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DEFENCE HOUSING AUSTRALIA

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OVERVIEW

Overview

The composition of the Board of Directors of Defence Housing Australia (DHA) is governed by legislation. Recent amendments to the DHA Act have changed the composition of the Board. A list of the Board members can be found in the purchaser-provider section in the Defence's Chapter Two – Resourcing.

DHA provides homes in all states and territories of Australia for the housing of members with dependants. Of these properties, approximately 2,000 are located on Defence bases. DHA employs around 686 staff located in eight major regional offices and 18 outpost offices, which are in the vicinity of most major military establishments. This enables individual case management for relocating ADF members and their families. There are currently approximately 17,000 ADF families being housed by DHA in Service Residences or through Rent Allowance arrangements.

The DHA Board has approved the use of rent floors and the selective use of increased yields to improve sales performance for its Sale and Leaseback Program for individual investors. Further, DHA is about to finalise its second contract with a major financial institution for the sale and leaseback of properties. DHA is planning further sales on this basis over the next five years.

DHA has a borrowing approval of \$550m against which \$340m has been drawn down to date. Depending on the period of slowness in the residential investment markets, DHA may need to request approval for higher borrowings in the future. DHA and the Department of Finance and Administration have signed a new ten-year loan agreement which provides more flexible borrowing arrangements than the previous agreement.

Outcome and Output Information

OUTCOME

To contribute to Defence outcomes by providing total housing services that meet Defence operational and client needs through a strong customer and business focus.

OUTPUT

The provisioning of Defence housing services.

Output Performance Indicators	
Quality:	Modern housing.
Quantity:	16,620 houses by 30 June 2007.
Price:	Average rental cost to Defence is estimated to be \$395 per week per house.

Achievement of planned performance is reported in Defence Housing Australia's Annual Report and monitored through the governance arrangements for Commonwealth Government Business Enterprises.

Purchaser-Provider Arrangements

A new Services Agreement between DHA and Defence came into effect on 1 July 2006. The Agreement is based on commercial principles with pricing and risk sharing arrangements, with risk allocated to the party best able to manage the risks.

BUDGETED FINANCIAL STATEMENTS

The following budgeted financial statements for Defence Housing Australia are presented in this section.

BUDGETED INCOME STATEMENT

This statement provides the expected financial results for DHA by identifying full accrual expenses and revenues.

BUDGETED BALANCE SHEET

Shows the financial position of DHA. It enables decision makers to track the management of the Authority's assets and liabilities.

STATEMENT OF CASH FLOWS

Budgeted cash flows, as reflected in the statement of cash flows, provide information on the extent and nature of cash flows by categorising them into expected cash flows from operating activities, investing activities and financing activities.

CAPITAL BUDGET STATEMENT

Shows all proposed capital expenditure funded from internal sources. Note that DHA adopted inventories accounting in 2004-05 for those houses acquired/constructed for sale and leaseback. Capital outlays on Sale and Leaseback stock is shown in Operating Activities in the Statement of Cash Flows.

NON-FINANCIAL ASSETS – SUMMARY OF MOVEMENT

This statement shows only the budget year 2006-07.

Table 1: Income Statement

	Revised Projected Results 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000	Forward Estimate 2009-10 \$'000	Forward Estimate 2010-11 \$'000
REVENUE					
Revenue from ordinary activities					
Goods and services	790,609	853,342	912,957	1,006,355	905,372
Interest	12,135	15,119	15,238	17,257	14,960
Net gain from sale of assets	1,080	1,041	807	854	880
Revenues from ordinary activities	803,824	869,502	929,002	1,024,466	921,212
EXPENSE					
Employees	48,352	50,044	51,796	53,608	55,484
Suppliers	652,653	709,529	758,751	841,966	737,975
Depreciation and amortisation	13,392	14,067	14,714	15,138	15,008
Expenses from ordinary activities (excluding borrowing costs expense)	714,397	773,640	825,261	910,712	808,467
Borrowing costs expense	20,400	20,400	20,400	20,400	20,400
Operating profit before Income Tax from ordinary activities	69,027	75,462	83,341	93,354	92,345
Income Tax Expense	-	14,296	16,325	18,812	21,977
Net surplus or deficit attributable to the Commonwealth	69,027	61,166	67,016	74,542	70,368
Net credit (debit) to asset revaluation reserve	6,907	7,879	8,263	8,478	8,180
Total revenues, expenses and valuation adjustments attributable to the Commonwealth and recognised directly in equity	75,934	69,045	75,279	83,020	78,548

