

ANNUAL REPORT 2011-12



Australian Government
Indigenous Business Australia

IBA AT A GLANCE

Our vision is for a nation in which the First Australians are economically independent and an integral part of the economy.

Economic independence for Aboriginal and Torres Strait Islander peoples is at the heart of IBA's vision and programs.

We want Indigenous Australians to have the same opportunities as other Australians, and through our programs attempt to remove some of the obstacles that may prevent them from creating wealth, accumulating assets and fulfilling their aspirations.

These programs assist Aboriginal and Torres Strait Islander peoples to buy their own home, own their own business and invest in commercial ventures that can also provide employment opportunities.

Our guiding principles

As a statutory authority of the Australian Government, we are accountable to the Parliament and the Minister for Families, Community Services and Indigenous Affairs, Minister for Disability Reform, the Hon. Jenny Macklin, MP, for our performance in achieving the intended results of our outcome statements within the Portfolio Budget Statements.

Our enabling legislation is the *Aboriginal and Torres Strait Islander Act 2005* (ATSI Act). Our reporting and accountability arrangements are set out in the *Commonwealth Authorities and Companies Act 1997* (CAC Act).

As stated in section 146 of the ATSI Act, our role is: (a) to assist and enhance Aboriginal and Torres Strait Islander self-management and economic self-sufficiency; and (b) to advance the commercial and economic interests of Aboriginal and Torres Strait Islander peoples by accumulating and using a substantial capital asset for the benefit of Aboriginal and Torres Strait Islander peoples.

Our people

Our workforce numbers 210 and more than 23 per cent of our employees identify as being of Aboriginal or Torres Strait Islander descent. We strive to be professional, outcome-focused, collaborative, responsive, proactive, realistic and respectful.



CONTENTS

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This report has been prepared according to parliamentary reporting and legislative requirements. It provides details of IBA's operations and performance for the financial year ending 30 June 2012.

OVERVIEW.....1

The report sets the scene for the financial year, with a review from the Chair (including her letter of transmittal) and the CEO's perspectives. It includes key information about IBA, our organisational history and important highlights from the year. A snapshot of IBA's performance against the outcomes set out in the Portfolio Budget Statements (PB Statements) sets reader expectations for the detailed performance reports to follow.

PART 1: INVESTMENTS 15

Reports on the performance of the Equity and Investments Program against the outcomes set out in the 2011–12 PB Statements.

PART 2: HOME OWNERSHIP 43

Reports on the performance of the Home Ownership Program and the Home Ownership on Indigenous Land Program against the outcomes set out in the 2011–12 PB Statements.

PART 3: BUSINESS OWNERSHIP..... 71

Reports on the performance of the Business Development and Assistance Program against the outcomes set out in the 2011–12 PB Statements.

PART 4: ACCOUNTABILITY.....91

Details IBA's management and accountability processes, including corporate governance and external scrutiny employed to deliver its programs. The section also includes profiles of the IBA Board.

PART 5: OUR ORGANISATION..... 107

Discusses the external stakeholders with whom IBA engages and our community involvement. This section also summarises IBA's human resources management and organisational structure, and profiles the Executive Management Team.

PART 6: FINANCIAL PERFORMANCE ... 133

Starts with the Chief Financial Officer's summary of IBA's financial performance, then leads into the audited financial statements for 2011–12.

PART 7: APPENDICES203

Contains additional information about significant events, consultants, environmental compliance, and freedom of information requests.

PART 8: REFERENCES213

Contains a list of abbreviations and acronyms, a glossary of terms, a compliance index and alphabetical index.

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IBA respects Aboriginal and Torres Strait Islander cultures and has taken care to ensure the contents of this publication do not offend Aboriginal and Torres Strait Islander peoples.

IBA HISTORY

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- 1990** Following the proclamation of the *Aboriginal and Torres Strait Islander Commission Act 1989* (ATSIC Act), the Aboriginal and Torres Strait Islander Commercial Development Corporation (CDC) is established, with assets transferred from the former Aboriginal Development Commission.
- 1996** The CDC is engaged in 19 business ventures with Aboriginal and Torres Strait Islander organisations, holding equity interests in 15 of them.
- 2001** The ATSIC Act is amended to rename the CDC as Indigenous Business Australia.
- 2005** Following the abolition of the Aboriginal and Torres Strait Islander Commission, IBA's role is expanded to include managing the Home Ownership Program and the Business Development and Assistance Program. IBA now has three core program areas.
- 2006** The Home Ownership on Indigenous Land Program is established to facilitate Indigenous home ownership on community-titled land. IBA hosts the First Nations Economic Opportunities Conference in Sydney to promote Indigenous economic development and to assist the wider community to understand the challenges facing Indigenous businesses. More than 500 people attend the conference, including delegations from New Zealand and Canada.
- 2007** IBA and the Department of Education, Employment and Workplace Relations jointly develop an Indigenous small business development model. The model funds the placement of an economic development officer, paired with a local Indigenous officer, to work in remote communities in the Northern Territory.
- 2008** IBA and the National Australia Bank (NAB) jointly develop the Indigenous Entrepreneurs Program to deliver small business loans (microfinance), and associated business support to eligible Indigenous business owners.
- 2009** IBA reaches \$1.0 billion in total assets, comprising investments, small business and home loans.
The IBA Scholarship Fund commences, awarding scholarships each year to mature-age Indigenous Australians studying business, financial, commercial or economic management.
- 2011** *Into Business*[™] workshops are piloted across Australia.
- 2012** The Home Ownership on Indigenous Land Program and the Home Ownership Program merge to become the Indigenous Home Ownership Program. The new program has assets in excess of \$800 million. The 15,000th home loan is approved.
The first graduations of IBA Scholarship Fund recipients take place.



