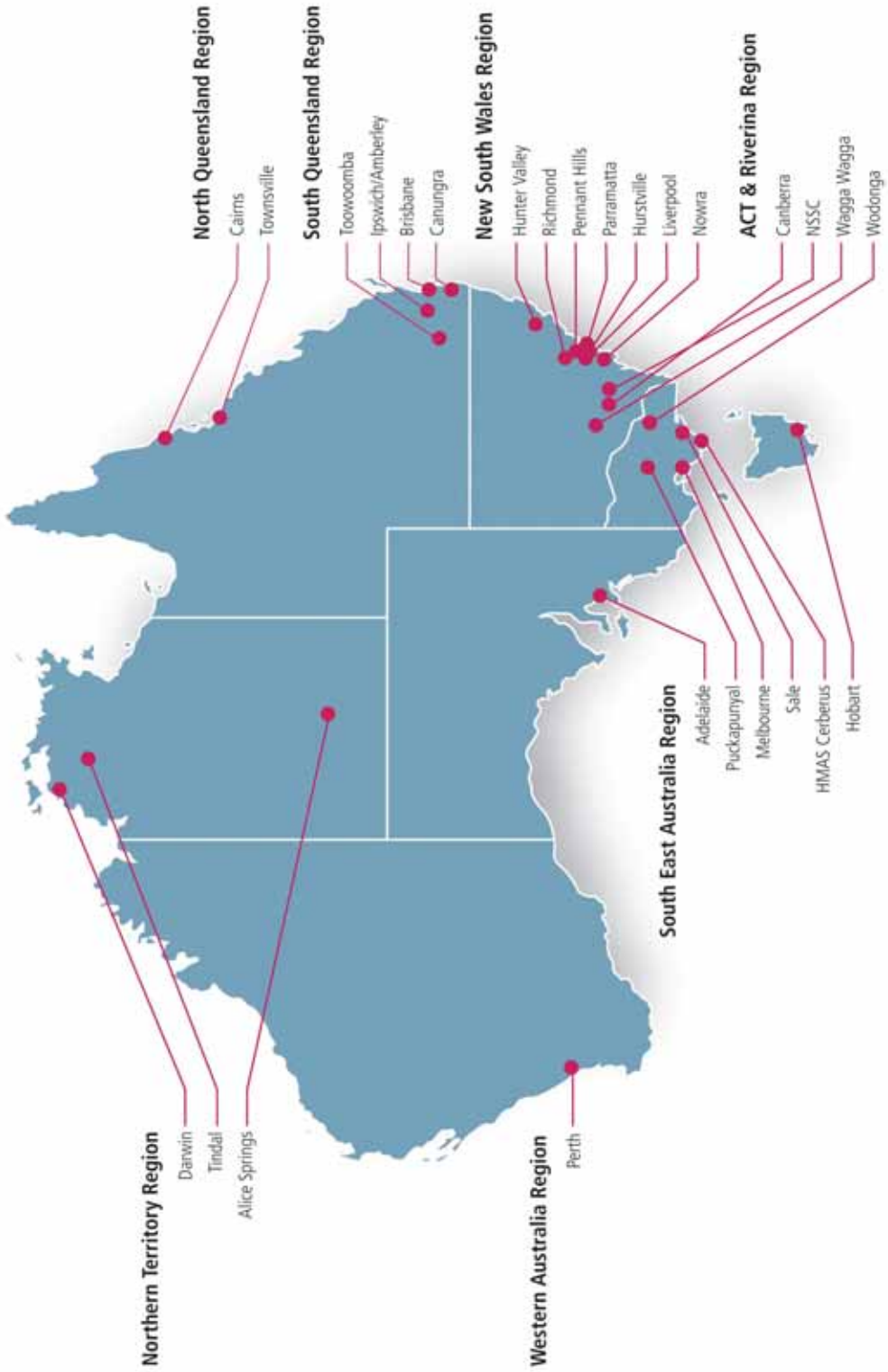
# DHA customer service centres

## **THE REGIONALISATION OF HOUSING MANAGEMENT CENTRES (HMCs)**

During 2004–05, DHA implemented a new initiative aimed at improving customer access and the support provided by our service network. We have now grouped our housing management and relocation services on a regional basis, to provide a more efficient level of support to ADF members.

As a result, HMCs have been grouped into seven regions as follows:

- Northern Territory Region, incorporating Darwin, Tindal and Alice Springs HMCs;
- North Queensland Region, incorporating Cairns and Townsville HMCs;
- South Queensland Region, incorporating Toowoomba, Ipswich/Amberley, Brisbane and Canungra HMCs;
- New South Wales Region, incorporating Hunter Valley, Nowra and the Sydney HMCs (Richmond, Pennant Hills, Parramatta, Hurstville and Liverpool);
- ACT and Riverina Region, incorporating Canberra, Wagga Wagga and Wodonga HMCs and the National Service Support Centre (NSSC);
- South East Australia Region, incorporating Adelaide, Puckapunyal, Melbourne, Sale, HMAS Cerberus and Hobart HMCs; and
- Western Australia Region, incorporating the Perth HMC.



# Housing Management Centres' major activities for 2004–05

## NORTHERN TERRITORY REGION



**Sharon Wilson**

Northern Territory  
Regional Manager

	DARWIN	TINDAL
<b>Purchases</b>		
Existing houses	6	4
Newly constructed houses	0	0
<b>Sales</b>		
Sold and leased back	50	0
Other	58	5
<b>Leases</b>		
Direct leases	3	0
Lease conversions	4	0
Options	4	6
<b>Housing stock at 30 June 05</b>		
DHA owned	206	125
Leased from private investors	768	178
On-base	742	193
Other managed stock	3	0
<b>Total housing stock</b>	<b>1,719</b>	<b>496</b>

## NORTH QUEENSLAND REGION



**Bob Haylett**

North Queensland  
Regional Manager

	CAIRNS	TOWNSVILLE
<b>Purchases</b>		
Existing houses	2	26
Newly constructed houses	10	60
<b>Sales</b>		
Sold and leased back	23	108
Other	3	77
<b>Leases</b>		
Direct leases	2	18
Lease conversions	4	0
Options	3	59
<b>Housing stock at 30 June 05</b>		
DHA owned	31	585
Leased from private investors	226	1,011
On-base	0	6
Other managed stock	0	12
<b>Total housing stock</b>	<b>257</b>	<b>1,614</b>

## SOUTH QUEENSLAND REGION



**Bronwyn Kennedy**  
South Queensland  
Regional Manager

	BRISBANE	IPSWICH	TOOWOOMBA
<b>Purchases</b>			
Existing houses	105	29	9
Newly constructed houses	27	59	11
<b>Sales</b>			
Sold and leased back	52	32	18
Other	7	24	9
<b>Leases</b>			
Direct leases	3	1	2
Lease conversions	2	0	2
Options	8	0	0
<b>Housing stock at 30 June 05</b>			
DHA owned	294	192	76
Leased from private investors	773	328	215
On-base	67	0	6
Other managed stock	0	0	0
<b>Total housing stock</b>	<b>1,134</b>	<b>520</b>	<b>297</b>

## NEW SOUTH WALES



**Wayne Wilson**  
New South Wales  
Regional Manager

	SYDNEY	HUNTER VALLEY	NOWRA
<b>Purchases</b>			
Existing houses	130	33	16
Newly constructed houses	0	78	6
<b>Sales</b>			
Sold and leased back	59	67	6
Other	66	25	10
<b>Leases</b>			
Direct leases	85	25	8
Lease conversions	23	0	0
Options	65	19	3
<b>Housing stock at 30 June 05</b>			
DHA owned	1,291	238	78
Leased from private investors	2,441	734	295
On-base	51	0	62
Other managed stock	0	0	0
<b>Total housing stock</b>	<b>3,783</b>	<b>972</b>	<b>435</b>

## AUSTRALIAN CAPITAL TERRITORY & RIVERINA REGION



**Maggie Robinson**  
ACT Regional Manager



**Jeff Davy**  
Riverina Regional Manager

	CANBERRA	WODONGA/ RIVERINA	WAGGA WAGGA
<b>Purchases</b>			
Existing houses	57	14	12
Newly constructed houses	55	0	8
<b>Sales</b>			
Sold and leased back	67	11	25
Other	9	18	21
<b>Leases</b>			
Direct leases	25	8	2
Lease conversions	2	0	0
Options	43	0	0
<b>Housing stock at 30 June 05</b>			
DHA owned	269	79	198
Leased from private investors	1,144	174	160
On-base	211	35	6
Other managed stock	2	0	0
<b>Total housing stock</b>	<b>1,626</b>	<b>288</b>	<b>364</b>

## SOUTH EAST AUSTRALIA REGION



**Matt Chambers**  
South East Australia  
Regional Manager

	MELBOURNE	ADELAIDE
<b>Purchases</b>		
Existing houses	43	10
Newly constructed houses	40	34
<b>Sales</b>		
Sold and leased back	78	24
Other	41	16
<b>Leases</b>		
Direct leases	16	4
Lease conversions	0	6
Options	20	6
<b>Housing stock at 30 June 05</b>		
DHA owned	504	119
Leased from private investors	726	425
On-base	534	107
Other managed stock	0	4
<b>Total housing stock</b>	<b>1,764</b>	<b>655</b>

## WESTERN AUSTRALIA REGION



**Phil Smith**

Western Australia  
Regional Manager

	PERTH
<b>Purchases</b>	
Existing houses	24
Newly constructed houses	63
<b>Sales</b>	
Sold and leased back	79
Other	23
<b>Leases</b>	
Direct leases	5
Lease conversions	0
Options	29
<b>Housing stock at 30 June 05</b>	
DHA owned	242
Leased from private investors	602
On-base	12
Other managed stock	44
<b>Total housing stock</b>	<b>900</b>







# Value for money for clients



Photo courtesy of the Department of Defence, copyright Commonwealth of Australia 2004.

# Services to clients

DHA works closely with our clients, the Department of Defence and the Australian Customs Service (ACS), to provide them with high quality services and value for money. During 2004–05, we recognised the very important role of our clients by introducing the new strategic theme of ‘Value for money for clients’.

## Overview

DHA operates under two contracts with the Department of Defence – the Services Agreement on Housing and Related Requirements, and the Relocations Services Agreement. We continue to strive to assist the Department of Defence with strategic housing policy development and to reach consensus on high level agreements.

We have provided a limited property management service for the ACS since 2003.

## Key achievements

- Maintained historically low level of vacancies for houses on the rent bill;
- Continued with the upgrade of sub-standard housing stock while restricting the increases in rent to the Department of Defence to less than the national market rent movement;
- Pre-allocated 70 per cent of houses, enabling ADF members to move door-to-door and thereby saving the Department of Defence temporary accommodation and storage costs;
- Provided ongoing support to the Department of Defence in the development of future housing policy;
- Reached agreement with the Department of Defence on a more definitive set of KPIs for the Services Agreements;

- Reached agreement with the Department of Defence on the HMIs; and
- Refined processes for the management of properties for ACS.

## Liaison and consultation with Defence

DHA operates under two contracts with the Department of Defence, the Services Agreement on Housing and Related Requirements, and the Relocations Services Agreement, to deliver housing and relocation services respectively. In delivering these services, DHA is subject to a number of KPIs as detailed in the 'DHA at a Glance' section of this report. In order to maintain a positive relationship with the Department of Defence, DHA is in continual contact with ADF leadership at all levels and with the Department of Defence civilian staff, who manage the contracts and formulate housing and relocations policy.

Our client relationship is predominantly managed through liaison with CSIG, a Department of Defence group responsible for managing the working and living environment for ADF members and their families.

We measure the effectiveness of the client relationship through an annual survey distributed to both the Department of Defence staff and DHA staff. The results of the 2005 Client Survey are positive and highlight DHA's strong working relationship with the Department of Defence. Of those who responded to the survey, 89 per cent of the Department of Defence respondents and 91 per cent of DHA respondents were satisfied with the relationship. In addition, 81 per cent of the Department of Defence respondents and 91 per cent of DHA respondents were satisfied with the effectiveness of communication between the two organisations.

Overall, these results suggest that 85 per cent of the Department of Defence respondents were satisfied with the client relationship. Over 80 per cent of the Department's respondents considered that DHA's provision of housing and relocation services contributed positively to the morale and retention of ADF members and their families, and the ability to post ADF members around Australia.

## HOUSING TO THE FUTURE

DHA has continued to assist the Department of Defence to develop a new housing classification policy for ADF members and their families. The policy, which would be based on a market rent system, is designed to provide families with greater choice by aligning Defence housing with community standards. Implementation of the new policy is scheduled for July 2007.

## AUSTRALIAN CUSTOMS SERVICE

Since 1993, DHA has provided limited property management services to the ACS for approximately 77 houses in remote locations around Australia. We have continued to develop a productive working relationship with ACS at the national strategic and regional operational levels, through the delivery of a high standard maintenance service and through regular contact with ACS management.

The annual client survey for 2004–05 indicates that 100 per cent of those surveyed were satisfied with the partnering relationship of DHA and ACS. 100 per cent were also satisfied with the capital program outcomes.

## DEFENCE FAMILIES OF AUSTRALIA

DFA is a volunteer organisation that aims to improve the quality of life for ADF families by providing a recognised forum for their views and to influence government policy on matters of direct relevance to families. Given the significance of housing and relocations to ADF families, DHA was honoured to host one day of the 2005 Annual DFA Conference held in Canberra.

DHA continues to enjoy a close working relationship with DFA, consulting with the DFA National Convenor and Delegates on a regular basis. The DFA National Convenor, Mrs Maureen Greet, is also the designated spouse representative member of DHA's Board.



# Services to lessors

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We value the role of our lessors in enabling us to provide quality housing solutions for ADF members and their families.

## Overview

We provide quality housing to lessors through programs such as the Sale and Leaseback (SLB) Program and Direct Leasing Program. During 2004–05, DHA has continued to develop its services to lessors, taking into account changing residential property market conditions and customer feedback.

## Key achievements

- Over 90 per cent satisfaction results in the Residential Investment Property Survey and Lessor Survey;
- 100 per cent of lessors surveyed would recommend DHA investment properties to others; and
- 699 properties sold through the SLB Program, generating \$257.22 million.

**“We believe our properties give investors the opportunity to build wealth through investment in quality property – and just as importantly – the peace of mind to enjoy them.”**

# Leasing programs

Many astute investors recognise that a DHA lease represents great value because it reduces much of the risk associated with conventional residential property investment. A DHA lease offers investors a secure long-term lease, a regular income stream for the total lease period, no loss of rent due to vacancies, worry-free maintenance and property management, and excellent make-good provisions upon the expiry of the lease term. Our leasing programs provide a 'peace of mind' investment strategy.

## **SALE AND LEASEBACK PROGRAM**

Our focus on the use of leased or privately owned stock continues to provide the most cost-effective way of providing housing (rather than relying on capital from the Australian Government). The SLB Program, introduced in 1992, continues to provide a significant level of capital funds. Under this program, DHA on-sells to private investors, existing and newly acquired or constructed properties. Lease periods vary from two to twelve years and generally include an option for DHA to extend the lease.

Achievement of this year's SLB Program was reliant on attaining a large number of sales in capital cities and on the timely delivery of new constructions. 37 per cent of sales were forecast to occur in Sydney and Townsville and 35 per cent of sales in Brisbane, Canberra, Melbourne and Perth.

While private investor support for the Program remained high, as demonstrated by leasing survey results, the Program results were lower than those of 2003–2004. This year, the Program generated 699 sales with a value of \$257 million.

As the result of a slowing of housing prices across Australia, triggered by declining affordability and rising interest rates, investor confidence was significantly weaker than previous years, with notable reluctance to commit in some markets. Weakened investor confidence was most felt in capital cities such as Sydney and Brisbane, and regional areas such as Nowra. Strong sales activities, however, were experienced in Darwin, the Hunter Valley, Melbourne and Perth.

## **DIRECT LEASING**

DHA leases housing directly on the open market as another means of providing well-located quality housing for members of the ADF and their families. Depending on local requirements, properties under the Direct Leasing Program are leased by DHA for periods of up to six years. As with the SLB Program, leasing arrangements generally include an option for DHA to extend the lease to suit Defence operational requirements. During the year, a total of 207 new direct leases were entered into. In addition, the option to extend was exercised with respect to 265 expiring leases, and a further 43 were renewed on DHA's terms. Information on our leasing requirements is made available to members of the public via our website. In 2005–06, DHA will continue to pursue a direct leasing program.

## **SALE OF SURPLUS HOUSES**

We continually review the standard and quality of housing stock to ensure it is in line with changing community standards. This is an important element of our asset management strategy. Surplus housing stock is identified for sale if it is:

- no longer required by the Department of Defence due to changes in operational requirements;
- no longer considered to be in a suitable location or is of inadequate standard; or
- at the end of its economic life.

Disposal of surplus properties is carefully managed, with consideration given to the impact on local housing markets. This is particularly relevant in regional locations where we need to carefully manage the number of properties released into the market. Surplus properties awaiting disposal are leased out on the private market until the market is able to sustain their sale.

During 2004–05, DHA sold 412 surplus properties, generating \$109 million in revenue against a target of 394, with expected revenue of \$98.3 million. This outcome is impressive considering the difficult market conditions experienced for most of the financial year.

# Lessor surveys

## RESIDENTIAL INVESTMENT PROPERTY SURVEY

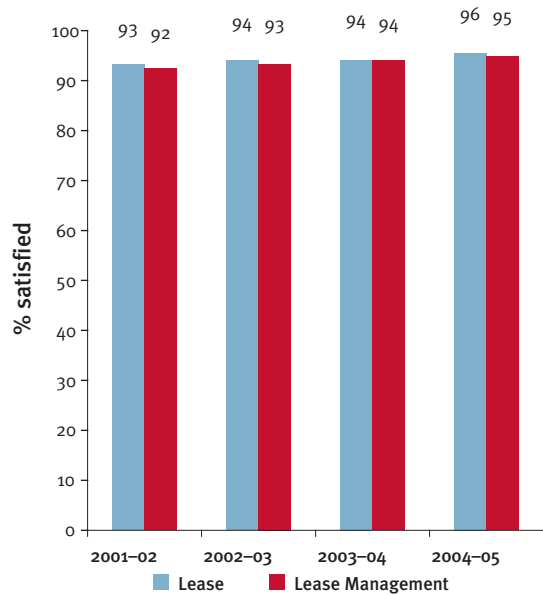
100 per cent of respondents indicated that they would recommend DHA residential investment properties to others.

We conduct monthly Residential Investment Property Surveys of all new investors. Of the 244 investors who purchased a DHA residential investment property between July and December 2004, 121 investors (50 per cent) responded to the survey. Of the lessors who responded, almost 96 per cent were satisfied with overall DHA lease administration, and nearly 96 per cent were satisfied with the overall level of service provided by DHA with regard to the sales process. In addition, 100 per cent of respondents indicated that they would recommend DHA residential investment properties to others, and nearly 82 per cent indicated that they are likely to purchase additional properties with DHA. Approximately 55 per cent of the investors surveyed indicated that they were made aware of DHA residential investment properties through referral. As existing lessors are a major source of referrals for the SLB Program, this is a very satisfactory outcome.

