



Australian Government
Indigenous Business Australia

Indigenous Business Australia

2004
ANNUAL REPORT
2005

Indigenous artwork featured on the front cover was commissioned by IBA and was painted by Indigenous artist Bronwyn Bancroft of NSW. The design represents the essential needs of Aboriginal people connected to the land. The oval is symbolic of birth and the people connected with it are working in unity to achieve self-determination.

Corporate Directory

Board of Directors

Mr Joseph Elu	Chairman
Mr Bob Blair	Deputy Chairman
Ms Leah Armstrong	
Ms Jenny Boddington	Appointed 14 December 2004
Dr Peter Boxall	
Ms Judy Hardy	
Mr Ian Trust	
Mr Ben Wyatt	
Mr Joe Procter	Resigned 15 February 2005



Directors from left Elu, Hardy, Wyatt, Armstrong, Boddington and Blair

Senior Management

Mr Ron Morony	General Manager
Mr Ian Myers	Deputy General Manager
Mr Colin Clements	Assistant General Manager Home Ownership
Mr Ivan Parrett	Assistant General Manager Business Development and Assistance
Mr Anthony Lovell	Chief Finance Officer

Head Office

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Auditors

Australian National Audit Office
19 National Circuit
Barton ACT 2601

Solicitors

Mallesons Stephen Jacques
10th floor St George Bank Building
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Canberra ACT 2601

Bankers

Westpac Banking Corporation
Level 5
1 Farrell Place
Canberra ACT 2601

Availability

This report is also available on the IBA website at www.iba.gov.au
To receive a hard copy version please contact IBA Communications
on (02) 6285 9035.

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Australian Government

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25 October 2005

The Hon Kevin Andrews MP
Minister for Employment and Workplace Relations
Parliament House
CANBERRA ACT 2600

Dear Minister

I am pleased to present the fifth annual report for Indigenous Business Australia (IBA), covering the period 1 July 2004 to 30 June 2005.

This report complies with the requirements of Section 9 of the *Commonwealth Authorities and Companies Act 1997* and includes IBA's Report of Operations and audited consolidated financial statements for the reporting period in accordance with the orders from the Minister of Finance.

Section 9(3) of the *Commonwealth Authorities and Companies Act 1997* requires that as soon as practicable after you receive a copy of the report you cause it to be laid before each House of Parliament.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Joseph Elu', written in a cursive style.

Joseph Elu
Chairman

Highlights for 2004 - 2005

Legislation

The March 2005 passage of the *Aboriginal and Torres Strait Islander Commission Amendment Act 2005* effected the transfer of two key economic programmes to IBA. These are the Indigenous Business Development Programme (IBDP) inherited from the Department of Employment and Workplace Relations (DEWR) and the Home Ownership Programme (HOP) previously operated by the Aboriginal and Torres Strait Islander Commission (ATSIC). The legislation also provided for the transfer of responsibility to IBA of all of the outstanding IBDP and HOP loans and a number of assets of the former Commission.

Financial

For the financial year ending in June 2005 the operating revenue decreased from \$46.2 million to \$44.6 million, a decrease of 3.6 per cent. Despite this drop in overall revenue, dividend revenue increased by \$8.1 million while total equity rose from \$99.6 million to \$600.1 million, an increase of 502.5 per cent.

Programme Areas

Equity and Investments

During 2004-05 IBA assessed 99 investment proposals and entered into four new ventures. In addition, a further four new investments were acquired through the abolition of ATSIC. These involved properties in Cairns, Leonora and Bathurst and a sporting complex at Condobolin. The programme also assumed sole responsibility for the Indigenous Fishing Trust.

Of the 99 proposals received in the year under review 66 were declined while a further 23 are still being assessed for suitability. In terms of assessed proposals, 27 were property and business services related ventures, 19 were in agriculture and fishing, 18 in the accommodation and tourism portfolios, 14 in manufacturing, 10 in mining and four in transport and storage.

The geographic locations of these proposals are predominantly in Queensland (27), NSW and Western Australia (20 each).

There were two divestments during the year under review. The first involved the trucking firm Queensland Bulk Haulage (QBH) which had a seven year contract to transport copper concentrate from the Ernest Henry Mine, near Cloncurry, to a smelter in Mount Isa. The company took the decision not to re-tender when the current haulage contract expired. QBH subsequently ceased operations at midnight on 31 March 2005.

In April 2005 Property Investment Vehicle No.1 (PIV), founded by Baulderstone Hornibrook in 1999 as a means of providing mezzanine debt facilities behind senior lending institutions, elected to reduce its capital. A final distribution was paid to shareholders, including IBA, which at the time of the redistribution held 15 shares in PIV.

Home Ownership

The Home Ownership Programme set several records for the year under review. It approved a total of 502 new loans whose total value reached \$94.1 million which is a programme record. In addition the total loan portfolio grew to \$368 million which is also a record.

In addition to helping its traditional client base of families on low to moderate incomes, the programme has been able to target specific funding to two

emerging categories of Indigenous home buyers, being tenants of Indigenous housing organisations wishing to purchase their home, and assistance to Indigenous people seeking commercial home loan finance, who require deposit gap loan assistance.

Through its new lending this year, the programme has assisted 1,465 Aboriginal and Torres Strait Islander people to live in their own home and enjoy the many benefits that come from home ownership. Around 90 per cent of borrowers assisted had an adjusted household income of less than \$66,346, which is 125 per cent of the National Average Weekly Male Earnings figure.

Loan arrears again set a new benchmark with the value of loans with more than two payments in arrears decreasing to 0.11 per cent of the loan portfolio balance. This result is a testament to the effectiveness of the programmes arrears management strategy, which balances the need to have loans repaid, given the self funding nature of the program, and the policy intent of the programme, which is aimed at increasing Indigenous Home Ownership participation and assisting Indigenous people to remain in their homes.

Business Development

In the year under review the Business Development Programme (BDP) approved 40 loans with a total value of \$5.5 million that have progressed to establishment or settlement. Of this number 15 approvals were processed in Brisbane (Qld) with seven in Cairns (Qld) and four each in both Darwin (NT) and Broome (WA).

These operating businesses generated employment for a total of 27 Indigenous Australians and a further nine jobs for non-Indigenous. Twenty one businesses established or settled are operating in a variety of industry sectors including food services, financial services, health and beauty services, home services, fuel services and agriculture.

In addition to business finance, BDP received 1677 enquiries for business support including 299 in Brisbane, 287 in Perth, 286 in Cairns and 123 in Adelaide. From these IBA received 305 applications for business support worth a total of \$1.6 million.

During the financial year a further 17 loan applications worth more than \$3.1 million were declined for failing to meet the IBA criteria including proof of viability. Following the transfer of BDP from DEWR to IBA in March 2005, IBA

gained responsibility for the existing ATSIC Business Loan portfolio and the ATSSIS/DEWR BDP loan portfolio.

IBA received \$3.5 million in interest from the BDP Loan Portfolio in 2004-05 that saw \$9.9 million made in loan repayments and \$4.7 million loan discharges. The loan portfolio shows 499 current loans with IBA and a total balance of \$56.1 million.

Policy

The newly-established Policy Unit provides a coordination role for IBA to contribute to the whole-of-government approach to Indigenous policy, particularly in matters relating to the business development and wealth creation aspects of Indigenous economic development.

By drawing on the lessons learned in its programme areas as well as through research and analysis of international best practice, the policy unit is looking to develop and deliver a co-ordinated response to meet these objectives, while recognising the legislative constraints that apply to IBA.

The Australian Government announced its commitment to the development of an Indigenous Economic Development Strategy in the 2005-06 Budget. The Department of Employment and Workplace Relations is leading the development of this strategy, with IBA support. The complementary programmes in DEWR and IBA that contribute to the Indigenous Economic Development Strategy focus on employment and wealth creation respectively.

Divestment of Assets

During the year IBA concluded the divestment of shares in significant assets to Indigenous organisations. These assets were originally owned by ATSIC and a previous decision had been made by the ATSIC Board to divest these assets to particular groups.

IBA fulfilled those undertakings and assets with a net value of almost \$29 million were transferred to Aboriginal ownership.

Community Outcomes and Relationships

For the financial year ending 30 June 2005, IBA was a shareholder in companies that employed in excess of 600 people. Of these 260 or 43 per

cent were Indigenous. Total salaries for these entities was over \$26.5 million of which an estimated \$10 million was paid directly to Indigenous employees.

In addition profit distribution to IBA's Indigenous business partners for the year ending 30 June 2005 was over \$2.1 million.

The Home Ownership Programme, since its inception, has now assisted almost 12,000 Indigenous families into home ownership.

IBA is a financial contributor to the Charles Darwin University, being a principal sponsor of the Indigenous Development Fellowship at the Northern Territory University.

Report from Chairperson



*Mr Joseph Elu
IBA Chairman*

On behalf of the Board, I am pleased to report on the outcomes for Indigenous Business Australia (IBA) in 2004-05 and to report on a range of broader issues that have affected IBA in the year under review.

Fresh challenge for IBA

The latter part of 2004-05 presented IBA with a significant challenge following the passage through Parliament of the Aboriginal and Torres Strait Islander Commission Amendment Act 2005.

As a result of this action, on 24 March 2005, the Commonwealth Government completed the implementation of its previously announced restructure of Indigenous affairs. This was first flagged in 2004 through a series of Machinery of Government changes that involved IBA and other agencies.

The new approach to Indigenous policy included the abolition of the Aboriginal and Torres Strait Islander Commission (ATSIC). The whole-of-government approach is aimed at improving the delivery of services to Aboriginal and Torres Strait Islander individuals and communities by increasing the involvement of mainstream agencies.

Our expanded role in this whole-of-government initiative was defined when the Government handed responsibility for two key Indigenous-specific programmes to IBA – Home Ownership and Business Development. Both programmes had been previously administered respectively by the Department of Employment and Workplace Relations (DEWR) and ATSIC, although Business Development was originally an ATSIC programme.

The move significantly increased the size of IBA's capital base, with the value of housing and business loans added to the original Equity and Investment component of IBA. The administrative component of these transferred programmes are funded by Government on an annual appropriation. This has meant a significant change in reporting provisions for 2004-05 and, henceforth, IBA will now report on a programme basis in line with the programme structure in the portfolio Budget statement.

The changed circumstance also saw IBA staff resources increase from 15 to almost 150 in the year under review. This required the Board and the IBA

executive to implement various strategies to ensure a smooth staff transition from DEWR and ATSIC/ATSIS with minimal disruption to existing services.

One of the major challenges for us will be to ensure that our network of staff are able to inform Indigenous communities, organisations, families and individuals about the new role we now play and how IBA can assist. Because IBA is not represented at all 30 Indigenous Coordination Centre (ICC) locations around the country, we are looking to ensure that we service those areas where IBA does not have a daily presence.

In order to contribute effectively to the wider policy debate on Indigenous economic development, in May 2005, IBA created a policy unit to act as our co-ordination and liaison point with other government bodies. This unit will provide management with input to policy formation and cross-government programme development in areas of financial management, economic development and asset accumulation for Indigenous Australians.

IBA fully supported the move of both the Home Ownership and Business Development programmes into a single agency. From an IBA standpoint it better equipped us to offer a fully integrated service to Indigenous clients keen to explore the potential of engagement with the economic sector as required under the IBA mandate.

The key features of the new Act, as it impacted upon IBA and which gives affect to the Government's announced changes in Indigenous affairs, were:

- To give IBA specific powers to make loans or grants on terms and conditions determined by IBA, rather than relying on the broader powers within the current legislation;
- To establish a new housing fund within IBA which defines the purposes for which the funds can be applied;
- To provide the Minister with greater power to give IBA general directions, which is consistent with the Ministerial powers over those programmes when part of ATSIC; and
- To establish review mechanisms over decisions made in respect of housing or business loans.

In consultation with DEWR, IBA has agreed to focus its efforts firmly on asset and wealth creation for Indigenous Australians, with DEWR to focus on

the work and skills aspects of the wider Indigenous economic development strategy.

With those objectives in mind the Board has expressed its wish for IBA management to position the corporation as a specialist agency keen to interact with the private sector in providing support for Indigenous groups, individuals or corporations that wish to pursue economic strategies.

In the year ahead IBA business programmes will continue to assess applications on sound commercial principles, with strong emphasis on supporting those able to demonstrate commercial viability.

IBA will continue to work closely with the private sector as it has done so successfully in the past. Indeed, the next 12 months will see IBA engage the private sector more vigorously than ever before to identify new opportunities and explore ways in which Indigenous Australians can share in the considerable economic potential of their own country.

A real strength of IBA's approach to Indigenous economic development is the support it provides to joint venture partners, small business borrowers and home loan borrowers. In providing such support throughout all its programmes, IBA will continue to work with staff on focussing attention on aftercare and in linking existing programmes to mainstream financial arrangements.

IBA's changed role will also involve working closely with the Indigenous Land Corporation, as well as State and Territory agencies that support economic initiatives. IBA fully intends to develop even closer links with these and other agencies, particularly those in the mining and tourism sectors.

As Chairman of IBA, I need no convincing that the only realistic way forward for Aboriginal and Torres Strait Islander people in this 21st century is to share equitably in the wealth of this country by becoming more actively engaged in the economic process.

For too long Indigenous people have been largely dependant upon various government programmes to assist them in important matters like asset accumulation and economic activities that most in the non-Indigenous community take for granted, like acquiring a house, buying land or getting into business.

It will therefore come as no surprise that IBA is supportive of the current whole-of-government approach to Indigenous development and the

strengthening of linkages to the private sector, particularly in the area of economic development. My Board welcomes the ongoing examination of programme delivery as part of the Indigenous Economic Development Strategy announced in the 2005 Budget.

Since the creation of Indigenous wealth is high on the national agenda, my Board intends to build on the existing IBA strategy by instructing management to continue the policy of making sound investment decisions to the financial benefit of Indigenous Australians. IBA will likewise continue its significant training and mentoring efforts in helping to improve the business skills of Indigenous individuals and companies alike.

This will improve individual circumstances that in the long term will improve the wellbeing of thousands of Aboriginal and Torres Strait Islanders as together we strive to build a strategic platform of Indigenous wealth that is destined to impact positively on our people.

As I have advocated in numerous addresses in the year under review, economic self-sufficiency is the key to unlocking the door of progress for Indigenous communities to improve health standards, address rates of incarceration and continued poverty.

IBA believes that increasing basic business skill levels, making available access to business funding and providing subsidised home loans to Indigenous communities, are worthwhile targets to strive for in 2006 and beyond.

There can be little doubt IBA's success in this venture will greatly assist the whole-of-government initiative aimed at improving the current sad circumstances of Indigenous Australians.

To summarise, IBA is well placed to manage its part of the Commonwealth's ongoing efforts in Indigenous economic development following extensive Machinery of Government changes completed in the year under review.

My Board has recognised that the inclusion of the Home Ownership Programme (HOP) and Business Development Programme (BDP) stands to complement the successful work previously undertaken by IBA over many years. Our original Equity and Investments activities, together with HOP and BDP, present a powerful tool that in 2006 will allow IBA to provide Indigenous Australians with a mixture of structured home loans, specialised business training and a sophisticated blend of business grants and loans.

This potent mix seems certain to have the required effect of generating wealth for Indigenous Australians interested in entering the economic sector, either as individuals, a family unit, or as joint venture partners, as provided for under the IBA mandate. Elsewhere in this annual report you will find detailed information on each of IBA's programmes and their outcomes.

As mentioned elsewhere in this report, IBA's financial outcome remained solid in 2004-05 with material growth in its overall worth. This remains an integral requirement of the new Aboriginal and Torres Strait Islander Act 2005, which is to build a commercially focused asset base for Indigenous Australians.

For many Indigenous communities, locational disadvantage extends to an inability to identify and develop viable enterprise activities. Where communities may be able to develop opportunities, these are often lost due to an inability to access capital or attract the necessary key staff with the necessary skill sets to operate the business on a proper and competitive commercial footing.

With a number of compelling complexities in our communities, such as domestic violence and high representational levels in the criminal justice system, a number of people ask why I place such a strong emphasis on building an economic base for Indigenous Australians.

The reality is that many Indigenous Australians actually want to participate in the mainstream economic growth of this country. The difficulty is more often about finding the right opportunity than it is to convince Aboriginal and Torres Strait Islander people to participate.

The forms of participation also vary. For some individuals or groups it is about securing employment opportunities. For others, it is securing an asset base for the benefit of future generations. IBA needs to be able to respond flexibly to, and support, the development of viable economic opportunities that match Indigenous needs and expectations.

It is true the symptoms of poverty are evident in many of our communities. And it is obvious the Government, like IBA, aspires to go beyond programmes such as the Community Development Employment Projects (CDEP) scheme so that our children and future generations will own their own homes and enjoy the benefits of higher incomes. And yet at the same time Indigenous Australians must continue to cherish the values of our culture. We need to

build for the future and equip our younger people so that entrenched welfare dependency becomes a thing of the past.

Conclusion

I would like to thank my fellow Board members for their valuable contributions during the year and in particular the commitment of Deputy Chairman, Bob Blair, who continues to travel extensively on IBA's behalf and in the interests of our people.

I would also like to acknowledge the contribution made by Joe Proctor who resigned from the Board during the year due to pressures of work.

I also thank the Hon Kevin Andrews MP, Minister responsible for the period covered by this report, for his continuing support of IBA and its ideals. The Board would also like to extend its heartfelt appreciation to all IBA staff for their resolve and continued good work during what has been a challenging transitional period.



Joseph Elu
Chairman

IBA Board Overview



Mr Joseph Elu (Chairman)

Mr Elu has held the position as Chairman of Indigenous Business Australia since December 1996. He also chairs the Board's Remuneration Committee.

He is a member of the National Indigenous Council that provides advice to Government on policy, programme and service-delivery issues for Aboriginal and Torres Strait Islander people. Mr Elu continues as Chairman of the community-based Seisia Council on the tip of Cape York and is a member of the Island Coordinating Council.

Mr Elu co-chairs the Voluntary Services to Indigenous Communities Foundation and is a member of the Torres Strait Regional Authority. In 2001 he was appointed to the Board of the Special Broadcasting Services (SBS).

A previous recipient of the Centenary Medal, Mr Elu holds an honorary Doctorate in Economics from the Queensland University of Technology and continues to be a strong advocate for including private enterprise in the economic development of Indigenous people.



Mr Bob Blair (Deputy Chairman)

Mr Blair is Administrator of the Dreamtime Cultural Centre in Rockhampton in North Queensland, which is an innovative Indigenous business providing high-standard conference and motel facilities. He has held this position for the past 17 years and has a long background in providing Indigenous training services as a former Senior Training Officer with the Central Queensland Aboriginal Corporation for Training Resources.

From 1961 and 1981 Mr Blair was a member of the Australian Army where he rose to the position of Warrant Officer Class 1. He served with distinction in Vietnam, Malaysia and New Zealand during which he received the following awards:

Australian Active Service Medal	Vietnam Medal
Australian Service Medal	Defence Force Service Medal
National Medal	Vietnam Star

Mr Blair is a past recipient of the Centenary Medal. He has been a Board member of IBA since 3 July 1998. As well as being Deputy Chairman, Mr Blair chairs the Audit Committee and is a member of the Remuneration Committee.

Ms Leah Armstrong

Ms Armstrong is a Torres Strait Islander from Mackay in Queensland who is Executive Director of the NSW-based Yarnteen Aboriginal and Torres Strait Islander Corporation.

Yarnteen aims to encourage greater Indigenous participation in the broader economy and build capacity within communities. Yarnteen operates a successful bulk warehousing and bagging facility for bulk grains and fertiliser and manages a property investment company. Yarnteen employs 16 people of which nine are Indigenous Australians.

As Executive Director, Ms Armstrong is assisting Yarnteen to expand its commercial ventures while encouraging further economic opportunities for associate organisations.

Ms Armstrong actively promotes the need for Indigenous communities to be much more pro-active in ensuring the establishment of successful economic ventures within communities.

Initially appointed for a period of two years, Ms Armstrong has twice been reappointed to the Board where she continues as a member of the Remuneration Committee.



Ms Jenny Boddington

Ms Boddington began her career as a management consultant with Booz Allen & Hamilton before moving into the finance industry in the UK. She spent some years analysing engineering companies for Morgan Grenfell Asset Management in London but later transferred to investment banking where she spent 14 years advising companies on acquisitions, divestments, listings and capital raisings.

Ms Boddington later joined DB Capital Partners, the private equity arm of Deutsche Bank, where she made investments on behalf of DB Capital Partners and held Board seats on various investee companies.

Ms Boddington, who holds an honours masters degree in Metallurgy, Economics and Industrial Management from Oxford University, has been in Australia for more than a decade and is a naturalised citizen. She runs a consultancy business in corporate governance and business development. Ms Boddington is also a member of the Board's Audit Committee.





Dr Peter Boxall

Peter Boxall is Secretary of the Department of Employment and Workplace Relations (DEWR). He began his career as an economist with the Reserve Bank of Australia but from 1974 spent 13 years working in the United States, including seven years at the International Monetary Fund (IMF). Dr Boxall completed his graduate studies at the University of Chicago holding a PhD in Economics.

On his return to Australia he joined the Department of Treasury. This was followed by two periods as Senior Economic Adviser to the Leader and Deputy Leader of the Opposition (1987-90 and 1991-93) before he returned to Treasury as Assistant Secretary.

In 1994 Dr Boxall was appointed as Under Treasurer, Department of Treasury and Finance, in South Australia. In 1996 he returned to Canberra to take up the position of Principal Adviser to the Treasurer, the Hon Peter Costello MP.

Dr Boxall was appointed Secretary of the Department of Finance in January 1997 and in January 2002 was appointed Secretary of the Department of Employment and Workplace Relations.

He was appointed to the IBA Board on 14 December 2004 for a period of three years.



Ms Judy Hardy

Ms Hardy has considerable experience in the small business sector at managerial and board levels. She operates an independent national consulting business from Adelaide and is owner-director of three other businesses that operate abroad into China and Morocco.

Ms Hardy is a member of a number of national committees that advises the Australian Government in a variety of areas including the Mental Health Council of Australia, the Strategic Planning Group for Private Psychiatric Services, the National Information Strategy Committee, the Australian Health Insurance Association Mental Health Committee, and the Housing and Homelessness Task Force.

Ms Hardy holds qualifications in psychiatric and general nursing. She also has a Graduate Diploma in Health Administration and a Diploma in Teaching. Ms Hardy sees participation on the IBA Board as an opportunity to make

a contribution to Indigenous economic development and particularly given her experience in business to offer support and advice to those who may be contemplating entry into the business sector.

Mr Ian Trust

Mr Trust is a long term resident of the Kimberley area and has held a range of positions in Aboriginal and Community organisations throughout the north-west of Western Australia. He was administrator of the East Kimberley Aboriginal Medical Service for three years.

Mr Trust is an active member of numerous committees throughout the region and the state, covering a broad range of fields such as Aboriginal housing, land, education and health. Committee memberships include: Aboriginal Housing Board, Kimberley Aboriginal Aquaculture Corporation, Kimberley College of TAFE and the Aboriginal Lands Trust.

Mr Trust is a Gidja man who was born on Moola Bulla Station, west of Halls Creek. He served as Chairperson on the former ATSIC Wunan (Kununurra Region) Regional Council for nine years and was instrumental in setting up the Wunan Foundation, established to develop economic initiatives in the region.

His goals for the foundation include developing economic independence for the Kimberley people and focussing on youth and women in relation to employment and training.



Mr Benjamin Wyatt

Mr Benjamin (Ben) Wyatt is a Barrister and Solicitor licensed to practice in the Supreme Court in Western Australia and New South Wales. Currently employed in the commercial section of the WA Director of Public Prosecutions, Mr Wyatt has a keen interest in Aboriginal economic development and brings valuable commercial skills to the Board.

He graduated as a Bachelor of Law from the University of Western Australia and followed that up with an MSc in Comparative Politics at the London School of Economics and Political Science, where he graduated with distinction.

Mr Wyatt holds a Queens Commission from the Royal Military College, Duntroon and is a previous recipient of a Rotary Ambassadorial Scholarship for Postgraduate Studies.



He lives in Perth and sees participation on the Board as integral to contributing to the growth and prosperity of Indigenous Australians.

Mr Wyatt is a member of the Board's Audit Committee.