Table 2: Balance Sheet

	Revised Projected Results 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000	Forward Estimate 2009-10 \$'000	Forward Estimate 2010-11 \$'000
ASSETS					
Financial assets					
Cash	178,380	244,435	233,567	268,466	228,516
Receivables	138,032	131,249	128,425	126,691	119,876
Accrued Revenue	16,517	17,273	17,696	18,433	18,582
Other Financial Assets	15,909	16,794	17,354	17,723	17,827
Total financial assets	348,838	409,751	397,042	431,313	384,801
Non-financial assets					
Land and buildings	790,802	871,315	895,108	855,878	816,648
Infrastructure, plant and equipment	27,191	28,503	29,552	30,392	31,063
Inventories	720,457	641,061	654,651	704,546	823,276
Assets Held for Sale	43,611	31,894	34,259	35,541	35,541
Total non-financial assets	1,582,061	1,572,773	1,613,570	1,626,357	1,706,528
Total Assets	1,930,899	1,982,524	2,010,612	2,057,670	2,091,329
LIABILITIES					
Interest bearing liabilities					
Loans	340,000	340,000	340,000	340,000	340,000
Provisions					
Employees	8,153	8,438	8,734	9,039	9,356
Trade Creditors	6,317	6,217	6,135	6,272	6,423
Provision	66,668	84,288	74,110	76,104	77,313
Prepayment Received	41,823	43,942	45,996	48,998	47,201
Other Payables & Accrued Expenses	15,674	15,473	15,312	15,583	15,882
Total Payables and Provisions	138,635	158,358	150,287	155,996	156,175
Total liabilities	478,635	498,358	490,287	495,996	496,175
Equity					
Contributed equity	249,148	249,148	249,148	249,148	249,148
Reserves	1,081,491	1,089,369	1,097,633	1,106,111	1,114,290
Total accumulated results	121,625	145,649	173,544	206,415	231,716
Total equity	1,452,264	1,484,166	1,520,325	1,561,674	1,595,154
Total liabilities and equity	1,930,899	1,982,524	2,010,612	2,057,670	2,091,329

Table 3: Statement of Cash Flows

	Revised Projected Results 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000	Forward Estimate 2009-10 \$'000	Forward Estimate 2010-11 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	790,609	853,342	912,957	1,006,355	905,371
Interest	12,135	15,119	15,238	17,257	14,960
GST	36,397	38,059	39,675	32,977	32,977
Other	3,553	2,440	1,983	2,096	2,170
Total cash received	842,694	908,960	969,853	1,058,685	955,478
Cash used					
Employees	48,352	50,044	51,796	53,608	55,485
Payment to Suppliers	672,629	630,133	772,342	891,861	856,706
GST Payments to Suppliers	36,397	38,059	39,675	32,977	32,977
Tax	-	-	28,591	18,354	21,299
Interest	20,400	20,400	20,400	20,400	20,400
Total cash used	777,778	738,636	912,804	1,017,200	986,867
Net cash from/(used by) operating activities	64,916	170,324	57,049	41,485	-31,389
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	66,722	61,227	45,205	47,341	48,762
Total cash received	66,722	61,227	45,205	47,341	48,762
Cash used					
Purchase of property, plant and equipment	91,897	128,354	74,000	12,258	12,258
Total cash used	91,897	128,354	74,000	12,258	12,258
Net cash from (used by) investing activities	-25,175	-67,127	-28,795	35,083	36,504
FINANCING ACTIVITIES					
Cash received					
Proceeds from loans	-	-	-	-	-
Proceeds from other activities	-	-	-	-	-
Total cash received	-	-	-	-	-
Cash used					
Repayment of loans	76,800	37,142	39,122	41,669	45,065
Dividends paid	-	-	-	-	-
Total cash used	76,800	37,142	39,122	41,669	45,065
Net cash from/(used by) financing activities	-76,800	-37,142	-39,122	-41,669	-45,065
Net increase/(decrease) in cash held	-37,059	66,055	-10,868	34,899	-39,950
Cash at the beginning of the reporting period	215,439	178,380	244,435	233,567	268,466
Cash at the end of the reporting period	178,380	244,435	233,567	268,466	228,516

Table 4: Capital Budget Statement⁽¹⁾

	Revised Projected Results 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000	Forward Estimate 2009-10 \$'000	Forward Estimate 2010-11 \$'000
CAPITAL APPROPRIATIONS					
Total loans	-	-	-	-	-
Total	-	-	-	-	-
PURCHASE OF NON CURRENT ASSETS					
Funded internally by Departmental resources	41,897	128,354	74,000	12,258	12,258
TOTAL	41,897	128,354	74,000	12,258	12,258

Note:

- Table 4 shows purchases of property, plant and equipment and includes housing stock intended to be kept as Defence Housing Australia core stock. Sale and Leaseback housing stock is now recorded as Inventory. Cost of acquisition/construction of Inventory is shown in Operating activities in the Statement of Cash Flows. Previously, costs of acquisition/construction of all housing stock, whether intended for sale or to be kept as core stock, was shown as Investing Activities.

Table 5: Non-Financial Assets – Summary of Movement (Budget Year 2006-07)

	Land \$'000	Buildings \$'000	Total Land and Buildings \$'000	Other infrastructure plant and equipment \$'000	Total \$'000
Gross Value as at 1 July 2006	439,369	373,687	813,056	35,270	848,326
Additions	45,124	0	45,124	17,628	62,752
Disposals	-7,938	-6,493	-14,431	-	-14,431
Revaluation increments	-	-	-	-	-
Transfers to Assets Held for Sale	-28,632	-24,315	-52,947	-	-52,947
Gross value 30 June 2007	447,923	342,879	790,802	52,898	843,700
Accumulated Depreciation as at 1 July 2006	-	-	-	19,222	19,222
Charge for the reporting period	-	6,907	6,907	6,485	13,392
Disposals	-	-	-	-	-
Revaluations	-	-6,907	-6,907	-	-6,907
Accumulated Depreciation as at 30 June 2007	-	-	-	25,707	25,707
Net Book Value as at 30 June 2007	447,923	342,879	790,802	27,191	817,993