### LESSOR SURVEY

We measure lessor satisfaction through our annual surveys. The 2004 survey was sent to 3,707 lessors, and of these 1,505 (41 per cent) responded in time to be included in the analysis. Of the lessors who responded, 95.5 per cent were satisfied with their lease agreement and 94.8 per cent were satisfied with the management of their leased property. These results exceeded the already high 2003–04 results of 94.3 per cent and 93.6 per cent respectively and demonstrated a very high level of lessor satisfaction. The survey results indicated that 90 per cent of the lessors who responded would recommend investing in a DHA property, while 60 per cent would be likely to purchase another property under the SLB Program.

## PERCENTAGE SATISFIED WITH LEASE AND LEASE MANAGEMENT



## Lessor communication

### LESSOR NEWS

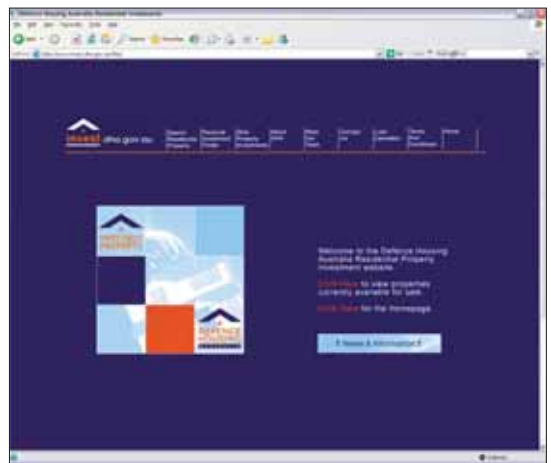
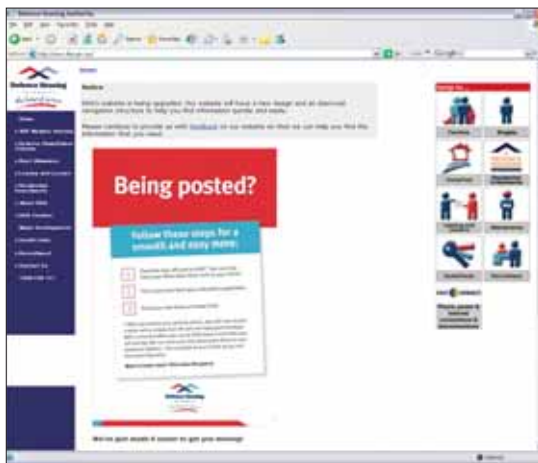
Lessor News is a newsletter sent to lessors twice a year to provide information about their DHA-leased properties and advice on effectively managing their DHA housing investments. In 2004–05, Lessor News included the lessor survey results, articles on replacement cost estimates and selling your property, details of property market seminars, updates on DHA's activities, and DHA corporate information.

## WEBSITES

In 2004–05 we continued to enhance DHA's websites [www.dha.gov.au](http://www.dha.gov.au) and [www.invest.dha.gov.au](http://www.invest.dha.gov.au) – to improve the content and accessibility of information to our clients.

DHA is continually seeking feedback on the structure and usability of the sites. Lessor responses obtained from the Residential Investment Property Survey indicated that over 90 per cent of respondents were satisfied with the ease of use, content and usefulness of the website. In 2004–05, 59 per cent of respondents had visited the Residential Investment website ([www.invest.dha.gov.au](http://www.invest.dha.gov.au)), an increase from 53 per cent in

2003–2004. There has, however, been a decrease in the percentage of lessors visiting the Direct Leasing section of the site ([www.dha.gov.au](http://www.dha.gov.au)), with 15 per cent visiting the site in 2004–05, in comparison with 21 per cent in 2003–04. To improve the content and accessibility of information to our customers, a user testing exercise was conducted in June 2005. The user testing, involving four key focus groups, ADF member families, ADF singles, investors and the public, was conducted to gain customer feedback on the structure and usability of the website. A new and improved design will be launched in 2005–06.









# Meet commercial responsibilities



# DHA financial summary

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A key objective of DHA is to meet our shareholders' financial expectations.

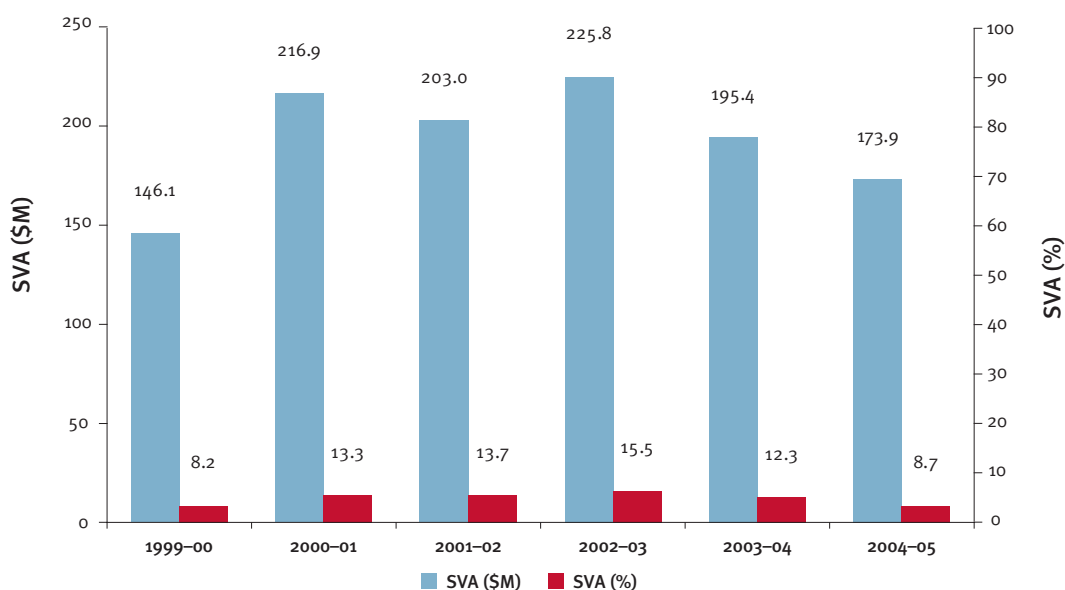
## Overview

DHA operates under Australian Government GBE guidelines that require it to act commercially, with rate of return and capital/ownership targets.

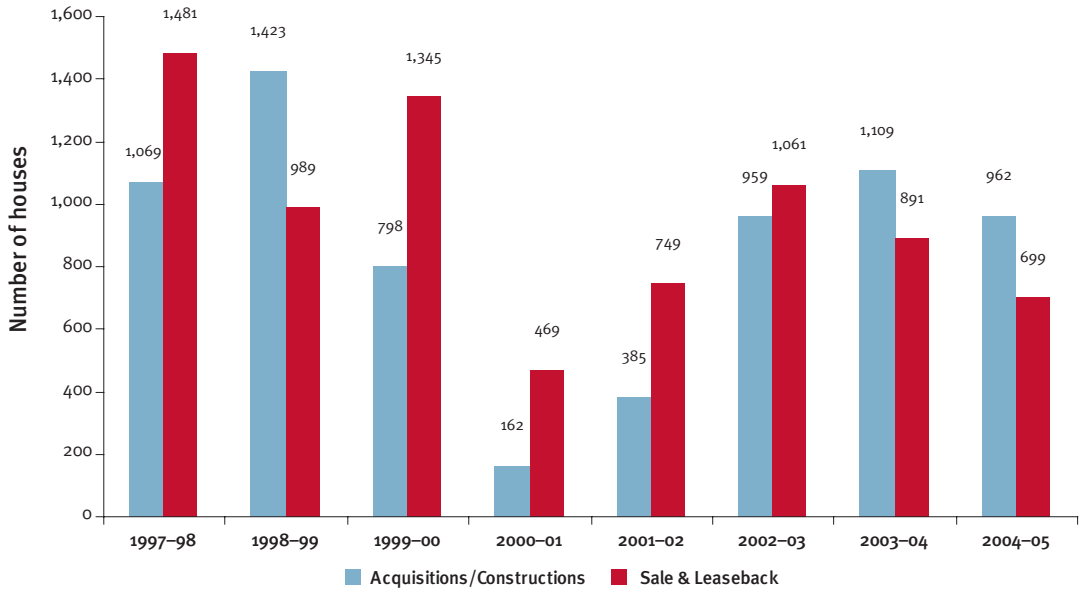
DHA achieved all of its key targets during the 2004–05 financial year. The following tables and graphs provide a financial summary of DHA's activities during the reporting period.

INFORMATION FOR ANNUAL REPORT	2001-02	2002-03	2003-04	2004-05
Shareholder Value Added (%)	13.7	15.5	12.3	8.7
Shareholder Value Added (\$m)	203.0	225.8	195.4	173.9
Return on Asset (%)	5.9	5.6	4.7	5.0
Earnings Before Interest and Income Tax (\$m)	85.6	81.2	74.2	82.3
Annual Dividends (\$m), including tax paid	88.6	66.5	80.7	70.7
Special Dividends/Capital Returns (\$m)	250.0	307.0	150.0	0
Total managed stock	18,432	17,311	16,756	16,824
Constructions	263	539	489	451
Acquisitions	120	420	620	520
Leased or released stock	101	230	1,063	515
Sale of surplus stock (\$m)	582	573	468	412
Revenue generated from sale of surplus stock (\$m)	108.3	136.0	111.4	109.3
Sale and Leaseback Program	749	1,061	891	699
Revenues generated from Sale and Leaseback Program (\$m)	220	338.3	322.7	246.9
Contracted maintenance to DHA houses (\$m)	29	33.6	32.2	29.5
Number of relocations	31,146	32,256	30,378	30,809
Peak posting cycle pre-allocation rate (%)	69	72	75	70
Total staff	658	773	781	687

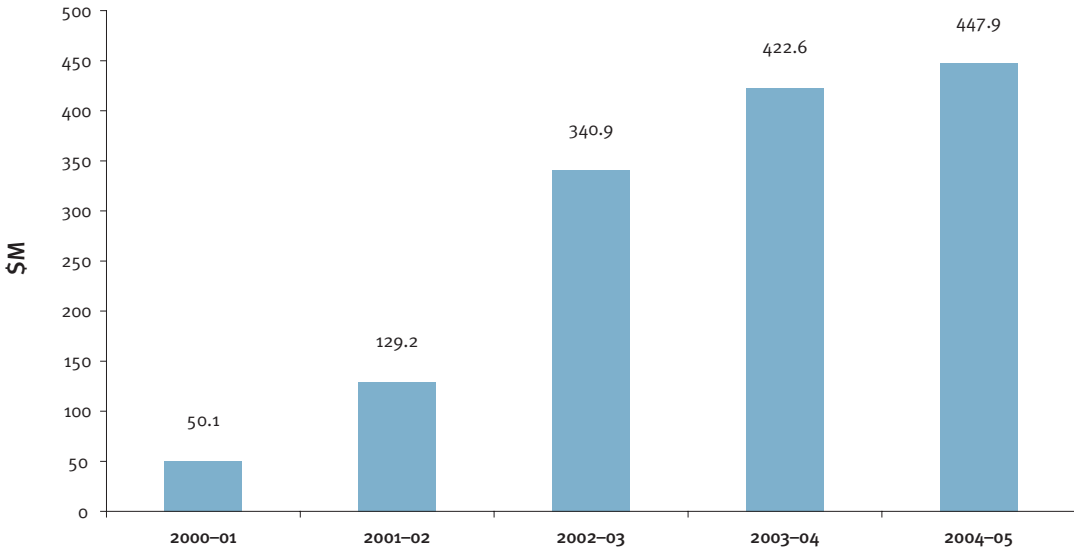
## SHAREHOLDER VALUE ADDED



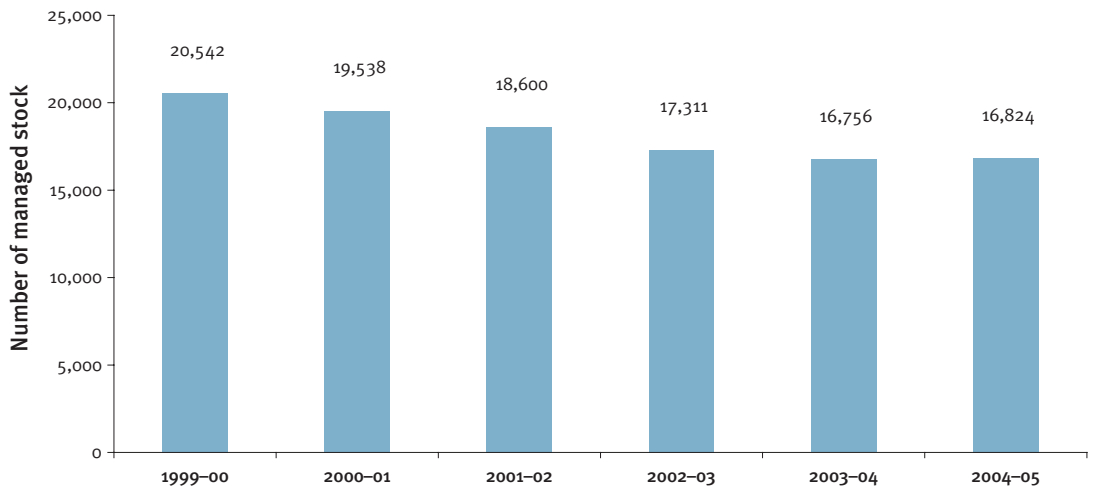
## HOUSING ACQUISITION PROGRAM



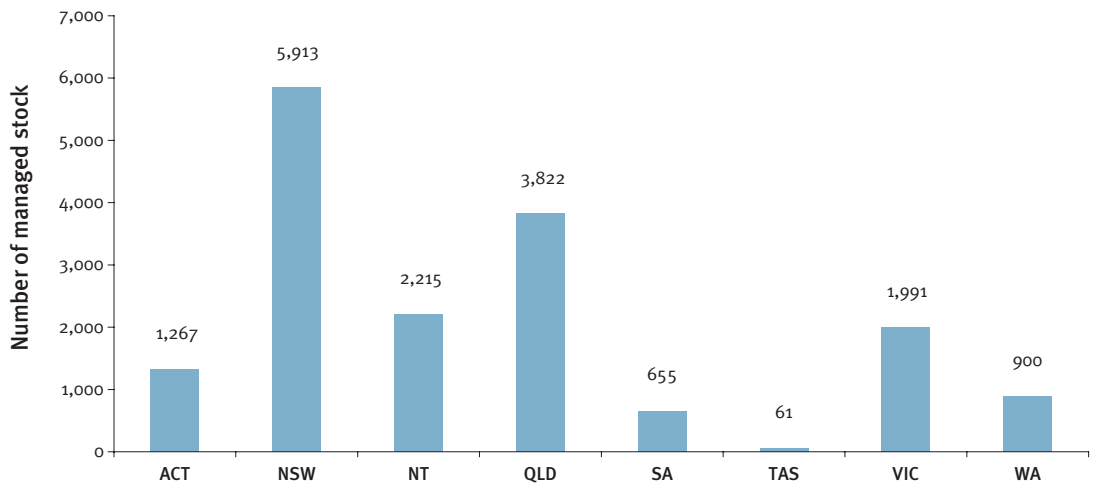
## NEW HOUSING AND LAND INVESTMENT



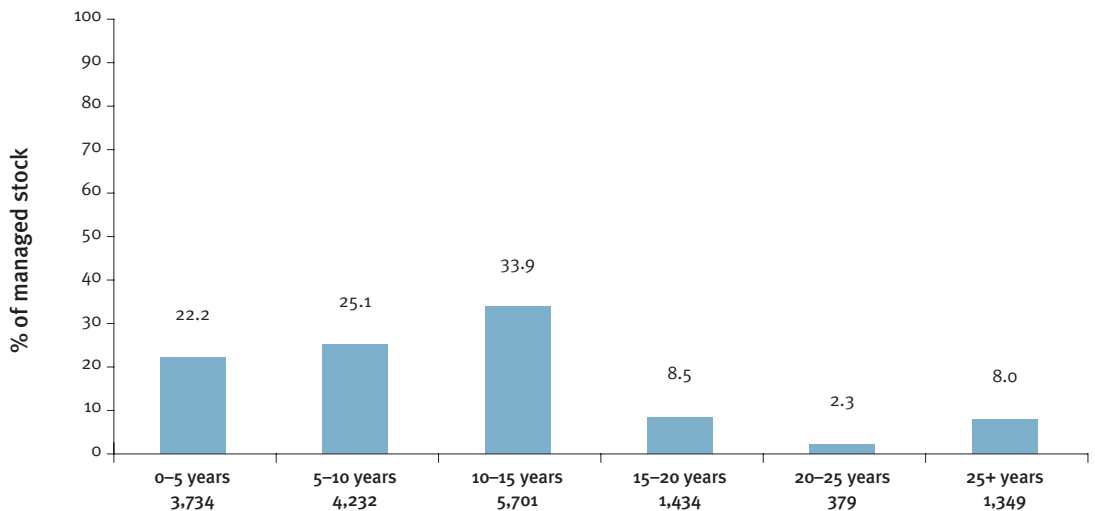
## TOTAL MANAGED STOCK 1999–00 TO 2004–05



## TOTAL MANAGED STOCK BY STATE AS AT 30 JUNE 05



## MANAGED STOCK BY AGE PROFILE AS AT 30 JUNE 05







Achieve operational  
excellence



# DHA people

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We achieve operational excellence through the attraction and retention of motivated staff. Our highly effective and efficient people contribute to our core values and organisational culture.

## Overview

We are focused on being an employer of choice, in order to attract and retain highly skilled and motivated staff. Across Australia, we employed 687 staff as at 30 June 2005 to provide a range of high-quality services to our customers. Staff are employed under the *Public Service Act 1999*, with competitive pay and attractive employment conditions negotiated with staff either via DHA's Certified Agreement (CA) or an Australian Workplace Agreement (AWA).

## Key achievements

DHA's commitment to the development and growth of its people is reflected in two specific corporate objectives: attract and retain competent and highly motivated staff, and attract staff that are customer and client focused and commercially oriented.

Some key achievements this year in relation to these corporate objectives have been the:

- successful negotiation of a new, three year CA;
- implementation of an enhanced Remuneration Framework;
- establishment of a national Panel of Preferred Recruitment Providers; and
- significant in-house case management training targeting regional relocations staff.



## Certified Agreement

The DHA CA 2004–2007 was ratified by the Australian Industrial Relations Commission on 20 September 2004. The Agreement was successfully negotiated between DHA management and elected staff representatives. The CA provides the terms and conditions of employment and remuneration for DHA staff predominately in roles classified from DHA Level 1 through to DHA Level 6. In conjunction with the DHA Human Resources Manual, the CA establishes the working conditions that support DHA operations and embodies our core people values.

## The DHA Staff Consultative Group

We have a collaborative approach between management and staff regarding workplace relations. The Staff Consultative Group facilitates feedback from staff in relation to DHA policies and guidelines.

This year the Staff Consultative Group represented DHA staff in the negotiation of the new CA and provided valuable feedback on a number of new and revised Human and Corporate Resources policies and guidelines.

## Recruitment

In April 2005, a panel of preferred providers of Recruitment Services was established to provide access to specialist providers in recruitment, for the employment of ongoing, non-ongoing, and temporary staff to meet our business needs. The panel provides nationwide recruitment services at rates negotiated with DHA.

## Learning and development

During 2004–05, an Operations Learning and Development Representative Group was established. Using DHA's Work Level Standards and Business Competency Framework, the group identified and prioritised skill development needs across the organisation. Programs delivered during the year included:

- Business Reporting for COGNOS (DHA's corporate reporting tool);
- Advanced Case Management focusing on conflict resolution strategies;
- Case Management for Successful Outcomes focusing on customer service skills;
- Property and Tenancy Management Workshops;
- People Management Workshops; and
- Developing business cases.