Directors Meetings

During the financial year nine meetings of the Directors were held. Five of these required attendance in person with four held out of session. The number of meetings attended by each Director during the year is as follows:

	25	26	27	28	29	30	31	32	33
DIRECTOR				o/s	o/s		o/s		o/s
Joseph Elu Chairman	x	x	x			x		x	
Bob Blair Deputy Chairman	x	x	x			x		x	
Leah Armstrong		x	x			x		x	
Ian Trust	x	x	x			x		x	
Jenny Boddington	x	x	x			x		x	
Ben Wyatt	x	x	x			x		x	
Judy Hardy	x	x	x			x			
Peter Boxall						x		x	
Joe Procter	x	x	x			x			

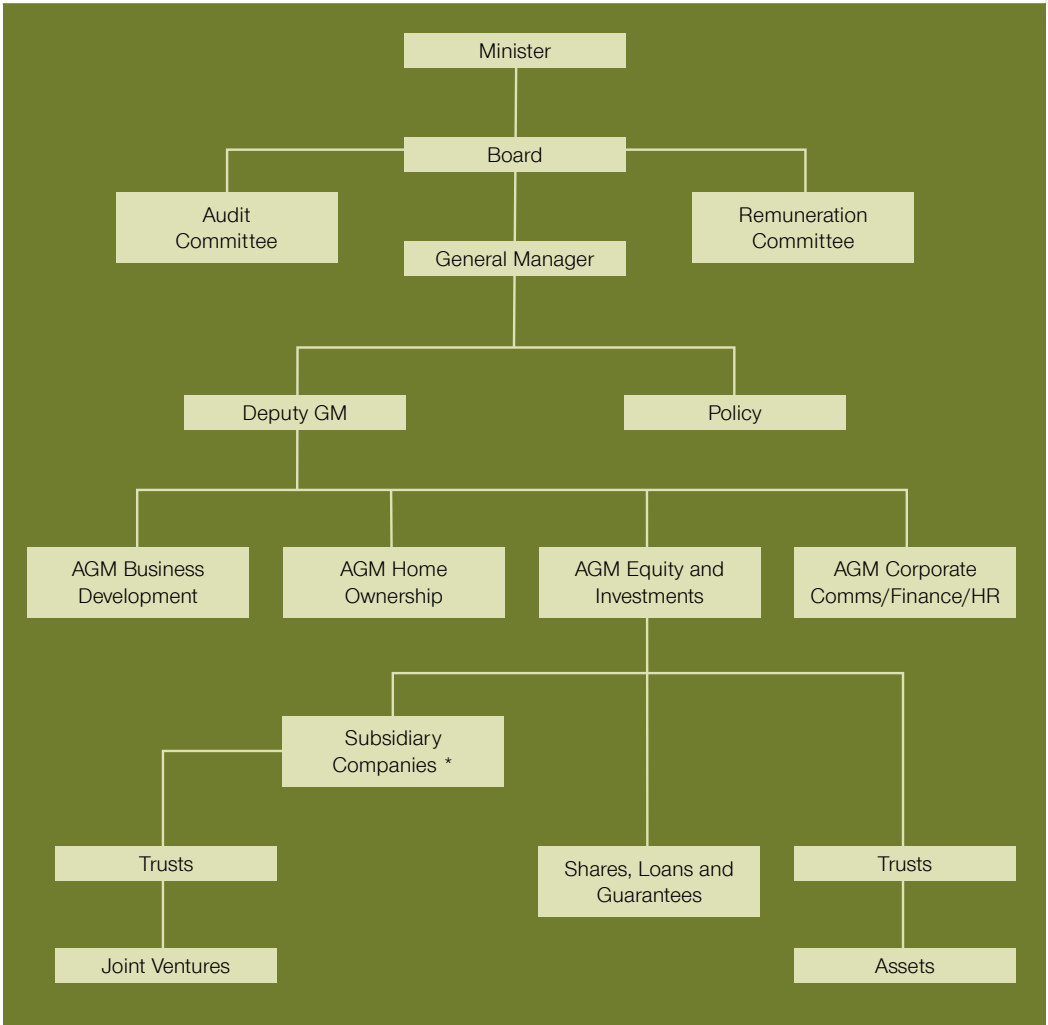
Note:

O/S denotes meetings held out of session

Mr Procter resigned on 15 February 2005

Dr Boxall was appointed on 14 December 2004

IBA Corporate Structure as at 30 June 2005



* Too Numerous to list. Further details are within the content of the report

Report of Operations

Introduction

IBA was established by the Aboriginal and Torres Strait Islander Commission Amendment Act 2001, adapting the role of the former Aboriginal and Torres Strait Commercial Development Corporation (CDC) which was originally set up in 1990.

At this time IBA was created to assist and enhance Aboriginal and Torres Strait Islanders' economic advancement, primarily through facilitating Aboriginal and Torres Strait Islander equity involvement in sound commercial ventures.

Enabling Legislation

Under the enabling legislation, IBA is required to meet this role by accumulating and using a substantial capital asset. The enabling legislation requires IBA to act in accordance with sound business principles in carrying out its functions of engaging in commercial activities, promoting and encouraging Aboriginal and Torres Strait Islander self management and economic self-sufficiency.

The March passage of the Aboriginal and Torres Strait Islander Commission Amendment Act 2005 transferred additional functions to IBA, and renamed the legislation governing IBA as the Aboriginal and Torres Strait Islander Act 2005.

Under section 146 of the enabling legislation IBA is required:

- To assist and enhance Aboriginal and Torres Strait Islander self-management and economic self-sufficiency; and
- To advance the commercial and economic interests of Aboriginal persons and Torres Strait Islanders by accumulating and using a substantial capital asset for the benefit of the Aboriginal and Torres Strait Islander peoples.

Section 147 provides for IBA to have the following functions:

- To engage in commercial activities;
- To promote and encourage Aboriginal and Torres Strait Islander self-management and economic self-sufficiency;
- Such other functions as are conferred on it by this Act.

Under Section 181A, IBA now manages the New Housing Fund which may only be applied:

- In making housing loans to individuals or bodies; or
- In making loans to individuals or bodies to enable the individuals or bodies to provide housing for Aboriginal persons or Torres Strait Islanders; or
- In making grants of money for the purpose of enabling Aboriginal persons or Torres Strait Islanders to obtain housing loans from lenders operating on a commercial basis.

Business Principles

Under section 148 of the ATSI Act, IBA is required to:

- Act at all times in accordance with sound business principles; and
- For the purpose of the performance of IBA functions the Board shall have regard to the desirability of:
 - a. encouraging and facilitating Aboriginal and Torres Strait Islander participation in commercial projects and enterprises;
 - b. securing, as far as practicable, Aboriginal and Torres Strait Islander participation in the ownership and control of companies engaged in activities that are likely to have a significant impact on Aboriginal or Torres Strait Islander interests;
 - c. promoting the development of industries and other commercial and economic activities that are likely to have a beneficial impact on Aboriginal or Torres Strait Islander interests; and
 - d. making specialist commercial expertise available to Aboriginal persons and Torres Strait Islanders engaged in commercial activities.

IBA's Powers

Subject to section 153 and Division 8, IBA has power to do all things that are necessary or convenient to be done for, or in connection with, the performance of its functions.

These powers include but are not limited to the following:

- To enter into contracts (including contracts for the provision of business or housing loans);

- To make grants for purposes associated with business loans or housing loans;
- To invest money of IBA;
- To appoint agents and attorneys, and act as an agent for other persons;
- To form, and participate in the formation of, companies;
- To subscribe for and purchase shares in, and debentures and other securities of, companies;
- To enter into partnerships;
- To participate in joint ventures and arrangements for the sharing of profits;
- To accept gifts, grants, bequests and devises made to it;
- To act as trustee of money and other property vested in it on trust; and
- To charge for the provision of services by it.

IBA can also act as a trustee and the powers of IBA may be exercised within or outside Australia. Subject to financial limitations, IBA can also provide guarantee facilities.

As IBA is a government authority performing in the open market place, IBA is also subject to the provisions of the Commonwealth Authorities and Companies Act 1997 (the CAC Act). The legislation provides reporting, accountability and other rules and imposes standards similar to if IBA was a reporting entity under Corporation law. The Act also deals with other matters relating to Commonwealth authorities, such as banking and investment and the conduct of officers.

The March 2005 passage of the Aboriginal and Torres Strait Islander Commission Amendment Act 2005 effected the transfer of two key economic programmes to IBA, the Indigenous Business Development Programme (IBDP) from the Department of Employment and Workplace Relations (DEWR) and the Home Ownership Programme (HOP) from the Aboriginal and Torres Strait Islander Commission (ATSIC). The legislation also provided for the transfer of responsibility to IBA of all of the outstanding IBDP and HOP loans and a number of assets of the former Commission. While now a part of the portfolio of the Minister for Employment and Workplace Relations,

the Hon. Kevin Andrews MP, IBA will continue to report to its Government appointed nine-member Board.

With its expanded role, IBA is now a key player in the whole of government approach to Indigenous economic development. The Government announced the development of an Indigenous Economic Development Strategy in the context of the 2005-06 Budget. The Department of Employment and Workplace Relations (DEWR) is coordinating the development of this strategy with the active support of IBA.

Under the new provisions IBA remains committed to improving the opportunities for Aboriginal and Torres Strait Islander people to participate in business and to buy their own homes. Participation in business and asset accumulation through home ownership is seen as a key part of economic development.

In seeking opportunities for economic development for Indigenous people, IBA actively pursues strategic alliances with local, state and Australian Government programmes, the banking industry, private sector and Indigenous organisations. It also gathers regional market intelligence for analysis and improves awareness of training and entrepreneurial opportunities available to Indigenous people in regional and remote areas.

The revised programme structure for IBA is as follows:

Agency outcomes and output groups		
Outcome	Description	Output groups
Stimulating the economic advancement of Aboriginal and Torres Strait Islanders	This outcome reflects the legislative charter of IBA as set out in s.146, s.147 and s.148 of the Aboriginal and Torres Strait Islander Act 2005. These sections give IBA the responsibility to assist and enhance Indigenous self – management and self sufficiency.	Output Group 1.1 - Equity and Investments Output Group 1.2 - Home Loans Output Group 1.3 - Business Development and Assistance

Ministerial Relationship

For the year under review the responsible Minister is the Minister for Employment and Workplace Relations, the Hon Kevin Andrews MP. The Minister has responsibility for appointing the IBA Board of Directors.

IBA is also required, under section 16 of the Commonwealth Authorities and Companies Act, to keep the Minister informed of its operations and provide the Minister with reports, documents and information in relation to those operations as required from time to time.

Other Federal, State and Territory Legislation

A large majority of IBA investments are traditionally structured through separately incorporated companies. IBA and its investment structures have holdings in a diverse range of business activities within Australia. As a result there are a number of other legislative requirements with which the Directors and executive officers need to ensure compliance. These include but are not limited to:

- Company's conduct;
- Industrial relations;
- Taxation;
- Trade practices;
- Equal opportunities;
- Anti-discrimination;
- Occupational health and safety; and
- Environment.

Privacy Legislation

Privacy protection is an important issue that limits the amount of information on which IBA can report. However, information may be produced where its production is necessary for the purposes of the legislation, or for prosecution of an offence under the legislation.

Under Section 191 of the ATSI Act, IBA cannot divulge information concerning the affairs of another party where that information was obtained by IBA in the performance of its functions. The requirements of the Privacy Act and the

Privacy Amendment (Private Sector) Act 2000, limit the level of detail IBA can report on in respect of individual investments, loans and guarantees.

Due to the nature of IBA's investment structures, publication of detailed financial information in relation to the performance of each investment has the potential to disclose information that is commercial-in-confidence in respect of the partners in those businesses. IBA's reporting, therefore, is focused rather on broad descriptions of the investments and a consolidation of financial performance at the macro level. No such limitations or restrictions apply to investments that are 100 per cent IBA owned.

Outcomes for 2004-05

Introduction

Commonwealth funded agencies report against outputs and outcomes.

Prior to 24 March 2005, when legislation was passed to repeal the Aboriginal and Torres Strait Islander Commission Act 1989, no IBA programme was the recipient of annual appropriation from Government. This meant that IBA reported on the basis of its Corporate Plan.

That changed in the year under review when responsibility for two key Indigenous-specific programmes transferred to IBA from the Department of Employment Relations and ATSIIC.

Acquisition of the Business Development Programme (BDP) and Home Ownership Programme (HOP), elements of both of which remain on annual appropriation, elevated IBA as a major provider of services to Aboriginal and Torres Strait Islander people.

The acquisition required revision of IBA's programme structure. Business Participation and Business Development activities, which are not a recipient of government appropriation, have been restructured to Equity and Investment (E&I). The Business Development Programme is on annual appropriation both for programme and running costs, while the HOP programme is on appropriation for running costs.

The E&I component must continue to rely on profits generated from strategic investments, the majority of which are currently focused in the mining, tourism and office accommodation sectors. The inclusion of two significant government-funded programmes, compliment IBA's charter to seek greater economic self-sufficiency for Aboriginal and Torres Strait Islander people. As such it remains the yardstick by which the Government's wider Indigenous economic policy agenda will ultimately be judged.

For the purposes of this year's annual report the 2002-2005 Corporate Plan, which remains current but is due for revision in 2006, also requires IBA to maintain:

- A balanced investment portfolio;
- A geographical balance;

- Industry diversification;
- Good client relations;
- A professional approach;
- Inter-agency and industry co-operation; and
- Retain its reputation as a good corporate citizen.

Operational Performance Review

Staffing

Until March 2005 the IBA staffing structure was small and comprised the management team, company secretary and three specialised units for a total staff complement of between 15 and 17.

Substantial Machinery of Government changes that followed Parliamentary legislative amendments saw the transfer of additional functions to IBA in 2004-05. This required significant inter-agency and inter-government negotiations and discussions as 108 staff were transferred to IBA from DEWR and ATSIC/ATSIS with programme assets exceeding \$500 million. Additional staff have also been engaged in the policy, corporate and communications areas to bring current IBA staffing numbers to 150.

IBA currently has a complex arrangement in which staff are employed under various industrial arrangements which have a number of differences. These arrangements comprise:

- Original IBA AWA's
- DEWR AWA's
- ATSIS AWA's
- ATSIS CA
- DEWR CA

IBA also have a small number of staff on common law contracts.

While the Board has a preference for all staff to be employed under Australian Workplace Agreements (AWAs), some staff may have a preference for their employment terms and conditions to be by way of a Certified Agreement (CA).

In light of this IBA proposes to develop both types of employment agreements so that staff will be able to make their own choice about the form of agreement they wish to pursue.

IBA sought high level technical advice on the necessary processes and procedures needed to follow in coming to an agreement between IBA and staff. In addition to following Government processes, IBA's enabling legislation also requires the Board to approve staff employment conditions.

IBA is intent on pursuing a comprehensive consultative process with staff in order to develop a more unified set of employment conditions going forward. As at 30 June 2005 IBA had 105 (2004:15) fulltime staff members and three part-time staff (2004:0). Of the total staff 35 per cent (2004:33 per cent) were Indigenous and 52 per cent (2004:46 per cent) were female.

Policy

In order to contribute effectively to the wider policy debate on Indigenous economic development, IBA created a Policy Unit in May 2005. This unit will play a key role as the primary coordination and liaison point between IBA and other government bodies, providing input to policy formulation and cross-government programme development in the field of financial management, economic development and asset accumulation for Indigenous Australians.

The change process also required management to participate in regular consultative meetings with related stakeholders, including DEWR and the Office of Indigenous Policy Coordination (OIPC), which has been designated as lead agency in the whole-of-government approach to Indigenous affairs.

IBA held a management team policy and planning meeting at Batemans Bay in NSW in May 2005 which resulted in submissions involving the change process being presented to the Board at a meeting at Kakadu in June. In addition IBA made representations to various Parliamentary Committees in the year under review.



Media Manager Marshall Wilson (left) and Colin Clements at the Cooida re-opening in Kakadu.

IBA also held individual discussions with State Government agencies and State Ministers on an inter-government cooperative approach to Indigenous involvement in the fishing industry.

At the time the Policy Unit was established, the Macro Economic and Indigenous Business Development Initiatives Section was transferred to the Policy Unit from the Business Development Programme. The objective of this Section is to identify new and emerging industries that could provide business opportunities for Indigenous people with IBA support.

As part of this work, IBA has engaged a consultancy firm to undertake two regional economic intelligence pilots in the Kimberley and Townsville regions. These pilots will research and analyse the economic and market intelligence of these regions relevant to business entrepreneurs or individuals looking to start a business, and draw together the findings in reports that can inform Indigenous individuals and groups, as well as private and Government sector organisations, about business opportunities.

After completion of the reports, workshops will be held to bring together these groups to enable them to go forward together and explore business opportunities in their regions.

During the year under review the IBA Policy Unit also drafted a submission to the Inquiry into Indigenous Employment, to be conducted by the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs (HORSCATSIA).

The IBA submission identifies issues considered relevant to the committee's consideration of Indigenous employment, including barriers to employment; education, training and skill development; industry strategies; commercial strategies; rural and regional strategies to name a few. Also identified are enterprise development, personal wealth creation, access to financial services and community socio-economic infrastructure.

The IBA submission further emphasises that welfare dependency has long been identified as a major contributor to continuing disadvantage, and that encouraging an enterprise culture within a community can be a consequence of successful business development.

The final submission will be available at www.aph.gov.au/horscatsia

Corporate Services

Corporate Services is responsible for the management of the finances of IBA and its subsidiaries including:

- Provision of policy advice to the IBA Board and senior management on a range of financial, accounting and taxation matters;
- The preparation and analysis of a range of financial information for the Board and senior management, the Department of Finance and Administration, and the Parliament through the responsible portfolio Minister;
- Preparation of periodical management accounting reports and annual statutory reports for IBA and its subsidiaries; and
- Day to day management of financial activities for IBA and its subsidiaries.

Corporate Services is also responsible for:

- Full human resource management function within IBA, including payroll, terms and conditions of service, Australian Workplace Agreements, Board of Directors' remuneration terms and conditions and Occupational Health and Safety;
- General office administration including, executive assistant, asset management and maintenance, file registry, contract management and travel management; and
- Management and maintenance of IBA's Information Technology assets and systems.

The year under review saw significant workload in Corporate Services resulting from the transfer of functions. Outcomes included:

- Development and introduction of a new regime of delegations;
- Review and approval of a new management structure;
- Preparation of revised estimates recognising the additional programmes;
- Research into a new accounting package to meet IBA's future needs;
- Development and introduction of a new chart of accounts;
- Negotiations with DEWR for the provision of contracted I.T. services; and

- Negotiations with a private sector firm for the progressive take up of the payroll function.

Financial

In the year under review IBA saw a significant growth in its asset base as a result of the transfer of function. The net asset base now comprises:

- E&I investments of over \$120 million;
- Some \$368 million in housing loans; and
- Some \$66 million in business loans.

In addition, a number of physical assets transferred to IBA together with cash balances from both HOP and BDP. Overall, IBA grew from a net asset position of some \$100 million to a net asset that is now more than \$600 million.

Programme Outcomes for 2004-05

Output 1.1 - Equity and Investments

This outcome reflects the legislative charter of IBA as set out in s. 146, s. 147 and s. 148 of the Aboriginal and Torres Strait Islander Act 2005. These sections give IBA the responsibility to assist and enhance Indigenous self-management and self-sufficiency.

Through the Equity and Investments Programme (E&I), IBA invests directly in business opportunities, often through joint venture arrangements with expert industry partners. The objective of the E&I is to assist Indigenous communities and organisations participate in business.

IBA has investments throughout Australia in an extensive range of industries that include:

- Commercial property;
- Mining and mine services;
- Manufacturing, retail and services;
- Agriculture;
- Fisheries;
- Tourism; and
- Financial services.

Through these E&I investments IBA brings industry and Indigenous communities together via joint venture ownership and management of businesses. It is very much a hands-on role that has proven benefits in terms of job creation and capital accumulation both of which help Indigenous people participate in Australia's economic activity.

IBA looks for opportunities to enter into commercial ventures that have the potential to create local and sustainable economic outcomes - to provide jobs and hope for Indigenous people (recognising that not all investments or joint ventures lend themselves to employment outcomes).

Investment opportunities are identified by:

- Referrals from industry;
- Identification from Indigenous communities;

- Businesses for sale;
- Government agencies; and
- Word-of-mouth referral.

The E&I programme utilises suitably qualified staff to examine the opportunities and determine their likely success and risk. Staff also assist in creating an investment vehicle for each party's equity in the venture is approved by the Board. The E&I Programme will then assist the community to access finance through other Government programmes or the private sector.

The E&I programme also works with potential Indigenous joint-venture partners by providing staff to assist in the development of appropriate corporate structures. Indigenous participants develop constitutions or rules that govern their entities and determine the future distribution of profits.

IBA believes the opportunity that community members have in participating in commercial operations by actively participating on boards of management is extremely valuable. The experience increases Indigenous board members capacity to learn about corporate governance and managing and operating a business which is one of the primary strengths of our equity programme.

There are pre-emptive rights written into partnership arrangements that allow Indigenous partners first option to buy out IBA's stake in joint venture projects. IBA has recently tightened this option to include prescribed time limits, or clauses that require IBA's agreement to the exact timing of early buyout options. This has arisen because there are substantial establishment costs in joint-venture arrangements and IBA must realise a reasonable return for its initial outlays, in order to reinvest in other opportunities.

Under these pre-emptive rights, once a business is viable and making profits, IBA reduces its E&I equity by allowing the Indigenous community to progressively buy IBA's share of the business.

One of the significant benefits of our investment programme and developing Indigenous joint ventures is the potential for increased economic activity and resultant flow of funds through a community which can potentially stimulate further economic activity. With the recent transfer of the small-business loans programme, IBA can now look at small, medium and micro-enterprise developments in related activities, for example the provision of transport services to service tourism or mining ventures. IBA will seek to maximise opportunities for our equity and loans programmes to be used in tandem with

this programme in regional areas and this may lead to further opportunities to increase the multiplier effect within communities and regions.

IBA continues to vigorously pursue employment and training initiatives wherever possible in those businesses in which it invests. Initially, any investment opportunity is examined from a purely commercial viewpoint. If the potential investment can not stand-alone as a business, then it is not a viable option for IBA. The primary purpose of joint ventures is to create wealth for the owners rather than social objectives (even though there are many). Opportunities need to be economically sustainable.

IBA sees a direct correlation between Indigenous communities owning businesses and the future improvement in employment opportunities. It should be noted that IBA does not usually possess a controlling interest in a business, but usually has a stake at the board table and receives a return on investment for its participation. This return is reinvested into other Indigenous based joint venture opportunities.

IBA advocates its approach of partnerships and improved relationships with the private sector as an important part of the range of options available to governments. This approach is seen as an important key to achieving better economic outcomes for Indigenous Australians. In order to achieve its objectives, IBA has developed strategic alliances with experienced and reputable corporate operators who see the unique and commercial advantages in working with or involving Indigenous Australians in their operations.

That being said, IBA often has difficulty identifying attractive business investment opportunities in the larger urban centres as rates of return on investment are often marginal given the level of competition and market expectations on the sale value of businesses. That situation is improving by increasing our links to private sector corporations that see advantages in involving Indigenous Australians in their business models.

IBA monitors its investment portfolio in terms of the ratio of strategic, or passive, investments to active investments. Some projects have active participation strategies to increase Indigenous involvement in the management of the business and generate employment outcomes whilst others are strategic in nature and their objective is to realise dividends and accumulate equity and wealth.

One of IBA's successful strategic investments is in the Fitzroy Crossing Inn with Leedal, a local Aboriginal Group made up of eight family clans from

the region. At the time IBA and Leedal purchased 85 per cent equity share they were concerned about the potential social ramifications, with its liquor licence, if the Inn was sold to a more conventional operator. The strong self imposed restrictions adopted by the owners have resulted in the Director of Liquor Licensing using the Inn as a model for remote hotels in WA.

IBA's involvement has allowed Leedal to retain their share of the Inn and acquire an equity holding in the Fitzroy Crossing Lodge. While local employment is not a feature of these investments, the returns have enabled further investment in businesses in the town and increased the equity and wealth of the local Aboriginal people. Leedal also owns the local supermarket, post office, petrol station and a caravan park.

Another example of a strategic investment facilitated by IBA is the purchase and total reconstruction of Scarborough House in Canberra. Four Indigenous groups, with limited local economic development options, together with IBA, have invested in Scarborough House. The refurbishment and upgrade of the building is expected to be completed shortly, with the new tenants taking up their long term lease in September 2005. The advantage of this type of strategic investment is that it allows Indigenous partners to build equity and wealth when local opportunities may be limited. This can create an income flow and increased asset accumulation that can then be used as security to raise funds for other activities that can foster business development and provide a means for real priority setting at the local level.

IBA's investment in the Gagudju Crocodile Holiday Inn and the Gagudju Lodge Coinda are also significant in terms of training outcomes. These investments have provided opportunities for significant training, development and employment of local Indigenous people, utilising the Indigenous Employment Programme.

While IBA has traditionally sought to participate in low risk opportunities, these investment opportunities are obviously limited. However, there is an opportunity to re-examine our portfolio and make appropriate suggestions to the IBA Board on how IBA could also take advantage of opportunities with a higher risk. As with any portfolio of investments, IBA needs to continually monitor the wider economic environment and determine its strategy in relation to capital gains, dividends and return on investment. The Boards stewardship to date has seen IBA successfully grow its investments.

The E&I Success

IBA believes that the E&I has been successful in drawing together Indigenous Australians and the private sector into sustainable business relationships which provide for profit (and risk) sharing, employment opportunities, and asset accumulation. This continues to be a valuable role model in which mainstream Australian businesses are progressively introduced to commercial opportunities with Indigenous groups for mutual gain.

The current success of the commercial approach by IBA can be highlighted by the following key facts:

- The total Australian Government investment in E&I to date has been \$70.4 million - and as at 30 June 2005 was worth well over \$100 million. This is a good result given that IBA often invests in ventures that carry some risk and has met all business losses and all running costs from its successful investments;
- IBA through E&I is currently involved in 31 significant investments of which 14 have existing Indigenous partners and a further five have negotiations underway to introduce Indigenous partners;
- Of these investments 25 are located in rural and remote Australia;
- IBA expects that shortly its Indigenous business partners will hold equity in IBA joint ventures to a gross amount exceeding \$40m (currently exceeding \$19m gross);
- Despite its modest capital base, in 2004-05, IBA expects that its E&I investments will have provided approximately 600 jobs for Australians of which around 260 will be Indigenous Australians;
- The expected annual wage bill for Indigenous employees in these investments will be in the order of \$8m to \$10m;
- Profit distributions to Indigenous business partners was over \$2 million for the year ending 30 June 2005;
- Over recent years, IBA has sold its remaining equity in five other successful investments to its Indigenous partners (three of these businesses had continuing non-Indigenous partners). These businesses had a combined gross value of some \$15 million and employed nearly 300 Australians; and

- There is clear evidence that the E&I business activities and the subsequent involvement of local communities is having positive social benefits. We have reports of reductions in alcohol and drug abuse in communities keen to take up employment opportunities.