All programs were developed to reflect DHA's specific business environment and to meet the relevant learning and growth strategies and activities in the DHA Corporate Plan.

### **REWARDING STAFF**

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We recognise and reward the commitment and high performance of staff through the provision of a number of awards. These awards included:

- Service awards for staff who have been employed with DHA for five, ten and fifteen years;
- Quarterly Rewards and Recognition Scheme recognising teams and/or individuals for outstanding performance in relation to the DHA Characteristics; and
- Annual DHA Awards for Excellence covering the 'Bob Eames' Employee of the Year, Best Performing Team, Best Performing HMC, Most Improved Operational Unit, Best Support Services Team and Best Outcome in Project Management.

# Team development



We place significant value on team work. This is evident in the support provided to business areas in holding team development activities, aimed at improving the team's performance.

Common team development activities include business planning and exploring the team's behavioural dynamics. This assists teams to identify strategies to improve their service delivery, operational efficiency and communication with others.

Individual feedback consistently shows that these activities assist staff to achieve a greater appreciation of our strategic goals and the role they play in the organisation. Staff also report that they gain insight into the individual communication and preferred work styles within the team, which they then use to build more effective working relationships in the workplace.

## **OCCUPATIONAL HEALTH AND SAFETY**

We maintain a commitment to providing a safe and healthy workplace, free from discrimination and harassment. DHA's Occupational Health and Safety (OH&S) Policy sets out the responsibilities of both managers and staff to maintain a safe workplace, together with strategies to achieve this objective.

During 2004–05, DHA sought to further develop its OH&S program through the following activities:

- identifying, training and implementing a group of Harassment and Bullying Contact Officers to provide staff nationally with access to internal support and information;
- conducting Prevention of Workplace Bullying and Harassment Awareness Sessions;

- enhancing membership of the OH&S Committee to ensure the interests and concerns of staff covering all areas of the business are amply represented; and
- reviewing the number, location and training of all DHA Health and Safety Representatives and First Aid Officers.

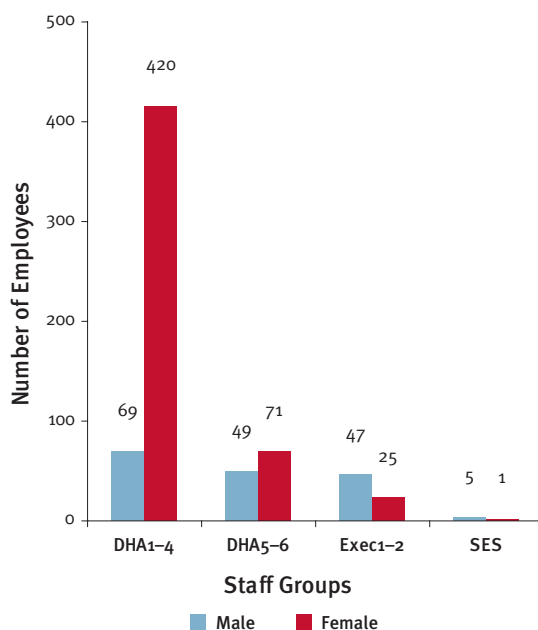
In addition to the activities above, DHA has reinforced its commitment to providing a safe and healthy workplace by co-signing a Statement of Commitment with Comcare. The Statement of Commitment aligns with the National Occupational Health and Safety Strategy 2002–2012, and targets for the reduction of workplace injury, disease, lost time and time taken for rehabilitation intervention.

In 2004–05, there were 71 OH&S related incidents reported at DHA. There were a total of 24 claims for compensation arising from work-related injuries, of which Comcare accepted liability for 17.

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.

We have adopted a number of measures to ensure the health and safety of our contractors and customers. Since its inception in 2004, an ‘Asbestos Management Program’ has provided an effective framework for the management of issues that arise with regard to the presence of asbestos in any DHA home. We are currently in the process of testing 2,300 homes, identified by age of construction, for possible use of an asbestos product.

## DHA – PUBLIC SERVICE ACT STAFFING



### STAFFING PROFILE AND RELATED ISSUES

The total number of staff employed at 30 June 2005 and engaged under the *Public Service Act 1999* was 687, of which 89 were employed on a non-ongoing basis. An additional 26 employees were engaged as contractors.

DHA staff are selected on the basis of merit in accordance with the *Public Service Act 1999* and with due regard to the principles and objectives of workplace diversity.



## REMUNERATION

We reviewed our remuneration framework during 2004–05 to ensure remuneration decisions remain competitive, equitable and financially responsible. This involved the revision of Human Resource Guidelines and tools to assist managers with remuneration decisions, in particular the negotiation process for AWAs.

DHA sets the remuneration for the majority of its staff through the DHA CA 2004–2007, which covered 539 staff members at 30 June 2005. The number of staff employed under an AWA is 148, which represents 21.45 per cent of employees, predominantly those employed in roles classified at the DHA Level 6, Executive Levels and Senior Executive Service Levels.

The table below sets out the normal salary ranges, as at 30 June 2005, applicable to each classification group for DHA staff. Salary may be individually negotiated when an AWA is entered into.

Remuneration for employees covered by the CA comprises salary payments and employer superannuation contributions. In addition, staff members covered by an AWA have access to performance pay and in some instances special approved allowances. All staff have access to salary sacrifice arrangements. A key feature of DHA's remuneration strategy is performance pay. This arrangement is used to foster and enhance a high performance culture.

CLASSIFICATION	APPLICABLE SALARY RANGE
DHA Level 1	\$27,716 – \$35,414
DHA Level 2	\$36,179 – \$39,757
DHA Level 3	\$40,748 – \$43,708
DHA Level 4	\$45,023 – \$48,604
DHA Level 5	\$50,486 – \$53,290
DHA Level 6	\$55,450 – \$63,350
Executive Level 1	\$70,000 – \$77,050
Executive Level 2	\$79,793 – \$93,750



# DHA in the community

We are a socially responsible organisation and aim to continually enhance our employees' participation in community projects. DHA's work within the community contributes to its operational excellence.

## Overview

We strive to be active within the community, through fundraising activities and the sponsorship of events. The Communication and Media team manage these activities and ensure that communication is relevant to customers and stakeholders.

## DHA sponsorship

Each financial year, we make a budget allocation for a community relations sponsorship program. This program enables DHA to provide support to worthy Defence community projects and to build positive relationships with community groups.

During 2004–05, DHA provided significant financial support for more than 25 community initiatives. Of particular note was a \$30,000 grant for a major upgrade to the Kokoda Track Memorial Walkway in Sydney. The walkway was established in 1995 to commemorate those Australian servicemen and women who served in the South West Pacific area during World War II.

DHA also made financial contributions to:

- the Puckapunyal Multipurpose Environmental Track;
- Special Children's Christmas Party in Darwin;
- Pilbara Regiment Memorial in Perth;
- Defence Families Australia, 'Belong 05' Picnic;
- Defence Community Organisation Family Day; and
- Duntroon Pre-school, Canberra.

DHA has a sponsorship policy in place to manage community obligations. Staff members are asked to complete a sponsorship proposal document prior to the sponsorship activity. Proposals are reviewed to assess the suitability, feasibility and resources required. A post-evaluation assessment is also required to measure the success of the activity and to ensure that it met overall objectives.



## DHA helping out

ALLEN MAIN MEMORIAL PRESCHOOL, DUNTROON.

In May 2005, DHA was delighted to assist the Allen Main Memorial Preschool, the on-base pre-school at Duntroon, Canberra.

In support of the school's excellent work for our ADF members and their children, DHA provided sponsorship monies for the purchase of new chairs for the school. DHA is always proud to assist in the community and it makes it even more worthwhile when children reap the benefits.

## DHA fundraising

Our staff are actively involved in fundraising activities to help support community groups. In 2004–05, in excess of \$15,000 was raised for various charities by DHA staff, through:

- a donation to the Children’s Cancer Institute of Australia in Townsville;
- a fundraising raffle with proceeds going to Red Cross and Legacy in Tindal;
- a BBQ to support Shave for a Cure in Darwin;
- staff participation in the Relay for Life in Adelaide and Canberra;
- donation to ‘Ian Chill Fund’ in Townsville;
- staff participation in Fit4Life, to raise funds for the Royal Children’s Hospital in Brisbane;
- casual dress Fridays with funds collected going to various charities; and
- staff participation in ‘Australia’s Biggest Morning Tea’ in most locations.

## Communications and public relations

We rely on clear and relevant communication with customers, stakeholders and staff to help deliver customer service excellence.

Our Communication and Media Team work with and support business areas in providing timely and consistent information, both within and outside DHA.

Key internal communication channels, such as the intranet and weekly email updates, ensure that all staff can access important information regarding DHA’s business when they need to.

We communicate with customers using a mix of general and targeted approaches, as well as face-to-face service. Communication and marketing material is used to inform ADF members and their families of the range of services available, and how to access them.

We maintain a range of hard copy publications and online information products, designed to assist customers to understand and access housing and relocation services. Hard copy publications are distributed via the HMCs, and organisations such as the Defence Special Needs Support Group, DFA and DCO. Online information products are made available on our website and distributed via email.

We also rely on advertising and public relations activities to communicate with the public. These activities highlight new services and increase customer awareness of particular issues. This activity is often informed by customer research.

A public relations program is in place to commemorate significant housing developments, to keep the public informed of our role in supporting the ADF, and to generate awareness and interest in the SLB Program. In 2004–05, DHA promoted a series of events, including the announcement of new developments, and open house, sod turning, and key hand-over ceremonies.

Key communication activities in 2004–05 included:

- Application for Relocation (AFR) communication campaign, to improve the efficiency of relocations process;
- Relocations Strategy, to improve the effectiveness of the completion and delivery of relocation packs to ADF members;
- Media Crisis Management Strategy;
- intranet and public internet redevelopment;
- review of branding guidelines and DHA style guide;
- updated corporate stationery, promotional publications and banners;
- production of Lessor News;
- preparation and management of media releases and advertisements through print and radio mediums;
- management of house openings, sod turning and estate naming and key ceremonies; and
- preparation of 2003–04 Annual Report, awarded Silver at the Australasian Annual Report Awards.

# Clarence Jeffries Estate



CLARENCE JEFFRIES ESTATE, ADAMSTOWN –  
26 APRIL 2005

On Tuesday 26 April 2005, the Adamstown Housing Development 'Clarence Jeffries Estate', was officially opened by the Parliamentary Secretary to the Minister for Defence, the Hon Teresa Gambaro MP.

The estate is named in honour of Wallsend World War I hero and recipient of the Victoria Cross, Captain Clarence Jeffries. Over 60 guests attended the ceremony, including parliamentary representatives, ADF members and their families, local RSL and veteran communities, members of local defence establishments, DHA staff and members of the public involved in the consultation process.

Development of this estate is expected to generate significant direct and indirect financial benefits to the local community through spending and investment. 15 three bedroom town houses have been completed under the SLB Program.

## Environmentally sustainable development

Consistent with Australian Government policy, DHA has a number of initiatives designed to contribute to environmental sustainability. Houses are built with a minimum four-star energy rating and, where possible, using AAA rating fixtures and water efficient shower heads. In 2004–05, the use of water efficient shower heads resulted in reduced water consumption from 20 litres to 6 litres per minute in DHA houses.

We regularly contribute to environmentally sustainable initiatives through our participation in the 'Australian National Council on Business Building Sustainable

Cities'. In addition, we aim to form close partnerships with local businesses, and to use local and accredited 'GreenSmart' builders in the construction of DHA houses.

In our daily operations, recycled papers and environmentally friendly materials are used. Items such as relocation packs, provided to each ADF member on relocating, are printed on 100 per cent recycled paper. This report is produced using environmentally friendly materials.



# Lyons development, Darwin

## A SUSTAINABLE URBAN ENVIRONMENT

In March 2005, DHA signed an agreement with the Canberra Investment Corporation for the construction of a housing development at Lee Point, in the new suburb of Lyons, Darwin.

The development aims to deliver an innovative, high quality, ecologically sustainable urban environment, suitable for Darwin's tropical climate. Drawing heavily on local experience with Darwin-based architects, housing designers, engineers, town planners and surveyors, the uniqueness of the Darwin environment and landscape will be captured in the urban design, landscaping and architecture of the project.

To meet the needs of our ADF members and their families, a mixture of lot sizes has been designed to provide choice, enhance liveability and community safety. Individual house design will play a critical role in the overall sustainability of the development.

Management of the project involves sensitive community consultation, achievement of planning objectives consistent with ecologically sustainable development, and maximisation of opportunities for competitive territory businesses.

The project is based on a collaborative approach and allows active participation of individuals and organisations that have an interest in the area's future. A website <http://www.elton.com.au/talkLyons/> has been launched for public consultation. Events, workshops, open houses and seminars are scheduled to allow all stakeholders the opportunity to participate in the development process.

Construction of the Lyons Development is due to commence in early 2006.



## Special needs in the community

During 2004–05 DHA was involved in a number of activities helping to meet special needs within the community. This included assisting the Darwin chapter of Variety to improve facilities at a Riding for

the Disabled Camp, and contributing to the cost of a pathway allowing wheelchair access to Katherine High School in the Northern Territory.

### Katherine High School



In conjunction with Norbuild, Rowlands, Concrete and H&T Concrete, DHA contributed to meeting the cost of a concrete pathway allowing all-weather access to the Intensive Learning Gardens at the Katherine High School in the Northern Territory.

### Koomarri Association



DHA is a strong supporter of the disabled community and has used the services of JobMatch for over 4 years.

JobMatch, an employment service providing job placement and support for people with a disability, provides DHA with a Pack ‘n’ Post service, distributing relocation packs to ADF members and families. Packs are sorted, assembled, folded and distributed in a timely manner.

In 2004–05, the staff at JobMatch assisted with the distribution of approximately 30,000 relocation packs.



# DHA systems

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DHA depends heavily on its information technology to provide an efficient and effective service to customers and clients. We continually seek to improve our systems and processes in order to maintain a high standard of service.

## Overview

DHA's business unit, Information Technology Services (ITS), is responsible for the provision and efficient operation of Information and Communications Technology (ICT) infrastructure and services to support DHA's business objectives. These services are delivered in accordance with agreed service levels, and operate within a strategic framework that aligns closely to the DHA's Corporate Plan objectives.

## Governance

IT governance is essential for the efficient operation of ICT. The IT governance framework, implemented by ITS, continues to provide a measurable set of IT specific guidelines and industry standards, linking the processes, resources and required information of the ITS branch to DHA's strategies and objectives.

## Strategy

Our ITS activities are driven by the IT Strategic Plan and our Corporate Plan. A review of the IT Strategic Plan has been completed to ensure it aligns with the technological direction of the wider ICT community, while maintaining the core requirements of providing sound technology to meet DHA's business requirements.

In line with the IT Strategic Plan, ITS has continued to successfully provide a combination of outsourced arrangements for applications and their support, while providing internal service and support for ICT services.

## TPMS

The implementation of the Tenancy and Property Management System (TPMS) continued to be the major focus of ITS activity during 2004–2005, in preparation for its implementation in August 2005.

TPMS will provide a fully integrated system that will enhance service delivery and respond to DHA's changing business requirements. The TPMS project consists of two key activities: the Tenancy Management System (TMS), through which the relocations and customer relationship is managed, implemented in July 2004, and the Property Management System (PMS), to be delivered in mid-August 2005, which will manage our lessors' assets and portfolio.

This integrated solution will provide users with a greater degree of choice and self service. The DHA vision of a 'one stop' shop for housing solutions and more convenient services will be fulfilled while improving customer service levels and portfolio management.



## The future

### **E-BUSINESS**

The current program of enhancements to our website is driven by our commitment to improve the delivery of customer service information to all our customers. The future will see the introduction of increased online interaction with customers, including an online AFR form.

## Improved systems for better customer service

The implementation of TMS and PMS has provided system improvements for users of the DHA IT system. We will continue to identify opportunities for improving system efficiencies by providing leading edge technologies for the provision of excellent customer service.

HomeFind, our online housing selection tool, will continue to be a priority for system enhancements to ensure ADF members and their families have access to the widest possible range of information on their prospective new home and the local community.



## IT user customer service

The IT Service Desk is a group of specialists positioned within the IT Services Branch. The Service Desk provides IT user support and customer service to the users of the DHA IT system.

The team's performance is measured on a weekly basis and statistics show that it is constantly maintaining its service level agreement in the top quartile for its segment in the IT industry. In 2004–05, over 41,000 user requests and enquiries were directed to the Service Desk, with 85.8 per cent of enquiries resolved by the Service Desk without the need for escalation.

The Service Desk also provides desktop support for the NSSC and the Canberra HMC and an after hours support service to all DHA staff for emergency IT issues.

In 2005, the Service Desk changed its name from Help Desk, to emphasise its dedication to providing an efficient service for its key customers – DHA staff.

In 2004–05, the Services Desk was provided with a DHA excellence award, for the Best Support Service Team.



# Governance

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

## Enabling legislation

### **DEFENCE HOUSING AUTHORITY ACT 1987**

DHA was established under the *Defence Housing Authority Act 1987* and commenced operations on 1 January 1988. Under this Act, DHA is required 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
- other persons, in order to meet the operational needs of the Defence Force and the requirements of the Department of Defence.

## DHA GOVERNANCE FRAMEWORK

### GOVERNANCE OUTCOMES

Confidence in the organisation

### REVIEW AND EVALUATION OF GOVERNANCE ARRANGEMENTS THROUGH:

- Annual review by the Board of its function, roles and performance
- Annual independent review of the Board's function, role and performance

### INFORMATION AND DECISION SUPPORT THROUGH:

- Monthly reporting to the Board in accordance with the Board's requirements
- Effective record keeping, minutes of meetings
- Use of up to date information technology

### INTERNAL CONFORMANCE & ACCOUNTABILITY THROUGH:

- Regulatory Compliance Matrix
- Internal audit review and processes
- Monthly financial reports to Board
- Financial and other delegations

### PLANNING AND PERFORMANCE MONITORING THROUGH:

- Corporate Plan using balanced scorecard
- Continuous management reporting against KPI's
- Monthly reporting to Defence against contracts

### EXTERNAL CONFORMANCE & ACCOUNTABILITY

- Quarterly reports to ministers
- Annual Report
- Service Charter

### RISK MANAGEMENT THROUGH RISK MANAGEMENT PLAN, UPDATED ANNUALLY UNDER THE OVERSIGHT OF THE BOARD AUDIT COMMITTEE

### STAKEHOLDER RELATIONSHIPS (EXTERNAL AND INTERNAL) MANAGED THROUGH:

- Stakeholder representation on DHA Board
- Multi-level collaboration and liaison with Defence related stakeholders, including representatives of the Department of Defence, the ADF, lessors and ADF staff.
- Ongoing measurement of satisfaction with DHA's performance including through Client Surveys, Customer Surveys, Lessor Surveys and DHA Staff Surveys
- Ongoing liaison with the Department of Finance and Administration

### LEADERSHIP, ETHICS AND CULTURE

- Top-down informed direction supported by a culture of fearless bottom-up advice
- DHA Mission and Vision Statements
- DHA Code of Conduct
- APS Values and Code of Conduct

Source: Adapted from ANAO Better Practice Guide, Public Sector Governance, July 2003

## 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.

# Strategic planning

We use a balanced scorecard approach to develop our Corporate Plan. This is a three-year plan, updated and rolled forward annually. The Corporate Plan forms the basis of business plans, which are developed annually by each of DHA's business units. In turn, the business plans are cascaded annually into Performance Development Agreements for staff members.

Through this cascading approach, all staff members document their individual roles in delivering the Corporate Plan. Each staff member's performance is measured against his or her Performance Development Agreement. This approach is effective in focusing staff on DHA's strategic priorities.

## DHA's values

DHA complies with the *Public Service Act 1999*, upholding and promoting the Australian Public Service (APS) Values and APS code of conduct. We are committed to fair dealings in all our activities, including our interaction with the Department of Defence, ADF members and their families, building and maintenance contractors, suppliers, lessors and government authorities. High ethical and accountability standards are set and expected of all staff through DHA values, Standards of Behaviour and Code of Business Ethics. The Authority promotes a set of DHA values and characteristics to staff via a range of mechanisms, including the intranet.

We are committed to providing a safe workplace, free of discrimination and harassment, and recognising the individual contributions of our staff members. We are also committed to high standards in our contractual relationships with maintenance and other contractors and private investors for whom we have property management responsibilities.

## Shareholder Ministers

DHA is part of the Defence portfolio and is responsible to Senator the Hon Robert Hill, the Minister for Defence, through the Hon Teresa Gambaro MP, who was appointed as the Parliamentary Secretary to the Minister for Defence in July 2004. Prior to Ms Gambaro's appointment, the Hon Fran Bailey MP held the position of Parliamentary Secretary to the Minister for Defence.

Senator the Hon Nick Minchin, the Minister for Finance and Administration, is a Joint Shareholder Minister and has delegated responsibility for DHA matters to Senator the Hon Eric Abetz, Special Minister of State.

## Ministerial Directions

No Ministerial Directions were received for the reporting period under the *Commonwealth Authorities and Companies Act 1997* or the *Defence Housing Authority ACT 1987*.



**Senator The Hon Robert Hill**  
Minister for Defence



**Senator The Hon Nick Minchin**  
Minister for Finance and Administration



**The Hon Teresa Gambaro MP**  
Parliamentary Secretary to the Minister for Defence

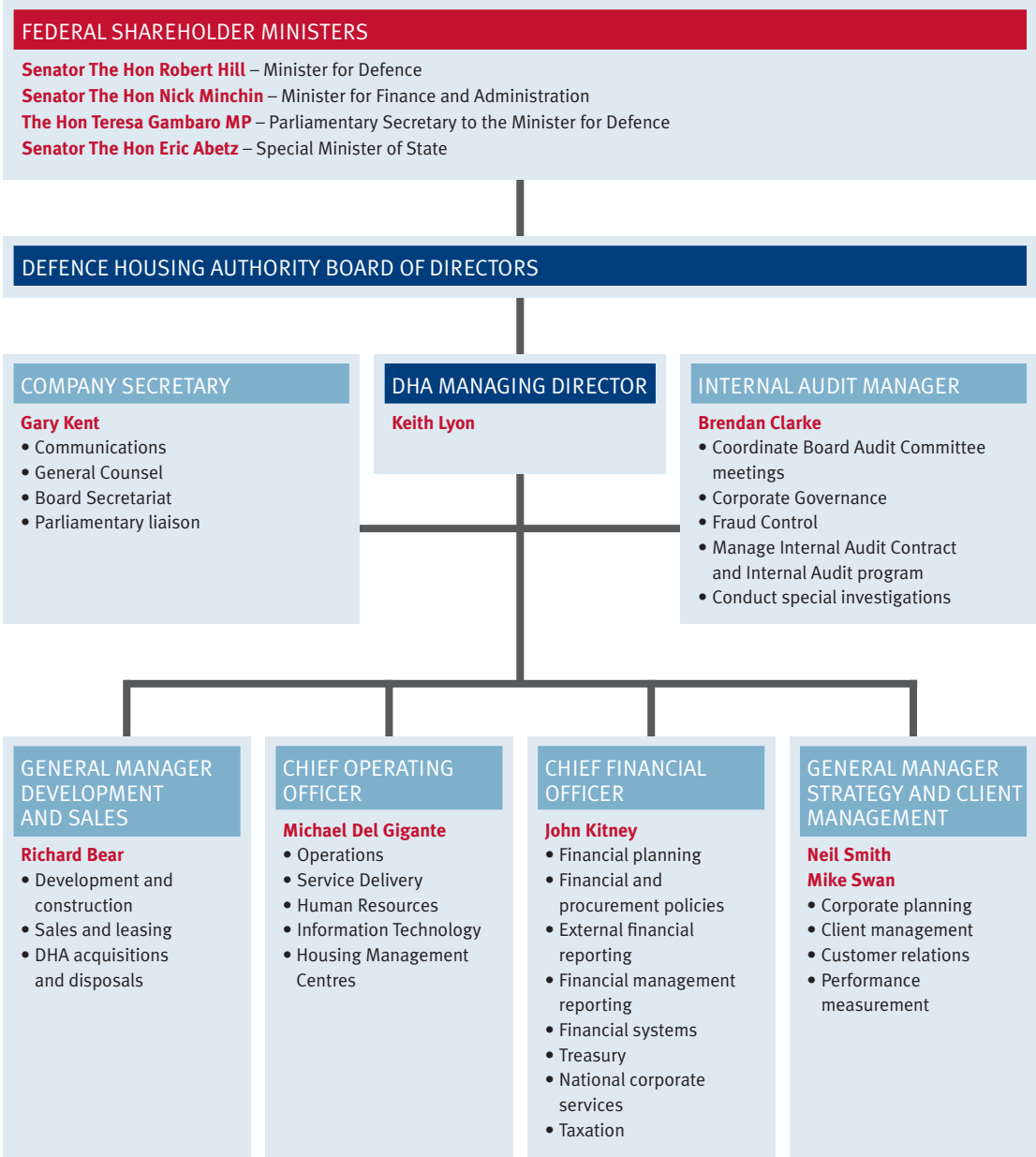


**Senator The Hon Eric Abetz**  
Special Minister of State



# DHA'S organisational and reporting structure

as at 30 June 2005



# DHA Board of Directors

During 2004–05, the Board met 10 times. These meetings were all held in Canberra. In addition, the members of the Board visited Sydney in November 2004 for briefings and a tour of inspection of key DHA housing sites.

The DHA Board comprises 12 Directors:

- five Directors (including the Chairman) are appointed by the Governor-General for their expertise in housing property, real estate, building, social planning or finance;
- one Director, also appointed by the Governor-General, is the spouse of a full-time ADF member;

- five Directors are ex-officio and consist of the staff occupying the positions for the time being of Head Defence Personnel Executive, the Deputy Chief of Navy, the Deputy Chief of Army, the Deputy Chief of Air Force and the First Assistant Secretary Capability Investment and Resources; and
- the Managing Director of DHA (who is also Chief Executive Officer) appointed by the Board of Directors and who is the only Executive Director.

## **BOARD MEMBERS AS AT 30 JUNE 2005**

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The Hon Peter V Jones AM	Chairman
Mr Keith Lyon	Managing Director
Rear Admiral Brian Adams AO RAN	Defence Ex-officio Director
Ms Annabelle Chaplain	Director (appointed 24 February 2005)
Major General Ian Gordon AM	ADF Ex-officio Director
Mrs Maureen Greet	Defence spouse (appointed 16 December 2004)
Rear Admiral Max Hancock RAN	ADF Ex-officio Director
Air Vice-Marshal Roxley McLennan AM	ADF Ex-officio Director
Dr Ralph Neumann	Defence Ex-officio Director
Mr Tom O'Brien AM	Director
Mr John O'Grady	Director
Mr Wayne Stokes	Director

## **DIRECTORS RETIRING DURING 2004–05**

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The following DHA Board Directors completed their terms during 2004–05:

Ms Bonita Boezeman AO	Director (retired 7 October 2004)
Mrs Caragh Waller	Defence spouse (resigned 10 September 2004)

## DIRECTORS' ATTENDANCE AT BOARD MEETINGS 2004-05

DIRECTORS	ELIGIBLE TO ATTEND	ATTENDED
The Hon Peter Jones	10	9
Keith Lyon	10	8
Brian Adams	10	7
Bonnie Boezeman	3	3
Annabelle Chaplain	5	4
Ian Gordon	10	6
Maureen Greet	6	6
Max Hancock	10	8
Roxley McLennan	10	9
Ralph Neumann	10	9
Tom O'Brien	10	9
John O'Grady	10	10
Wayne Stokes	10	10
Caragh Waller	2	2

## Board Members



### THE HON PETER V JONES AM, FAICD

#### Chairman of the DHA Board

Until recently Mr Jones was the Chairman of ARC Energy Limited, AMMTEC Ltd, and several private companies. He retains several private business interests, is the Chairman of the Callaway Foundation for Music Education within the University of Western Australia, and has previously served as Chairman of several listed companies associated with mineral and energy exploration and production.

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 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.



## **MR KEITH LYON, BCOM (HONS) NSW, FCPA, FAIM, FAICD**

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### **Managing Director**

Mr Lyon was appointed Managing Director of DHA in September 1999. Previously he was the Deputy President of the Repatriation Commission, where he played a leading role in developing new health care arrangements for Australian veterans and war widows. He has a strong background in public administration and was a pioneer in introducing purchaser–provider arrangements between the public and private sectors.

Since joining DHA, Mr Lyon has played a major role in the organisation’s growth and in making DHA operate on a fully commercial basis as a GBE. He developed agreements with the Department of Defence for the provision of housing, tenancy management and relocations. By combining ADF relocations with housing provisioning, most ADF members now preselect their homes and move door-to-door.

Mr Lyon has introduced business line management and strong performance management through a range of measures. In the past four financial years, DHA has returned to the Australian Government \$1.1 billion in special dividends and capital returns. Mr Lyon has also been instrumental in the continuing development of DHA’s SLB Program under the name of Defence Housing Australia and substantially reducing the Australian Government’s equity in the business.

Mr Lyon has a very strong interest in providing customer service and managing substantial change in large organisations. Mr Lyon retired from DHA on 1 September 2005.



## **RADM BRIAN ADAMS AO, RAN**

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Rear Admiral Adams joined the Navy as a junior recruit in 1968 and was commissioned in 1969. He has served in a range of Australian Navy ships and undertaken exchange service with the Royal Navy. He has commanded the ships HMAS Tarakan and HMAS Tobruk. During his career, he has worked in joint warfare policy development at the Australian Joint Warfare Establishment and on resource policy and capability development in HQADF on a number of occasions.

In 1993 and 1994 Rear Admiral Adams commanded HMAS Creswell, the RAN College, and in 1995 and 1996 he was the Director of Naval Warfare in Maritime Headquarters. He assumed the position of Commandant Australian Defence Force Academy in January 1998 and was appointed Deputy Chief of Navy in 2000. Since mid-2002 he has been the Head of the Defence Personnel Executive.

Rear Admiral Adams is a graduate of the Australian Army Command and Staff College, the Joint Services Staff College and the Australian College of Defence and Strategic Studies. He holds degrees in Arts and Business Administration. He is a fellow of the Australian Institute of Management, the Australian Institute of Company Directors (AICD) and the Australian Human Resources Institute.

Rear Admiral Adams retired as a DHA Director on 14 June 2005.



### **MS BONITA BOEZEMAN AO, PMD HARVARD, FAMI, FAICD**

Currently Managing Director of Business Benefits International Pty Ltd, Ms Boezeman was formerly an executive with Time Warner Inc for more than 22 years and was the Chairperson and Chief Executive Officer of Time Life (Australia) Pty Ltd for more than 12 years. This division was responsible for all the corporation's book publishing, music and film/entertainment, sales and development. She has an extensive background in marketing and financial management.

Before moving to Australia Ms Boezeman was European Director for Subscription Services for Time Inc (which encompassed 175 locations worldwide), as well as French Area Manager and European Business Manager. She is a current Board Member of the public company Perpetual Trustees, as well as a member of the Sydney Harbour Foreshore Authority, and Deputy Chairman of the NSW State Lottery Corporation. Ms Boezeman is also a member of the Advisory Board of the Catholic Development Fund.

For the past 14 years Ms Boezeman has been involved with the Corporate Olympic Committee and has chaired the East West Foundation, which raises money for the Cochlear Implant Centre for Deaf Children and the Opera Artist Programme. She has previously been on the boards of Prudential Insurance and Opera Foundation Australia from 1989 to 2000, AIESEC Australia from 1985 to 1995, East Asia Advisory Council for the NSW Government and the Australian Record Industry. She was a founding member of Chief Executive Women and an attaché for the Sydney 2000 Olympic Games.

Ms Boezeman was appointed as a member of the DHA Board in October 2001 for a term of three years. She was awarded the Centenary of Federation Medal and was appointed an Officer of the Order of Australia in the Queen's Birthday 2003 Honours list. Ms Boezeman completed her term as Director on 7 October 2004.



### **MS ANNABELLE CHAPLAIN BA, MBA, FAICD**

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

With over twenty years' executive experience in investment banking, Ms Chaplain 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.



### **MAJOR GENERAL IAN GORDON AM**

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Major General Gordon graduated from the Royal Military College, Duntroon, in 1973 and was allocated to the Royal Australian Corps of Signals. He undertook a range of regimental and technical staff appointments and attended the Royal Military College of Science at Shrivenham in the United Kingdom. He completed the Army Command and Staff College course at Queenscliff in 1985.

Major General Gordon was the Director of the Australian Army's Automated Tactical Command Support System Project from 1987 until 1989 and in 1990 he was posted to command the 1st Signals Regiment in Brisbane. In 1991 he commanded the first Australian Contingent with the UN Mission for a referendum in Western Sahara, MINURSO. For his service as CO 1 SIG REGT and command of the first contingent for MINURSO he was awarded the AM.

Major General Gordon was Director of the Royal Australian Corps of Signals from 1993 until 1995, and in 1996 he attended the Australian College of Defence and Strategic Studies. In 1997 he was posted to the International Policy Division of the Department of Defence as the Director of United Nations and Peacekeeping. He was then appointed as Commandant of the Army Command and Staff College.

In January 2000, Major General Gordon assumed the appointment of Director General Career Management – Army, within the Defence Personnel Executive. In July 2000, the branch was transferred to Army Headquarters with additional personnel responsibilities, with Major General Gordon assuming the appointment of Director General Personnel – Army.

In 2001, Major General Gordon was promoted to his current rank and posted to East Timor as the Deputy Commander, United Nations Transitional Authority in East Timor (UNTAET), Peace Keeping Force. He served in this appointment until September 2002, after which he returned to Australia to take up the appointment of Commander, Training Command – Army. He assumed his current appointment as Deputy Chief of the Army in May 2004.



### **MRS MAUREEN GREET**

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Mrs Greet was born in Canberra and graduated from St Francis Xavier High School. She worked in Chartered Accountants' offices in Canberra until she met Neil, her husband of 18 years, and started to accompany him on postings in Australia and overseas. Mrs Greet has worked in both the private and public sectors in a range of areas, including DHA.

Mrs Greet has consistently performed volunteer work with Defence families in each posting location. She has been a National Delegate for DFA (previously NCGSF) in both South Queensland and the Hunter Regions. During her term as National Delegate for South Queensland in 1999–2000, Mrs Greet received acknowledgement from the Chief of the Defence Force, Admiral Chris Barrie, for her dedication in supporting ADF families during the International Force East Timor (INTERFET).

Mrs Greet accepted her appointment as National Convenor of DFA on 30 August 2004 and was appointed as a DHA Director on 16 December 2004.

Mr and Mrs Greet have two teenage sons, Josh and Ben, who have moved schools on average 8–10 times, which is one of Mrs Greet’s motivations in becoming involved in assisting ADF families.



### **REAR ADMIRAL R M (MAX) HANCOCK, RAN**

Following schooling in both Victoria and Queensland, Rear Admiral Hancock joined the RAN in 1972 as a Cadet Midshipman. After four years at the Royal Australian Naval College at Jervis Bay, he graduated as a Seaman Officer and spent the majority of his junior officer time at sea.

In 1984 he attended the Royal Navy Principal Warfare Officer’s course in the United Kingdom, training as a specialist Anti Submarine Warfare Officer. A number of appointments to major combatants followed this training, including two years as the Operations Officer of a Royal Navy frigate in the Arabian Gulf during the Iran–Iraq war and as the Executive Officer in HMAS *Derwent*. His seagoing career highlights include two sea commands – HMAS *Buccaneer*, a patrol boat, and HMAS *Melbourne*, a guided missile frigate – and most recently Commodore Flotillas.

Three years ashore at HMAS Watson as a Commander saw him involved in tactical development, warfare officer training and ship command team training, and the Naval Warfare Training Centre Project.

On promotion to Captain in 1997 he was posted as the Director Naval Personnel Management, which later involved a move to the Defence Personnel Executive following ADF restructuring. In 1998 he was appointed as the Director Warfare Policy and Doctrine – Navy in Navy Headquarters, and in 1999 was selected as Chief Staff Officer to Chief of Navy.

In 2000 he was appointed as Chief of Staff and Deputy Maritime Commander and promoted to the rank of Commodore. This was followed in 2002 by his appointment as Commodore Flotillas.

Rear Admiral Hancock was promoted to his current rank in June 2002 and appointed as Director General Coastwatch. He was appointed to his current position as Deputy Chief of Navy in June 2004.



### **AIR VICE-MARSHAL ROXLEY MCLENNAN AM, FRAES**

Air Vice-Marshal McLennan was born in Hobart, Tasmania on 4 August 1950 and graduated from the RAAF Academy, RAAF Point Cook, Victoria, in December 1971. He holds the degrees of Bachelor of Science (Physics) from Melbourne University (1971) and Master of Science (Logistics Management) from the United States Air Force Institute of Technology (Class of '84). He graduated from the Australian Joint Services Staff College in 1991, is a Fellow of the Australian College of Defence and Strategic Studies (1997) and a Fellow of the Royal Aeronautical Society. In 2002 he completed the Advanced Management Program at the Harvard Business School and is a Member of the AICD.

On completion of pilot training in April 1973, Air Vice-Marshal McLennan flew the C130A Hercules with No 36 Squadron. In April 1977 he graduated from the RAAF Central Flying School as a qualified flying instructor and flew the CT4A Airtrainer at No 1 Flying Training School, the Scottish Aviation Bulldog at RMAF Base Alor Setar whilst on loan to the Royal Malaysian Air Force, and subsequently returned to Australia to instruct on the Hercules C130E of No 37 Squadron.

Air Vice-Marshal McLennan's leadership appointments include Training Flight Commander and Commanding Officer No 37 Squadron, Commander Operational Support Group, Commander Air Lift Group and Commander Integrated Area Defence System in Butterworth, Malaysia. During his tenure as Commander Air Lift Group he also served in Dili, East Timor, as the Combined Air Component Commander for INTERFET and the Commander of the Australian Forces in East Timor (COMASC). He was appointed a Member of the Order of Australia for exceptional service in East Timor.

Air Vice-Marshal McLennan has also served in staff appointments in the Materiel and Personnel Divisions of the Department of Defence (Air Force Office), as the Australian Air Adviser in London, as Director Strategic Policy and Planning – Air Force, as the Director-General Career Management Policy within the Defence Personnel Executive and briefly as Head Defence Personnel Executive. On 1 March 2004, Air Vice-Marshal McLennan was appointed to his present position of Deputy Chief of Air Force.