Overview

The financial year under review saw a number of new investments added to the portfolios of investments managed under the E&I Programme. The abolishment of the Aboriginal and Torres Strait Islander Commission (ATSIC) in March 2005 saw a number of assets and liabilities, as well as two programmes, transferred to IBA.

IBA agreed to implement decisions previously made by the ATSIC Board in respect of the divestment of certain assets. In particular were certain shareholdings including those of Yeperenye (Pty) Ltd and Imparja Television Pty Ltd.

The Board of IBA, noting the decisions which the Board of ATSIC had previously taken in relation to these shareholdings, duly approved divestment of them to Indigenous parties. The divestment process was completed before 30 June 2005 with almost \$29 million in net assets reverting to Indigenous ownership.

In addition four investment properties, Warrama in Cairns, the Coomanoo Centre at Leonora, All Hallows in Bathurst and the Willow Bend Sports Complex at Condobolin, were also acquired by IBA as a direct result of the abolition of ATSIC.

During the year IBA also assumed responsibility for the Indigenous Fishing Trust. In October 2004 the Trust purchased its first quota and associated licence. The licence allows for an annual quota of Abalone to be taken from the Western Zone of Victoria, which lies between Apollo Bay and the Victorian/South Australian border. In addition IBA has purchased a mud crab licence in the Northern Territory which it has leased to an Indigenous entrepreneur operating near Darwin.

The 2004-05 financial year also saw the divestment of a number of other investments. Queensland Bulk Haulage, a trucking firm, had a seven year contract to transport copper concentrate from the Ernest Henry Mine near Cloncurry, Queensland to a smelter at Mount Isa. The company took the decision not to re-tender for the haulage contract when it expired and

consequently it ceased operating at midnight 31 March 2005. During April 2005, Property Investment Vehicle No. 1 (PIV) founded in 1999 by Baulderstone Hornibrook as a way of providing mezzanine debt facilities behind senior lending institutions, reduced its capital by paying a final distribution to shareholders. At that time IBA held 15 shares in PIV.

IBA has acknowledged that it also has Community Service Obligations to those Indigenous organisations and individuals that approach us requiring advice and assistance in commercial matters. As a consequence, staff frequently represent IBA at conferences, workshops and forums in an effort to assist both organisations and individuals on a case by case basis. As part of this obligation, staff responded to a number of requests for assistance in the year under review.

These included:

- The establishment of appropriate entities suitable for the part acquisition of a commercial property;
- Assistance in terms of suitable legal structures for joint ventures;
- Assistance to enable an organisation to obtain adequate legal advice; and
- Advice on suitable funding alternatives for various proposed Indigenous enterprises.

Significant Events in E&I

The year under review saw a number of activities and developments happening within the E&I programme portfolio. In 2004-05 E&I concentrated on identifying investments in states and industries in which IBA is under-represented. This proved difficult but remains a priority. Another priority is in finding investments with the capability to enhance Indigenous employment outcomes.

During the financial year under review 99 proposals were received and assessed by the E&I Programme area. Details are as follows :

Status	Number
Those put to the Board	
Approved & settled	4
Approved & not settled	4
Approved & will not proceed	0
Noted	1
Not Approved	1
Those not put to the Board	
Declined	66
Still being assessed	23
Total	99

During 2004-05 IBA settled four (4) new proposals, three of which involved IBA equity and one involved a loan to an Indigenous organisation. These were:

- Assuming operational control (as mortgagee-in-possession) of a quality dairy farm in the south-west of NSW;
- A loan to an Indigenous organisation involved in the fishing industry in Queensland;
- The purchase of an abalone licence in Victoria; and
- The purchase of a mud-crab licence in the Northern Territory;

The latter two investments were funded through IBA's Fishing Trust established during the last financial year.

This year has also seen IBA put in place the necessary legal trust structure to enable Indigenous organisations throughout Australia to invest in Scarborough House, a \$32 million commercial property development in Canberra. Agreements are in place for 50 per cent of the Trust's issued units to be sold to a number of Indigenous entities from all over Australia. Final settlement of the legal documentation is expected to occur early in the 2005-06 financial year.

In addition, significant resources were applied to the re-establishment of previously held ATSIC/ATSIS land based enterprises. A further two of these enterprises are expected to settle early in the 2005-06 financial year.

Projects Assessed in 2004-2005	
Industry Sector	Number
Agriculture/Fishing	19
Mining	10
Manufacturing	14
Accommodation/Tourism	18
Transport and Storage	4
Finance and Insurance	0
Property and Business Services	27
Personal and Other	7
Total No. of Projects	99
State of Origin	Number
QLD	27
NSW	22
ACT	2
VIC	8
TAS	1
SA	6
WA	20
NT	13
Total No. of Projects	99

Within the Tourism Portfolio the Gagudju Crocodile Holiday Inn (Hotel) which is situated in Kakadu National Park conducted its 6th Indigenous Employment Programme (IEP). The 6th intake consisted of 19 trainees undertaking a Certificate 2 in Hospitality and Guiding. At the completion of 13 weeks of training, 11 of the 19 trainees were gainfully employed at either the Hotel or at the nearby Gagudju Lodge Cooina. Of the four tour guide trainees who

commenced the programme, three are still employed. Of the 15 hospitality trainees who commenced the programme, eight are still in employment. The programme was facilitated by Charles Darwin University.

During June 2005 the Hotel commenced its 7th Indigenous Employment Programme with an intake of a further eight trainees also undertaking a Certificate 2 in Hospitality and Guiding. As a result of demand 2004-05 was the first year that there were two intakes of IEP students.

A number of investments within the Tourism Portfolio also underwent development or completed enhancement of their properties. In June 2005 the Gagudju Lodge Cooinda held an official opening of its new facilities. The completed works



Joseph Elu speaks at re-opening of Cooinda resort in Kakadu.

included a new guest swimming pool, sealed car-park and ring road and the recently completed rebuilding and upgrading of the food and beverage facilities. The works were completed over a two-year period at a cost of about \$4 million.

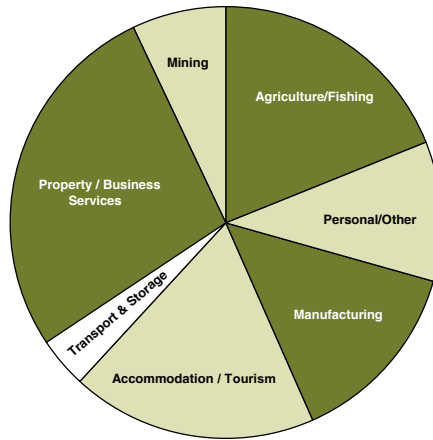
Mungo Lodge undertook \$465,000 worth of capital works to the infrastructure of the property. These works included the installing of "grey water" pits and reticulation pipes for each of the cabins, the creation of a new water catchment area and the installation of a new generator to supplement the existing power supply. In addition, the Lodge also purchased Harry Nanya Outback Tours. Harry Nanya Outback Tours provides Indigenous guided tours to the World Heritage listed Mungo National Park and to various areas surrounding Wentworth NSW.

Fitzroy River Lodge also commenced a small tour company. The company known as Fitzroy River Lodge – Kimberly Eco Adventure Tours operates out of the Lodge and takes guided tours to Tunnel Creek, Windjana Gorge, Geikie Gorge and through the township of Fitzroy.

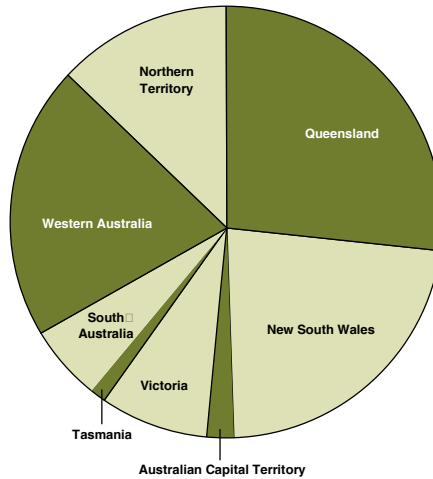
Within the Property Portfolio a number of the properties undertook minor works with 44 Waymouth Street completing a minor upgrade of its plant room and repainting of some of its internal areas.

As at 30 June 2005, IBA was involved in the ongoing assessment of 31 investments. The following tables provide an indication of industry and geographic diversity.

Assessments: Industry Diversity



Assessments: Geographic Location



See page 80 for a description of each investment.

Output 1.1 - Equity and Investments		
Performance Information for Outcomes 2004-2005		
Portfolio Budget Statements		
Measure	Target	Performance
Investments Assessed	20 per cent increase	77 per cent improvement in number of proposals
Board Approvals	20 per cent increase	167 per cent increase in approvals

Output 1.2 - Home Loans

Home Ownership Programme

The Home Ownership Programme (HOP) was first established in 1975 under the Aboriginal Loans Commission. The programme has since gained recognition as one of the most successful Indigenous-specific programmes run by Government. The financial market does not provide the necessary opportunities for Indigenous Australians to obtain home loan finance.

In addition the level of aftercare inherent in the programme has effectively caused conventional financial institutions to absent themselves from this market. HOP assists Aboriginal and Torres Strait Islander people to purchase homes and establish an economic base through which they can pursue economic empowerment and independence.

Since its establishment, the Home Ownership Programme has helped 11,833 Indigenous families to buy their own homes. In addition to being able to create a stable home environment for themselves and their families, many people assisted by the programme have been able to refinance their loans with mainstream lenders to utilise their equity to fund other lifestyle and investment choices, thereby exercising their economic independence.

The Home Ownership Programme was transferred to Indigenous Business Australia on 24 March 2005, and IBA continues to provide home loan assistance to eligible Aboriginal and Torres Strait Islander people.

Programme Objectives

The Home Ownership Programme has two key objectives:

- Provide a range of competitive housing loan products to eligible Aboriginal and Torres Strait Islander people who may not qualify for assistance from conventional institutions to assist them to buy and eventually own their home; and
- Assist in increasing the home ownership rate of Aboriginal and Torres Strait Islander people to 40 per cent by the year 2010.

Context

The opportunity to be able to buy one's own home is a cornerstone of the post war Australian society vision and home ownership has provided many Australians with a source of security and prosperity.

For many reasons, Indigenous Australians have not been able to participate in home ownership at the levels enjoyed by the broader Australian community. Currently less than 32 per cent of Indigenous Australians participate in home ownership compared to around 72 per cent for the wider Australian population.

The Productivity Commission report on Overcoming Indigenous Disadvantage noted that the rate of home ownership among Indigenous people is one of the main indicators of Indigenous disadvantage, and stressed the importance of Home Ownership in overcoming both social and economic disadvantage. The Home Ownership Programme seeks to bridge the gap in home ownership participation rates by providing eligible Aboriginal and Torres Strait Islander people with access to affordable home loan finance to assist them to buy or build a home to live in.

In keeping its key objective of increasing home ownership participation rates, the programme is targeted towards Indigenous people who have the capacity to repay a long term loan, but would have difficulty in obtaining mainstream finance. The programme is generally targeted towards Indigenous first home buyers with modest incomes and savings. The programme is able to assist this specific segment of the Indigenous population through a range of affordable home loan products which are tailored to help them overcome existing barriers to home ownership.

Lending is based on commercial lending principles, however the key focus remains wherever possible to facilitate a family into an affordable home loan product that enables them to begin the home ownership journey.

Minimum deposits for IBA's home loan products are set at a modest level of \$3,000 or 5 per cent of the purchase price, but can be lower depending on circumstances. The First Home Owners Grant can be used to meet deposit requirements.

Interest rates generally commence at 4.5 per cent, but can be as low as 3.0 per cent depending on circumstances. Interest rates are gradually increased over time until they reach the IBA Home Loan Rate, which is capped at 1 per cent below market interest rates for owner occupied homes. Depending on the borrower's ability to meet loan repayments, loan terms can be up to 32 years and in certain situations extended to 45 years. That being said, the average loan life is seven years.

Loans are provided for purchase of standard owner occupied homes, with maximum loan amounts based on family income and existing financed commitments. The majority of families assisted by the Home Ownership Programme have an adjusted family income that is less than National Average Weekly Male Earnings. Assistance can be provided to families on higher incomes, where part of the amount is being borrowed from the commercial sector. The cost of the house being purchased is capped by purchase price limits which reflect the average cost of housing in identified geographical locations.

Performance in 2004-05

New Lending

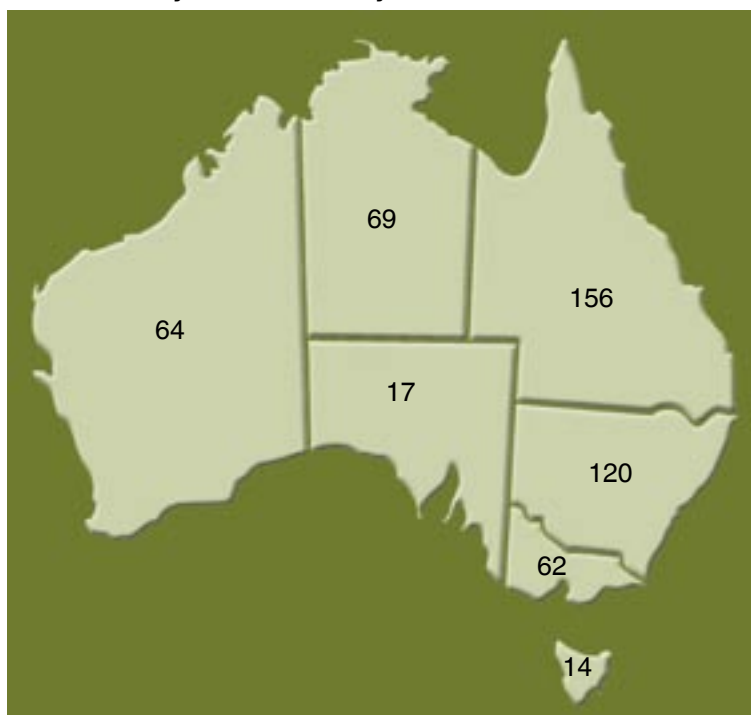
During the year, the programme generated over 5,111 new enquiries from potential Indigenous home buyers. From these enquiries, the programme received 1,162 applications, of which 627 applicants were eligible for assistance.

Five hundred and two new loans were approved in the year for a total value of \$94.1 million. These loans enabled 1,465 Aboriginal and Torres Strait Islander people to live in their own home and enjoy the many benefits that come from home ownership. Around 90 per cent of families assisted had an adjusted household income of less than \$66,346 which is 125 per cent of the National Average Weekly Male Earnings figure.

At the end of the year there were 161 applicants who have been issued an invitation to formally apply for a housing loan* and were looking for a suitable home to buy. A further 136 applicants were identified as eligible to apply for home loan finance, but were waiting to be issued a loan invitation.

*A waiting list of eligible applicants is maintained to manage supply and demand factors and as a tool for ensuring that clients with priority needs receive consideration.

New Loans by State / Territory



During the year the Government contributed a \$20 million to the New Housing Fund, which was part of its Commonwealth's 2004-05 budget initiative to provide additional loans to Indigenous families. These loans will be specifically targeted towards tenants of Indigenous Housing Organisations and Deposit Gap lending.

Deposit Gap Lending

The programme recently introduced an innovative Deposit Gap loan to assist potential Indigenous home buyers who have the capacity to repay a mainstream housing loan but do not meet the minimum deposit or mortgage insurance requirements to obtain a loan from the private sector.* This product is continuing to help a targeted segment of Indigenous Home buyers to overcome barriers to entering the housing market which have been exacerbated by higher house prices in most areas.

* The Deposit Gap loan provides funding of up to 20 per cent of the purchase price of a home with the remainder of the required funds sourced from private sector.

Loans to Tenants of Indigenous Housing Organisations

The programme also continued to assist tenants of Indigenous Housing Organisations to purchase their home. In addition to contributing to the Home Ownership Programme's objective of increasing Indigenous home ownership participation, this initiative has the added benefit of increasing the availability of Indigenous specific rental accommodation for other Indigenous families. In NSW, lending under this initiative has been supported by a further \$1 million injection of funds by the NSW Aboriginal Housing Office.

New approvals of Deposit Gap Loans and loans to tenants of Indigenous Housing Organisations amounted to \$10.7 million for the year.

Funds Management

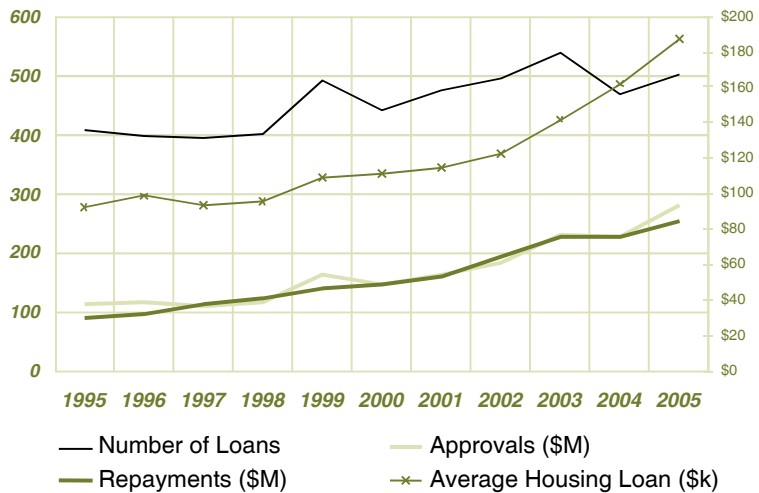
The Home Ownership Programme is essentially self funding from revenues received from housing loan repayments, discharges and interest, which are paid into the New Housing Fund and used to make loans to other Aboriginal and Torres Strait Islander people. Revenue from loan repayments and discharges over the year amounted to \$84.1 million.

Loan discharges continued to play an important role in increasing the performance and outcomes from the programme. The majority of loan discharges are a result of borrowers trading up to their second home, or refinancing their loan to utilise the equity they have built up to fund lifestyle and other choices. These clients are continuing on the home ownership journey and exercising their economic independence. Loan discharges accounted for 60 per cent of the revenue received for the Home Ownership Programme.

Higher house prices in urban and regional areas continued to be a significant barrier for first home buyers seeking to enter the housing market. Although the programme achieved a steady flow of revenue from loan repayments and discharges, increases in average house prices and higher home loan financing requirements has impacted on the number of loans that the Home Ownership Programme can make from this revenue.

At the end of the year, the housing loan portfolio comprised 3425 active loans with a value of \$368 million. The programme's total asset base, including funds held in the New Housing Fund was \$416 million. Loan interest increased the value of the asset base by \$17.7 million this financial year.

Revenue Received and New Loan Approvals by Number and Amount

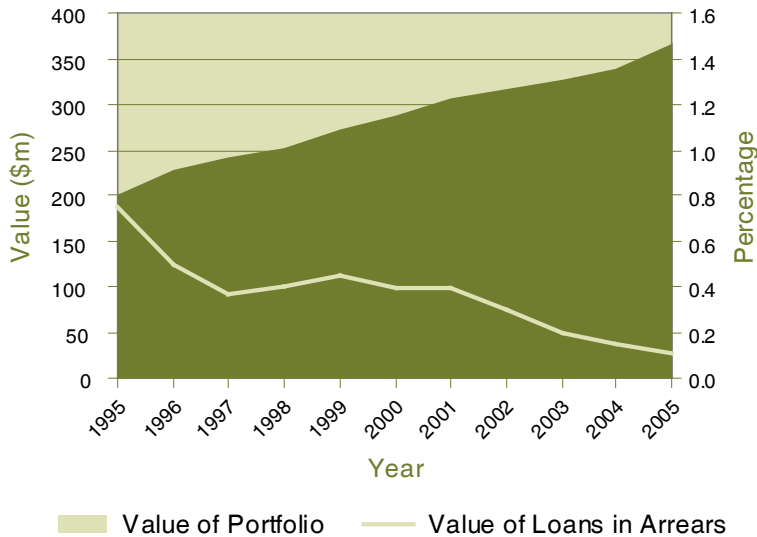


Arrears Management

Arrears management is an important aspect in ensuring the effective operation and performance of the programme. Reportable arrears (two or more payments in arrears) have again decreased during 2004-05 and now represent 0.11 per cent of the value of the portfolio, which compares favourably to other targeted lending programmes. The graph on the following page contrasts the growth of the portfolio with the trend decline in arrears over the past 10 years.

This year, the programme undertook a major version upgrade of its lending systems. The upgraded system contains a number of software enhancements. The upgrade will enable the programme to access enhanced arrears management capabilities and a project is currently underway to review and exploit these benefits. It is expected that the new arrears management processes and systems will be rolled out in 2005-06 financial year.

Portfolio Growth and Arrears Decline



ANAO Performance Audit

This year, the ANAO completed a performance audit into the Home Ownership Programme. The report examined the effectiveness of the Home Ownership Programme in meeting applicable Australian Government policies, internal guidelines and programme performance reporting. The report was presented to Parliament on 21 June 2005 and a copy of the report may be found on the ANAO web site www.anao.gov.au.

The field work for the audit was conducted prior to the passage of legislation enabling the transfer of the programme to Indigenous Business Australia. Indigenous Business Australia welcomes the report recommendations and will implement them as part of its commitment to the ongoing effective operation of the programme.

Output 1.2 - Home Loans		
Performance Information for Outcome 2004-2005 Portfolio Budget Statements		
Measure	Target	Performance
Increase Indigenous home ownership	40 per cent by 2010	<p>This is a long-term target. Available statistics indicate an increase in the Indigenous participation rate to approximately 32 per cent*. This represents an increase of 20 per cent from the participation rate as measured in the 1986 census.</p> <p>The Home Ownership Programme has assisted 11,833 Indigenous families to buy their own home. This represents around 10 per cent of the total number of Indigenous households and 30 per cent of total number of Indigenous families who currently own or who are purchasing their home.</p>
Cost effective and efficient provision of development and support services		Direct operating costs for the programme are currently less than 1 per cent of the programme's asset base. These costs are considered to be modest when taking into account the broad geographical servicing requirements, application conversion rates and the inherent economic disadvantage of its client base.
Reportable arrears maintained at or below 0.35 per cent of portfolio balance		Reportable loan arrears were 0.11 per cent of the value of active loans portfolio. This continues to be a very creditable result, given that the programme lends to borrowers with lower levels of income and with much smaller deposits than those serviced by mainstream lenders.
Issue home loans to applicants with a combined household income of less than the IBA Income Amount (IIA)	More than 90 per cent	<p>The programme has retained its focus on families with low incomes, however the income thresholds for standard housing loans has been lifted to 125 per cent of the IIA to assist first home buyers who have difficulty entering the current housing market due to increased house prices.</p> <p>90 per cent of loans approved were made to families with an annual household income of less than \$66,346 (which is 125 per cent of IIA).</p>

* Source: 2002 Census

Outlook

The outlook for the Home Ownership Programme continues to be positive, with Indigenous Business Australia providing its full commitment to the continued operation of this already successful programme and to address emerging needs of Aboriginal and Torres Strait Islander families seeking to enter the home ownership market.

The current focus of the Home Ownership Programme on assisting families with low to moderate income and low deposit and equity, continues to fill a unique niche in the home lending market, particularly given the trend of mainstream lenders towards clients with higher incomes and/or deposit and equity levels.

As part of the Commonwealth's capital injection, and the associated expansion of its new lending, the programme has embarked on a range of activities to enhance its operational capabilities. These activities will continue in the new financial year and will result in operational improvements in the programme's lending processes and systems.

During 2004-05 the IBA Board considered options for the delivery of this programme. After discussion on the modest level of in-house costs associated with the programme, the Board confirmed that the programme would continue to be delivered from within IBA.

Output 1.3 - Business Development and Assistance

Business Development Programme

The objective of the Business Development Programme (BDP) is to facilitate the acquisition, establishment and development of commercially viable enterprises by Aboriginal and Torres Strait Islander people.

The goals of the BDP are:

- To improve the economic sustainability and business development opportunities for Aboriginal and Torres Strait Islander people;
- To equip Aboriginal and Torres Strait Islander people with the necessary market intelligence, skill development services and alternative funding products to undertake economic and business development opportunities; and
- To facilitate the transition of Aboriginal and Torres Strait Islander people accessing mainstream financial products.

The IBA BDP had a budget allocation of \$27.7 million in 2004-05.

The BDP manages the following funding products to achieve the objectives of the programme:

- Business Finance
- Business Support
- Economic Development Initiatives

Business Finance

The BDP finance product was changed leading into the current year to improve funding flexibility and refocus the assessment process to examine commercial viability. The changes were the result of various reviews of the programme undertaken in the previous year and include a re-focus of finance assessments through examining a range of risk factors including:

- Technical and vocational skills of the applicant;
- Management ability and small business skills;
- Industry type;
- Market volatility and fluctuations;
- Industry benchmarking;

- Competition factors;
- Economic climate factors;
- Applicants ability to provide security and equity; and
- Loan serviceability.

The BDP does not attempt to replicate the service provided by the commercial banking sector. The banking industry develops assessment formulas that are rigid in their approach and these impact on the ability of Indigenous people to gain access to loans, even if the proposal is commercially viable. The BDP provides a service to Indigenous people which attempts to bridge the gap to allow Indigenous people to access finance from the commercial banking sector. The BDP is different from the banks in the following ways:

- IBA considers security and equity as a factor when assessing a loan but concentrates more on a risk assessment of the whole proposal, including the business skills of the applicant and looking at commercial viability as the key component of whether to finance a business.
- IBA is able to offer clients access to a range of professional business support services aimed at assisting the development of Indigenous enterprises and reducing the risk of business failure.