### **DR RALPH NEUMANN, PHD, FAICD**

Dr Neumann is a long-serving Commonwealth public servant who has spent his career in the Department of Defence. Currently he is First Assistant Secretary, Capability, Investment and Resources. He joined the Defence Department in 1978. He was appointed to the Senior Executive Service in 1993 and since then has worked in policy areas relating to Defence capability, resources and the major capital equipment plan.

Dr Neumann was a member of the Defence Source Selection Board for over two years, and chaired the Defence Materiel Organisation Vehicles and Land Operations Governance Board for three years. He is currently the secretary to the Defence Capability Investment Committee (the senior capability focused committee in Defence) and a member of the Defence Capability Committee. He is also a director of a private company.





### **MR THOMAS J R O'BRIEN AM, BECON, BCOM (HONS), FCA, FCPA**

Mr O'Brien was the Chief Executive Officer for Ernst & Young in Melbourne for 12 years and was the National Chairman of Ernst & Young Australia in 1995 and 1996. Since retiring from the partnership, he has pursued a career as a Company Director and currently serves on the Boards of Allans Music Group Pty Ltd and Virtual Communities Ltd.

He is Chairman of CCI Investment Management Ltd, Church Resources, HLT Limited, Genepharm Australasia Ltd and Domaines Tatiarra Ltd. He is also on the Compliance Committee of Fiduciary Trust International Australia Ltd.

Mr O'Brien was reappointed to the DHA Board in December 2004 for a further twelve months.



### **MR JOHN O'GRADY, LLB, FAICD**

Mr O'Grady is a Partner in the Sydney office of commercial law firm, Cosoff Cudmore Knox. Prior to joining this firm, he was Special Counsel with Blake Dawson Waldron in Sydney. He is an experienced legal practitioner in the areas of Corporate Governance, Property and Government Tendering and Contracting.

He was admitted as a Fellow of the AICD in 2000. He is currently a tutor in the AICD Company Directors' Course and is a member of the AICD National Corporate Law Committee.

Mr O'Grady is a past President of the Property Council of Australia (South Australian Division) and served on the National Council for two years.

He has served on several boards and committees, including the Commonwealth Property Committee, the Adelaide Entertainment Centre Board, the Australian Major Events Board and the Barossa Music Festival. He was also Chairman of the South Australian Government Office Accommodation Committee.



### **MR WAYNE STOKES**

Mr Stokes has more than 38 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.

Since 1980, Mr Stokes has been managing director of privately owned NL Stokes Pty Ltd, a company founded by his father as a specialist building contractor which has since earned a reputation as a respected developer of quality subdivisions in South Australia and Queensland. 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.

Mr Stokes has also served on the Council and Housing Council of the Master Builders Federation of Australia, is a former President of the Master Builders Association of SA Inc and a former Chairman of the Association's Housing Committee. 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).

At a state level, Mr Stokes is the former Chair of the Urban and Regional Development Advisory Committee and of the Development Advisory Policy Committee in South Australia. He is a former Board Member of the Land Management Corporation and a former member of the Independent Gambling Authority.



**MRS CARAGH WALLER**

Mrs Waller has held positions with both the Western Australian and South Australian Governments, working primarily in public policy areas within the Ministry of Premier and Cabinet.

Mrs Waller commenced as the National Convenor of Defence Families of Australia in July 2003. Her husband Jason is a full-time serving member of the RAAF. She has worked with other Defence community groups in the past, including two terms as the Vice President of the Duntroon Community Centre.

Mrs Waller was appointed to the DHA Board on 18 December 2003 and resigned on 10 September 2004.

## Board Committees

### AUDIT COMMITTEE

The Board Audit Committee (BAC) meets quarterly and reports to the full Board on its activities at least twice a year. During 2004–05, four meetings were held in Canberra.

During the reporting year, Committee Membership comprised:

- Mr Tom O’Brien (Chairman)
- Mr John O’Grady
- Dr Ralph Neumann
- Ms Bonita Boezeman (retired 7 October 2004)
- Ms Annabelle Chaplain (appointed 24 February 2005)

#### Attendance at Audit Committee Meetings 2004–05

BOARD MEMBER	ELIGIBLE TO ATTEND	
	TO ATTEND	ATTENDED
Mr Tom O’Brien	4	4
Mr John O’Grady	4	4
Dr Ralph Neumann	4	4
Ms Bonita Boezeman	1	1
Ms Annabelle Chaplain	1	0

#### Objectives:

The primary objectives of the Board Audit Committee relate to policy matters directed towards:

- enhancing the management of the internal control framework necessary to manage DHA’s business;
- ensuring the Authority has appropriate Risk Identification and Management practices in place;
- improving the objectivity and reliability of significant financial reporting;
- assisting the Board comply with all governance and other obligations; and
- ensuring DHA has adequate procedures on matters of audit independence.

### NOMINATION AND REMUNERATION COMMITTEE

During 2004–05, the nomination and remuneration committee met three times.

During the reporting year, Committee Membership comprised:

- The Hon Peter Jones (Chairman)
- Tom O’Brien
- John O’Grady
- Wayne Stokes

## Attendance at Nomination and Remuneration Committee Meetings 2004–05

BOARD MEMBER	ELIGIBLE	
	TO ATTEND	ATTENDED
The Hon Peter Jones	3	3
Ms Bonita Boezeman	2	2
Ms Annabelle Chaplain	1	0
Mr Tom O'Brien	3	2
Mr John O'Grady	3	3
Mr Wayne Stokes	3	3

### Functions:

The functions of the Committee are:

- advising Ministers on the skills and experience necessary for new Directors;
- overseeing and providing advice to the Managing Director on executive remuneration and overall remuneration strategies; and
- assisting the Board in relation to the review of the Managing Director's performance and remuneration, and ensuring the provision of appropriate induction and continuing education programs for Directors.

## Property Committee

The Property Committee was established by the Board in 2003 and meets quarterly and on an ad hoc basis as required. During 2004–05, it met seven times.

During the reporting year, Committee Membership comprised:

- Mr John O'Grady (Chairman)
- The Hon Peter Jones
- Mr Wayne Stokes

BOARD MEMBER	ELIGIBLE	
	TO ATTEND	ATTENDED
Mr John O'Grady	7	7
The Hon Peter Jones	7	6
Mr Wayne Stokes	7	7

### Functions:

The Committee is convened when matters are referred to it by the Board or DHA management. This is usually in relation to land purchases or disposals which require Board approval. The role of the Committee is to:

- fully inform itself as to the existing processes and procedures being followed in connection with property purchases, management and related matters; and
- discuss and evaluate project proposals with management, to determine feasibility, risk and whether the proposals meet corporate objectives.

## Board evaluation and review

The DHA Board has agreed that there should be regular reviews of Board performance and processes. In September 2004 the Board considered the findings of the independent Board review, commenced in May 2004 by Ms Jane Bridge of Boardroom Partners, Sydney. The Board accepted a number of recommendations designed to enhance the effectiveness of the Board and Directors' performance.

Regular, independent assessment of Board performance provides an opportunity for individual directors to take stock and to update relevant skills in line with the requirement to fulfil their duties to the best of their abilities, as required by the Board Charter.

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.

# The Executive Team



## **MICHAEL DEL GIGANTE**

### **Chief Operating Officer and Acting Managing Director**

Mr Del Gigante was appointed Acting Managing Director of DHA on 1 September 2005, following the retirement of Mr Keith Lyon.

Mr Del Gigante was appointed DHA's Chief Operating Officer in April 2004. Before joining DHA, Michael was Chief Executive Officer of TransACT Communications. He joined TransACT Communications in 2001 after completing the Advanced Management Program at the Harvard Business School in the United States. 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 worked for a large American telecommunication company (Verizon – previously GTE) both in Europe and the United States, and for the Banco di Santo Spirito in Italy.

His qualifications include a Bachelor (Honours) degree in Commerce, a Masters Degree in Commerce from the University of New South Wales, and a Masters in Business Administration from Boston University. He is a Fellow of CPA Australia and of the AICD. He is also a member of the Advisory Board of the Royal Australian Mint.

#### **Responsibilities:**

- National Operations Service Delivery
- National Service and Support Centre
- National network of 23 Housing Management Centres and four Shopfronts
- Property Management
- Tenancy Management
- HomeFind and Housing Allocations
- Relocations
- People and Corporate Resources
- Information Technology
- Business Improvement Program



## **RICHARD BEAR**

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### **General Manager, Development and Sales**

Mr Bear has been General Manager Development and Sales since joining DHA in January 2000. His early career was in the insurance industry, during which time he held various executive positions in Melbourne, New Zealand and the United Kingdom.

In 1981 he was appointed Director Insurance with the Defence Service Homes Organisation. In 1992 he was appointed Assistant Secretary in the Department of Veterans' Affairs, responsible for the department's financial accounting and management activities. In 1998 Mr Bear held the position of General Manager of the Child Support Agency.

His past experience has included executive responsibility for financial management, information technology and human resources management.

Mr Bear has a Bachelor of Commerce degree with a major in Accounting from Otago University, New Zealand.

#### **Responsibilities:**

- Development and construction
- Sales and leasing
- DHA acquisitions and disposals



## **JOHN KITNEY**

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### **Chief Financial Officer**

Mr Kitney joined DHA in February 2004, before which he was General Manager Finance for Sydney Water Corporation. He has held similar positions with the National Rail Corporation Limited, the Maritime Services Board of NSW and the University of New South Wales.

Mr Kitney has a Diploma in Commerce (NSWIT) and a Master of Business Administration degree (University of Sydney). He is a Fellow of CPA Australia and of the AICD. Mr Kitney is also a director of Company B at Belvoir Street Theatre and of the Theatre of Image.

#### **Responsibilities:**

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



## **NEIL SMITH**

### **General Manager, Strategy and Client Management**

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Air Vice-Marshal Smith retired from the Royal Australian Air Force in January 2001 and joined DHA in the following month. In an Air Force career that spanned 39 years, he held a wide variety of operational and staff appointments, including Support Commander Air Force, with associated responsibility for the logistic support for all Australian military aircraft, and Officer Commanding RAAF Base Pearce, the country's busiest military flying base.

Air Vice-Marshal Smith has a Bachelor of Aeronautical Engineering from the University of Sydney and is a graduate of RAAF Staff College and the National Defence College of India. He is a member of both the Order of Australia and the Order of the British Empire, and a Fellow of both the Royal Aeronautical Society and the AICD. He job-shares the role of General Manager, Strategy and Client Management, with Brigadier Mike Swan.

#### **Responsibilities:**

- Corporate planning
- Client management
- Customer relations
- Performance measurement



## **MIKE SWAN**

### **General Manager, Strategy and Client Management**

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Brigadier Swan joined the Executive team at DHA in September 2004 following a 35 year career in the Regular Army. He brings to DHA a wide knowledge of the Defence organisation having served mainly on the joint staff and most recently in the Corporate Services and Infrastructure Group. Particular highlights of his service career included command of the Peace Monitoring Group on Bougainville in 2001 and an extended period as acting Head of National Operations Division. He job shares the role of General Manager, Strategy and Client Management, with Air Vice-Marshal Neil Smith.

#### **Responsibilities:**

- Corporate planning
- Client management
- Customer relations
- Performance measurement



## **BRENDAN CLARKE**

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### **Internal Audit Manager**

Mr Clarke was the Senior Operations Auditor with Woodside Australian Energy in Western Australia for eight years, on the North West Shelf Gas Project. He was also the Chief Internal Auditor for Post and Telecommunications in Papua New Guinea for three years and extended his contract for another two years, serving in such positions as Executive Manager Commercial Accounts, Inventory Control Manager and Management Accountant for the Supply Base. Mr Clarke returned to Australia in 1993 and took up a position as Internal Audit Manager with the Civil Aviation Safety Authority in Canberra. During this period, Mr Clarke was asked to act as the Corporate Accountant for one year. In March 2003, he moved to his current position as Internal Audit Manager with DHA.

Mr Clarke is an FCPA, a Graduate of the AICD, a Branch Councillor with the Institute of Internal Auditors (MIIA), and passed with high distinctions as an Audit Team Leader for Quality Assurance Systems. He has also attained the award of Certificate IV in Government (Fraud Control Investigator).

#### **Responsibilities:**

- Coordinate Board Audit Committee meetings
- Corporate governance
- Fraud prevention and investigations
- Manage the Internal Audit Contract and Internal Audit Annual and Strategic Programs
- Conduct special management initiated investigations



## **GARY KENT**

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### **Company Secretary**

Mr Kent was appointed Company Secretary of DHA in 2003. Previously he worked in the Australian Public Service before occupying positions as Adviser and Chief of Staff to several federal ministers.

Mr Kent has Bachelors degrees in Commerce and Law from the University of Melbourne and a Graduate Diploma in Public Law from the Australian National University. He is a Graduate of the AICD.

#### **Responsibilities:**

- Communications
- General Counsel
- Board Secretariat
- Parliamentary liaison



# Internal and external review

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

## Internal Audit

During 2004–05, KPMG conducted DHA's Internal Audits. This is the third year KPMG has performed this function for DHA. The Authority has the option to renew the contract for another two years.

## Risk management

Robust risk management is an integral element of DHA's business operations. DHA's Strategic Risk Management Plan is based on the methodology set out in the Australian/New Zealand Standard AS/NZS 4360:2004. It addresses both governance and

business risks, is updated annually and is approved by the Board with endorsement by the BAC.

## Fraud prevention measures

DHA undertakes a regular Fraud Risk Assessment (FRA) consistent with the requirements of the Commonwealth Fraud Control Guidelines 2002. The FRA identifies areas within the Authority that are potentially at risk from fraudulent or corrupt practices.

The DHA Fraud Control Plan (FCP) is based on the FRA and summarises fraud control strategies to meet the Australian Government's requirements for fraud prevention, detection, investigation, prosecution and civil rights/privacy processes. The FCP also provides guidance to agency staff on action to be taken to deter fraud and to detect fraud when it occurs.



The FRA and FCP were prepared in accordance with Australian/New Zealand Standard AS/NZS 4360:2004 and are available to managers and staff via DHA's intranet. DHA treats fraud seriously and has guidelines on 'whistleblowers' in the FCP that reflect best practice. DHA's Risk Manager provides annual updates to the BAC on the prevailing internal controls of DHA's systems and on efforts to mitigate exposures to fraud.

## Parliamentary Committees and Government Inquiries

During 2004–05, DHA officers met with members of the Joint Standing Committee on Public Works to brief members of the Committee on current and future DHA activities.

The Authority provided submissions to the Committee in relation to major projects:

- at a public hearing on 19 July 2004 the Committee considered DHA's proposal for the proposed development of a major residential development at Lee Point, in Darwin, for Defence and private housing. In its December 2004 Report, the Committee recommended that the development proceed at a cost of \$41 million, subject to fulfilment of other recommendations relating to design principles, provision for community facilities, energy efficiency and lot size;
- a major residential development to provide 50 houses at McDowall in Brisbane, Queensland, for Defence housing purposes. The Committee considered the proposed works at a public hearing on 24 February 2005. In its report of May 2005, the Committee recommended that the proposed development proceed at a cost of \$17.5 million; and
- development of 80 on-base modern houses for Defence at Puckapunyal Army base, Victoria. The Committee considered the proposal at a public hearing on 3 November 2004 and, in its report in June 2005, recommended the project proceed at a cost of \$19.6 million.

## Freedom of Information

Like all other Australian Government organisations, DHA is required to comply with the *Freedom of Information Act 1982* (FOI Act). During 2004–05, 12 requests were made for access to certain information under the FOI Act. In each case, after consideration by DHA's Freedom of Information Officer, the requested information was made available to the relevant applicants.

Requests under the FOI Act for access to information should be made in writing to:

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

## Privacy

We take our custodianship of information on our staff and customers very seriously and adhere 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 2004–05, 24 complaints were referred to DHA from the Commonwealth Ombudsman. The majority of complaints related to the suitability of housing provided. In most cases the matter was resolved quickly through informal liaison with relevant DHA officers.

## 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 BAC on a six-monthly basis.

## Indemnities and insurance

DHA maintains 'Directors and Officers Liability' insurance cover. The insurance covers DHA officers in respect of losses or liability (including legal expenses) that an officer may be legally obliged to pay in certain circumstances. The policy has some exclusions, including where indemnity is not legally permitted or in respect of dishonesty or conduct arising out of a lack of good faith.

## Commonwealth Disability Strategy

Wherever possible, DHA ensures that policies, programs and services are as accessible to people with disabilities as they are to every other member of the Australian community. As a GBE, DHA strives to meet the requirements of the *Disability Discrimination Act 1992*.

### Role as an employer

DHA seeks to have a highly skilled and highly motivated workforce, and ensures workplace procedures and practices support equitable working conditions for employees. Diversity of staff is a great strength of DHA and we strive to create an inclusive environment, which values and utilises the contribution of people of different backgrounds, experiences and perspectives.

DHA is an equal opportunity employer. In recruitment and selection of staff, a fair and transparent process ensures equitable and non-discriminatory consideration is given to all applicants. Recruitment information is available in a range of formats to ensure that all applicants have access to this information.

In 2004–05, DHA assisted a number of employees and prospective employees with disabilities, through:

- provision of assistance during the application process;
- provision of appropriate accommodation for testing situations;
- access to contact officers who assist with issues such as discrimination;
- access to part time or other flexible working arrangements; and
- access to skills development.





## Categories of documents

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

## Access to documents

Copies of the *Defence Housing Authority Act 1987* are available from Canprint Information Services, or over the counter from Standards Australia outlets and the Information Victoria bookshop or Goprint.

For contact details, see [www.publications.gov.au/?legislation](http://www.publications.gov.au/?legislation)

An online version of the Act can be downloaded from the Scaleplus section of the Department of Attorney-General website: [www.ag.gov.au](http://www.ag.gov.au)

### Role as a service provider

DHA works with the DCO and the Directorate of Entitlements (DE) to ensure that ADF members and families with special needs have access to a fair and equitable process for relocation and modification of DHA homes.

Modifications are undertaken in consultation with the ADF member and their family, to ensure that the home meets their needs. This process is managed by a designated case manager.

DHA is currently developing a Standard Operating Procedure (SOP) to improve the management and delivery of service for ADF members and their families with special needs. The SOP will be made available in late August 2005.

DHA's Annual Report is available free of charge on request from DHA. This report is also available for download from DHA's website [www.dha.gov.au](http://www.dha.gov.au)

DHA also produces and distributes brochures and other promotional material via the Communication and Media team. Requests for copies of DHA documents can be made to:

Communication and Media Manager  
Defence Housing Authority  
26 Brisbane Avenue  
BARTON ACT 2600  
Ph: 02 6217 8444

## Corporate documents

In accordance with the *Commonwealth Authorities and Companies Act 1997* 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.





# Financial statements

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## INDEPENDENT AUDIT REPORT

To the Minister for Defence and Special Minister of State

### Scope

#### *The financial statements and Directors' responsibility*

The financial statements comprise:

- Statement by Directors;
- Statements of Financial Performance, Financial Position and Cash Flows;
- Schedule of Commitments and Contingencies; and
- Notes to and forming part of the Financial Statements

of the Defence Housing Authority for the year ended 30 June 2005.

The Directors are responsible for preparing the financial statements that give a true and fair view of the financial position and performance of the Defence Housing Authority, and that comply with accounting standards, other mandatory financial reporting requirements in Australia, and the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*. The Directors are also responsible for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

#### *Audit approach*

I have conducted an independent audit of the financial statements in order to express an opinion on them to you. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive, rather than conclusive, evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

While the effectiveness of management's internal controls over financial reporting was considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

GPO Box 707 CANBERRA ACT 2601  
Centenary House 19 National Circuit  
BARTON ACT  
Phone (02) 6203 7300 Fax (02) 6203 7777

I have performed procedures to assess whether, in all material respects, the financial statements present fairly, in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including accounting standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Defence Housing Authority's financial position, and of its performance as represented by the statements of financial performance and cash flows.

The audit opinion is formed on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements; and
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the directors.

### *Independence*

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

### **Audit Opinion**

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

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*; and
- (b) give a true and fair view of the Defence Housing Authority's financial position as at 30 June 2005 and of its performance and cash flows for the year then ended, in accordance with:
  - (i) the matters required by the Finance Minister's Orders; and
  - (ii) applicable accounting standards and other mandatory financial reporting requirements in Australia.

Australian National Audit Office



Michael White  
Executive Director  
Delegate of the Auditor-General  
Canberra

Date 17 August 2005



**DEFENCE HOUSING AUTHORITY**

**STATEMENT BY DIRECTORS**

In our opinion, the attached financial statements for the year ended 30 June 2005 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*.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the DHA 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 of the Defence Housing Authority.



**The Hon Peter Jones AM**  
Chairman

17 AUGUST 2005



**Keith Lyon**  
Managing Director

17 AUGUST 2005

DEFENCE HOUSING AUTHORITY  
Statement of Financial Performance  
for the year ended 30 June 2005

	Note	2005 \$'000	2004 \$'000
<b>REVENUES</b>			
<b>Revenues from ordinary activities</b>			
Housing Services provided	6	342,589	330,150
Relocation Services provided	7	69,269	68,133
Sales of Inventories – Development Properties	11	226,647	434,295
Sales of Property, Plant and Equipment	11	133,277	
Interest income		5,169	8,852
Other income		905	712
<b>Total Revenues from ordinary activities</b>		<b>777,856</b>	<b>842,142</b>
<b>EXPENSES</b>			
<b>Operating expenses from ordinary activities</b>			
Employee expenses	8	(44,758)	(45,103)
Lease Rental expenses		(165,736)	(155,969)
Rates, Repairs & Maintenance	9	(55,054)	(60,798)
Depreciation & Amortisation	10	(14,974)	(16,843)
Defence Member Relocation expenses		(55,266)	(53,458)
Cost of Inventories – Development Properties sold	11	(201,587)	(402,483)
Value of Property, Plant & Equipment sold	11	(128,324)	
Other expenses	12	(24,696)	(24,477)
<b>Total operating expenses from ordinary activities</b>		<b>(690,395)</b>	<b>(759,131)</b>
Borrowing costs expense		(20,530)	(12,599)
<b>Profit result from ordinary activities before income tax</b>		<b>66,931</b>	<b>70,412</b>
Income Tax expense	2	–	–
<b>Profit result from ordinary activities after income tax</b>		<b>66,931</b>	<b>70,412</b>
<b>Net profit</b>	13	<b>66,931</b>	<b>70,412</b>
Increase in Asset Revaluation Reserve	14	5,023	137,570
<b>Total revenues, expenses and valuation adjustments recognised directly in equity</b>		<b>5,023</b>	<b>137,570</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>	16	<b>71,954</b>	<b>207,982</b>
<b>Dividends paid</b>			
Annual dividends paid	3, 13	70,672	80,698
Special dividend paid	4, 13	–	150,000
<b>Total dividends paid</b>		<b>70,672</b>	<b>230,698</b>

The accompanying notes form an integral part of these statements.

DEFENCE HOUSING AUTHORITY  
Statement of Financial Position  
as at 30 June 2005

	Note	2005 \$'000	2004 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash assets	17	226,786	107,096
Receivables	18	35,123	27,304
Other Financial assets	19	14,808	11,454
Inventories – Development Properties	20	227,451	–
Land and Buildings	22, 24	81,982	114,213
Finance Lease Receivables	23	4,055	9,209
<b>Total Current Assets</b>		<b>590,205</b>	<b>269,276</b>
<b>Non-Current Assets</b>			
Inventories – Development Properties	20	391,440	1,175
Land and Buildings	22, 24	796,465	1,278,431
Plant and Equipment	21, 24	20,795	21,860
Finance Lease Receivables	23	202,468	296,263
<b>Total Non-Current Assets</b>		<b>1,411,168</b>	<b>1,597,729</b>
<b>Total Assets</b>		<b>2,001,373</b>	<b>1,867,005</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Provisions	25	6,922	6,219
Payables	26	37,362	21,427
Interest bearing liabilities	27	35,000	35,000
Other	28	15,382	10,198
<b>Total Current Liabilities</b>		<b>94,666</b>	<b>72,844</b>
<b>Non Current Liabilities</b>			
Interest bearing liabilities	27	340,000	265,000
Provisions	29	72,772	56,089
<b>Total Non Current Liabilities</b>		<b>412,772</b>	<b>321,089</b>
<b>Total Liabilities</b>		<b>507,438</b>	<b>393,933</b>
<b>Net Assets</b>		<b>1,493,935</b>	<b>1,473,072</b>
<b>EQUITY</b>			
Commonwealth contributions	15	249,148	249,148
Reserves	14	1,108,202	1,103,179
Retained profits	13	136,585	120,745
<b>Total Equity</b>	16	<b>1,493,935</b>	<b>1,473,072</b>

The accompanying notes form an integral part of these statements.

DEFENCE HOUSING AUTHORITY  
Statement of Cash Flows  
for the year ended 30 June 2005

	Note	2005 \$'000	2004 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash Received</b>			
Goods and services		421,097	389,670
Sales of Inventories – Development Properties		223,125	–
Interest		5,146	8,619
Other		766	715
<b>Total cash received</b>		<b>650,134</b>	<b>399,004</b>
<b>Cash Used</b>			
Suppliers		(285,133)	(287,296)
Acquisition of Inventories – Development Properties		(404,818)	–
Employees		(44,290)	(44,659)
Interest		(20,530)	(12,599)
<b>Total Cash Used</b>		<b>(754,771)</b>	<b>(344,554)</b>
<b>Net Cash From Operating Activities</b>	30	<b>(104,637)</b>	<b>54,450</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash Received</b>			
Sales of Land and Buildings		136,209	417,371
Sales of Plant & Equipment		8	10
Defence Finance Leases – principal repayments		112,890	74,433
<b>Total cash received</b>		<b>249,107</b>	<b>491,814</b>
<b>Cash Used</b>			
Acquisition of Land and Buildings		(29,204)	(447,017)
Acquisition of Plant & Equipment		(4,035)	(13,765)
Acquisition of Defence Finance Lease properties		(13,941)	(36,268)
<b>Total Cash Used</b>		<b>(47,180)</b>	<b>(497,050)</b>
<b>Net Cash From Investing Activities</b>		<b>201,927</b>	<b>(5,236)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash Received</b>			
Proceeds from debt		75,000	100,000
Tax equivalent reimbursement from Defence		18,072	18,500
<b>Total cash received</b>		<b>93,072</b>	<b>118,500</b>
<b>Cash Used</b>			
Dividends paid		(70,672)	(230,698)
<b>Total Cash Used</b>		<b>(70,672)</b>	<b>(230,698)</b>
<b>Net Cash From Financing Activities</b>		<b>22,400</b>	<b>(112,198)</b>
Net Increase/(Decrease) in Cash Held		119,690	(62,984)
Cash at 1 July 2004		107,096	170,080
<b>Cash at 30 June 2005</b>	17	<b>226,786</b>	<b>107,096</b>

The accompanying notes form an integral part of these statements.

DEFENCE HOUSING AUTHORITY  
Schedule of Commitments  
as at 30 June 2005

	2005 \$'000	2004 \$'000
<b>By Type</b>		
<b>Capital commitments</b>		
Inventories – Development Properties and Land and Buildings	83,545	55,905
<b>Total capital commitments</b>	<b>83,545</b>	<b>55,905</b>
<b>Other commitments</b>		
Housing lease rentals	1,035,549	905,335
Other	21,991	24,496
<b>Total other commitments</b>	<b>1,057,540</b>	<b>929,831</b>
<b>Total commitments</b>	<b>1,141,085</b>	<b>985,736</b>
<b>By Maturity</b>		
<b>Capital commitments</b>		
One year or less	80,915	55,905
From one to five years	2,630	–
Over five years	–	–
<b>Total capital commitments</b>	<b>83,545</b>	<b>55,905</b>
<b>Other commitments</b>		
One year or less	174,778	165,010
From one to five years	570,313	514,217
Over five years	312,449	250,604
<b>Total other commitments</b>	<b>1,057,540</b>	<b>929,831</b>
<b>Total commitments</b>		
One year or less	255,693	220,915
From one to five years	572,943	514,217
Over five years	312,449	250,604
<b>Total commitments</b>	<b>1,141,085</b>	<b>985,736</b>

The accompanying notes form an integral part of these statements.

DEFENCE HOUSING AUTHORITY  
Schedule of Contingencies  
as at 30 June 2005

	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Contingent liabilities</b>		
Joint venture guarantees <sup>1</sup>	227	1,387
Bank guarantees <sup>2</sup>	–	200
Claims for damages/costs <sup>3</sup>	–	202
<b>Total contingent liabilities</b>	<b>227</b>	<b>1,789</b>
<b>Contingent assets</b>		
Claims for damages/costs <sup>4</sup>	–	660
<b>Total contingent assets</b>	<b>–</b>	<b>660</b>
<b>Net contingent liabilities</b>	<b>227</b>	<b>1,129</b>

1. Contract performance guarantees and development works relating to joint ventures;
2. Bank guarantees relating to construction work;
3. Estimated costs associated with legal matters; and
4. Estimated recoveries associated with legal matters.

**Unquantifiable Contingencies**

DHA is not aware of any unquantifiable contingencies.

The accompanying notes form an integral part of these statements.

DEFENCE HOUSING AUTHORITY  
Notes to and forming part of the Financial Statements  
for the year ended 30 June 2005 – Summary

**Note Description**

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## 1. Summary of Significant Accounting Policies

### 1.1 Basis of Accounting

The financial statements 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 statements have been prepared in accordance with:

- Finance Minister's Orders (FMOs) being the *Commonwealth Authorities and Companies Orders (Financial Statements for reporting periods ending on or after 30 June 2005)*;
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board; and
- the Consensus Views of the Urgent Issues Group.

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

### 1.2 Changes in Accounting Policy

The accounting policies used in the preparation of the financial statements are consistent with those used in 2003–04, except for:

#### Inventories accounting

In previous years, the Land and Building assets retained by DHA, comprising 'off-base' properties in major cities and a limited number of on-base properties, were classified as Property Plant & Equipment (PP&E), unless otherwise described.

During early 2004–05 it was determined that properties acquired with the intent to sell should be accounted for as Development Properties under the Inventories Standard AASB 1019. This includes all properties acquired or constructed after 1 July 2003, with the intent to sell (but not sold as of 1 July 2004), as well as other specified property developments which were and still are intended for future sale. These properties were identified and recorded as Inventories – Development Properties at cost as at 1 July 2004.

The other Land and Building assets owned by DHA as PP&E are held for strategic provisioning purposes. These properties are held because they cannot be readily replaced, or would be very expensive to replace, within their locale and are required for the sustainable and flexible provision of housing to meet Defence requirements.

This change in policy results in disclosure that the directors consider to be more transparent and relevant. Inventories – Development Properties are carried at cost. When sold, profits on the sale of these properties are reported in the Statement of Financial Performance. Previously, when classified as PP&E all unrealised gains and losses and most realised movements in value were recorded within the Asset Revaluation Reserve or Capital Profits Reserve.



The below table shows the impact of the adoption of Accounting Standard AASB 1019:

For the year ended 30 June 2005	\$m
Net profit before change in accounting policy	40.7
Impact of change from PP&E to AASB 1019	<u>26.2</u>
<b>Net profit after change in accounting policy</b>	<b><u>66.9</u></b>

As at 30 June 2005	
Net assets before change in accounting policy	1,530.9
Impact of change from PP&E to AASB 1019	<u>(37.0)</u>
<b>Net assets after change in accounting policy</b>	<b><u>1,493.9</u></b>

### 1.3 Comparative Figures

Comparative figures have been adjusted to conform to current year presentation of financial statements where required.

### 1.4 Revenue

Rental revenue from the Department of Defence is received in advance and recognised in these accounts on an accrual basis. Other 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.

Profit or loss from the disposal of PP&E and Inventories – Development Properties are recognised when there is an unconditional sale, generally 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.

### 1.5 Employee Benefits

The liability for employee entitlements includes provisions for annual leave and long service leave. No provision has been made for sick leave as annual sick leave entitlements are non-vesting.

Liabilities arising in respect of salaries and wages, annual leave and any other employee benefits expected to be settled within twelve months of 30 June 2005 are measured at their nominal amounts including on costs. This approximates the amounts, which are expected to be paid when the liability is settled.

The non-current portion of the liability for long service leave in respect of all employees at 30 June 2005, is recognised and measured at the present value of the estimated future cash flows, based on the short hand method provided in Finance Brief 13.

## 1.6 Leases

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 benefits incidental to ownership of leased non-current assets. Operating leases result in the lessor retaining substantially all such risks and benefits of the asset.

### Operating Lease

DHA sources a substantial amount of its stock through its Sale and Leaseback program, as well as some direct leasing. The leases are considered operating leases. Operating lease payments, in the form of rental payments, are expensed on a basis which is representative of the pattern of benefits derived from the leased assets.

### Finance Lease

The Services Agreement between DHA and the Department of Defence provides for Defence to assume substantially all the risks and benefits incidental to ownership of on-base and remote off-base properties (see note 1.13). Each of these properties has its own individual annuity in place. Monthly receipts by DHA are split for each property into principal and interest components. The principal component is credited against Finance Lease Receivables. The interest component is recorded as revenue in the Statement of Financial Performance.

## 1.7 Sale and Leaseback Provision

As outlined in Note 1.6 above, DHA sells certain properties and leases them back by way of operating lease. The operating lease agreements obligate DHA to undertake prescribed maintenance (“make good”) at the end of the lease period.

AAS 17 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 AAS 17. DHA records the entire sale proceeds as revenue at the time of settlement.

At the time of recording the sale, a provision is also 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 2.4% (2004: 3.0%) and a discount rate of 5.06% (2004: 5.7%), being the long term bond rate.

Actual make good expenditure is charged, as incurred against the provision. The estimate of future make good maintenance is reviewed annually to ensure the sale and leaseback provision is adequate.

## **1.8 Interest Bearing Liabilities**

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

## **1.9 Income Tax**

DHA is exempt from all forms of taxation except Fringe Benefits Tax and the Goods and Services Tax. However, in line with requirements of Government Business Enterprises to operate with competitive neutrality, DHA does pay tax equivalents, including income tax, to shareholders, in the form of a dividend. Refer also Note 2.

## **1.10 Dividends**

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date. Dividend liability is determined by DHA annually. Refer also Note 3.

## **1.11 Cash**

For the purposes of the statement of cash flows, cash includes cash on hand and short term deposits at call.

## **1.12 Software Development**

Costs relating to the development of new products 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.

## **1.13 Land and Building Assets**

As at 1 January 1988, Land and Building assets were vested in the DHA pursuant to the provisions of Section 60 of the *Defence Housing Authority Act 1987*. A Services Agreement between DHA and the Department of Defence came into effect on 1 July 2000. Under the Agreement, the majority of on-base properties, along with off-base properties in defined regional and remote areas of Australia, were transferred to a finance lease arrangement (refer note 1.6). At that time, amounts in the Asset Revaluation Reserve relating to the finance lease properties were transferred to the Capital Profits Reserve.

In previous years, the Land and Building assets retained by DHA, comprising 'off-base' properties in major cities and a few on-base properties, were classified as PP&E, unless otherwise described.

During early 2004–05 it was determined that properties acquired with the intent to sell should be accounted for as Development Properties under the Inventories Standard AASB 1019. These properties were identified and recorded as Development Properties at cost as at 1 July 2004.

The other Land and Building assets held by DHA as PP&E are held for strategic provisioning purposes. These properties are held because they cannot be readily replaced, or would be very expensive to replace, within their locale and are required for the sustainable and flexible provision of housing to meet Defence requirements.

## Revaluations

DHA's Land and Buildings classified as PP&E are subject to annual revaluation at 30 June each year. These properties are recognised at 'fair value' based on Directors' valuations. Directors' valuations are based on independent valuations performed at 30 June 2005. Properties identified for disposal as at balance date are recognised at Directors' estimate of 'fair value' and are classified as Current assets.

All other Non-current assets are carried at the lower of cost or net realisable value.

Properties transferred to DHA as off-base houses where a title does not reside with DHA have been valued using the Present Value of future rent stream method (net cash flow) over the expected useful economic life of these properties. The assumptions used in determining this present value include a useful economic life of 15 years and a discount rate equal to DHA's weighted average cost of capital of 10.24%.

Increments and decrements in value are treated on an asset class basis and not on an individual asset basis. Where land and housing stock are sold, the amounts in the Asset Revaluation Reserve relating to those assets are transferred to the Capital Profits Reserve.

Revaluations do not result in the carrying value of land or housing stock exceeding the net amount expected to be recovered through the net cash inflows arising from their continued use and subsequent disposal in the normal course of business.

### 1.14 Depreciation

Assets at valuation or cost are depreciated using the straight line method, at rates based upon the following expected useful economic life of the assets.

	2004-05	2003-04
Off-base Properties	50 years	50 years
On-base Properties	15 years	15 years
Plant and Equipment	3-10 years	3-10 years

While depreciation expense has been charged to the Statement of Financial Performance, the accumulated provision for depreciation has been written back on assets subject to revaluation in accordance with Australian Accounting Standard AAS10.

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

### 1.15 Inventories – Development Properties

Inventories represent properties that DHA has acquired or constructed for the purpose of outright disposal or sale and lease back in the ordinary course of business. Where sale is expected within 12 months, Inventories are classified as current. Inventories are separated into the following categories:

#### a) Completed properties

Completed properties that have been either purchased or constructed are stated at the lower of cost and net realisable value.

## **b) Land held for resale/development**

Land under development, which DHA intends to sell, once completed. They are carried at cost as work in progress.

### **1.16 Repairs and Maintenance**

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

### **1.17 Joint Ventures**

Interests in joint venture operations are brought to account by including in the respective financial statements' categories:

- DHA's share in each of the individual assets employed in the joint venture;
- liabilities incurred by DHA in relation to the joint venture including DHA's share of any liabilities for which DHA is jointly and/or severally liable; and
- DHA's share of revenues and expenses of the joint venture.

### **1.18 Rounding**

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

- remuneration of directors;
- remuneration of officers (other than directors); and
- remuneration of auditors.

## **2. Tax**

The *Defence Housing Authority Act 1987*, provides that DHA is not subject to taxation. However, in accordance with the Federal Government's Competitive Neutrality policy, in January 2001, the then Minister for Financial Services and Regulation agreed to DHA complying with a Tax Equivalent Regime (TER). The TER to which DHA is subject provides for Federal income tax equivalents and State and Territory tax equivalents to be paid by way of dividend. DHA has proposed legislative amendments to the Federal Government, which 'inter alia' would result in DHA being subject to Federal income taxes. Tax effect accounting principles would apply under these circumstances and require the reporting of deferred tax balances.