Business Finance Activity

The decision making for applications for Business Finance was centralised at the beginning of the 2004-05 year. Transfer of the programme between ATSIC/ATSIS/DEWR and subsequently IBA impacted on the programme's visibility in the marketplace which led to a downturn in enquiries over the past two years.

With the transfer of BDP to IBA, the programme has been able to increase marketing and promotion which is leading to an increase in the number of business finance applications being received for consideration at the national level.

Details of applications considered during the year are outlined in the Table below:

Regional Office	Number of Loans approved	Value of Loans approved \$	Number Approved Loans withdrawn	Value of Loans withdrawn \$	Number of Loans Declined	Value of Loans declined \$
Adelaide	2	64,000	0	0	0	0
Alice Spr	1	106,000	0	0	0	0
Brisbane	15	2,866,550	2	232,000	5	326,200
Broome	4	118,645	0	0	1	638,900
Cairns	7	573,900	1	250,000	1	100,000
Darwin	4	586,500	0	0	2	222,500
Hobart	0	0	0	0	0	0
Melb	3	357,000	2	358,000	1	20,000
Perth	1	70,000	2	106,000	2	421,500
Sydney	0	0	2	215,000	3	250,000
Wagga	3	836,000	2	43,000	2	1,200,000
Total	40	5,578,595	11	1,204,000	17	3,179,100

Of the 40 loans approved during 2004-05, 21 have progressed to establishment or settlement.

These operating businesses achieved the following employment outcomes for the BDP:

Employment generated through IBA loans approved and settled 04/05				
Indigenous Male	Indigenous Female	Non-Indigenous Male	Non-Indigenous Female	CDEP
18	9	3	6	2

The 21 businesses established or settled are operating in a variety of industry sectors including, food services, financial services, health and beauty services, tourism, home services, fuel services, agriculture, carpentry and commercial fishing. Seven of these were existing BDP clients who were expanding their businesses.

Business Support

In addition to Business Finance the BDP provides a range of Business Support Services to assist applicants develop commercially viable businesses. This assistance is provided through a range of professional Preferred Service

Providers who assist approved applicants directly. Business Support is available to eligible Indigenous entrepreneurs regardless of whether they have been funded through IBA Business Finance.

Business Support funds can be provided for:

- Professional advice for individuals and community organisations;
- Assistance with the development of business plans, marketing advice, product development or business growth assistance;
- Feasibility studies where they are directed at establishing commercially viable enterprises or to assess the possible expansion of existing businesses;
- Mentoring advisory services; and,
- Tailored business support products and services.

Regional Office	Enquiries	Business Support Expenditure by region \$	Business Support Applicatios Received	Business Support Applicants Assisted Pre-Start Up	Business Support Applicants Assisted Post-Start Up	Workshop
Adelaide	123	173,252	58	26	28	4
Alice Spr	32	45,450	16	10	4	1
Brisbane	299	330,709	39	32	20	7
Broome	78	178,441	22	11	15	0
Cairns	286	317,218	41	36	19	11
Darwin	96	198,127	43	18	33	6
Hobart	22	979	2	0	3	0
Melb	128	58,772	19	8	23	0
Perth	287	120,183	21	2	14	3
Sydney	170	213,064	33	11	22	9
Wagga	156	48,896	11	5	12	4
Total	1677	1,685,091	305	159*	193*	45

* Includes clients receiving business loans who are not required to submit a separate Business Support Application.

Preferred Service Providers

IBA has 53 current 'Standing Offer for Services' with Preferred Service Providers to assist BDP applicants with a range of business support services. PSPs are available in all regions and have various business development and industry specific skills and qualifications. PSPs were selected following a national tender process and the option to extend the Standing Offers for the next year was taken up at the end of the 2004-05 year.

In order to strengthen the list of PSPs BDP will be conducting another national tender early in the 2005-06 financial year.

Output 1.3 - Business Development and Assistance Performance Information for Outcomes 2004-2005 Portfolio Budget Statements

Measure	Target	Performance
Increase in new loans	20 per cent	21 per cent increase in number and 30 per cent increase in value
Increase in business related initiatives	20 per cent	90 per cent increase in expenditure on Business Related Initiatives
Repayment rate on ATSI loans	95 per cent	99 per cent repayment rate
Return on ATSI and ATSI loan portfolio	5 per cent	6 per cent return
Reduction in provision for doubtful debts in ATSI's loan portfolio	10 per cent	7.2 per cent reduction

IBA Business Loan Portfolio

Following the transfer of the BDP from DEWR to IBA on 23 March 2005, IBA gained responsibility for the existing ATSI Business Loan portfolio and the ATSI/DEWR BDP loan portfolio. Combined IBA Business Loans by number and balance as at 30 June 2005 are outlined in the following table:

IBA BDP loan		
Cluster Office	Number of Loans	Balance
Adelaide	38	2,544,286
Alice Springs	17	3,276,815
Brisbane	76	4,817,533
Broome	24	2,248,590
Cairns	46	2,418,842
Darwin	59	6,284,101
Hobart	14	719,289
Melbourne	57	5,178,189
Perth	45	12,860,849
Sydney	73	6,750,255
Wagga	50	9,097,940
Total	499	56,196,689

Ongoing Loan Portfolio Management

The transfer of the BDP to IBA has provided IBA management an opportunity to initiate a fresh approach to the ongoing management of business loans. An integral component of that fresh approach is the establishment of the Compliance and Support Unit.

The Compliance and Support Unit is located in Brisbane and is staffed by officers with skills and qualifications appropriate to the complex tasks associated with the management of an extensive business loan portfolio. Important tasks to be undertaken include arrears management, enterprise and security restructures with a dual focus of remedial action in support of Indigenous businesses and commercial and cost effective realisation and recovery of loan funds where businesses have failed.

A significant task for the Compliance and Support Unit is to reduce the current BDP arrears and the end of year provision for doubtful debt. Presently, loan arrears and the provision for doubtful debt are as follows:

ATSIC funded loans			
Total loan balance (current accounts plus Loss Salvage)	Total arrears balance (current accounts)	Arrears as % of total loan balance	PDD as % of total loan balance
60,916,173.80	10,981,443	18.0%	45.5%

NB. The arrears balance includes arrears on current loans and total of loans which have been transferred to loss salvage. (Loss Salvage applies to all accounts where security has been realised or judgment recovered).

IBA funded loans			
Total loan balance	Total arrears balance	Arrears as % of loan balance	PDD as % of total loan balance
7,081,824.32	48,585.15	0.7%	0.0%

Returns on the BDP Loan Portfolio for 04-05 are summarised as follows:

- Repayments received \$9,982,597
- Loan discharges \$4,742,964
- Interest received \$3,547,046

Economic Development Initiatives 2004-05

Economic Development Initiatives are targeted at addressing skill gaps and to fund projects which will foster the leveraging of identified Indigenous business opportunities. EDIs include provision of funding for business development workshops, small business management training, support for business hubs, microfinance and industry specific assistance. Examples of the funding provided this year are outlined below.

Business Workshops

First Australians Business (FAB) www.firstaustralians.org.au was funded to conduct a series of Enterprise Development Workshops for 700 Indigenous people interested in small business. This series of workshops commenced mid 2003. Twenty six have been conducted in the 2004-05 financial year. These workshops have been successful in generating interest and providing

information to participants on how to take the first steps towards developing a small business.

All participants are encouraged to be linked with a voluntary mentor at the end of the workshop to assist them develop their business ideas. The workshops also provide the opportunity to assess those at an advanced stage of business development and identify their specific needs and suggest support services to assist them make the next feasible step into business.

Training

IBA has identified the need to ensure that there are nationally accredited training packages at the Certificate I, II & III levels in small business management which meet the needs of Indigenous Australians. IBA in conjunction with DEWR has funded Innovation and Business Skills Australia <http://www.ibisc.com.au/>, (a National Industry Skills Council) to develop training packages suitable for Indigenous small-business operators and community stores.

The training packages will be pathways to more advanced courses including the Certificate IV in Small Business Management. National training package statistics will be available to map the progression of Indigenous learners throughout Australia. IBA is working closely with DEWR and DEST on this project and the training packages will be ready for the 2006-07 financial year.

Business Hubs

Supplementary funding was provided to business hubs or incubators in specific geographical areas or in specific industries where there is a high level of small-business opportunity. This included funding to Adelaide City Business, Hillsong Emerge and Creative Economy. While the services provided vary in relation to client needs, they essentially revolve around assisting Indigenous Australians access support services to develop or strengthen their businesses. Access to business support expertise is sometimes a barrier given the lack of cultural awareness by non-indigenous service providers and Indigenous clients.

Microcredit Projects

Access to small business finance by Indigenous Australians has been a significant barrier to improving Indigenous entrepreneurialism throughout Australia. This year is the United Nations 'Year of Microcredit' (www.microcredit.org.au) highlighting the importance of microcredit programmes

on an international basis. Australian Government agencies have been researching and piloting the delivery of micro credit or micro finance loans to Indigenous Australians over the past few years. This work was initially developed by organisations with relevant expertise including Opportunity International and Hillsong Emerge. Pilot projects were established in Northern New South Wales and Sydney.

With the passage of the Aboriginal and Torres Strait Islander Act in March 2005, Indigenous Business Australia is continuing the work previously facilitated by ATSIC, ATSIIS and the Department of Employment and Workplace Relations to develop delivery models that can assist Indigenous access to microcredit.

Initially the pilot project was administered by Opportunity International (OI), an organisation involved in developing microcredit services across the world. However, as OI concentrated on the development and establishment of microcredit services when the BDP decided to extend the current programme, it was agreed with OI that there would be a transfer of the project to Hillsong Emerge.

Hillsong Emerge has been provided with funding to further extend the microcredit product and provide business support in a remote region (Cape York) while continuing to delivery stage in the Sydney and Northern New South Wales regions with a view to determining an appropriate model to implement a microcredit product on a national basis. Up to \$280,000 in loan funds was also provided as part of this project. Early indicators suggest the micro credit project is a success with an interest rate of 13 per cent and an arrears rate of 10 per cent (>30 days), 20 per cent portfolio risk rate (<30 days) and a default rate of 5 per cent.

In the 2005-2006 financial year Hillsong Emerge will continue these pilot activities with a view to developing a model that may involve partnerships between governments and the corporate sector that can be rolled out on a national basis. There is a significant opportunity if this pilot is successful and a decision is made to expand this project, given that many Indigenous small business aspirants need access to such a product as demonstrated on an international basis.

Australian Government Indigenous Economic Development Strategy

The Australian Government announced the development of an Indigenous Economic Development Strategy within existing resources and budget

allocations as part of the 2005 Budget Statement. The strategy will examine the delivery of the Australian Government's economic development programmes and IBA will play a role in the delivery of this strategy from the beginning of 2006.

The Australian Government has recognised that, "a number of Indigenous business and economic development programmes which need to be rationalised and delivered in a coherent approach. The IEDS will first re-align the business programmes into key areas such as Business viability, Business skilling (readiness), Access to capital, and Ongoing support and mentoring." Amanda Vanstone – Minister for Aboriginal and Torres Strait Islander Affairs – 2005 budget portfolio statements.

Industry Specific Projects

Supplementary funding was provided for specific activities to Aboriginal Tourism Australia that contribute to increasing Indigenous participation within the tourism industry. These activities including training and skill development which also identify business opportunities and encourages Indigenous Australians to contemplate how they might take advantage of these opportunities by developing small businesses.

It has been recognised that creative industries such as art and craft, music, fashion, design, cultural tourism and the like are a specialised industry in need of specialist support services. Funding was provided to Creative Economy to provide business support services or act as an outreach business hub or incubator throughout Australia specifically to Indigenous persons requiring specialised assistance tailored to developing businesses within this industry.

Inter-agency Liaison

Indigenous Business Australia recognises that many Australian Government agencies have a role to play in Indigenous economic development. Among these are the Department of Workplace Relations, the Office of Indigenous Policy Coordination, the Department of Industry, Tourism and Resources, the Department of Foreign Affairs and Trade, and the Department of Communications, Information Technology and the Arts. In addition IBA is keen to continue developing relationships with State, Territory and Australian Government agencies that have a role in specific industries and/or small business development. There are many advantages to the whole-of-government approach and it appears there will be opportunity for shared joint funding initiatives to ensure that existing funding and opportunities at the local level are maximised.

Major Economic Development Initiatives funded by IBA in 2004-05

Funding Recipient	Funding	Activity
Innovation and Business Industry Skills Council Ltd	\$163,000	This funding represents a 50% contribution in partnership with DEWR to develop a small business training package at the Certificate I, II & III level specifically for the needs of Indigenous entrepreneurs and community stores.
Adelaide City Business Ltd	\$174,200	To support Indigenous small business entrepreneurs to establish and support businesses through a Business Hub outreach programme in South Australia.
Creative Economy Pty Ltd	\$255,240	To provide business support and mentoring services to Indigenous clients on a national basis that specifically operate within creative industries and have a need to understand copyright laws – art and craft, music, fashion, cultural tourism. In addition this funding represents a \$20,000 contribution to the National Memento Awards showcasing emerging businesses and providing awards to Indigenous businesses in the creative industries.
First Australians Business Ltd	\$600,000	To conduct 26 three day Enterprise Development Workshops throughout Australia and provide information to Indigenous business aspirants on the steps necessary to get into business and link them with available or appropriate business support services.
First Australians Business Ltd	\$205,000	To create a national database of business mentors that can provide services to Indigenous small business aspirants on a volunteer basis and appropriately link workshop participants to small business mentors.
Hillsong Emerge Ltd	\$610,968	Provide Enterprise Hubs at Redfern and Mount Druitt in Sydney specifically to assist Indigenous Australians develop their business ideas or provide business support. Also assist young Indigenous women in building their confidence to enter the workforce or create small business opportunities.
Hillsong Emerge Ltd	\$965,421 (plus \$280,000 in loan funds)	To pilot the provision of small loans (microcredit) to Indigenous entrepreneurs in Sydney (urban), northern New South Wales (regional) and Cape York QLD (remote) with a view to developing a financial product that may be appropriate to roll out on a national basis through partnerships with other organisations including State Governments and the corporate sector.
Parakeelya Foundation Ltd	\$275,000	Funding has been provided for a two-year period to create, identify and assess business opportunities, provide business start-up advice, provide mentoring, encourage indigenous entrepreneurs and provide assistance in business planning and small business management issues and attract further funding for joint partnership business relationships between communities, governments and the corporate sector in South Australia.

Funding Recipient	Funding	Activity
Aboriginal Tourism Australia Inc	\$74,458	To conduct the Respecting Our Culture programme which is designed to support Indigenous entrepreneurs in the tourism sector by funding state based coordinators to deliver skill development training and provide business support services.
Aboriginal Tourism Australia Inc	Funding Carried Forward from 03/04	To provide training known as the Stepping Stones Workshops to four regional areas to assist them identify tourism opportunities in their area and generate business development. To conduct two train- the- trainer workshops in the accredited Stepping Stones materials so the programme can be implemented regionally.
Western Australian Indigenous Tourism Operators Committee Association Inc	\$100,000	To assist 100 Indigenous Australians participate in the Australian Indigenous Tourism Conference 2005 in Perth and assist them, gain knowledge and develop business opportunities specifically in tourism.
National Health Partnerships Programme	\$150,000 forward	To provide a contribution to funding provided by other State and Territory Governments to improve the capacity of community stores to deliver retail, telecommunication and banking services. The project will also examine the opportunities to improve the transport linkages and industry networks for the community store sector in remote and regional Australia. This contribution has been provided to what is essentially a health programme, given that community stores are sometimes the only vehicle to generate economic development in many communities and they provide a foundation for Indigenous small business development in their community.
Arnhemland Progress Association – Minjilang Community Store		To provide funding for the rebuilding of a remote community store that was demolished as a result of a cyclone in the Northern Territory in early 2005. Funds were approved by DEWR and have been carried forward from the 2004/05 financial year specifically for this purpose.
Pangaea Pty Ltd - Littlefish	\$54,562	To provide their innovative training programme to three Community Stores in the Northern Territory to improve the stores financial and management abilities specifically relating to the operations of their community store.

Corporate Governance Statement

It is the responsibility of the IBA Board to ensure the proper and efficient performance of the functions of IBA and to determine the policy of IBA in respect to any matter (section 156). In recognition of the need for the highest standard of corporate behaviour and accountability, IBA directors have supported and adhered to the principles of transparent corporate governance.

Board Membership and Remuneration

The Minister appoints all board members, including the Chairman and Deputy Chair. All Directors are non-executive Directors.

The Remuneration Tribunal determines the terms and conditions relating of remuneration relating to the appointment and retirement of the board members.

Audit Committee

The IBA Boards Audit Committee was established in 1995/96. The primary objectives of the Audit Committee is to assist the IBA Board in ensuring that IBA and its subsidiaries meet objectives and comply with legislative requirements. Specifically, this involves:

- Acting as an advisory body on the management of IBA's administrative, operating and financial controls;
- Overseeing the audit function;
- Ensuring compliance with legislative requirements, including those under the ATSI and CAC Acts;
- Ensuring reliable management and financial reporting to the Board;
- Ensuring risks are identified and appropriately managed; and
- Overseeing and monitoring the performance of the investment portfolio.

The committee also provides a forum for communication between the internal and external auditors, including the Office of Evaluation and Audit. The members of the Audit Committee as at 30 June 2005 included three of IBA's non-executive Directors, namely:

Directors

Mr Bob Blair (Chairman)

Ms Jenny Boddington

Mr Benjamin Wyatt.

The Audit Committee is provided with support from the Deputy General Manager and Chief Finance Officer.

The audit committee met five times during the year.

Matters considered by the Audit Committee during the year included:

- Consideration of IBA's accounting policies in relation to its investments and property, plant and equipment; and
- Examination and recommendations of the carrying values for the financial year ended 30 June 2005.

Internal Audit Programme

The Internal Audit Plan is comprised of a number of assurance reviews and performance improvement reviews to assist IBA in ensuring its controls are efficient and effective and its internal processes adopted are based on best practices. The audit programme is outsourced to further improve the independence of the process.

During the year, a review of IBA's monitoring of investments was undertaken to determine their efficiency and effectiveness. Several recommendations have been made to improve the processes which have been implemented in IBA's endeavour to adopt best practice in all aspects of its operations.

Remuneration Committee

The Remuneration Committee was established in December 1999. The committee is responsible for:

- Reviewing, and assessing the performance of executive management against the key performance criteria as determined by the Board;
- Recommending any performance bonuses payable, up to a maximum 15 per cent of package, in respect of each financial year; and
- Considering any remuneration issues, as they arise.

The members of the committee are:

Mr Joseph Elu (Chairman)

Ms Leah Armstrong

Mr Bob Blair.

Risk Management

As part of IBA's adherence to best practice policy, high emphasis is placed on the implementation and subsequent monitoring of a Risk Management plan. During 2004-2005 IBA continued to monitor areas of risk in accordance with its risk management plan.

The Risk Management Plan was updated during the year to reflect the inclusion of the two new programmes – HOP and BDP – under the IBA company structure. All matters relating to Risk Management are reported at each meeting to the Audit Committee.

Financial Reporting

IBA's Financial Management System provides IBA directors with timely and accurate reporting to assist them to make informed decisions. An annual budget is formulated for approval by the Board and is reviewed throughout the year to ensure it remains relevant and an effective management tool. The budget is forwarded to the Minister, in accordance with the provisions of the CAC Act, and to the Department of Finance and Administration for inclusion in the portfolio budget statements. Year to date financial statements are presented at each Board meeting and minutes of each Board meeting are provided to the Minister.

Indemnities and Insurance Premiums

IBA provides indemnity for current and former directors, as well as staff, in respect of their appointment to any office or position within a related entity of IBA. The indemnity relates to any liability or costs incurred in connection with any claim brought against a director or staff member as a result of or in connection with, their appointment.

The indemnity does not apply to any breach by such an appointee of their fiduciary duty to IBA or the entity to which they have been appointed. It is also limited to the extent, if any, permitted by the Corporations Law and will not apply if the giving of the indemnity contravenes s.163 of the Aboriginal and Torres Strait Islander Commission Act 1989 or s.26 or s.27 of the Commonwealth Authorities and Companies Act 1997.

No circumstances have arisen nor is IBA aware of any circumstance that may arise or lead to any action related to the indemnities provided.

The cost of directors and indemnity insurance for 2004-05 was \$59,119.

Ethical Standards and Environment

Service Charter

IBA's service charter sets down a number of self-imposed obligations on IBA and also guides those who seek to do business with IBA. In terms of performance standards, the service charter sets down that:

- Formal applications received will be acknowledged within two working days of receipt;
- IBA officers will be contactable during normal business hours to discuss proposals;
- The officer handling the proposal will contact the client by telephone or in writing, should additional information be required;
- IBA will provide a high level of professional service;
- Every effort will be made to process proposals as quickly as possible;
- Where a proposal does not meet IBA guidelines, applicants can expect to receive advice to that effect normally within 30 days;
- Where a proposal meets guidelines and receives interim support, the proposal will be subject to a full independent due diligence assessment and will ultimately be submitted to the IBA Board for consideration. As a result, successful proposals might take some months to process from date of receipt to approval*;
- Information provided by applicants will be treated as commercial-in-confidence, and that information will not be disclosed to any other party without the applicants' prior agreement;
- IBA will undertake to produce timely and informative publications about its work and funding guidelines;
- Publications will be made available within five working days to those seeking the information;
- Staff of IBA will provide courteous and accurate advice on the role of IBA and processes for making submissions to anyone making telephone enquires; and

* Does not apply to the Home Ownership Programme.

- Clients of IBA can reasonably expect IBA to be open and transparent in its decision making, refer clients to other organisations where appropriate, and welcome client feedback.

In addition the Business Development Programme has its own Service Charter which outlines the responsibilities and commitments to staff, Preferred Service Providers (PSP) and clients.

BDP Service Charter

Expected Service Standards

BDP staff, and where appropriate contracted Preferred Service Providers, will assist Indigenous people or organisations to apply for assistance under the programme. The following points outline the process:

Business Support

- In response to an initial inquiry, BDP staff will provide the information kit on the type of assistance available under Business Support and the process for applying for assistance within two working days of receipt of inquiry.
- Client needs to complete an application form and return it to the nearest BDP Regional Economic Development Officer (EDO) together with a Confirmation of Aboriginality and a Baycorp Credit report within four weeks of receipt.
- The EDO will conduct an initial interview, in person or by phone, with the client to determine eligibility for assistance and the type of assistance required within five working days of receipt of application.
- If the skills to assist the client are not available within the Regional Office, the EDO may need to refer the client to a Preferred Service Provider. The EDO will send the list of PSPs in the region to the client within two working days of the initial interview.
- The EDO will ask the client to choose a PSP, after which the EDO will seek a quote and client management plan from the PSP within two working days of receiving advice from the client of the PSP they wish to use.
- The PSP will contact the client to discuss their requirements and provide a quote and Client Management Plan to the EDO within one week of the referral.

- The EDO will prepare a submission to the BDP National Office Delegate within two working days of receipt of the quote and Client Management Plan.
- The PFS Delegate will make a decision on the Business Support submission within two working days of receipt of the submission and advise the EDO of the decision.
- On approval the EDO will prepare an Official Order within two working days and send this to the PSP.
- The client will agree to the services to be delivered on the Client Management Plan within one week of the issue of the Official Order.
- The PSP will deliver the agreed service to the client within the agreed timeframe in the Client Management Plan.
- Services not completed within the agreed time frame will be lapsed.

Business Finance

- In response to an initial inquiry, BDP staff will provide the information kit on the type of assistance available under Business Finance and the process for applying for Finance within two working days of the inquiry.
- Clients need to complete a Finance application form and return it to the nearest BDP Regional Economic Development Officer (EDO), together with a Confirmation of Aboriginality, a Baycorp Credit report and all other supporting documentation within one month of receipt of the information kit.
- The EDO will conduct an initial interview with the client to determine eligibility for finance and any Business Support assistance that might be required to finalise the Finance application, or increase the Business Ready skills of the client, within one week of receipt of the finance application.
- If the skills to assist the client are not available within the Regional Office the EDO may need to refer the client to a Preferred Service Provider. The EDO will send the list of PSPs in the region to the client within two working days of the initial interview.
- The EDO will ask the client to choose a PSP after which the EDO will seek a quote and client management plan from the PSP within two working days of receiving advice from the client on the PSP they wish to use.

- The PSP will contact the client to discuss their requirements and provide a quote and client management plan to the EDO within one week of the referral.
- The EDO will prepare a submission to the BDP National Office Delegate within two working days of receipt of the quote and Client Management Plan.
- The PFS Delegate will make a decision on the Business Support submission within two working days of receipt of the submission and advise the EDO of the decision.
- On approval the EDO will prepare an Official Order within two working days and send this to the PSP.
- The client will agree to the services to be delivered on the Client Management Plan within one week of the issue of the Official Order.
- The PSP will deliver the agreed service to the client within the agreed timeframe in the Client Management Plan.
- Applications where the services are not completed within the agreed time frame will be lapsed.
- A fully completed application form and supporting documentation should be sent to the EDO within one week of completion of the services by the PSP.
- The EDO should check the receipt of all required documentation, complete the checklist and coversheet and forward the application to the Business Analyst within four working days of receipt.
- The Business Analyst should complete their assessment within three working days of receipt of an application and forward the files to Programme Funding Services (PFS).
- PFS should complete their assessment of the application within five working days of receipt. If additional information is required, or the file is to be returned to the EDO for completion, this should be requested during this five day period.
- Assessment of fully completed applications should be presented to the Delegate for a decision within five working days of receipt of the application

- Delegate should complete their decision within five working days of receipt of a fully completed submission
- If the application needs to go to a higher IBA Delegate the assessment and decision time frame will be longer.
- Approved, Declined and Deferred applicants will be advised of the Delegate's decision in writing within two working days.
- Approved applicants will be forwarded a Letter of Finance Offer and they will have 21 days to accept the terms and conditions of the Finance Offer by return of the acceptance in writing to the PFS.
- Any special conditions of the finance approval will need to be met before PFS can instruct their solicitors to prepare the security documents.
- Settlement timeframes will depend on the applicant returning all required completed documentation to allow the loan to settle.