## **3. Annual Dividends**

The Board has declared a final dividend for the year ending 30 June 2005 of \$49.0 million (2004: \$52.6 million), comprising of the following:

- i) a profit component of \$27.0 million representing 60% of adjusted net profit after tax equivalents (2004 : \$28.4 million); and
- ii) a tax equivalent component of \$22.0 million representing company tax, payroll tax and stamp duty on new constructions as if the DHA had been legally liable to these taxes (2004: \$24.2 million),

and these amounts will be paid to the Government in 2005–06, subject to ministerial approval.

An interim tax equivalent payment of \$18.1 million was paid on 30 June 2005, arising from the removal of DHA's exemptions from land tax and stamp duty equivalents from 1 July 2003.

The annual dividend declared for 2003–04 of \$52.6 million was paid to the Government in October 2004.

#### **4. Special Dividends**

The Board has not declared a special dividend for the year ending 30 June 2005.

The special dividend declared for 2003–04 of \$150 million was paid in June 2004.

#### **5. Adoption of Australian equivalents to International Financial Reporting Standards from 2005–06.**

For the reporting period commencing 1 July 2005, DHA will be required to prepare and report its financial statements in accordance with the Australian equivalents of International Financial Reporting Standards (AIFRS).

The current financial statements have been prepared in accordance with existing generally accepted accounting principles in Australia, including current Australian Accounting Standards (AGAAP), and the FMOs.

Most adjustments resulting from the transition to AIFRS will be made retrospectively against opening retained earnings as at 1 July 2004. However, transitional adjustments relating to those standards, where comparatives are not required, will only be made at 1 July 2005. Comparatives restated under AIFRS will not be reported in the financial statements until June 2006.

DHA has formed a project team, which is planning and progressing the adoption of AIFRS from 1 July 2005. The Board Audit Committee is regularly updated on the progress of this project. The plan incorporates an assessment of the likely impacts of the new standards. The impacts from adopting AIFRS can relate to financial outcomes and/or changes to systems, procedures and policies. AIFRS that have been approved as pending standards by the Australian Accounting Standards Board have been analysed for such impacts.

#### **Quantified Impacts**

The figures disclosed represent DHA's best estimate of the quantitative impact of the changes as at the date of preparing the 2004–05 Financial Statements. The actual effects of the transition to AIFRS may differ from the estimates disclosed here due to:

- (a) ongoing work being undertaken by the AIFRS project team;
- (b) potential amendments to the AIFRSs and interpretation thereof being issued by the standard setters and the International Financial Reporting Interpretation Committee; and
- (c) emerging accepted practice in the interpretation and application of AIFRS, UIG interpretations and FMOs.

The only significant impact on DHA resulting from the introduction of AIFRS is the implementation of AASB 140, Investment Property. In accordance with AASB 140 Investment Property, DHA will report separately on properties, held for strategic portfolio management purposes and earning a rental or capital return. This new standard allows for Investment Properties to be carried at fair value or cost. DHA has determined that carrying Investment Properties at cost will provide more relevant and transparent information in the financial statements. This requires a change to DHA's financial management information system, to adjust current property holdings from PP&E, measured at depreciated fair value, to Investment Properties measured at cost.

For the specific purpose of whole-of-Government reporting, for which the Investment Property standard does not apply, DHA needs to create and maintain an additional ledger, to measure its Investment Properties as PP&E at depreciated fair value.

The Department of Finance and Administration (Finance) requires DHA to progressively implement AIFRS. DHA has submitted an audited Opening Balance sheet as at 1 July 2004 to Finance, including implementation of AASB 140. DHA will also, in accordance with Finance requirements, submit audited 2004–05 comparisons, prepared under AIFRS, by 30 September 2005.

The impact of carrying Investment Properties at cost as opposed to fair value results in the following impacts as at 30 June 2005:

	\$m
Net profit under AGAAP	66.9
– AASB 140 impact on current year profit recognised profit based on cost	52.0
– Depreciation	3.5
<b>Net profit under AIFRS</b>	<b><u>122.4</u></b>
Net assets under AGAAP	1,493.9
– AASB 140 impact on closing net assets as at 30 June 2005	<u>(472.3)</u>
<b>Net assets under AIFRS</b>	<b><u>1,021.6</u></b>

The comparative information reflected in the first set of AIFRS financial statements will reflect the impact outlined above.

#### **Other Impacts not Quantified**

**Borrowing Costs** – Under AASB 123 *Borrowing Expenses*, there is the option of expensing all borrowing costs immediately or capitalising borrowing costs relating to qualifying assets. DHA will continue with its current policy to expense all borrowing costs.

**Income Tax** – Under AASB 112 *Income Taxes*, as per Note 2, DHA may become subject to Federal Income Tax legislation during 2005–06. If so DHA will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Performance or a tax based balance sheet. Whilst this represents a different approach to tax effect accounting, DHA is not currently subject to income tax and so does not have any deferred tax balances. If DHA does not lose its tax exemption, AASB 112 is not expected to apply.

Management has decided to apply the exemption provided in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* which permits entities not to apply the requirements of AASB 132 *Financial Instruments: Presentation and Disclosures* and AASB 139 *Financial Instruments: Recognition and Measurement* for the financial year ended 30 June 2005. The standard will be applied from 1 July 2005.

	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>6. Housing services provided</b>		
Defence rent and charges	292,894	284,067
Defence housing allocation fees	8,228	5,422
Defence other charges	10,427	13,331
Lessor management fees	23,635	21,452
Other revenue	7,405	5,878
	<b>342,589</b>	<b>330,150</b>
<b>7. Relocation services provided</b>		
Relocation administration fees	14,005	14,826
Relocation defence member recoveries	55,264	53,307
<b>Total revenues from relocation services provided</b>	<b>69,269</b>	<b>68,133</b>
<b>8. Employee expenses</b>		
Remuneration for services provided	44,102	44,115
Separation and redundancy	656	988
<b>Total employee expenses</b>	<b>44,758</b>	<b>45,103</b>
<b>9. Rates, repairs &amp; maintenance</b>		
Rates & charges	8,581	9,617
Repairs & maintenance	29,528	32,759
Other	16,945	18,422
<b>Total rates, repairs &amp; maintenance</b>	<b>55,054</b>	<b>60,798</b>
<b>10. Depreciation and amortisation</b>		
Depreciation – housing stock	9,874	12,757
Depreciation – property, plant and equipment	5,100	4,086
<b>Total depreciation and amortisation</b>	<b>14,974</b>	<b>16,843</b>
<b>11. Profit from sale of assets</b>		
<i>Inventories – Development Properties</i>		
Revenue from sale of development properties	226,647	–
Cost of development properties sold	(201,587)	–
<b>Net gain from sale of development properties</b>	<b>25,060</b>	<b>–</b>
<i>Property, Plant &amp; Equipment</i>		
Revenue from sale of Land and Buildings	97,772	388,798
Revenue from sale of Plant & Equipment	8	10
Value of Property, Plant and Equipment sold (see note (a) below)	(92,828)	(356,996)
<b>Net gain from sale of Property, Plant and Equipment</b>	<b>4,952</b>	<b>31,812</b>
<i>Defence Properties under Finance Leases</i>		
Revenue from sale of properties under finance leases	35,497	45,487
Value of properties sold	(35,497)	(45,487)
<b>Net gain from sale of Defence Properties</b>	<b>–</b>	<b>–</b>



	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
Total Revenue from sale of assets	359,924	434,295
Total value of assets solds	(329,912)	(402,483)
<b>Net gain from sale of assets</b>	<b>30,012</b>	<b>31,812</b>

Notes:

(a) In 2003–04, all properties were classified as Property, Plant & Equipment. Comparisons in note 11 report all DHA property sales against Property, Plant & Equipment.

	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>12 Other expenses</b>		
IT expenses	7,294	7,925
Motor vehicle expenses	2,203	2,362
Training and travel expenses	2,071	2,172
Consultancy and audit expenses	1,281	1,289
General Admin and other miscellaneous expenses	11,847	10,729
<b>Total Other expenses</b>	<b>24,696</b>	<b>24,477</b>

<b>13 Retained profits</b>		
Opening balance as at 1 July 2004	120,745	112,531
Net profit for 2004/05	66,931	70,412
Transfers from capital profits reserve	–	150,000
Tax equivalent dividend reimbursement from Defence	18,072	18,500
Adjustment to prior year depreciation expense – Inventories	1,509	–
Annual dividends paid (note 3)	(70,672)	(80,698)
Special dividend paid	–	(150,000)
<b>Retained profits as at 30 June 2005</b>	<b>136,585</b>	<b>120,745</b>

<b>14 Reserves</b>		
Opening balance as at 1 July 2004	1,103,179	1,115,609
Increase in asset revaluation reserve	5,023	137,570
Transfers to retained profits	–	(150,000)
<b>Reserves as at 30 June 2005</b>	<b>1,108,202</b>	<b>1,103,179</b>

The reserves comprise the following:

<b>a) Asset revaluation reserve</b>		
Opening balance as at 1 July 2004	501,195	526,509
Increase from 30 June 2005 revaluation	44,985	137,570
Reversal of asset revaluation on transfer of inventories	(39,962)	–
Transfer to capital profits reserve on realisation of sold assets	(49,735)	(162,884)
	<b>456,483</b>	<b>501,195</b>

	2005 \$'000	2004 \$'000
<b>b) Capital profits reserve</b>		
Opening balance as at 1 July 2004	600,984	588,100
Transfers to retained profits	–	(150,000)
Transfer from asset revaluation reserve on realisation of sold assets	49,735	162,884
	<b>650,719</b>	<b>600,984</b>
<b>c) Insurance reserve</b>	1,000	1,000
<b>Total reserves as at 30 June 2005</b>	<b>1,108,202</b>	<b>1,103,179</b>

#### 15 Commonwealth contributions

Opening balance as at 1 July 2004	249,148	249,572
Return of properties to Defence	–	(424)
<b>Commonwealth contributions as at 30 June 2005</b>	<b>249,148</b>	<b>249,148</b>

#### 16 Total equity

Total equity as at 1 July 2004	1,473,072	1,477,712
Total changes in equity recognised in the statement of financial performance	71,954	207,982
Transactions with owners as owners	–	–
Tax equivalent reimbursement from Defence	18,072	18,500
Capital returns	–	(424)
Adjustment to accumulated profits from prior year – Inventories	1,509	–
Dividends Paid	(70,672)	(230,698)
<b>Total equity as at 30 June 2005</b>	<b>1,493,935</b>	<b>1,473,072</b>

#### 17. Cash assets

At bank	11,412	7,490
On hand	18	20
Short term investments	215,356	99,586
<b>Total Cash assets</b>	<b>226,786</b>	<b>107,096</b>

#### 18. Receivables

Department of Defence – Relocations Fees and Land Tax	12,200	9,109
House sales receivables	14,349	13,284
Accrued Income	2,306	1,631
Other debtors	6,268	3,280
<b>Total receivables</b>	<b>35,123</b>	<b>27,304</b>

Debtors have repayment terms between 7 and 30 days.

Receivables are aged as follows:

Less than 30 days	35,081	27,199
30 to 60 days	17	64
60 to 90 days	15	11
More than 90 days	10	30
	<b>35,123</b>	<b>27,304</b>

	2005 \$'000	2004 \$'000
<b>19. Other financial assets</b>		
Prepaid property rentals	14,213	10,896
Other prepayments	596	558
<b>Total other financial assets</b>	<b>14,809</b>	<b>11,454</b>
<b>20. Inventories – Development Properties</b>		
Completed properties	415,587	–
Work in progress	202,894	–
Joint Venture	410	1,175
<b>Total Inventories – Development Properties</b>	<b>618,891</b>	<b>1,175</b>
Current	227,451	–
Non-Current	391,440	1,175
<b>Total Inventories – Development Properties</b>	<b>618,891</b>	<b>1,175</b>
<b>21. Plant and Equipment</b>		
Plant, equipment and software development at cost	34,779	36,397
Accumulated depreciation	(13,984)	(14,537)
<b>Total plant and equipment</b>	<b>20,795</b>	<b>21,860</b>
<b>22. Land and Buildings held as PP&amp;E</b>		
Houses at valuation – off base	385,749	562,136
Accumulated depreciation	–	(209)
Land at valuation	490,517	653,171
<b>Total Land and buildings at valuation</b>	<b>876,266</b>	<b>1,215,098</b>
On base buildings	2,181	2,062
<b>Total on base buildings at valuation</b>	<b>2,181</b>	<b>2,062</b>
Work in progress	–	175,484
<b>Total work in progress</b>	<b>–</b>	<b>175,484</b>
<b>Total Land and Buildings</b>	<b>878,447</b>	<b>1,392,644</b>
Shown as:		
Current assets	81,982	114,213
Non current assets	796,465	1,278,431
<b>Total Land and Buildings</b>	<b>878,447</b>	<b>1,392,644</b>
<b>23. Finance lease receivables</b>		
Current finance lease receivables		
Due not later than 1 year	4,055	9,209
<b>Total current finance lease receivables</b>	<b>4,055</b>	<b>9,209</b>
Non-current finance lease receivables		
Due later than 1 year not later than 5 years	19,216	43,734
Due later than 5 years	183,252	252,529
<b>Total non-current finance lease receivables</b>	<b>202,468</b>	<b>296,263</b>
<b>Total finance lease receivables</b>	<b>206,523</b>	<b>305,472</b>

## 24 Movement Summary 2004–05 for Land and Buildings, Plant and Equipment

Item	Land	Buildings	Total Land and Buildings	Other Plant & Equipment	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>Gross value as at 1 July 2004</b>	<b>828,655</b>	<b>564,198</b>	<b>1,392,853</b>	<b>36,397</b>	<b>1,429,250</b>
Additions	11,092	14,897	25,989	4,035	30,024
Revaluations	18,764	16,917	35,681	–	35,681
Disposals	(56,649)	(53,750)	(110,399)	(5,653)	(116,052)
Change in Accounting Policy	(311,345)	(154,332)	(465,677)	–	(465,677)
<b>Gross value as at 30 June 2005</b>	<b>490,517</b>	<b>387,930</b>	<b>878,447</b>	<b>34,779</b>	<b>913,226</b>
<b>Accumulated depreciation/ amortisation as at 1 July 2004</b>	<b>–</b>	<b>209</b>	<b>209</b>	<b>14,537</b>	<b>14,746</b>
Depreciation/amortisation	–	9,874	9,874	5,100	14,974
Adjustment for revaluations	–	(9,324)	(9,324)	–	(9,324)
Adjustment for disposals	–	(759)	(759)	(5,653)	(6,412)
Change in Accounting Policy	–	–	–	–	–
<b>Accumulated depreciation/ amortisation as at 30 June 2005</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>13,984</b>	<b>13,984</b>
<b>Net book value as at 30 June 2005</b>	<b>490,517</b>	<b>387,930</b>	<b>878,447</b>	<b>20,795</b>	<b>899,242</b>
<b>Net book value as at 1 July 2004</b>	<b>828,655</b>	<b>563,989</b>	<b>1,392,644</b>	<b>21,860</b>	<b>1,414,504</b>

	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>25. Current provisions</b>		
Liabilities to employees		
Long service leave	2,498	2,233
Annual leave	3,519	3,610
<b>Total liabilities to employees</b>	<b>6,017</b>	<b>5,843</b>
Other provisions	905	376
<b>Total other provisions</b>	<b>905</b>	<b>376</b>
<b>Total Current provisions</b>	<b>6,922</b>	<b>6,219</b>
<b>26. Payables</b>		
Trade creditors are normally settled on 30 day terms.		
Trade creditors	15,671	5,279
Accrued expenses	14,913	11,129
Accrued repairs and maintenance	3,456	3,416
Other	3,322	1,603
<b>Total payables</b>	<b>37,362</b>	<b>21,427</b>
<b>27. Interest bearing liabilities</b>		
Loan from Government	<b>375,000</b>	<b>300,000</b>
<b>Maturity schedule for loans payable:</b>		
Within one year	35,000	35,000
In one to five years	275,000	205,000
In more than five years	65,000	60,000
	<b>375,000</b>	<b>300,000</b>
<b>28. Other current liabilities</b>		
Rental receipts in advance from the Department of Defence	15,382	10,198
	<b>15,382</b>	<b>10,198</b>
<b>29. Non-current provisions</b>		
Liabilities to employees		
Long service leave	1,467	1,293
<b>Total liabilities to employees</b>	<b>1,467</b>	<b>1,293</b>
Other		
Sale and leaseback provision	57,055	54,796
Joint Venture – Revenue in Advance (Note 37)	14,250	–
<b>Total other provisions</b>	<b>71,305</b>	<b>54,796</b>
<b>Total non-current provisions</b>	<b>72,772</b>	<b>56,089</b>

	2005 \$'000	2004 \$'000
<b>30. Cash Flow Reconciliation</b>		
<b>Reconciliation of net cash flows from operating activities to operating profit</b>		
Operating profit	66,931	70,412
<b>Non-cash items</b>		
Depreciation – Buildings	9,874	12,757
Depreciation – Plant and Equipment	5,100	4,086
Profit on the disposal of Property, Plant and Equipment	(4,952)	(31,812)
<b>Changes in operating assets and liabilities</b>		
(Increase)/decrease in Inventories – Development Properties after initial application at 1 July 2004	(206,059)	155
(Increase)/decrease in accounts receivable	(6,676)	864
(Increase)/decrease in prepayments	(3,355)	(568)
Increase/(decrease) in provisions	17,247	939
Increase/(decrease) in creditors	17,253	(2,383)
<b>Net cash provided by operating activities</b>	<b>(104,637)</b>	<b>54,450</b>

### 31. Superannuation

Staff of DHA are employed under the *Public Service Act 1999* and are entitled to benefits from the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) and 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 Administration 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 and PSS employer superannuation contribution rates and contributions paid or payable by DHA for the reporting period are:

- CSS members: Contributions at the rate of 27.2% (2004: 21.1%) of salary for superannuation purposes, amounting to \$0.44 million (2004, \$0.42 million), and
- PSS members: Contributions at the rate of 12.2 % (2004: 12.1%) of salary for superannuation purposes, amounting to \$3.85 million (2004, \$4.84 million).

## 32. Directors' and Executives' Remuneration

### a) Remuneration of Directors

	2005	2004
Number of directors whose total remuneration received or due and receivable from the DHA falls within the following bands:	Number	Number
\$0-\$10,000	9	10
\$10,001-\$20,000	4	1
\$20,001-\$30,000	0	1
\$30,001-\$40,000	0	3
\$40,001-\$50,000	2	0
\$50,001-\$60,000	1	0
\$60,001-\$70,000	0	1
\$80,001-\$90,000	1	0
\$340,001-\$350,000	0	1
\$370,001-\$380,000	1	0
Total income received, or due and receivable by all directors (including the Managing Director).	\$665,182	\$545,568

Nine directors (2004: nine) did not receive any remuneration from the DHA.

### b) Remuneration of Executives

	2005	2004
Number of executive whose total remuneration received or due and receivable from the DHA falls within the following bands:	Number	Number
\$100,001-\$110,000	0	1
\$110,001-\$120,000	0	1
\$130,001-\$140,000	1	1
\$150,001-\$160,000	0	1
\$160,001-\$170,000	1	2
\$180,001-\$190,000	1	2
\$190,001-\$200,000	1	0
\$200,001-\$210,000	1	0
\$210,001-\$220,000	0	1
\$220,001-\$230,000	0	1
\$240,001-\$250,000	1	0
\$260,001-\$270,000	1	0
\$310,001-\$320,000	1	0
The aggregate of the remuneration received or receivable from the DHA by executive officers (excluding the Managing Director) whose remuneration exceeds \$100,000, including performance based payments.	\$1,702,137	\$1,636,763

The Director and Executive remuneration 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.