Complaints Handling Mechanism

IBA's service charter lists a complaint handling mechanism. The aims of the mechanism are to:

- Provide an accessible, fair and equitable system for our clients when lodging complaints to IBA;
- Provide guidance to staff on the action to be taken to when a complaint is lodged;
- Ensure all complaints are investigated and addressed in a timely and cost effective manner; and
- Provide an effective means for monitoring the performance of IBA's operations and to identify any areas for improvement.

During the year ended 30 June 2005 no formal complaints were lodged with IBA.

Code of Conduct

A code of conduct for IBA staff remains in place. The code of conduct encourages staff to pursue certain key values. These are:

- Professionalism;
- Commitment;

- Ethics and integrity;
- Innovation; and
- Objectivity.

The code sets down requirements for staff in their day to day conduct, their relationship with the Board and with clients and relationship with clients.

Commonwealth Authorities and Companies Act

Compliance Statement

The Commonwealth Authorities and Companies (Report of Operations) Orders 2002, issued by the Minister for Finance and Administration Services in June 2002, require the directors of bodies covered by the Commonwealth Authorities and Companies Act 1997 to report on certain matters. This section of IBA's annual report provides detailed information on those matters.

Section 10(1) (c) of the Orders for Report of Operations requires a report on matters arising under Section 15 of the Commonwealth Authorities and Companies Act 1997. The requirements of Section 15 and matters arising under those requirements are detailed below.

- 1 Intention to form a company or participate in the formation of a company.

During the year ended 30 June 2005, two companies were formed to facilitate the investments approved by the Board. All of the companies formed are non-trading trustees of the respective investment trusts.

- 2 Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement.

IBA did not form any new trusts during the financial year.

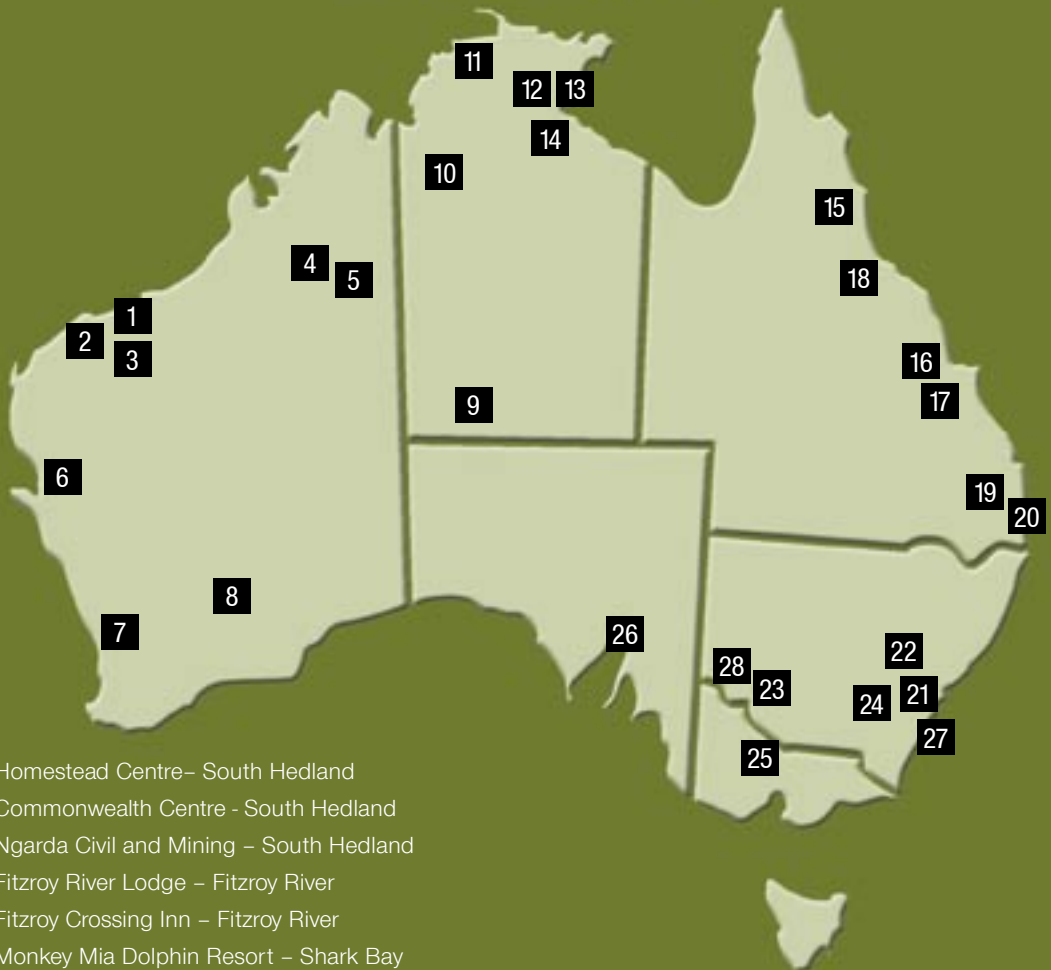
- 3 Section 11 of the Orders for Report of Operations requires a report on any judicial decisions and reviews by outside bodies.

No judicial decisions or reviews by outside bodies affecting IBA occurred in 2004-05. Settlement on a successful action by Gordon River Cruises (as reported in the 1998-99 Annual Report) is yet to occur.

- 4 Section 12 of the Orders for Report of Operations requires a report on the effects of any directions or notifications by the responsible Minister or any other Minister.

There were no directions or notifications during the 12 months under review.

Principal Investment Sites as at June 2005



- 1 Homestead Centre- South Hedland
- 2 Commonwealth Centre - South Hedland
- 3 Ngarda Civil and Mining – South Hedland
- 4 Fitzroy River Lodge – Fitzroy River
- 5 Fitzroy Crossing Inn – Fitzroy River
- 6 Monkey Mia Dolphin Resort – Shark Bay
- 7 Goldfields Building – West Perth
- 8 IBA Building- Kalgoorlie
- 9 Kings Canyon Resort – Watarrka National Park
- 10 NT Government Centre - Katherine
- 11 Gagudju Crocodile Holiday Inn – Jabiru
- 12 Gagudju Lodge Cooinda and Yellow
- 13 Water Cruises – Kakadu National Park
- 14 Carpentaria Shipping Service – Bing Bong
- 15 Tjapukai Aboriginal Cultural Park – Cairns
- 16 Foxleigh Coal Mine - Middlemount
- 17 Eastern Coal - Bowen Basin
- 18 Australian Diatomaceous Earth Joint Venture - Greenvale

- 19 2 Neon Street– Sumner Park
- 20 Centrum Insurance - Brisbane
- 21 Port Botany Transfer Station – Sydney
- 22 Hunter Employment Zone – Newcastle
- 23 Mungo Lodge – Lake Mungo National Park
- 24 Scarborough House – Canberra
- 25 Egans Central Laundry – Colac
- 26 CPS Building – Adelaide
- 27 Indigenous Fishing Trust - National
- 28 Blighty Dairy Farm - NSW

(Not shown are individual business loan and guarantee facilities)

Description of E & I Investments

Indigenous Fishing Trust – VIC

The Indigenous Fishing Trust was conceived between IBA and the former ATSIC as a co-operative approach to jointly fund an Indigenous Fishing Trust. The aim of the Trust is to acquire and hold Individual Transferable Quotas and associated Licences for the benefit of present and future generations of Indigenous Australian wishing to enter the fishing industry.

In December 2004 the Trust acquired its first quota and associated licence. The licence allows for an annual quota of abalone to be taken from the Western Zone of Victoria which lies between Apollo Bay and the Victorian/South Australian border. A mud crab licence was also negotiated in the Northern Territory near Darwin.

Foxleigh Coal Mine – QLD

Foxleigh is a joint venture between CAML Resources (60 per cent), ICRA Foxleigh (20.6 per cent), IBA (16.4 per cent) and Lake Lindsay Investments (3.0 per cent). The joint venture holds mining leases for the Foxleigh and Cockatoo Creek sites.



The Foxleigh mine site covers 2500ha and was issued with a 35-year lease in 1999. The Cockatoo Creek site is about one third the size of the Foxleigh site and has a 22-year lease issued in 2004. The mine is situated some 12km from the township of Middlemount in Queensland's Bowen Basin.

During 2004-05 some 2.4 million tonnes of coal were mined at Foxleigh. Production is hauled 26km to the German Creek Mine where the coal is washed and processed under contract. Foxleigh is currently building its own wash-plant which is scheduled to open in late 2005. Processing at the nearby German Creek Mine will end when Foxleigh's own plant has been fully commissioned.

IBA is looking to exit this investment in the 2005-06 financial year with negotiations well advanced to down-sell its 16.4 per cent equity share in the joint venture.

Eastern Coal – QLD

Foxleigh is a joint venture between CAML Resources (60 per cent), ICRA Foxleigh (20.6 per cent), IBA (16.4 per cent) and Lake Lindsay Investments (3.0 per cent). The venture owns four exploration leases and has undertaken a number of drilling programmes which have produced positive results.



In 2004-05 negotiations continued with a perspective purchaser with a sale expected in 2005-06.

Australian Diatomaceous Earth Joint Venture – QLD

This venture aims to mine freshwater deposits of diatomaceous earth at Greenvale, in far north Queensland, for use as a filter in beer, wine and soft-drink making.

Currently, domestic breweries and other drink makers utilise US importers for diatomaceous earth, a key ingredient in their filtering process.

The Australian Diatomaceous Earth Joint Venture is a partnership between IBA, which has a 20 per cent stake and another 20 per cent option, and Australian Diatomaceous Earth Pty Limited.

In 2003-04 the joint-venture concluded negotiations for an Indigenous Land Use Agreement with the Gugu Badhun group, which also has a native-title claim over the tenements. Under the agreement, members of the Indigenous group will be offered employment opportunities as well as ancillary business opportunities such as providing environmental services – seed and nut collection, plant propagation, rehabilitation work. The native-title group will also have an option to buy equity from IBA.



Blighty Dairy Farm – NSW

This was an asset inherited by IBA following the demise of ATSIC. Situated in south-western NSW it comprises 460 hectares of high quality irrigatable land capable of running up to 800 head of dairy cows.

IBA is currently mortgagee in possession of this asset and during the financial year arranged for the property to be leased for a period of five years to an experienced dairy operator. The farm has been subject to some upgrading and is now earning IBA an industry average return in terms of the value of the asset.

Hunter Economic Zone (HEZ) Trust – NSW

The Hunter Economic Zone is a 448.5ha parcel of land situated about 30kms west of Newcastle which is approximately 1 ½ hours drive north of Sydney.

The land is being developed into a large scale business estate. The project is designed to exploit the chronic shortage of industrial land in greater Sydney and the subsequent very high prices for whatever land is available. The project will include industrial, commercial and residential developments.

The investment is a three way Trust between IBA, Westpac Banking Corporation and Hardie Holdings Limited, a privately owned property development company, which is managing the project. The Trust was started in July 2003.

IBA is negotiating the sale of its equity in this venture which is expected to be concluded in 2005-06.

Ngarda Civil and Mining – WA

Ngarda Civil and Mining (Ngarda) is a contract-mining business based in Port Hedland, in the Pilbara area of Western Australia. As at 30 June 2005, over 100 of Ngarda Civil and Mining's 118 staff were Aboriginal, an employment ratio not seen elsewhere in the mining sector. Ngarda's target's an Aboriginal employment ratio of more than 85 per cent.



Ngarda Civil and Mining is owned half by Aboriginal interests and half by contracting firm Henry Walker Eltin (HWE). It has 50 per cent of Ngarda Civil

and Mining. IBA and the Ngarda Ngarli Yarndu Foundation have 25 per cent each.

Henry Walker Eltin, a publicly listed company, went into voluntary administration in January 2005. This placed significant pressure on Ngarda as the majority of its administrative functions were performed by HWE. Ngarda has separated out its functions from HWE and has set up its own supply contracts, finance arrangement, payroll etc.

The voluntary administration of HWE has proved to be a catalyst for growth within the management and administrative arms of Ngarda. Ngarda is now regarded as a force in the Pilbara in its own right and not solely reliant on the expertise of HWE.

Monkey Mia Dolphin Resort – WA



In May 2002 IBA and the Yadgalah Corporation acquired 50 per cent of the resort, which located on the Francis Peron Peninsular, a unique section of World Heritage listed coastline 850kms north of Perth. IBA holds a 27 per cent stake and Yadgalah 23 per cent.

Monkey Mia is renowned for a pod of visiting dolphins while the region is widely acclaimed for its significant ecological and biological interest. It offers visitors eight beachfront villas, 52 garden villas, 24 beachfront rooms and also budget accommodation. Other amenities include a mini supermarket, a tennis court, swimming pool, spa pool, powered caravan bays, camping sites and a 100 person restaurant and café with bar.

Mungo Lodge – NSW

Mungo Lodge is 100 per cent owned by IBA and was purchased in October 2003. The Lodge is situated adjacent to Mungo National Park, located within the Willandra Lakes World Heritage Region of NSW. The region



was granted World Heritage Listing in 1981 in recognition of its Aboriginal heritage, archaeological values and natural landscape.

Facilities include 16 cabins, two self-contained cottages, a licensed restaurant, an all-weather airstrip and a tour operator.

During the 2004-05 financial year extensive development and refurbishment works were completed at the Lodge to maintain its appeal to international travellers.

The Fitzroy River Lodge – WA



The Fitzroy River Lodge was established in 1989. IBA became involved in the business in July 2001 through acquisition of a 42.86 per cent equity share. Leedal (Pty) Ltd represents the local Indigenous interests, which owns 42.86 per cent of the investment.

The Lodge is built in the style of a pastoral homestead and ranges across 50 acres fronting the Fitzroy River. It offers travellers 48 motel rooms, two self-contained family units, two riverview suites with spa, 30 safari lodges with ensuites, 110 powered caravan bays and extensive camping sites. Other amenities include a swimming pool, tennis court, two restaurants, two bars and petrol facilities.

Negotiations have started between Leedal and IBA for Leedal to acquire a significant share of IBA's interest in the business.

The Crossing Inn – WA

The Crossing Inn was established in 1897 and sits on the bank of the Fitzroy River. The Inn is located about three minutes from the Fitzroy Crossing Township approximately 400km south east of Broome and 250km south-east of Derby.

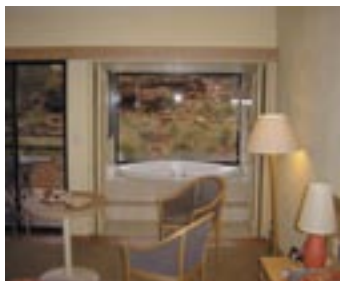
The Inn represents a partnership between Leedal, the local Indigenous group, and IBA which became involved in the business in July 2000. Leedal and IBA have an equal 42.86 per cent equity interest.



Facilities include a campground, restaurant, art gallery, bar and 26 motel rooms with air conditioning, tea and coffee facilities, ensuites and balconies overlooking the river.

In 2004 the WA Director of Liquor Licensing commended the Inn for its implementation of the most stringent self-imposed restrictions of all hotels operating within the Kimberly.

Kings Canyon Resort – NT



This resort is located in a loop off the main highway running between Ayers Rock and Alice Springs. The sensitively designed resort is situated seven kilometres from Watarrka National Park, home of Kings Canyon.

Indigenous ownership of the Resort is 52.8 per cent with IBA holding 17.22 per cent, while the Centrecorp Aboriginal Investment Corporation and Ngurratjura/Pmara Ntjarra Aboriginal Corporation own 32.67 per cent and 2.91 per cent respectively.

Designed to blend in with the environment, the resort offers guests 36 deluxe spa rooms, 96 range view rooms, 36 budget lodge rooms and a camping ground. Other services include two swimming pools, a petrol station, two restaurants, a bar and bistro.

Gagudju Crocodile Holiday Inn – NT

The Gagudju Crocodile Holiday Inn is a four-star rated property located at Jabiru, situated within the World Heritage-listed Kakadu National Park. The hotel is designed in the shape of a crocodile and is a two and a half hour drive from



Darwin. Facilities include 110 guest rooms, two function rooms, restaurant, cocktail bar, art gallery, swimming pool and gift shop.

The ownership structure is 70 per cent IBA and 30 per cent Gagudju Association which represent the 10 Indigenous clan groups located at Kakadu.

In the year under review the hotel conducted its sixth Indigenous Employment Programme (IEP) with 13 participants graduating with a certificate 2 in either Hospitality or Tour Guiding. Of the graduates, 11 are employed at the hotel itself or at nearby Cooinda.

Gagudju Lodge Cooinda – NT

Cooinda is located in the Southern end of Kakadu National Park and operates the Yellow Water Cruises. Other services on offer include 48 lodge rooms, 34 budget rooms, 400 powered and non powered camp sites, two swimming pools, a general store, bar and bistro,



Mimi restaurant, petrol facilities and Gorge and Waterfall tours. Cooinda also operates the Warradjan Cultural Centre.

Cooinda is jointly owned by IBA (70 per cent) and the Gagudju Association (30 per cent). From February 2004 to June 2005 Cooinda underwent an expansive capital works programme that saw extensions and sealing of the existing car park and the completion of a ring-road. The project was completed with a new 20 metre billabong-shaped swimming pool complete with rock features and waterfall, ablutions, tropical gardens and barbecue facilities. The facilities building was also completely renovated with new kitchens, ablutions, storage and dining areas.

Tjapukai Aboriginal Cultural Park – QLD



IBA became involved in Tjapukai in 1996 when it acquired a 19.93 per cent equity share. Budadji, representing the local Djabugay people, own 15.82 per cent, Irukandji representing the Yirrgandyji people own 10.03 per cent and Ngandjin own 3.57 per cent.

The park allows visitors to experience every facet of Tjapukai culture, as well as interact and gain a greater understanding about the Tjapukai way of life and traditional practices. Tjapukai also operates an extensive retail outlet and a 250 seat restaurant.

Tjapukai is one of the largest private employers of Aboriginal people in Australia. During 2004-05 Tjapukai employed almost 100 staff of whom 85 per cent were Indigenous. The Tjapukai Board comprises three local Aboriginal directors who were nominated by their respective communities.

All Hallows – NSW

Reputed to have been a convent for the Catholic Church Sisters of St. Dominic Order, the main building is situated on Lloyds Road in Bathurst. It was gifted to the community in 1984 by way of deed of trust to be used for Aboriginal student accommodation. The original structure dates from the 1880s and is a large two storey construction with a western wing that was built in the 1930s.

The main building was operated as a student hostel in the 1990s but has been vacant for the last seven years. Recent additions to the 4.5ha property include a three bedroom house and a childcare centre. The childcare centre, house and west wing are currently leased but the main building is unoccupied. This asset was transferred from ATSIC.

Coomanoo Evans Community Centre – WA

This is located in Leonora, Western Australia. It covers an area of about 220 square metres and consists of a meeting room, four offices, kitchen/dinning room, toilet facilities and a reception area. The property also has a transportable caretaker's cottage that was constructed in 1999. The cottage size is approximately 75 square metres and comprises two bedrooms, a kitchen, lounge/dinning room, bathroom and laundry. The centre is currently partially occupied by Centrelink and several local organisations. This asset was transferred from ATSIC.

Willow Bend Sports Complex – NSW

This is located in Condobolin and was opened in 1988. The site comprises the sports complex and a bitumen car park. The centre has a large open area the size of two netball courts as well a canteen and gymnasium facilities. The complex is currently being leased by the NSW Department of Education. This asset was transferred from ATSIC.

Warrama – QLD

The Warrama site located at Trinity Beach in Cairns is 13.08 ha in size. It was developed as a cultural/theme park in the early 1990s and includes a large artificial lake and some other small structures.

However, the theme park venture failed with the result of site being vacant since that time. The former cultural park included an office building, auditorium, restaurant and small residential dwelling. Most of these buildings have since had their fittings and fixtures removed and several have been vandalised. The local CDEP organisation has leased the office building for the last several years. This asset was transferred from ATSIC.

Carpentaria Shipping Services – NT



Carpentaria Shipping Services is a joint venture between Mawa Riinbi (32 per cent, representing the four language groups in the Borroloola region), IBA (18 per cent) and P&O Maritime (50 per cent). Since commencing operations MAWA has utilised profit distributions to

purchased IBA equity, starting at 25 per cent and steadily increasing its stake to the current position.

The business ships zinc/lead concentrate mined from the McArthur River Mine – barging it from the Port of Bing Bong, on the Gulf of Carpentaria in the Northern Territory, to ships anchored 30km offshore.

The company shipped 492,000 tonnes, against a budget of 375,000 tonnes, during 2004-05. This was primarily due to a short term sub-charter to Zinifex.

Centrum Insurance – QLD

IBA acquired Centrum Insurance Brokers (Pty) Ltd (Centrum) from ATSIC which funded the original purchase in 2003. Centrum comprises two brokerages – Newman Cameron in Brisbane and Northern Insurance Brokers in



Townsville. IBA owns 100 per cent of Centrum which in turn owns 100 per cent of Newman Cameron and 51 per cent of Northern Insurance Brokers. Centrum had owned 100 per cent of Brookman Porter in Perth, but this was sold in late 2004. Centrum's Head Office is in Brisbane.

Centrum is now in the process of setting up an Indigenous insurance facility which will enable Indigenous groups such as land councils, CDEP's and housing companies to obtain insurance at competitive prices and without the overly stringent conditions that some insurance companies have forced upon them in the past.

Scarborough House Trust – ACT

Scarborough House, located in Woden in the ACT, was a vacant 15-story office complex which IBA purchased from the Commonwealth Government in 2001.

Refurbished in a major project that involved a total reconstruction, including the façade and an increase in the floor plates on the Northern and Western aspects, Scarborough House will be ready for occupation early in 2005-06.



The reconstruction increased the Net Lettable area (NLA) from 11,000m² to approximately 16,430m². The building now contains A grade office accommodation with a SEDA four-star energy rating and a redesigned ceremonial entrance. Scarborough House has since been fully-let to a Government tenant with construction and integrated fit-out scheduled for completion by 1 September 2005.

Sumner Park – QLD



IBA acquired this investment property in June 2003. It is located in the Sumner Industrial Estate about 14km south west of the Brisbane central business district. This location in a small secondary industrial precinct is considered good for industrial purposes.

The property is currently used for steel fabrication purposes. Infrastructure consists of a semi modern office/warehouse building comprising three attached buildings of various ages and heights. The building and workshop have a total net lettable area of about 1,572m². The total size of the site is 8,542m².

This property is fully leased to the previous owner/occupier. The lease term is for seven years with the option to buy back after five years. A separate sub-lease agreement for the property was negotiated in January 2004.

Commonwealth Centre, South Hedland – WA



IBA bought the Commonwealth Centre in South Hedland, Western Australia, in 2000. The building comprises two levels at the rear with a single level front. It was built in 1980 as a single storey before being extended to two-storeys in 1987.

The net lettable area is 2,141.4m² with the building situated on about 6,384m² of land. Along with a number of smaller tenants, the building accommodates the Regional Indigenous Coordination Centre, the local Centrelink office and the State Ministry of Justice. The current occupancy rate is 74.73 per cent.

Although this investment is wholly-owned by IBA, in 2005-06 IBA will continue to negotiate with local Aboriginal groups that have expressed a wish to acquire an equity holding.

CPS Building, Adelaide – SA

This investment is a modern office building situated in the core office precinct, as designated by the Property Council of Australia, within the City of Adelaide. It was built in 1988 and incorporates a ground floor and 12 upper levels. The net lettable area of the improvements under the current tenancy configuration is 7,195.5 m².

IBA acquired the property in June 2003. It is subject to a long-term leaseback to CPS Credit Union which occupies a total area of



3,090m² over six floors which comprises almost 43 per cent of the building's total net lettable area. The current occupancy rate of this prime site, which is ideally situated adjacent to a council car park, is 83.55 per cent.

In the 2004-05 financial year the building underwent soft refurbishments which included painting of some of the internal common areas and a minor upgrade of the plant room.

Although the building is currently 100 per cent owned by IBA, negotiations are well advanced with a local Indigenous organisation to partially sell-down some of the equity in the building.

Government Centre, Katherine – NT

This commercial property comprises an office building with ground and one upper level of prime accommodation. It is centrally located within the township of Katherine about 300km south of Darwin.

IBA purchased this investment in June 2000. The building has a total net lettable area of 4,547m² which is fully leased to the Northern Territory Government on a long-term arrangement. The property also has a parking lot large enough to accommodate 124 vehicles.

Negotiations are currently in progress with a local Indigenous group for a partial buy-out of this prime IBA investment. An in-principle agreement has also been made with the Northern Territory Government to extend the already long-term lease further to assist with the funding for the Indigenous group. The NT Government is seeking assurances that a comprehensive programme of works, spanning the next 10 years, will be in place before the existing lease is formally extended.

Goldfields Building – West Perth



IBA, together with the Perth Noongar Foundation (PNF) and the Noongar Country Economic Foundation (NCEF), purchased this property in November 2002.

The equity interests of the parties were determined

by the initial capital contributions in which IBA holds 66.25 per cent, Perth Noongar Foundation holds 21.25 per cent and the Country Noongar Economic Foundation 12.5 per cent. Over time the surpluses generated will be applied to a gradual buyout of IBA's interest in the joint venture.