### 33. Audit Remuneration

<b>Audit Remuneration</b>	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>
Amount received or due and receivable by auditors <sup>1</sup> : Australian National Audit Office (ANAO) for the Audit of financial statements <sup>2</sup>	194,700	153,450
Ernst & Young has been contracted by the Australian National Audit Office to provide audit services on the ANAO's behalf. Fees for these services are included above. In addition Ernst & Young has earned the following fees for consulting where they have been separately contracted by the Defence Housing Authority.	187,000	52,514
KPMG has been contracted by the Australian National Audit Office to provide audit services on the ANAO's behalf. This is for the audit of The Sanctuary Joint Venture 2004–05. The DHA is liable for 50% of these fees.	5,750	19,800
Audit fees relating to the audit of Lyons joint venture paid to ANAO.	3,500	–

No other benefits were received by the auditors.

1. The amounts are GST inclusive.

2. No other services were provided by the ANAO during the reporting period.

### 34. Related Parties

#### Directors

The names of each person holding the position of Director of the DHA during the financial year are:

JONES, The Hon Peter AM (Chairman)

ADAMS, Rear Admiral Brian AO RAN

BOEZEMAN, Ms Bonita AO (term expired 7 October 2004)

CHAPLAIN, Ms Annabelle (appointed 24 February 2005)

GORDON, Major General Ian AM

GREET, Mrs Maureen (appointed 16 December 2004)

HANCOCK, Rear Admiral Max RAN

LYON, Mr Keith

MCLENNAN, Air Vice-Marshal Roxley

NEUMANN, Dr Ralph

O'BRIEN, Mr Tom AM

O'GRADY, Mr John

STOKES, Mr Wayne

WALLER, Mrs Caragh (resigned 10 September 2004)



## Transactions of Directors and Director-Related Entities

A Director related party, Blake Dawson Waldron (with whom John O’Grady was employed as a Special Counsel until 8 October 2004) was engaged by DHA during the reporting period to provide legal services. These services were provided on normal commercial terms and conditions. John O’Grady was not personally involved in providing any of those services. Total services provided in 2004–05 were \$13,291 (2003/04 : \$48,152).

DHA is part of the Defence portfolio. The Directors listed below held ex officio director positions in their capacity as employees of Defence or members of the Australian Defence Force. None of the ex officio Directors received remuneration from DHA.

ADAMS, Rear Admiral, Brian AO RAN  
GORDON, Major General, Ian AM  
HANCOCK, Rear Admiral, Max RAN  
MCLENNAN, Air Vice-Marshal, Roxley  
NEUMANN, Dr, Ralph

Maureen Greet is an Australian Defence Force spouse representative director and receives remuneration from DHA.

### 35. Economic Dependency

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

### 36. Segment Reporting

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

## 37 Interest in Joint Venture Developments

### The Sanctuary – Wattle Grove

DHA held 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 joint venture ceased in December 2003.

A final, undeveloped parcel of land, held by the joint venture was disposed in 2004–05.

The following represents DHA's total interest in the joint venture at 30 June 2005.

The statement of financial performance and statement of financial position items have been incorporated in the financial statements under their respective classifications.

	2005 \$'000	2004 \$'000
<b>Profit</b>		
Revenues	3,736	1
Expenses	(1,482)	(156)
<b>Total Profit</b>	<b>2,254</b>	<b>(155)</b>
<hr/>		
Current assets		
Cash	20	8
Receivables	4,108	7
<b>Total current assets</b>	<b>4,128</b>	<b>15</b>
<hr/>		
Non current assets		
Property, plant and equipment	–	–
Inventories	–	1,175
<b>Total non current assets</b>	<b>–</b>	<b>1,175</b>
<hr/>		
Current liabilities		
Creditors	433	150
Provisions	277	–
<b>Total current liabilities</b>	<b>710</b>	<b>150</b>
<hr/>		
<b>Net Assets</b>	<b>3,418</b>	<b>1,040</b>
<hr/>		
<b>Equity</b>	<b>3,418</b>	<b>1,040</b>
<hr/>		

## Lyons

In March 2005, DHA entered into a joint venture operation with a subsidiary of Canberra Investment Corporation (CIC) for the development of land at Lee Point Road in Darwin. DHA's 50% contribution to the joint venture was \$14.25 million. DHA received \$28.5 million 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 the DHA's books at \$8.6 million. The CIC's payment of \$14.25 million to DHA for its stake in the development has been accounted for as 'Revenue in advance' in the Statement of Financial Position. As individual lots are developed and sold, this revenue (and profit) will be recognised in the Statement of Financial Performance.

	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Profit</b>		
Revenues	0	-
Expenses	(11)	-
<b>Total Profit</b>	<b>(11)</b>	<b>-</b>
<b>Current assets</b>		
Cash	0	-
Receivables	32	-
Other	37	-
<b>Total current assets</b>	<b>69</b>	<b>-</b>
<b>Non current assets</b>		
Inventories	14,482	-
<b>Total non current assets</b>	<b>14,482</b>	<b>-</b>
<b>Current liabilities</b>		
Creditors	17	-
Overdraft	5	-
<b>Total current liabilities</b>	<b>22</b>	<b>-</b>
<b>Net Assets</b>	<b>14,529</b>	<b>-</b>
<b>Equity</b>	<b>14,529</b>	<b>-</b>



**b) Credit Risk**

Represents the extent of credit related losses that DHA may be subjected to on amounts to be received from financial assets. These are considered not material.

**c) Loan Agreement with Minister for Finance and Administration**

On 28 May 2001, DHA entered into a 10 year Loan Agreement with the Minister for Finance and Administration. The Agreement provides DHA with a \$425 million (m) loan facility which can be drawn down based on fixed or floating interest rates.

**d) Loans**

i) DHA drew down \$100m of debt on 1 June 2002 with the following maturity profile:

	Interest Rate
\$35m for 3 years (expiring 31 May 2005)	5.410%
(\$35m has now been rolled over until 31 May 2008)	5.630%
\$35m for 5 years (expiring 31 May 2007)	5.805%
\$30m for 7 years (expiring 31 May 2009)	6.115%

ii) DHA drew down \$100m of debt on 1 June 2003 with the following maturity profile:

	Interest Rate
\$35m for 3 years (expiring 31 May 2006)	6.130%
\$35m for 5 years (expiring 31 May 2008)	6.365%
\$30m for 7 years (expiring 31 May 2010)	6.565%

iii) DHA drew down \$100m of debt on 1 June 2004 with the following maturity profile:

	Interest Rate
\$35m for 3 years (expiring 31 May 2007)	5.855%
\$35m for 5 years (expiring 31 May 2009)	5.950%
\$30m for 7 years (expiring 31 May 2011)	6.072%

iv) DHA drew down \$50m of debt on 5 November 2004 with the following maturity profile:

	Interest Rate
\$20m for 3 years (expiring 4 November 2007)	5.710%
\$20m for 5 years (expiring 4 November 2009)	5.805%
\$10m for 7 years (expiring 4 November 2011)	5.935%

v) DHA drew down \$25m of debt on 18 February 2005 with the following maturity profile:

	Interest Rate
\$25m for 7 years (expiring 31 May 2012)	5.920%

## 38 Financial Instruments (continued)

### e) Net Fair Values of Financial Assets and Liabilities

	Note	2005		2004	
		\$'000 Total Carrying Amount	\$'000 Aggregate Net Fair Value	\$'000 Total Carrying Amount	\$'000 Aggregate Net Fair Value
<b>Financial Assets</b>					
Cash at bank	17	11,412	11,412	7,490	7,490
Cash on hand	17	18	18	20	20
Short term investments	17	215,356	215,356	99,586	99,586
Receivables for goods and services	18	35,123	35,123	27,304	27,304
Other financial assets	19	14,809	14,809	11,454	11,454
<b>Total Financial Assets</b>		<b>276,718</b>	<b>276,718</b>	<b>145,854</b>	<b>145,854</b>
<b>Financial Liabilities</b>					
Payables	26	37,362	37,362	21,427	21,427
Loans	27	375,000	377,400	300,000	298,746
<b>Total Financial Liabilities</b>		<b>412,362</b>	<b>414,762</b>	<b>321,427</b>	<b>320,173</b>

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

i) Cash, cash equivalents and short term investments:

The carrying amount approximates fair value because of their short-term to maturity.

ii) Long-term bank borrowings:

The fair values of long-term borrowings are estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowing arrangements.

	2005 \$'000	2004 \$'000
<b>Available and Unused Loan Facilities</b>		
Available Department of Finance and Administration	425,000	425,000
Used	375,000	300,000
<b>Unused</b>	<b>50,000</b>	<b>125,000</b>

Note: Available Loan Facility from 1 July 2005 will be increased to \$550 million.

	2005 \$'000	2004 \$'000
<b>Available and Unused Overdraft Facilities</b>		
Available from Commonwealth Bank of Australia	4,922	4,922
Used	-	-
<b>Unused</b>	<b>4,922</b>	<b>4,922</b>

### 39. Staffing Levels

	2005	2004
The staffing levels for DHA as at 30 June were:	687	736

### 40. Subsequent Events

There have been no events post 30 June 2005 which would have a material impact on the financial statements or operations of the DHA business.

It should be noted that the available loan facility from the Department of Finance and Administration has been increased to \$550m from \$425m as at 1 July 2005.

# Statutory reporting compliance index

The following table shows compliance with *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 (CAC) ACT 1997 SCHEDULE 1 – REPORTING REQUIREMENTS

SECTION	REPORTING REQUIREMENT	PAGE REFERENCE
s.1(a)	Report of operations	18–22
s.1(b)	Financial statements	97
s.1(c)	Auditor-General's report	99–100
s.2(3)	Directors' resolution on financial statements	101

## COMMONWEALTH AUTHORITIES AND COMPANIES (REPORT OF OPERATIONS) ORDERS 2005 DIVISION 2 – GENERAL INFORMATION ABOUT OPERATIONS AND ACTIVITIES

SECTION	REPORTING REQUIREMENT	PAGE REFERENCE
<b>Enabling legislation and responsible Minister</b>		
s.8(a)	Enabling legislation	74–75
s.8(b)	Ministerial responsibility	76–77
<b>Organisational structure</b>		
s.9	Organisational structure	77
s.9	Location of major activities and facilities	38–43
<b>Review of operations and future prospects</b>		
s.10(1)(a)(i)	Statutory objectives and functions	6–7, 74–75, 93
s.10(1)(a)(ii)	Corporate Plan	10–14, 76
s.10(1)(a)(iii)	Principal outputs and contributions	10–14, 28–97
s.10(1)(b)	Factors, events or trends, including risks and opportunities	18–95
s.10(c)	Significant events under s.15 of the CAC Act	8–9
s.10(d)(i)	Principal outputs	23–25
s.10(d)(ii)	Major investing and financing activities	99–131
s.10(d)(iii)	Key financial and non-financial performance indicators	10–14
s.10(e)	Significant changes in state of affairs or principal activities	18–22
s.10(f)(i)(ii)(iii)	Significant developments since the end of the financial year	None to report



SECTION	REPORTING REQUIREMENT	PAGE REFERENCE
<b>Judicial decisions and reviews by outside bodies</b>		
s.11(a)	Judicial decisions and administrative tribunal decisions	93–94
s.11(b)	Reports on operations by the Auditor-General, a Parliamentary Committee or the Commonwealth Ombudsman.	93
s.11(b)	Independent audit report	99–100
<b>Effects of Ministerial directions</b>		
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	76
s.12(b)(i)(ii)(iii)	Government policies under section 28 of the CAC Act	74–75
<b>Disclosure requirements for GBEs</b>		
s.13(1)(a)(i)	Significant changes in overall financial structure and conditions	108
s.13(1)(a)(ii)	Material events causing financial information not to be indicative of future results	None to report
s.13(b)	Dividends paid or recommended	2, 12, 24–25, 101
s.13(c)(i)(ii)	Community service obligations	65–70, 94–95

### DIVISION 3 – SPECIFIC INFORMATION

SECTION	REPORTING REQUIREMENT	PAGE REFERENCE
<b>Directors</b>		
s.14(1)(a)	Directors' details	80–87
s.14(1)(b)	Board meeting attendance	79, 86–87
<b>Statement on governance</b>		
s.15(1)	Governance practices	74–95
s.15(2)	Board committee details	78–87
s.15(3)(b)	Reviewing board performance	92–93
s.15(3)(d)	Risk management	92
s.15(3)(e)	Ethical standards	60–64, 65–70, 92–95
<b>Indemnities and insurance premium officers</b>		
s.16(1)(a)(b)	Indemnity for officers or premiums paid	94

## DIVISION 4 – MISCELLANEOUS

SECTION	REPORTING REQUIREMENT	PAGE REFERENCE
Other statutory requirements		
s.18	Commonwealth disability strategy	94–95
s.74 <i>Occupational Health and Safety (Commonwealth Employment) Act 1991</i>	Occupational health and safety	62–63
Subsection 8(1), <i>Freedom of Information Act 1982</i>	Freedom of information	93, 95
s.516A <i>Environment Protection and Biodiversity Conservation Act 1999</i>	Environmental sustainability	35

Whilst not required as a statutory authority to do so, DHA has also compiled this report with regard to 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*.

# DHA directory

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## HEAD OFFICE

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Defence Housing Authority  
26 Brisbane Avenue  
BARTON ACT 2600

Switchboard: 02 6217 8444  
Fax: 02 6217 8500  
Website: [www.dha.gov.au](http://www.dha.gov.au)

## NATIONAL SERVICE AND SUPPORT CENTRE

---

24 Mort Street  
BRADDON ACT 2612

Telephone: 02 6268 3800  
Fax: 02 6279 3963  
Customer service line: 1800 249 711

## NATIONAL SALES OFFICE

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80 George Street  
PARRAMATTA NSW 2150

Telephone: 02 9762 5600  
Fax: 02 9762 5688  
Toll free line: 1800 813 621

## ACT AND RIVERINA

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### Canberra Housing Management Centre

26 Mort Street  
BRADDON ACT 2612

Telephone: 02 6268 3700  
Fax: 02 6268 3760

### Wagga Wagga Housing Management Centre

11–15 Fitzmaurice Street  
WAGGA WAGGA NSW 2650

Telephone: 02 6933 7200  
Fax: 02 6933 7260

### Wodonga Housing Management Centre

83 Hume Street  
WODONGA VIC 3690

Telephone: 02 6049 2300  
Fax: 02 6049 2360

## NSW REGION

---

### Parramatta Housing Management Centre

Level 5, 79 George Street  
PARRAMATTA NSW 2150

Telephone: 02 8836 5700  
Fax: 02 8836 5790

### Hurstville Office

Suite 107  
Level 1  
9 Gloucester Road  
HURSTVILLE NSW 2220

Telephone: 02 8567 1200  
Fax: 02 8567 1209

### Liverpool Office

46 Rose Street  
LIVERPOOL NSW 2170

Telephone: 02 8778 6900  
Fax: 02 8778 6960

### Pennant Hills Office

Suites 9–12  
380 Pennant Hills Road  
PENNANT HILLS NSW 2124

Telephone: 02 9875 8600  
Fax: 02 9875 8660

### Richmond Office

14 McNamara Avenue, RAAF Base  
RICHMOND NSW 2755

Telephone: 02 4588 1000  
Fax: 02 4588 1060

### Hunter Valley Housing Management Centre

Corner Kangaroo and Adelaide Streets  
RAYMOND TERRACE NSW 2324

Telephone: 02 4983 5300  
Fax: 02 4983 5361

### **Nowra Housing Management Centre**

Suite 3  
Level 2 Bridgeton House  
55–57 Berry Street  
NOWRA NSW 2541  
Telephone: 02 4421 1500  
Fax: 02 4421 1560

### **SOUTH EAST AUSTRALIA REGION**

---

#### **Adelaide Housing Management Centre**

125 Port Road  
HINDMARSH SA 5007  
Telephone: 08 8245 7800  
Fax: 08 8245 7860  
Sales Free call: 1800 353 525

#### **Melbourne Housing Management Centre**

Level 2, 391 St Kilda Road  
MELBOURNE VIC 3004  
Telephone: 03 9947 8101  
Fax: 03 9947 8160

#### **Cerberus Office**

Shop Front Cerberus, HMAS Cerberus  
Western Port  
CERBERUS VIC 3920

Telephone: 03 5950 6604  
Fax: 03 5950 6660

#### **Puckapunyal Office**

Vivi Street  
PUCKAPUNYAL VIC 3662

Telephone: 03 5736 1100  
Fax: 03 5736 1160

#### **Sale Office**

99a Raymond Street  
SALE VIC 3850

Telephone: 03 5143 6500  
Fax: 03 5143 6560

#### **Tasmania Office**

Anglesea Barracks, Davey Street  
HOBART TAS 7000

Telephone: 03 6215 7600  
Fax: 03 6215 7660

### **WESTERN AUSTRALIA REGION**

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#### **Perth Housing Management Centre**

Level 2, 43 Kishorn Road  
APPLECROSS WA 6153  
Telephone: 08 9210 3400  
Fax: 08 9210 3460

#### **Bullsbrook Office**

c/- RAAF Base Pearce  
BULLSBROOK WA 6084  
Telephone: 08 9571 3352  
Fax: 08 9571 3285

#### **Rockingham Office**

23 Chalgrove Avenue  
ROCKINGHAM WA 6168  
Telephone: 08 9591 4400  
Fax: 08 9591 4460

### **NORTHERN TERRITORY REGION**

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#### **Darwin Housing Management Centre**

1 Carey Street  
DARWIN NT 0800  
Telephone: 08 8901 7100  
Fax: 08 8901 7162

#### **Alice Springs Office**

15 George Crescent  
ALICE SPRINGS NT 0871  
Telephone: 08 8952 9323  
Fax: 08 8952 4562

#### **Robertson Barracks Office**

Building 102, Robertson Barracks  
PALMERSTON NT 0830  
Telephone: 08 8927 5938  
Fax: 08 8927 9045

#### **Tindal Housing Management Centre**

Unit 2/42 Katherine Terrace  
KATHERINE NT 0850  
Telephone: 08 8972 8000  
Fax: 08 8972 8060

## **NORTH QUEENSLAND REGION**

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### **Cairns Housing Management Centre**

Grove House, 10 Grove Street  
CAIRNS QLD 4870

Telephone: 07 4040 2400

Fax: 07 4040 2460

### **Townsville Housing Management Centre**

63–65 Bamford Lane  
KIRWAN QLD 4817

Telephone: 07 4726 1800

Fax: 07 4726 1860

## **SOUTH QUEENSLAND REGION**

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### **Brisbane Housing Management Centre**

Building S7, Gallipoli Barracks  
ENOGERA QLD 4051

Telephone: 07 3355 8800

Fax: 07 3355 8860

### **Canungra Office**

Kokoda Barracks  
CANUNGRA QLD 4275

Telephone: 07 5543 4554

Fax: 07 5543 4417

### **Ipswich Housing Management Centre**

Shop 12, Yamanto Shopping Centre  
Corner Warwick and Powells Road  
YAMANTO QLD 4305

Telephone: 07 3355 8800

Fax: 07 3294 2660

### **Toowoomba Housing Management Centre**

162 Hume Street  
TOOWOOMBA QLD 4350

Telephone: 07 3355 8800

Fax: 07 4699 1360

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