The building is a modern office development over five levels that includes 94 undercover car parking bays. The building is widely considered to be a landmark in the West Perth locality and consists of a mezzanine ground floor with lobby and three upper levels of office accommodation. It was built in 1990 and has a net lettable area of 4,147.8m².

At 30 June 2005 the building occupancy rate was 100 per cent.

Homestead Centre, South Hedland – WA



Indigenous Business Australia purchased this retail and office complex in March 1993 in association with the Port Hedland Regional Aboriginal Corporation (PHRAC). Located in South Hedland, Western Australia, the Homestead Centre is operated as a body corporate

and caters for 13 tenancies over 1,441m².

Australia Post own one tenancy. The building also houses the Regional Indigenous Coordination Centre. At present the equity share in this joint venture is IBA 70 per cent and PHRAC 30 per cent. The investment has been affected by the general downturn in the South Hedland economy, but continues to provide an income to the joint venture. As at 30 June 2005 the occupancy rate was 80.8 per cent.

IBA Building, Kalgoorlie – WA

IBA acquired this building in 2003 in a semi-completed state from the Administrator of the Goldfields Medical Fund. The building was designed to a very high standard but was unfinished. In early 2004 it was completed to meet the requirement of Commonwealth Government tenant standards.



The building is two storeys high and comprises 652.25m² of space on the ground floor and 231.25m² on the upper level. The land component is 2731m². The building has office facilities on the ground floor and conference, office and library facilities on the upper floor.

The building, which is 100 per cent owned by IBA, currently accommodates the Regional Indigenous Coordination Centre and is subject to a 10-year lease.

Western Linen Industries – VIC



This venture is a commercial laundry and linen service in Colac, in Victoria en route to the coast. Trading as Egans Central Laundry, it launders linen for hotels and restaurants along the Great Ocean Road. The business also launders uniforms and overalls

for industrial clients and services the health-care industry, including hospices and aged-care homes. Exposure to the tourism industry results in a highly seasonal nature with the bulk of profits generated between October and March.

IBA bought into the business in January 2000. IBA also helped two nearby Aboriginal communities, Framlingham and Wathaurong Aboriginal Co-operative, secure an ATSIIC grant to buy the premises used by Egans. The two communities have benefited significantly through income from rent. In August 2002, they joined the business by buying half IBA's share (25 per cent of the laundry business) at cost.

Port Botany Transfer Station – NSW

The Port Botany Transfer Station is the receiving station for non-organic waste from eastern and southern Sydney and the city's central business district. The waste is brought in by local councils and other customers, compacted at Port Botany, and transferred into trucks for hauling to landfill.



The transfer station is managed by one of Australia's largest waste-management companies, Collex Pty Ltd, with which IBA is in a 50:50 partnership.

In 2004-05 the operation processed 118,000 tonnes of waste and employed seven staff, including two Indigenous people, as plant operators. Port Botany has an affirmative-action policy for Indigenous employment.

The transfer station bought a shredder from a European manufacturer which was installed in September 2004. The machine shreds waste into a consistent fine product which means better compaction, reduced landfill costs and less wear and tear on other plant and equipment. This is expected to generate significant cost savings for Port Botany.

Consultants engaged in 2004-2005 Financial Year**IBA costs**

		\$
Acteum Management Group Pty Ltd	Business Support	7,612.00
BizisUs Pty Ltd	Business Support	4,122.00
Charter Management ta Walker Reid	Business Support	14,024.00
Deloitte NT	Business Support	30,291.00
Rural Solutions SA	Business Support	12,388.00
Enmark Business Advisors	Business Support	44,469.00
Eyre Regional Development Board Inc	Business Support	1,078.00
First Australians Business	Business Support	283,622.00
Future Solutions Australia	Business Support	42,641.00
Harlequin Business & Training	Business Support	30,465.00
Hillsong Emerge	Economic Development Initiative - pilot	235,061.00
Incite Management Group Pty Ltd	Business Support	6,571.00
Jayne Sunbird Enterprises	Business Support	14,162.00
Kimberley Economic Development Services	Business Support	18,742.00
MLCS Corporate	Business Support	55,043.00
Northern Region Development Board	Business Support	126.00
Phil Camens Chartered Accountant	Business Support	4,560.00
Prosperity Advisors	Business Support	24,600.00
Ron Flavel Business Advisors	Business Support	42,911.00
RSM Bird Cameron	Business Support	73,600.00
Rural Management Partners Pty Ltd	Business Support	25,596.00
Small Business Development Services	Business Support	6,660.00
Thomas Noble and Russell CA	Business Support	1,350.00
TLE North Pty Ltd	Business Support	5,606.00
Yael Katz Consulting	Business Support	10,280.00
Yaran Business Services Pty Ltd	Business Support	1,254.00
Peter Wilson	Business Support	26,000.00
Paul Wright	Business Support	26,000.00
T Luke	Admin assistance	24,205.22
Deloitte	Business advisory & review	69,550.43
Enmark Pty Ltd	Project management	2,167.24
Wilde and Woolard Pty Ltd	Due Diligence - Engineering	14,604.74
Klienhart FGI Pty Ltd	Due Diligence - Business assessment	43,360.00
Lisa Castles	HR - workstation assessment	649.97
Davidson Trahaire Corpsych	HR - staff counselling	1,297.72
Davidson - Wilson Group	Industrial Relations	560.00
P Grills	Industrial Relations	5,040.00
Aramway Pty Ltd	Due Diligence - Business assessment	2,277.00
Kirsten Lawson	PR material editing	8,378.82
	Total 2004-2005	1,220,925.14



Indigenous Business Australia

2004
FINANCIAL STATEMENTS
2005

IBA Mission Statement

‘Our vision is for a nation in which Indigenous peoples share equitably in commercial and economic outcomes and for IBA to make a significant contribution to that outcome.’



INDIGENOUS BUSINESS AUSTRALIA
AND CONTROLLED ENTITIES

STATEMENT BY DIRECTORS AND CHIEF EXECUTIVE IN RESPECT OF THE FINANCIAL
STATEMENTS OF THE CORPORATION AND CONSOLIDATED ENTITY FOR THE YEAR
ENDED 30 JUNE 2005

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 matters required by the Finance Minister's Orders made under *Commonwealth Authorities and Companies Act 1997*.

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

Signed in accordance with a resolution of the Board of Directors.

Signed
J. Elu
Charman

25 October 2005

Signed
B. Blair
Deputy Chairman

25 October 2005

Signed
R. Morony
General Manager

25 October 2005



INDEPENDENT AUDIT REPORT

To the Minister for Employment and Workplace Relations

Matters relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the financial statements published in both the annual report and on the website of the Indigenous Business Australia for the year ended 30 June 2005. The Directors are responsible for the integrity of both the annual report and the web site.

The audit report refers only to the financial statements, schedules and notes named below. It does not provide an opinion on any other information which may have been hyperlinked to/from the audited financial statements.

If the users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited consolidated financial statements in the Indigenous Business Australia's annual report.

Scope

The financial statements and directors' responsibility

The financial statements comprise:

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

for both the Indigenous Business Australia and consolidated entity, for the year ended 30 June 2005. The consolidated entity comprises both the Indigenous Business Australia and the entities it controlled during the year.

The Directors of the Indigenous Business Australia are responsible for preparing consolidated financial statements that give a true and fair view of the financial position and performance of the Indigenous Business Australia and the consolidated entities, and that comply with accounting standards and other mandatory financial reporting requirements in Australia, and with 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.

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

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.

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*, accounting standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Indigenous Business Australia and consolidated entity's financial position, and of their 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 Indigenous Business Australia and the consolidated entity:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*; and
- (b) give a true and fair view of the Indigenous Business Australia and the consolidated entity'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



Rebecca Reilly
Executive Director

Delegate of the Auditor-General

Canberra
25 October 2005

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2005

	Notes	Consolidated		Corporation	
		2005	2004	2005	2004
		\$	\$	\$	\$
REVENUE					
Revenues from ordinary activities					
Goods and services	2a	33,859,400	22,919,691	2,585	48,010
Interest	2b	8,188,008	2,714,975	7,645,499	2,590,513
Dividends	2c	349,966	413,415	13,205,474	5,069,346
Revenue from sale of assets	2d	131,964	843,348	131,964	838,836
Net foreign exchange gain	3e	1,844,893	1,492,088	-	-
Other revenues	2e	247,744	17,830,852	232,830	17,739,286
Revenues from ordinary activities		44,621,975	46,214,369	21,218,352	26,285,991
EXPENSE					
Expenses from ordinary activities					
Employees	3a	5,293,039	3,509,756	4,471,390	2,260,572
Suppliers	3b	27,359,595	20,647,243	3,330,658	1,545,799
Grants	3c	1,232,904	-	1,232,904	-
Depreciation and amortisation		1,346,472	1,350,316	50,755	53,327
Write-down of assets	3d	1,862,432	1,086,992	1,899,340	2,909,775
Interest	3f	1,383,259	32,650	-	-
Other		612,176	1,797,959	582,276	68,507
Expenses from ordinary activities		39,089,877	28,424,916	11,567,323	6,837,980
Borrowing costs expense	3g	-	6,144	-	-
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method		3,911,346	2,402,501	-	-
Operating profit from ordinary activities before income tax		9,443,444	20,185,810	9,651,029	19,448,011
Income tax expense relating to ordinary activities	4	189,040	141,059	-	-
Operating profit from ordinary activities after income tax		9,254,404	20,044,751	9,651,029	19,448,011
Profit from ordinary activities attributable to outside equity interests	17b	(106,029)	(108,116)	-	-
Profit from ordinary activities after income tax attributable to the owners		9,148,375	19,936,635	9,651,029	19,448,011
Net credit to asset revaluation reserve	17a	1,959,638	1,616,659	1,959,638	2,676,659
Total changes in equity other than those resulting from transactions with owners as owners		11,108,013	21,553,294	11,610,667	22,124,670

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

STATEMENT OF FINANCIAL POSITION

as at 30 June 2005

	Notes	Consolidated		Corporation	
		2005	2004	2005	2004
		\$	\$	\$	\$
ASSETS					
Current assets					
Cash	6	81,506,456	21,639,704	82,870,629	14,068,705
Receivables	7	9,727,677	3,176,125	16,999,064	6,987,035
Investments	8	-	1,000,400	-	1,000,400
Inventories	2	2,398,586	879,646	-	-
Other	13	-	2,690	-	-
Total current assets		93,632,719	26,698,565	99,869,693	22,056,140
Non-current assets					
Receivables	7	409,052,905	2,225,852	408,883,576	2,194,055
Investments	8	38,029,099	32,555,842	95,296,469	76,115,484
Intangibles	14	11,616,696	5,270,237	-	-
Land and buildings	15	56,092,821	33,842,209	-	-
Infrastructure, plant & equipment	15	13,857,453	3,854,041	135,245	82,630
Other	13	4,471,459	3,788,552	-	-
Total non-current assets		533,120,433	81,536,733	504,315,290	78,392,169
Total assets		626,753,152	108,235,298	604,184,983	100,448,309
LIABILITIES					
Current liabilities					
Provisions & payables	16	8,543,041	6,716,448	3,272,915	1,704,884
Total current liabilities		8,543,041	6,716,448	3,272,915	1,704,884
Non-current liabilities					
Provisions & payables	16	18,095,210	1,913,552	1,512,457	398,846
Total non-current liabilities		18,095,210	1,913,552	1,512,457	398,846
Total liabilities		26,638,251	8,630,000	4,785,372	2,103,730
NET ASSETS		600,114,901	99,605,298	599,399,611	98,344,579
EQUITY					
Parent entity interest					
Contributed equity	17a	559,904,920	70,460,555	559,904,920	70,460,555
Reserves	17a	7,424,403	5,464,765	7,424,403	5,464,765
Settlers trust funds	17a	90	90	-	-
Accumulated profits	17a	32,720,049	23,571,674	32,070,288	22,419,259
Total parent entity interest		600,049,462	99,497,084	599,399,611	98,344,579
Total outside equity interest	17b	65,439	108,214	-	-
Total equity		600,114,901	99,605,298	599,399,611	98,344,579

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

STATEMENT OF CASH FLOWS

for the year ended 30 June 2005

	Notes	Consolidated		Corporation	
		2005 \$	2004 \$	2005 \$	2004 \$
OPERATING ACTIVITIES					
Cash received					
Goods and services		35,088,072	23,473,134	2,585	688,852
Interest and dividends		5,036,515	4,838,443	6,183,734	7,282,424
Other		396,231	16,171,795	367,275	15,951,596
Total cash received		40,520,818	44,483,372	6,553,594	23,922,872
Cash used					
Employees		(3,505,716)	(2,213,034)	(3,505,716)	(2,123,150)
Grants		(1,232,904)	-	(1,232,904)	-
Suppliers		(32,578,878)	(21,710,332)	(3,397,294)	(2,361,586)
Other		(273,791)	-	(80,380)	-
Total cash used		(37,591,289)	(23,923,366)	(8,216,294)	(4,484,736)
Net cash used by operating activities	5b	2,929,529	20,560,006	(1,662,700)	19,438,136
INVESTING ACTIVITIES					
Cash received					
Repayments of loans		27,920,386	113,216	27,920,387	-
Proceeds from the sale of property, plant & equipment		-	27,052	-	-
Other investing activities		512,973	-	450,750	-
Proceeds from the sale of equity instruments		41,045	1,667,639	-	1,207,639
Total cash received		28,474,404	1,807,907	28,371,137	1,207,639
Cash used					
Purchase of equity investments		(6,396,805)	(10,655,459)	-	(11,968,815)
Purchase of property, plant & equipment		(5,158,648)	(2,007,202)	(33,375)	(39,655)
Loans / Advances		(34,844,151)	(307,444)	(48,608,698)	(307,444)
Other		(23,112,468)	(213,717)	-	-
Total cash used		(69,512,072)	(13,183,822)	(48,642,073)	(12,315,914)
Net cash used by investing activities		(41,037,668)	(11,375,915)	(20,270,936)	(11,108,275)

STATEMENT OF CASH FLOWS (continued)*for the year ended 30 June 2005*

	Notes	Consolidated		Corporation	
		2005 \$	2004 \$	2005 \$	2004 \$
FINANCING ACTIVITIES					
Cash received					
Capital Injection		89,735,160	-	89,735,160	-
Proceeds from debt		7,425,239	724,727	-	-
Total cash received		97,160,399	724,727	89,735,160	-
Cash used					
Repayments of debt		(76,800)	(153,492)	-	-
Settlement of forward exchange contracts		-	2,321,580	-	-
Other		(109,108)	-	-	-
Total cash used		(185,908)	2,168,088	-	-
Net cash from financing activities		96,974,491	2,892,815	89,735,160	-
Net increase in cash held		58,866,352	12,076,906	67,801,524	8,329,861
Cash at beginning of reporting period		22,640,104	10,608,490	15,069,105	6,739,244
Effects of exchange rate changes on cash		-	(45,292)	-	-
Cash at the end of the reporting period	5a	81,506,456	22,640,104	82,870,629	15,069,105

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

SCHEDULE OF COMMITMENTS

as at 30 June 2005

	Consolidated		Corporation	
	2005 \$	2004 \$	2005 \$	2004 \$
By Type				
Capital Commitments				
Infrastructure plant and equipment ⁴	-	1,375,342	-	-
Total Capital Commitments	-	1,375,342	-	-
Other Commitments				
Operating leases ³	218,549	368,238	218,549	368,238
Other Commitments ²	16,666,763	1,600,163	15,224,844	-
Total Other Commitments	16,885,312	1,968,401	15,443,393	368,238
Total Commitments	16,885,312	3,343,743	15,443,393	368,238
Commitments receivable ¹	(16,372,767)	(17,946,270)	(511,666)	(839,840)
Net Commitments	512,545	(14,602,527)	14,931,727	(471,602)
By Maturity				
All Net Commitments				
One year or less	10,824,302	(2,139,984)	14,924,217	(471,602)
From one to five years	(8,169,896)	(8,737,776)	7,510	-
Over five years	(2,141,861)	(3,724,767)	-	-
Net Commitments	512,545	(14,602,527)	14,931,727	(471,602)
Operating Lease Commitments				
One year or less	170,086	161,159	170,086	161,159
From one to five years	48,463	207,079	48,463	207,079
Over five years	-	-	-	-
Operating Lease Commitments	218,549	368,238	218,549	368,238
Capital Commitments				
One year or less	-	860,292	-	-
From one to five years	-	515,050	-	-
Over five years	-	-	-	-
Capital Commitments	-	1,375,342	-	-

NB: Commitments are GST inclusive where relevant.

- 1 Rental income receivable from commercial rental properties and GST on operating leases and trade commitments
- 2 Includes trade commitments, housing loans committed and GST on rent receivable
- 3 Operating leases included are effectively non-cancellable and comprise:

Nature of lease	General Description of leasing arrangement
Lease for office accommodation	# lease payments are subject to annual increase in accordance with movements in the Consumer Price Index # there are no renewal options available to the Corporation

- 4 Capital commitments for Bowen Basin Investments Pty Ltd, a subsidiary undertaking were included in the 2003/04 schedule of commitments. These commitments are classified as loans and are therefore not included above.

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

SCHEDULE OF CONTINGENCIES
for the year ended 30 June 2005

	Notes	Corporation							
		Guarantees		Claims for damages / costs		Indemnities		Total	
		2005	2004	2005	2004	2005	2004	2005	2004
		\$	\$	\$	\$	\$	\$	\$	\$
Contingent liabilities									
Balance from previous period	26	5,825,000	5,825,000	-	-	1,000,000	1,000,000	6,825,000	6,825,000
New		-	-	100,000	-	-	-	100,000	-
Re-measurement		3,000	-	-	-	-	-	3,000	-
Obligations expired		(1,900,000)	-	-	-	-	-	(1,900,000)	-
Total contingent losses		3,928,000	5,825,000	100,000	-	1,000,000	1,000,000	5,028,000	6,825,000
Contingent assets									
Balance from previous period	26	-	-	-	-	-	-	-	-
New		-	-	505,000	-	-	-	505,000	-
Total contingent assets		-	-	505,000	-	-	-	505,000	-
Net contingent liabilities		3,928,000	5,825,000	(405,000)	-	1,000,000	1,000,000	4,523,000	6,825,000

Details of each class of contingent liabilities and assets, including those not disclosed above because they cannot be quantified or are considered remote, are shown in Note 26: Contingent Liabilities and Assets

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

SCHEDULE OF CONTINGENCIES
for the year ended 30 June 2005

		Consolidated							
		Guarantees		Claims for damages / costs		Indemnities		Total	
Notes		2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$
	Contingent liabilities								
	Balance from previous period	5,825,000	5,825,000	-	-	1,000,000	1,000,000	6,825,000	6,825,000
	New	-	-	100,000	-	-	-	100,000	-
	Re-measurement	3,000	-	-	-	-	-	3,000	-
	Obligations expired	(1,900,000)	-	-	-	-	-	(1,900,000)	-
	Total contingent losses	3,928,000	5,825,000	100,000	-	1,000,000	1,000,000	5,028,000	6,825,000
	Contingent assets								
	Balance from previous period	-	-	-	-	-	-	-	-
	New	-	-	505,000	-	-	-	505,000	-
	Total contingent assets	-	-	505,000	-	-	-	505,000	-
	Net contingent liabilities	3,928,000	5,825,000	(405,000)	-	1,000,000	1,000,000	4,523,000	6,825,000

Details of each class of contingent liabilities and assets, including those not disclosed above because they cannot be quantified or are considered remote, are shown in Note 26: Contingent Liabilities and Assets

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 1 - Summary of Significant Accounting Policies

1.1 Purpose of IBA

IBA was established on 5 March 1990, when the Aboriginal and Torres Strait Islander Commission Act 1989 came into operation. On 23rd of March 2005 this Act was repealed and replaced by the Aboriginal and Torres Strait Islander Act 2005 (The Act). IBA's purpose, set out at section 147 of the Act, is as follows:

1. (a) to engage in commercial activities;
 - (b) to promote and encourage Aboriginal and Torres Strait Islander self-management and economic self sufficiency;
 - (c) such other functions as are conferred on it by this Act.
2. Without limiting by implication the meaning of commercial activities in paragraph (1)(a), those activities include the functions that:
 - (a) the Minister has authorised Indigenous Business Australia to perform as an agent of the Commonwealth; or
 - (b) the Minister has delegated to Indigenous Business Australia

1.2 Basis of Accounting

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

The statements have been prepared in accordance with Finance Minister's Orders (being the Commonwealth Authorities and Companies (Financial Statements for reporting periods ending on or after 30 June 2005) Orders); Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board, other authoritative pronouncements of the Board; and Consensus Views of the Urgent Issues Group.

The statements have been prepared on an accruals 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.

Assets and liabilities are recognised in the Corporation and Consolidated Statements of Financial Position when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. Liabilities and assets that are unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies and Note 26.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

1.3 Changes in Accounting Policy

The accounting policies used in the preparation of these financial statements are consistent with those used in 2003-04.

1.4 Principles of Consolidation

The consolidated financial statements are those of the economic entity, comprising IBA and all the entities it controls from time to time during the year and at balance date. These include trusts, where IBA is a beneficiary, and where IBA controls the trustee. The financial statements of the controlled entities are prepared for the period 1 July 2004 to 30 June 2005 using accounting policies, which are consistent with those of IBA. The effects of transactions and balances between the entities, including any unrealised profits or losses, have been eliminated in full.

IBA's investment in associated entities is accounted for using the equity method. Under this method, IBA's share of profits and losses of associates is recognised as revenue or expense in the Consolidated Statement of Financial Performance and its share of movements in reserves is recognised in consolidated reserves. Associates are those entities over which IBA exercises significant influence, but not control. The associated entities are detailed in Note 10.

1.5 Revenue

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

Dividends received from associates are accounted for in accordance with the equity method of accounting for the economic entity, and the cost method for IBA.

Revenue from the sale of services is recognised upon the completion of the provision of services to clients.

Revenue from the sale of raw materials is recognised when freight is on board for delivery to customers.

Revenue from disposal of non-current assets is recognised when control of the asset has passed to the buyer.

1.6 Investments

Shares in listed companies held as non-current investments are valued by directors at market value as at balance date. Unrealised movements in the value of non-current investments in shares are, when there has been an increment, credited to an asset revaluation reserve, except to the extent that increment reverses a decrement previously charged to the statement of financial performance. Decrements in value are charged against current years profits, except to the extent that they reverse an increment previously credited to an asset revaluation reserve.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Recoverable Amount

Non-current investments measured on the cost basis are not carried at an amount greater than their recoverable amount. The carrying amount of non-current investments is reviewed annually by directors to ensure it is not in excess of their recoverable amount. The recoverable amount is assessed from the underlying net tangible assets of each investment and an assessment of the future projected net cash flows.

1.7 Property (Land, Buildings and Infrastructure), Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$1,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Revaluations

Land and buildings are measured on a fair value basis, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. Infrastructure, plant and equipment are carried at the lower of cost or net realisable value. Revaluations undertaken on Land & Buildings at 30 June 2005 were done at fair value. This is in accordance with the accounting policy required by Australian Accounting Standard AASB 1041 Revaluation of Non-Current Assets.

It is the policy of the economic entity to have an independent qualified valuation of Land & Buildings undertaken every three years with annual appraisals being made by directors. Land & Buildings acquired during the revaluation cycle are reported at cost for the duration of the revaluation cycle and then in progress. Total financial effect for revaluations undertaken at 30 June 2005 for the economic entity was a net credit to the asset revaluation reserve of \$1,959,638.

Assets which are surplus to requirement are measured at their net realisable value. At 30 June 2005 IBA held no surplus assets (30 June 2004: \$0).

Depreciation and Amortisation

Depreciable property plant and equipment assets are written-off to their estimated residual values over their estimated useful lives using, in all cases, the straight-line method of depreciation. Leasehold improvements are amortised on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease. Properties held for investment purposes are not subject to a depreciation charge.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Depreciation/amortisation rates (useful lives) and methods are reviewed at each balance date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

Depreciation and amortisation rates applying to each class of depreciable assets are based on the following useful lives:

	2005
Mine Development Plant & Equipment	6-67%
Office Equipment	33%
Furniture & Fittings	20%
Leasehold Improvements	20%

The aggregate amount of depreciation allocated for each class of asset during the reporting period for the economic entity was \$1,347,472.

1.8 Inventories - Other

Inventories held for sale are valued at the lower of cost and net realisable value.

1.9 Intangibles

Intangibles comprise goodwill and associated formation costs relating to investments in controlled entities, where it is expected that those costs will be recoverable through returns on investments or on eventual disposal of IBA's or its subsidiaries interests in those entities to co-investors.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity. Goodwill is amortised on a straight-line basis over the period during which benefits are expected to be received - this period being 10 to 20 years.

Formation Costs

Formation costs are amortised on a straight line basis over their anticipated useful lives. The balances are reviewed annually and any balance representing future benefits for which realisation is considered no longer probable are written off.

1.10 Income Tax

In accordance with section 188 of the Aboriginal and Torres Strait Islander Act 2005, the Corporation is not subject to taxation, except for fringe benefits tax and the goods and services tax. Accordingly, no provision for tax payable is made.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

However, Section 188 does not apply to controlled entities and therefore incorporated controlled entities are subject to income tax. For these entities, the economic entity adopts the liability method of tax-effect accounting, whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of profit from ordinary activities and taxable income are brought to account either as a provision for deferred income tax or an asset described as a future income tax benefit, at a rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may become realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised, and comply with the conditions of deductibility imposed by the law.

1.11 Employee Entitlements

Benefits

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled. Liabilities for wages and salaries (including non-monetary benefits), annual leave, sick leave are measured at their nominal amounts. Other employee benefits expected to be settled within 12 months of their reporting date are also measured at their nominal amounts.

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

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

Leave

Employee entitlements provided for include annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken by employees was less than the annual entitlement for sick leave.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

The liability for annual leave reflects the value of total annual leave entitlements of all employees as at 30 June 2005 and is recognised at its nominal amount.

The non-current portion of the liability for long service leave is recognised and measured at the present value of the estimated future cash outflows to be made in relation to those entitlements.

Superannuation

Employees of the Corporation are members of the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme. The liability for their superannuation benefits is recognised in the financial statements of the Commonwealth and is settled by the Commonwealth in due course. Contributions to employee superannuation funds are charged as expenses when incurred (Refer to Note 24 for further information).

1.12 Cash

Cash includes cash on hand and at banks, including all deposits at call with a bank or financial institution.

1.13 Financial Instruments

Accounting policies for financial instruments are stated at Note 28.

1.14 Interests in joint ventures

The economic entity's share of assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated statement of financial performance and financial position. Details of the economic entity's interests are shown at Note 11.

The economic entity's interest in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interest in joint venture entities are brought to account using the cost method.

1.15 Foreign Currency Transactions and Balances

Foreign currency transactions during the year are converted to Australian currency at the rate of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

The gains and losses from conversion of short-term assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

Exchange differences arising on hedge transactions undertaken to hedge foreign currency exposure, other than those for the purchase and sale of goods and services, are brought to account in the statement of financial performance when the exchange rates change. Any

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

material gain or loss arising at the time of entering into hedge transactions is deferred and brought to account in the statement of financial performance on maturity.

Where a purchase or sale is specifically hedged, exchange gains or losses on the hedging transaction arising up to the date of purchase or sale and costs, premiums and discounts relative to the hedging transaction are included with the purchase or sale. Exchange gains and losses arising on the hedge transaction after that date are taken to the statement of financial performance.

1.16 Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to abandoned areas are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserve.

1.17 Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

1.18 Adoption of Australian Equivalents to International Financial Reporting Standards

Accounting Standard AASB 1047 Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards (AEIFRS) requires that the financial statements for 2004-05 disclose:

- an explanation of how the transition to AEIFRS is being managed
- narrative explanations of the key policy differences arising from the adoption of AEIFRS
- any known or reliably estimable information about the impacts on the financial report had it been prepared using AEIFRS; and
- if the impacts of the above are not known or reliably estimable, a statement to that effect.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Where an entity is not able to make a reliable estimate, or where quantitative information is not yet known, the entity should update the narrative disclosures of the key differences in accounting policies that are expected to arise from the adoption of AEIFRS.

The purpose of this note is to make these disclosures.

Management of the transition to AEIFRS

IBA is currently preparing for the introduction of Australian Equivalent International Financial Reporting Standards (AEIFRS) for financial years ending 30 June 2006. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year. The directors of IBA have taken the following steps for their implementation:

The IBA Audit Committee is tasked with oversight of the transition to and implementation of AEIFRS. The Chief Finance Officer is responsible for the project and reports on progress to the Audit Committee on the implementation plan. The plan requires the following key steps to be undertaken and deadlines to be met:

- major accounting policy changes between current AASB standards and AEIFRS have been identified
- at this stage no systems changes are deemed necessary to be able to report under AEIFRS
- consultants have been engaged to assist with the preparation of transitional balance sheet as at 1 July 2004, to be completed by 30 November 2005
- preparation of Australian equivalent balance sheet for year ended 30 June 2005, again with the assistance of appointed consultants, to be completed by 30 November 2005
- the above restated balance sheets for 1 July 2004 and 30 June 2005 to be cleared by ANAO by December 31 2005
- this will allow IBA to report in full under AEIFRS in year ended 30 June 2006

For the purposes of AASB 1047, IBA is unable to disclose quantitative information on the effects of adoption of AEIFRS, due to the quantitative information not yet being fully known, however is able to update the narrative disclosures of the key differences in accounting policies expected to arise, as follows:

Key differences in Accounting Policies likely to arise from the adoption of AEIFRS

The directors are of the opinion that the key difference in IBA's accounting policies which will arise from adoption of AEIFRS will be:

Goodwill

Under AASB 3 Business Combinations goodwill will no longer be able to be amortised but instead will be subject to annual impairment testing. This will result in a change to the Corporation's

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

current accounting policy. IBA believes that there may be some impairment, however reliable estimation of the future effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Impairment of Assets

Under AASB 136 Impairment of Assets the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change to the Corporation's current accounting policy. Under the new policy it is possible that impairment of assets will be recognised sooner and that the amount of write-downs will be greater. Reliable estimation of the future effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Income Taxes

Under AASB 112 Income Taxes, the Corporation 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 Position or a tax-based balance sheet. It is not expected that there will be any further material impact as a result of adoption of this standard.

Intangible Assets

Under AASB 138 expenditure on start up activities must be expensed as incurred, this will differ from IBA's past policy of disclosing as an intangible that expenditure which could be identified as recoverable via returns on investments or realised in eventual exit from the investment.

Financial Instruments

Under the Finance Minister's Orders IBA must take the exemption not to restate comparatives for the purposes of AASB 139, however this standard will still require a major change in IBA's accounting policies, with the major effect being the requirement to assess financial assets for impairment at the end of each financial reporting period. This will be of particular relevance to the loan portfolio's transferred to IBA as part of the Home Ownership and Business Development programs.

1.19 Investments in Associates

Investments in associate companies are carried at the lower of the equity accounted amount and recoverable amount in the consolidated financial report. (Refer to Note 10 for details).

1.20 Comparative Figures

Where required, prior years comparative figures have been adjusted to reflect the current year's presentation in these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	Consolidated		Corporation	
	2005	2004	2005	2004
	\$	\$	\$	\$
Note 2 - Revenues				
Note 2a - Goods and services				
- Sale of goods	27,566,593	16,474,350	-	-
- Rendering of services	2,465,145	123,764	2,585	48,010
- Rental Income	3,827,662	6,321,577	-	-
Total	33,859,400	2,919,691	2,585	48,010
Note 2b - Interest				
Loans	6,311,063	415,686	6,313,962	401,516
Deposits	1,876,945	2,299,289	1,331,537	2,188,997
Total	8,188,008	2,714,975	7,645,499	2,590,513
Note 2c - Dividends				
Subsidiaries	-	829	9,453,335	2,935,625
Associated Companies	-	412,586	3,402,173	2,133,721
Other Companies	349,966	-	349,966	-
Total	349,966	413,415	13,205,474	5,069,346
Note 2d - Revenue from sale of assets				
Investments	131,964	838,836	131,964	838,836
Property, Plant and Equipment	-	4,512	-	-
Total	131,964	843,348	131,964	838,836
Note 2e - Other revenue				
Grants received	-	17,739,286	-	17,739,286
Other	247,744	91,566	232,830	-
	247,744	17,830,852	232,830	17,739,286
Note 3 - Expenses				
Note 3a - Employees				
Remuneration for services provided	5,293,039	3,509,756	4,471,390	2,260,572
	5,293,039	3,509,756	4,471,390	2,260,572
Note 3b - Suppliers				
Supply of goods and services	27,359,595	20,647,243	3,330,658	1,545,799
	27,359,595	20,647,243	3,330,658	1,545,799
Note 3c - Grants				
Business Development Grants	1,232,904	-	1,232,904	-
	1,232,904	-	1,232,904	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	Consolidated		Corporation	
	2005 \$	2004 \$	2005 \$	2004 \$
Note 3d - Write-down of assets				
Financial Assets	1,787,432	-	1,574,340	-
Investments	75,000	1,086,992	325,000	2,909,775
	<u>1,862,432</u>	<u>1,086,992</u>	<u>1,899,340</u>	<u>2,909,775</u>
Note 3e - Net foreign exchange (gain)/losses				
Non-speculative	(1,844,893)	(1,492,088)	-	-
	<u>(1,844,893)</u>	<u>(1,492,088)</u>	<u>-</u>	<u>-</u>
Note 3f - Interest				
Loans	1,383,259	32,650	-	-
	<u>1,383,259</u>	<u>32,650</u>	<u>-</u>	<u>-</u>
Note 3g - Borrowing costs				
Guarantee fees	-	6,144	-	-
	<u>-</u>	<u>6,144</u>	<u>-</u>	<u>-</u>

Note 4 - Income Tax Expense

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie tax payable on profit from ordinary activities before income tax at 30%	2,833,033	6,055,743	2,895,309	5,834,403
Less:				
Tax effect of				
* share of net profits of associates	(1,173,404)	(712,333)	-	-
* depreciation /timing differences	83,256	(326,147)	-	-
* tax losses/profits transferred from controlled entities	105,784	(102)	-	-
* non taxable consolidated	(1,659,629)	(4,876,102)	(2,895,309)	(5,834,403)
Income tax expense attributable to profit from ordinary activities	<u>189,040</u>	<u>141,059</u>	<u>-</u>	<u>-</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	Notes	Consolidated		Corporation	
		2005 \$	2004 \$	2005 \$	2004 \$
Note 5 - Cash Flow Information					
(a) Reconciliation of Cash					
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:					
Cash at bank	6	39,235,870	21,639,394	40,600,043	14,068,455
Cash at bank Housing Fund	6	42,270,086	-	42,270,086	-
Cash on hand	6	500	310	500	250
Funds held on Deposit	8	-	1,000,400	-	1,000,400
		<u>81,506,456</u>	<u>22,640,104</u>	<u>82,870,629</u>	<u>15,069,105</u>
(b) Reconciliation of Cash Flow from Operations with Profit from Ordinary Activities after Income Tax					
Profit from ordinary activities after income tax		9,148,375	19,936,635	9,651,029	19,448,011
Non-cash flows in profit from ordinary activities:					
Depreciation and amortisation (including exploration)		1,346,471	1,540,778	50,755	53,327
Net gain on disposal of investments		288,092	338,458	13,301	-
Net gain on disposal of property, plant & equipment		21,955	4,711	-	-
Share of associates net profits		(3,828,091)	(2,402,501)	-	-
Distributions from associated entity		-	207,000	-	-
Write-downs to recoverable amount		-	(1,331,150)	325,000	247,239
Foreign currency translation loss		(1,844,893)	(1,492,088)	-	-
Change in assets and liabilities:					
Increase in income taxes payable		11,918	13,469	-	-
Decrease(increase) in debtors & prepayments		(71,130)	(912,866)	(14,915,411)	(1,070,747)
Decrease in inventories		(1,518,941)	(279,762)	-	-
Decrease in investments		-	1,024,279	-	-
Increase in other assets		(4,214,451)	(49,437)	-	-
Increase in creditors & borrowings		745,172	3,868,053	672,612	683,306
Increase in provisions		2,845,052	94,427	2,540,014	77,000
Net cash from/(used in) operating activities		<u>2,929,529</u>	<u>20,560,006</u>	<u>(1,662,700)</u>	<u>19,438,136</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Notes	Consolidated		Corporation	
	2005 \$	2004 \$	2005 \$	2004 \$
Note 6 - Cash				
Cash at bank	39,235,870	21,639,394	40,600,043	14,068,455
Cash at bank - Housing Fund	42,270,086	-	42,270,086	-
Cash on hand	500	310	500	250
Total	<u>81,506,456</u>	<u>21,639,704</u>	<u>82,870,629</u>	<u>14,068,705</u>
Note 7 - Receivables				
Current				
Goods and Services	8,313,979	1,858,104	4,259,280	747,523
Wholly-owned group				
- subsidiaries	-	-	11,363,072	4,921,491
Other related parties				
- associates	1,413,698	1,318,021	1,376,712	1,318,021
	<u>9,727,677</u>	<u>3,176,125</u>	<u>16,999,064</u>	<u>6,987,035</u>
Receivables overdue by:				
- less than 30 days	1,599,047	-	5,858,327	-
- 30 to 60 days	-	-	-	-
- more than 60 days	8,128,630	3,176,125	11,140,737	6,987,035
Non-current				
Loans	3,624,468	2,225,852	3,455,140	2,194,055
Loans Housing	368,168,165	-	368,168,165	-
Less: Provision for doubtful debts	(1,770,260)	-	(1,770,260)	-
Loans Business development	66,826,168	-	66,826,167	-
Less: Provision for doubtful debts	(27,795,636)	-	(27,795,636)	-
Total	<u>409,052,905</u>	<u>2,225,852</u>	<u>408,883,576</u>	<u>2,194,055</u>
Non current receivables as aged as follows				
Not Overdue	426,960,409	2,225,852	426,791,080	2,194,055
Overdue by:				
- less than 30 days	127,503	-	127,503	-
- 30 to 60 days	953,188	-	953,188	-
- 60 to 90 days	311,622	-	311,622	-
- more than 90 days	10,266,079	-	10,266,079	-
	<u>11,658,392</u>	<u>2,225,852</u>	<u>11,658,392</u>	<u>2,194,055</u>
Total Non-current receivables (gross)	<u>438,618,801</u>	<u>2,225,852</u>	<u>438,449,472</u>	<u>2,194,055</u>
The provisions for doubtful debts are aged as follows				
Not Overdue				
- less than 30 days	(323,350)	-	(323,350)	-
- 30 to 60 days	(2,417,303)	-	(2,417,303)	-
- 60 to 90 days	(790,280)	-	(790,280)	-
- more than 90 days	(26,034,966)	-	(26,034,966)	-
Total provisions for doubtful debts	<u>(29,565,896)</u>	<u>-</u>	<u>(29,565,896)</u>	<u>-</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	Notes	Consolidated		Corporation	
		2005 \$	2004 \$	2005 \$	2004 \$
Note 8 - Investments					
Current					
- Floating rate notes		-	1,000,400	-	1,000,400
Total		-	1,000,400	-	1,000,400
Non-current					
Investments at cost comprise:					
Shares and interests in subsidiaries	9	-	-	68,016,619	54,368,481
Shares in associated companies		-	-	14,466,402	13,771,402
Investments at equity accounted amount:					
Associated companies	10	24,921,381	24,288,364	-	-
Interest in business undertakings		13,107,718	8,267,478	12,813,448	7,975,601
		<u>38,029,099</u>	<u>32,555,842</u>	<u>95,296,469</u>	<u>76,115,484</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 9 - Interests in Subsidiaries (Corporation only)

Name	Country of Incorporation	Percentage of equity interest held by consolidated entity		Carrying Amount of Investment	
		2005 (%)	2004 (%)	2005 \$	2004 \$
<i>Bowen Basin Holdings Pty Ltd</i> - ordinary shares	Australia	100%	100%	1	1
Bowen Basin Investments Pty Ltd - ordinary shares - intercompany advance	Australia	100%	100%	1 6,000,302	1 6,000,302
Centrum Insurance Services - intercompany advance	Australia	100%	100%	2,662,536	2,662,536
CDC Nominees (Geduna) Pty Ltd * - ordinary shares	Australia	100%	100%	-	-
CDC Nominees (Dandenong) Pty Ltd * - ordinary shares	Australia	100%	100%	-	-
CDC Nominees (GPI Ferry) Pty Ltd * - ordinary shares	Australia	100%	100%	-	-
CDC Nominees (GRC) Pty Ltd * - ordinary shares	Australia	100%	100%	-	-
CDC Nominees (McArthur River Shipping) Pty Ltd - ordinary shares - intercompany advance	Australia	100%	100%	2 241,690	2 241,690
CDC Nominees (QBH) Pty Ltd - ordinary shares - intercompany advance	Australia	100%	100%	1 162,560	1 237,560
CDC Nominees (SES) Pty Ltd - ordinary shares - intercompany advance	Australia	100%	100%	2 4,303,282	2 4,626,516
CDC Nominees (TCTP) Pty Ltd - ordinary shares - intercompany advance	Australia	100%	100%	2 295,530	2 295,530
CDC Nominees (WWLS) Pty Ltd * - ordinary shares - intercompany advance	Australia	100%	100%	- -	- -
Diatomaceous Earth Holdings Pty Ltd - ordinary shares	Australia	100%	100%	1	1
Diatomaceous Earth Investments Pty Ltd - ordinary shares - intercompany advance	Australia	100%	100%	1 -	1 -
Fitzroy Inn Investments Pty Ltd - ordinary shares - intercompany advance	Australia	100%	100%	1 1,468,029	1 1,468,029

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 9 - Interests in Subsidiaries (Corporation only) (continued)

Name	Country of Incorporation	Percentage of equity interest held by consolidated entity		Carrying Amount of Investment	
		2005 (%)	2004 (%)	2005 \$	2004 \$
Fitzroy Lodge Investments Pty Ltd	Australia	100%	100%		
- ordinary shares				1	1
- intercompany advance				1,865,523	1,865,523
IBA Coal Investments Pty Limited	Australia	100%	100%		
- ordinary shares				1	1
- intercompany advance				2,050,000	2,050,000
IBA Coal Holdings Pty Limited	Australia	100%	100%		
- ordinary shares				1	1
IBA Property Investments Pty Ltd	Australia	100%	100%		
- ordinary shares				2	2
Indigenous Property Trust-Katherine	Australia	100%	100%		
- units in trust				8,800,000	8,800,000
Indigenous Property Trust-South Hedland ^	Australia	100%	100%		
- units in trust				2,000,000	2,000,000
Indigenous Fishing Pty Ltd	Australia	100%	100%		
- ordinary shares				6,318,805	
Scarborough Holding Trust ^	Australia	100%	100%		
- units in trust				15,387,897	8,216,794
National Indigenous Property Trust ^	Australia	100%	100%		
- units in trust				4,850,000	14,850,000
Mungo Lodge	Australia	100%	100%		
- ordinary shares				165,946	88,046
Mungo Lodge Holdings Trust	Australia	100%	100%		
- intercompany advance				-	
				1,444,502	965,938
				<u>68,016,619</u>	<u>54,368,481</u>

* non- trading

^ valued in accordance with note 1.7

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 10 - Interests in Associates (Consolidated only)

Interests are held in the following associated companies

Name	Principal Activities	Ownership Interest		Voting Power	Carrying Amount of Investment	
		2005 \$	2004 \$	2005 \$	2005 \$	2004 \$
Carpentaria Shipping Services Pty Limited	Transportation	18.31%	18.31%	25.00%	515,364	427,850
Fitzroy River Lodge Partnership	Accommodation provider	42.86%	42.86%	25.00%	2,408,710	2,408,903
Crossing Inn Partnership	Hotel and accommodation facilities	42.86%	42.86%	25.00%	923,745	956,715
Kakadu Tourism (GLC) Pty Limited	Tour operator and Accommodation provider	70.00%	70.00%	50.00%	5,210,958	4,272,610
Kakadu Tourism (GCH) Pty Limited	Accommodation provider	70.00%	70.00%	50.00%	3,718,941	3,430,481
Monkey Mia Enterprises Pty Ltd	Accommodation provider	54.00%	54.00%	50.00%	1,076,602	1,037,308
Monkey Mia Holding Trust	Accommodation provider	54.00%	54.00%	50.00%	2,625,110	2,653,064
Port Botany Transfer Station Pty Limited	Waste Management	50.00%	50.00%	50.00%	3,929,975	3,935,804
Port Hedland Investment Trust	Property	70.00%	70.00%	50.00%	1,047,660	1,047,660
Queensland Bulk Haulage Pty Limited	Transportation	25.00%	25.00%	25.00%	-	288,092
Western Linen Industries Pty Limited	Commercial Laundry	25.00%	25.00%	50.00%	-	-
Noongar Property Trust	Property	66.25%	66.25%	50.00%	3,392,000	3,571,657
Mitchell St Trust	Property	50.00%	50.00%	50.00%	72,316	258,220
					<u>24,921,381</u>	<u>24,288,364</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 10 - Interests in Associates (Consolidated only) (continued)

	Consolidated		Corporation	
	2005 \$	2004 \$	2005 \$	2004 \$
(i) Economic Entity's share of associates:				
Profit from ordinary activities before tax	3,911,346	2,402,501	-	-
Share of income tax expense	(83,255)	(69,509)	-	-
(ii) Movements during the year in equity accounted investment in associated companies				
Balance at beginning of financial year	24,288,364	23,885,583	-	-
Add:				
New investments during the year	945,000	-	-	-
Share of associated company's profit from ordinary activities and after income tax	3,828,091	2,332,992	-	-
Less:				
Dividend revenue from associated companies	(3,851,982)	(1,930,211)	-	-
Disposals during the year	(288,092)	-	-	-
Balance at end of financial year	24,921,381	24,288,364	-	-
(iii) Retained earnings attributable to associates:				
Balance at beginning of financial year	2,574,031	2,171,250	-	-
Share of associated company's profit from ordinary activities	3,828,091	2,332,992	-	-
Dividends received	(3,851,982)	(1,930,211)	-	-
Balance at end of financial year	2,550,140	2,574,031	-	-
(iv) The consolidated entity's share of the assets and liabilities of associates in aggregate				
Current assets	12,565,462	5,884,888	-	-
Non-current assets	31,514,495	25,099,890	-	-
Current liabilities	(8,258,802)	(5,381,542)	-	-
Non-current liabilities	(10,899,774)	(13,372,731)	-	-
Net Assets	24,921,381	12,230,505	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 11 - Interests in Joint Ventures

A controlled entity, Bowen Basin Investments Pty Limited, has a 16.4% interest in the Foxleigh Joint Venture, whose principal activity is the exploration, mining and sale of PCI Coal.

A controlled entity, IBA Coal Investments Pty Limited, has a 16.4% interest in the Eastern Coal Joint Venture, whose principal activity is the exploration of Coal.

The economic entity's share of assets employed in the joint ventures are:

	Notes	Consolidated	Corporation	
	2005	2004	2005	2004
	\$	\$	\$	\$
CURRENT ASSETS				
Cash	780,933	183,481	-	-
Receivables				
Trade Debtors	387,135	87,524	-	-
Prepayments & Deposits	1,647,352	-	-	-
Other Debtors	175,908	232,815	-	-
Inventories				
Raw Materials	2,384,661	47,654	-	-
Total current assets	5,375,989	551,474	-	-
NON-CURRENT ASSETS				
Exploration and evaluation phases	4,039,462	3,010,245	-	-
Development phase	-	-	-	-
Property Plant and Equipment	1,649,058	973,026	-	-
Deferred Expenditure	13,515,499	3,292,136	-	-
Work in progress	718,724	182,633	-	-
Total non-current assets	19,922,743	7,458,040	-	-
Share of total assets of joint ventures	25,298,732	8,009,514	-	-
CURRENT LIABILITIES				
Payables	4,853,157	3,153,804	-	-
Deferred Tax Liability	232	2,777	-	-
Provisions	-	256,807	-	-
Total current Liabilities	4,853,389	3,413,388	-	-
NON-CURRENT LIABILITIES				
Borrowings	515,457	917,703	-	-
Total non-current Liabilities	515,457	917,703	-	-
Net interest in joint venture	19,929,886	3,678,423	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Notes	Consolidated		Corporation	
	2005 \$	2004 \$	2005 \$	2004 \$
Note 12 - Inventories				
Current				
Raw material Inventories held for sale	2,398,586	879,646	-	-
	<u>2,398,586</u>	<u>879,646</u>	<u>-</u>	<u>-</u>
Note 13 - Other Assets				
Current				
Prepayments	-	2,690	-	-
	<u>-</u>	<u>2,690</u>	<u>-</u>	<u>-</u>
Non-current				
Exploration and development costs	2,823,053	3,788,552	-	-
Deferred expenditure	1,648,406	-	-	-
	<u>4,471,459</u>	<u>3,788,552</u>	<u>-</u>	<u>-</u>
Note 14 - Intangibles				
Fishing Licences	6,396,805	-	-	-
Goodwill	7,374,997	6,936,049	-	-
Recoverable Formation Costs	323,887	-	-	-
Amortisation of Goodwill	(2,478,993)	(1,665,812)	-	-
	<u>11,616,696</u>	<u>5,270,237</u>	<u>-</u>	<u>-</u>
Note 15 - Land and Buildings				
At cost	30,442,821	8,192,209	-	-
At directors valuation (see note 1.7)	25,650,000	25,650,000	-	-
	<u>56,092,821</u>	<u>33,842,209</u>	<u>-</u>	<u>-</u>
INFRASTRUCTURE, PLANT AND EQUIPMENT				
Other Infrastructure, Plant and Equipment				
Plant and Equipment at cost	15,762,133	5,225,430	481,085	370,021
Accumulated Depreciation	(1,904,680)	(1,371,389)	(345,840)	(287,391)
	<u>13,857,453</u>	<u>3,854,041</u>	<u>135,245</u>	<u>82,630</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Table A1 - Reconciliation of the opening and closing balances of property, plant and equipment and intangibles (consolidated)

Item	Land & Buildings	Other infrastructure, plant & equipment	Intangibles	Total
	\$	\$	\$	\$
As at 1 July 2004				
Gross book value	33,842,209	5,225,430	6,936,049	46,003,688
Accumulated depreciation	-	(1,371,389)	(1,665,812)	(3,037,201)
Net book value	33,842,209	3,854,041	5,270,237	42,966,487
Additions:				
by purchase	20,290,974	10,536,703	7,159,640	37,987,317
from acquisitions of operations	-	-	-	-
Net revaluation increment/decrement	1,959,638	-	-	1,959,638
Depreciation/amortisation expense	-	(533,291)	(813,181)	(1,346,472)
Recoverable amount write-downs	-	-	-	-
Disposals:				
from disposal of operations	-	-	-	-
other disposals	-	-	-	-
As at 30 June 2005				
Gross book value	56,092,821	15,762,133	14,095,689	85,950,643
Accumulated depreciation/ amortisation	-	(1,904,680)	(2,478,993)	(4,383,673)
Net book value	56,092,821	13,857,453	11,616,696	81,566,970

	Consolidated		Corporation	
	2005 \$	2004 \$	2005 \$	2004 \$
Note 16 - Provisions & Payables				
Current				
Liabilities to Employees				
- Annual Leave	1,680,441	286,027	1,193,600	286,027
Suppliers				
- Trade Creditors	6,862,600	6,430,421	2,079,315	1,418,857
	<u>8,543,041</u>	<u>6,716,448</u>	<u>3,272,915</u>	<u>1,704,884</u>
Non-Current				
Liabilities to Employees				
- Long Service Leave	1,529,940	398,846	1,512,457	398,846
Provisions	-	21,984	-	-
Borrowings secured by floating charge	16,565,270	1,492,722	-	-
	<u>18,095,210</u>	<u>1,913,552</u>	<u>1,512,457</u>	<u>398,846</u>
(a) Aggregate employee entitlements liability	<u>3,210,381</u>	<u>684,873</u>	<u>2,706,057</u>	<u>684,873</u>
(b) No. of employees at year end	<u>139</u>	<u>16</u>	<u>16</u>	<u>16</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 17(a) - Equity

Consolidated

Item	Contributed equity		Accumulated Result		Statutory Funds		Asset revaluation Reserve		Other Reserves		TOTAL EQUITY	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Balance beginning of year	\$ 70,460,555	\$ 70,460,555	\$ 23,571,674	\$ 3,240,095	\$ 90	\$ 90	\$ 2,676,659	\$ 1,060,000	\$ 2,788,106	\$ 2,788,106	\$ 99,497,084	\$ 77,548,846
Operating result	-	-	9,254,404	20,044,751	-	-	-	-	-	-	9,254,404	20,044,751
Net revaluation												
Increases/ (Decreases)	489,444,365	-	-	394,944	-	-	1,959,638	1,616,659	-	-	491,404,003	2,011,603
Outside Equity	-	-	(106,029)	(108,116)	-	-	-	-	-	-	(106,029)	(108,116)
Balance end of year	559,904,920	70,460,555	32,720,049	23,571,674	90	90	4,636,297	2,676,659	2,788,106	2,788,106	600,049,462	99,497,084

Corporation

Item	Contributed equity		Accumulated Result		Statutory Funds		Asset revaluation Reserve		Other Reserves		TOTAL EQUITY	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Balance beginning of year	\$ 70,460,555	\$ 70,460,555	\$ 22,419,259	\$ 2,971,248	\$ -	\$ -	\$ 2,676,659	\$ -	\$ 2,788,106	\$ 2,788,106	\$ 98,344,579	\$ 76,219,909
Operating result	-	-	9,651,029	19,448,011	-	-	-	-	-	-	9,651,029	19,448,011
Net revaluation												
Increases/ (Decreases)	489,444,365	-	-	-	-	-	1,959,638	2,676,659	-	-	491,404,003	2,676,659
Balance end of year	559,904,920	70,460,555	32,070,288	22,419,259	-	-	4,636,297	2,676,659	2,788,106	2,788,106	599,399,611	98,344,579

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 17(b) - Outside Equity Interest (Consolidated Only)

	Accumulated Result	
	2005 \$	2004 \$
Opening Balance	108,214	75,466
Profit attributable to outside equity interest	106,029	108,116
Net movement in dividends paid	(148,804)	(75,368)
Balance at end of year	<u>65,439</u>	<u>108,214</u>

Note 18 - Insurance

IBA and its controlled entities maintain commercial insurance cover over normal risks associated with ownership of assets, public liability and operation of their respective ventures. IBA insures through the Governments insurable risk managed fund, called 'Comcover'. Workers compensation is insured through Comcare Australia.

Note 19 - Segment Reporting

IBA and its controlled entities operate in one business segment and geographical segment, being an investor in commercial activities and providing the Home Ownership and Business Development programmes throughout Australia.

Note 20 - Auditors' Remuneration

	Consolidated		Corporation	
	2005 \$	2004 \$	2005 \$	2004 \$
Amounts received, or due and receivable, by:				
Auditor-General for auditing the financial statements (of the Economic Entity) for the reporting period.	<u>120,000</u>	<u>68,000</u>	<u>110,000</u>	<u>66,200</u>

RSM Bird Cameron have been contracted by the Australian National Audit Office to provide audit services on the ANAO's behalf.

Fees for these services are included above. RSM Bird Cameron also acted as consultants to the Business Development program during 2004/05 to the value of \$73,000. These transactions with RSM Bird Cameron were conducted on a normal commercial arms length basis.

No other services were provided by the Auditor-General or RSM Bird Cameron during the reporting period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 21 - Related Party Disclosures

Directors

The Directors of the Corporation during the financial year were:

Joseph Elu (Chairperson)
 Robert Blair (Deputy Chairperson)
 Leah Armstrong
 Joe Procter (Ceased 15/3/05)
 Jenny Boddington
 Ian Trust
 Ben Wyatt (Appointed 9/8/04)
 Judy Hardy (Appointed 9/8/04)
 Peter Boxall (Appointed 14/12/04)

Director-related entity transactions

Director Armstrong is the Executive Director of Yarnteem Aboriginal Corporation, which on 26th May 2000 received a loan of \$1,500,000 from the at the time ATSC Business Development Program. The loan has a current value of \$991,628. The transactions between Yarnteem Aboriginal Corporation and IBA are on a normal commercial arms length basis.

Deputy Chairperson Blair is the Administrator of Dreamtime Cultural Centre Pty Ltd. In 1999 The Dreamtime Cultural Centre Pty Ltd received a Grant of \$2.8 million from the Business Development Program (then under ATSC). On the 24th of January 2000 the Dreamtime Cultural Centre Pty Ltd also received a loan from the Business Development Program for \$300,000. This loan has a current balance of \$215,916. The transactions between the Dreamtime Cultural Centre Pty Ltd and IBA are on a normal commercial arms length basis.

Director Trust is the Chairperson for the Wunan Foundation. The Wunan Foundation has received two loans from the Business Development Program (then under ATSC); on 25th August 2000 for \$300,000 and on the 24th April 2002 for \$250,000. The loans have a current balance of \$82,689 and \$217,211 respectively. The transactions between Wunan Foundation and Indigenous Business Australia are on a normal commercial arms length basis.

	Consolidated		Corporation	
	2005	2004	2005	2004
	\$	\$	\$	\$
Transactions with related parties:				
Wholly owned Controlled Entities				
Investment revenue received/receivable:				
- dividends revenue	-	-	9,453,335	2,935,625
- interest	-	-	352,457	-
Other Related Parties:				
- interest revenue	147,806	401,516	147,806	401,516
- associates	-	412,586	3,402,173	2,133,721
- other investments	349,966	-	349,966	-
	<u>497,772</u>	<u>814,102</u>	<u>13,705,737</u>	<u>5,470,862</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 22 - Director Remuneration and Interests

	Consolidated		Corporation	
	2005 \$	2004 \$	2005 \$	2004 \$
Included in employee expenses is the total remuneration received or due and receivable by Directors in connection with the management of IBA	317,506	287,000	317,506	287,000
Amounts paid directly on retirement from office or to prescribed superannuation funds for the provision of retirement benefits:	28,100	25,018	28,100	25,018
The number of directors of IBA included in these figures are shown below in the relevant remuneration bands:				
- \$Nil - \$10,000	1	1	1	1
- \$10,001-\$20,000	-	-	-	-
- \$20,001-\$30,000	5	4	5	4
- \$30,001-\$40,000	-	1	-	1
- \$40,001-\$50,000	1	-	1	-
- \$140,001-\$150,000	-	-	-	-
- \$170,001-\$180,000	-	1	-	1
- \$180,001-\$190,000	1	-	1	-

No Director of IBA or controlled entities or associated entities has received, or has been entitled to receive, during or since the end of the financial year, a benefit due to any contract or contracts made by IBA or a related party with a Director, a firm of which the Director is a member or an entity in which a Director has a substantial financial interest nor received any loans or entered into any other transactions.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 23 - Remuneration of Executives

	Consolidated		Corporation	
	2005 \$	2004 \$	2005 %	2004 \$
Amounts received, or due and receivable by executive officers whose remuneration and separation allowances exceed \$100,000	467,639	408,395	467,639	408,395
The number of Executive Officers whose remuneration (including separation and redundancy) was between:				
\$190,000-\$199,999	-	1	-	1
\$200,000-\$209,999	-	-	-	-
\$210,000-\$219,999	-	1	-	1
\$220,000-\$229,000	1	-	1	-
\$230,000-\$239,000	-	-	-	-
\$240,000-\$249,000	1	-	1	-

Executive remuneration includes all officers concerned with or taking part in the management of the Consolidated entity during 2004-2005.

Note 24 - Superannuation

IBA is an approved authority for the purposes of the Commonwealth Superannuation Scheme (CSS) and the Public Sector Superannuation Scheme (PSS). Benefits provided under the CSS and PSS schemes are based on contributions from each employee and are provided in either a lump sum or pension form.

Employees contribute various percentages of their gross income and IBA contributes 25.3% for CSS and 11.8% for PSS. In addition, the Corporation is required to provide productivity superannuation contributions of up to 4%. The amount of contributions paid by IBA for the year ended 30 June 2005 comprised \$93,332 for CSS (2004 - \$80,224) and \$144,379 for PSS (2004 - \$124,492).

Note 25 - Events Subsequent to Balance Date

No events or matters have arisen or information has become available since the end of the financial year that would affect the determination of an amount or particulars in the accounts or these notes thereto, had the accounts been made out at the time of the Directors' Statement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 26 - Contingent Liabilities

	Consolidated		Corporation	
	2005 \$	2004 \$	2005 %	2004 \$
Contingent liabilities				
Other Guarantees ¹	3,928,000	5,825,000	3,928,000	5,825,000
Claims for damages/costs ³	100,000	-	100,000	-
Indemnities ²	1,000,000	1,000,000	1,000,000	1,000,000
Total contingent liabilities	5,028,000	6,825,000	5,028,000	6,825,000
Contingent assets				
Claims for damages/costs ⁴	505,000	-	505,000	-
Total contingent assets	505,000	-	505,000	-
Net contingent liabilities	4,523,000	6,825,000	4,523,000	6,825,000

1 Guarantees

During the year ended 30 June 2005 approval was received from the Commonwealth Treasurer to increase the limit on IBA's ability to give guarantees to \$12,000,000 in total, in accordance with the provisions of the Aboriginal and Torres Strait Islander Commission Act 1989.

Subject to this approval, the following guarantees have been provided by IBA:

- * the provision of a guarantee for \$1,425,000 in favour of the Westpac Banking Corporation relating to long term finance to be provided to Carpentaria Shipping Services Pty Ltd in respect of its bulk carrier the MV "Aburri".
- * the provision of a guarantee for \$450,000 in favour of Westpac Banking Corporation relating to a business development loan provided to Western Linen Industries Pty Ltd.
- * the provision of a guarantee for \$600,000 in favour of Westpac Banking Corporation relating to a Bank loan for Plant & Equipment for Ngarda Civil and Mining Pty Ltd
- * the provision of a guarantee for \$893,000 in favour of Westpac Banking Corporation relating to a Bank loan for Plant & Equipment for Ngarda Civil and Mining Pty Ltd
- * the provision of a guarantee for \$560,000 in favour of Orix Corporation relating to Finance for Plant & Equipment for Ngarda Civil and Mining Pty Ltd

During the 2004/05 financial year the Mitchell St, Darwin property was sold. As a result, the guarantee of \$1,900,000 held in favour of Westpac Banking Corporation is no longer provided by IBA.

2 Indemnities

In addition to these guarantees, IBA has agreed to enter into cross indemnity agreements with:

P&O Maritime Services, whereby IBA will warrant to meet up to one half of any liability (subject to a maximum of IBA's exposure, being \$1,000,000) arising from a total of \$5,000,000 performance guarantee provided by P&O Maritime Services to Mount Isa Mines Limited on behalf of Carpentaria Shipping Services Pty Limited.

Guarantee and indemnity undertakings were made only to satisfy normal commercial funding conditions imposed by financiers and, at balance date, there are no grounds to believe that a liability will arise.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	Consolidated		Corporation	
	2005 \$	2004 \$	2005 %	2004 \$
At 30 June 2005 gain/loss not brought to account for Forward Exchange Contracts with Westpac Banking Corporation	2,082,909	1,561,763	-	-

- 3 The amount represents an estimate of IBA's liability based on a legal matter that is currently ongoing.
- 4 It is considered possible that IBA will succeed in a number of legal matters, although the cases are continuing.

Unquantifiable Contingencies

At 30 June 2005 IBA had an outstanding legal matter which was unquantifiable. It is not possible to estimate the amounts of any eventual payments that may be required in relation to this claim.

Note 27 - Trust Money

IBA established the Aboriginal and Torres Strait Islander Commission Funds held in Trust Account. Funds held in the trust are received from the Aboriginal and Torres Strait Islander Commission under formal trust arrangements. Moneys received are placed in a separate bank account and are granted to parties in accordance with the Grant Agreement. These monies are not available for any other purposes of the Corporation and are not recognised in the financial statements.

	2005 \$	2004 \$
Balance 1 July	3,091,443	12,321,494
Add: Receipts during the year	644,000	3,080,000
Add: Interest Received	133,051	359,867
Less: Expenditure	(1,028,257)	(12,669,918)
Balance 30 June	2,840,237	3,091,443

Note 28 - Financial Instruments

(a) Terms, conditions and accounting policies

Financial Assets

Receivables for goods & services

Receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts.

Loans

Loans are recognised at the amounts lent. Provision is made for bad and doubtful loans when collection of the loan or part thereof is judged to be less rather than more likely. In rare circumstances, loan repayment may be waived.

Interest is credited to revenue as it accrues.

Nature of Underlying Instrument

Housing and business loans are normally made under contract periods of up to 25 years security is required before the loan is advanced. The principal is repaid in full at maturity. Effective interest rate for year averages 5.12%. Interest is calculated daily and capitalised on 31 December and 30 June of each year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Other debtors

As for receivables for goods and services.

Term Deposit

Deposits are recognised at cost. Interest is accrued as it is earned.

Shares in Associates

Shares in associates are equity accounted in accordance with the revised AAS 14 "Accounting for Investments in Associates" issued in May 1997.

Interest in Business Undertakings

The Consolidated entity holds an interest in a number of business undertakings which are carried at the lower of cost or recoverable amount.

Financial Liabilities

Trade creditors

Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled.

Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

Unrecognised financial liabilities

Other guarantees

The amount guaranteed by IBA has been disclosed in Note 26 "Contingencies". At the time of completion of the financial statements, there was no reason to believe that the guarantee would be called upon, and recognition of the liability was therefore not required.

Indemnities

The amount payable under the indemnities given is disclosed in Note 26 "Contingencies". At the time of completion of the financial statements, there was no reason to believe that the indemnities would be called upon, and recognition of the liability was therefore not required.

Forward Exchange Contracts

The amount payable under forward exchange contracts is disclosed in Note 26 "Contingencies". At the time of completion of the financial statements, there was no reason to believe that the forward exchange contracts would be called upon, and recognition of the liability was therefore not required.

(b) Net Fair Values Of Financial Assets and Liabilities

The net fair values of all Financial Assets and Liabilities approximate their carrying values. No financial assets or financial liabilities are readily traded on organised markets in a standardised form. Financial assets where the carrying amount exceeds net fair values have not been written down as IBA intends to hold them to maturity. The aggregate net fair values and carrying amounts of financial assets and liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

(c) Credit Risk Exposures

The consolidated entity's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

The consolidated entity's has no significant exposures to any concentrations of credit risk.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 28 - Financial Instruments cont.

(d) Interest Rate Risk (Consolidated only)

Financial Instrument	Notes	Floating Interest Rate	Floating Interest Rate	Fixed Interest Rate				
				1 to 2 yrs	1 to 2 yrs	2 to 5 yrs	2 to 5 yrs	> 5 yrs
		04-05	03-04	04-05	03-04	04-05	03-04	04-05
		\$	\$	\$	\$	\$	\$	\$
Financial Assets (Recognised)								
Cash at Bank	6	81,505,956	21,639,394	-	-	-	-	-
Cash on Hand	6	-	-	-	-	-	-	-
Receivables	7	-	-	-	-	-	-	-
Loans	7	371,792,633	2,225,852	5,139,481	-	6,202,718	-	8,642,612
Term Deposit	8	-	-	-	1,000,400	-	-	-
Shares	8	-	-	-	-	-	-	-
Interest in Business Undertaking	8	-	-	-	-	-	-	-
Total Financial Assets (recognised)		453,298,589	23,865,246	5,139,481	1,000,400	6,202,718	-	8,642,612
Total Assets								
Financial Liabilities (Recognised)								
Trade Creditors	16	-	-	-	-	-	-	-
Borrowings	16	16,565,270	1,492,722	-	-	-	-	-
Total Financial Liabilities (recognised)		16,565,270	1,492,722	-	-	-	-	-
Total Liabilities								
Other Guarantees	26	-	-	-	-	-	-	-
Indemnities	26	-	-	-	-	-	-	-
Total Financial Liabilities (Unrecognised)		-	-	-	-	-	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

						Effective Total	Weighted Average Effective Interest Rate	Weighted Average Interest Rate
		Non Interest	Non Interest	Total				
> 5 yrs								
03-04	04-05	03-04	04-05	03-04	04-05	03-04	04-05	03-04
\$	\$	\$	\$	\$	\$	\$	%	%
-	-	-	-	-	81,505,956	21,639,394	5.48	4.65
-	-	-	500	310	500	310	n/a	n/a
-	-	-	9,727,677	3,176,125	9,727,677	3,176,125	n/a	n/a
-	46,841,357	-	-	-	438,618,801	2,225,852	5.12	8.80
-	-	-	-	-	-	-	n/a	4.67
-	-	-	24,921,381	24,288,364	24,921,381	24,288,364	n/a	n/a
-	-	-	-	-	-	-	n/a	n/a
-	-	-	13,107,718	8,267,478	13,107,718	8,267,478	n/a	n/a
-	46,841,357	-	47,757,276	35,732,277	567,882,033	59,597,523		
					626,753,152	108,235,298		
-	-	-	6,862,600	6,430,421	6,862,600	6,430,421	n/a	n/a
-	-	-	-	-	16,565,270	1,492,722	7.50	7.56
-	-	-	6,862,600	6,430,421	23,427,870	7,923,143		
-	-	-	-	-	26,638,251	8,630,000		
-	-	-	3,928,000	5,705,000	3,928,000	5,705,000		
-	-	-	1,000,000	1,000,000	1,000,000	1,000,000		
-	-	-	4,928,000	6,705,000	4,928,000	6,705,000		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 29 - Restructuring

As a result of Machinery of Government changes, resulting from the passage of legislation on the 23rd of March 2005, IBA assumed responsibility for the delivery of 2 programmes as of this date, being Home Ownership and Business Development and Assistance.

These formerly resided in ATSIC, ATSSIS and DEWR.

In respect of functions assumed, the net book values of assets and liabilities transferred to IBA for no consideration and recognised at the date of transfer were:

	2005 \$
Business Development and Assistance Program	
Former ATSIC Business Loans	64,185,953
Former DEWR BDP Loans	6,950,116
- Less provision	(29,656,791)
Cash - Loans Capital transferred from DEWR	20,112,779
Cash - Departmental Appropriation transferred from DEWR	12,752,298
Home Ownership Program	
Former ATSIC Housing Loans Balances	356,016,987
- Less provision	(1,733,202)
Cash at Bank Westpac	44,837,588
Cash at Agent Housing	8,190,875
Cash - Departmental Appropriation transferred from ATSSIS	2,600,220
Receivables and Prepayments	2,084,361
Property, Plant & Equip	3,313,496
Liabilities Assumed	
Staff Leave Liabilities	
- Long service leave	(1,086,616)
- Annual leave	(826,789)
Net Assets Transferred	<u>487,741,275</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

Note 30 - Reporting of Outcomes

(a) IBA is structured to meet one outcome:

To stimulate the economic advancement of Aboriginal and Torres Strait Islanders, achieved via the following three outputs:

Output 1.1 - Equity and Investments, to seek, assess and invest in sound commercial ventures while encouraging and supporting Indigenous participation.

Output 1.2 - Home Ownership, to provide a range of competitive home loan products to eligible Aboriginal and Torres Strait Islander people.

Output 1.3 - Business development and assistance, to provide Indigenous people with a range of products and assistance for the development of commercially viable enterprises.

(b) Major Departmental Revenues and Expenses by Outputs (Corporation only)

	Output 1.1		Output 1.2		Output 1.3		Outcome Total	
	2005	2004	2005	2004	2005	2004	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$
Departmental Expenses								
Employees	2,340,655	2,260,572	-	-	858,488	-	4,471,392	2,260,572
Suppliers	1,875,143	1,545,799	-	-	727,757	-	3,330,657	1,545,799
Grants	-	-	-	-	1,232,904	-	1,232,904	-
Depreciation and amortisation	50,755	53,327	-	-	-	-	50,755	53,327
Write-down of assets	325,000	2,909,775	-	-	1,070,610	-	1,899,339	2,909,775
Other	-	68,507	-	-	291,138	-	582,276	68,507
Total Departmental Expenses	4,591,553	6,837,980	2,794,873	4,180,897	11,567,323	6,837,980		
Funded By								
Revenue from Government	-	-	-	-	-	-	-	-
Sales of Goods and Services	2,585	12,000	-	-	-	-	2,585	12,000
Interest	794,407	2,590,513	-	-	1,304,593	-	7,645,497	2,590,513
Dividends	13,205,474	5,070,790	-	-	-	-	13,205,474	5,070,790
Revenue from sale of assets	131,964	-	-	-	-	-	131,964	-
Other Revenues	10,823	18,164,132	41,617	-	180,392	-	232,832	18,164,132
Total Departmental Revenues	14,145,253	25,837,435	5,588,114	1,484,985	21,218,352	25,837,435		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Note 31 - Housing Fund

The operations and financial position of the Housing Fund, which has been included in the preceding statements and notes, are separately disclosed as follows:

Corporation only

Statement of Financial Performance for the year ended 30 June 2005

	2005 \$	2004 \$
REVENUE		
Revenues from ordinary activities		
Interest	5,546,498	-
Other	41,618	-
Revenues from ordinary activities	<u>5,588,116</u>	<u>-</u>
EXPENSE		
Expenses from ordinary activities		
Suppliers	-	-
Grants	-	-
Write-down of assets	503,729	-
Expenses from ordinary activities	<u>503,729</u>	<u>-</u>
Net surplus attributable to the Commonwealth	<u>5,084,387</u>	<u>-</u>
Total revenues, expenses and valuation adjustments recognised directly in equity	<u>-</u>	<u>-</u>
Total changes in equity other than those resulting from transactions with owners as owners	<u>5,084,387</u>	<u>-</u>
Statement of Financial Position as at 30 June 2005		
ASSETS		
Financial Assets		
Cash	42,270,085	-
Receivables	373,981,630	-
Total financial assets	<u>416,251,715</u>	<u>-</u>
Total assets	<u>416,251,715</u>	<u>-</u>
LIABILITIES		
Payables		
Suppliers	-	-
Other payables	1,770,720	-
Total payables	<u>1,770,720</u>	<u>-</u>
Total liabilities	<u>1,770,720</u>	<u>-</u>
NET ASSETS	<u>414,480,995</u>	<u>-</u>
EQUITY		
Parent entity interest		
Capital	409,396,608	-
Accumulated profits	5,084,387	-
Total parent entity interest	<u>414,480,995</u>	<u>-</u>
Total equity	<u>414,480,995</u>	<u>-</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Statement of Cash Flows for the year ended 30 June 2005	2005 \$	2004 \$
OPERATING ACTIVITIES		
Cash received		
Interest	748,142	-
Other	588,895	-
Total cash received	1,337,037	-
Cash used		
Suppliers	-	-
Grants	-	-
Total cash used	-	-
Net cash from operating activities	1,337,037	-
INVESTING ACTIVITIES		
Cash received		
Repayments of loans made, including interest capitalised	18,434,570	-
Total cash received	18,434,570	-
Cash used		
Loans made	(30,529,984)	-
Total cash used	(30,529,984)	-
Net cash from investing activities	(12,095,414)	-
FINANCING ACTIVITIES		
Cash received		
Transfers from general fund	-	-
Transfers Contributed Equity (MOG Changes)	53,028,462	-
Total cash from financing activities	53,028,462	-
Net increase / (decrease) in cash held	42,270,085	-
Cash at beginning of reporting period	-	-
Cash at the end of the reporting period	42,270,085	-
Notes to the above Statements		
Note 31a: Interest Revenue		
Interest on bank account	592,827	-
Interest on housing loans	4,953,671	-
Total interest revenue	5,546,498	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS*for the year ended 30 June 2005***Note 31 - Housing Fund (continued)****Note 31b: Write-down of assets**

	2005 \$	2004 \$
Financial assets:		
Bad and doubtful debts expense - loans	503,729	-
Total write-down of assets	503,729	-

Note 31c: Cash

Cash at bank and on hand	34,556,794	-
Cash at agents	7,713,291	-
Total cash	42,270,085	-

Note 31d: Receivables

Loans	368,168,165	-
Less: Provision for doubtful debts	(1,770,260)	-
	366,397,905	-
Other debtors	5,813,925	-
Total receivables	372,211,830	-

Note 31e: Reconciliation of Net Surplus to Net Cash from Operating Activities

Net surplus	5,084,387	-
Write down of assets	503,729	-
Interest capitalised on loans receivable	(4,953,670)	-

Changes in assets and liabilities

Decrease in receivables	155,316	-
Increase in suppliers	547,275	-
Net cash from operating activities	1,337,037	-