Australian Government
Indigenous Business Australia

21 September 2012

The Hon. Jenny Macklin, MP
Minister for Families, Community Services and Indigenous Affairs
Minister for Disability Reform
Canberra ACT 2600

Dear Minister

On behalf of the Board of Indigenous Business Australia, I am pleased to submit our annual report for the financial year ended 30 June 2012. The report is presented in accordance with section 9 of the *Commonwealth Authorities and Companies Act 1997* (CAC Act) and section 189 of the *Aboriginal and Torres Strait Islander Act 2005*.

Under section 9 of the CAC Act, the directors of IBA are responsible for producing an annual report that includes a report of operations prepared in accordance with the Commonwealth Authorities (Annual Reporting) Orders 2011.

I am satisfied that IBA has prepared a fraud risk assessment and fraud control plan, and has in place appropriate fraud prevention, detection, investigation, and reporting and data collection procedures and processes that meet IBA's needs and comply with the Australian Government Fraud Control Guidelines.

This annual report and audited financial statements were approved in accordance with a resolution of IBA's directors on 14 September 2012.

I commend this report to you as a record of our achievements and compliance.

Dr Dawn Casey PSM FAHA
Chair, Indigenous Business Australia

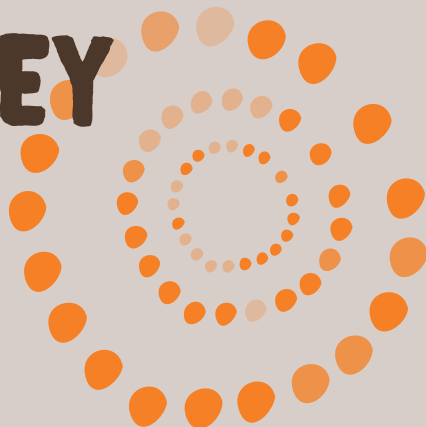


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TIMELINE OF KEY HIGHLIGHTS



IBA hosted its fourth annual breakfast event in Sydney during NAIDOC Week, where we engaged with our stakeholders and celebrated some of our customer success stories (see page 125).

JUL 11

AUG 11

SEPT 11

OCT 11

NOV 11

DEC 11



IBA approved a \$12 million investment to redevelop and rejuvenate Tjapukai Aboriginal Cultural Park (Tjapukai). Tjapukai has operated for 25 years, and over that time has showcased the culture of the Djabugay rainforest people to more than 3 million people. It has injected more than \$35 million into the local Aboriginal community in wages, royalties and the purchase and commissioning of art and artefacts. Tjapukai remains the largest employer of Indigenous people in Cairns (see page 33).



Changes to the IBA Scholarship Fund meant that postgraduate students would be eligible in future years to apply for funding, so IBA could assist more students who would like to pursue tertiary education and contribute to Indigenous economic development (see page 130).

IBA received an award from both the Institute of Public Administration Australia (presented by Institute of Public Administration – ACT Division Executive Director Tamara Cutcliffe to IBA CEO Chris Fry below) and the Australasian Reporting Awards for its IBA 2010–11 Annual Report.

A new Enterprise Agreement for IBA staff members was approved, offering a number of important benefits to our people (see page 116).

IBA approved the 500th business loan through the Business Development and Assistance Program. Business ownership provides Aboriginal and Torres Strait Islander peoples with choice in how they participate in the broader Australian economy (see page 79).



JAN 12

FEB 12

MAR 12

APR 12

MAY 12

JUN 12



IBA acquired premises in Mareeba, Queensland for lease to the Queensland Drug and Alcohol Council (QDAC), which administers alcohol and rehabilitation services for the Office of Aboriginal and Torres Strait Islander Health (see page 42).

The inaugural meeting of IBA's Aboriginal and Torres Strait Islander Staff Network was held to support the organisation's priority to build cultural capability within IBA (see page 114).



The 15,000th home loan provided by IBA enabled a young family in the Northern Territory to begin their home ownership dream (see page 53).



CHAIR REVIEW

A message from
Dr Dawn Casey

The Board believes IBA has the people, processes and economic development programs in place to assist Aboriginal and Torres Strait Islander peoples to achieve their aspirations, whether it is owning their own home or starting their own business.

The Board has made a number of important commitments this year that will enhance IBA's ability to engage Indigenous Australians in commercial activities and in their economic future.

To strengthen its future capabilities, IBA has also implemented a number of changes across the organisation.

Financial systems and strategies to provide better outcomes for customers

IBA's expanded role in Indigenous economic development from 2005 resulted in a period of steady growth for the organisation. In mid-2011, a review of cost structures revealed that the level of overheads incurred by IBA to operate its programs was not sustainable.

In response, the Board approved the adoption of the Sustainable Financial Futures Strategy, which entailed setting financial benchmarks and creating a more efficient organisational structure. The strategy has reduced overheads and will ensure ongoing financial discipline. This will enable IBA to tightly control expenses while continuing to provide high-quality services to customers.

IBA will also implement a new Financial Management Information System to improve budgeting and reporting, and lead to increased productivity across the organisation and better outcomes for customers.

Measuring the broader impacts of our investments

To ensure IBA's investments deliver the broad economic development benefits envisaged under its legislation, the Board has agreed to the development of an innovative Indigenous Economic Impact tool that will be rolled out in the coming year. The tool will assist both management and the Board to make informed investment decisions with a holistic measure of outcomes.

The tool will also provide a framework to assess the achievement of economic development outcomes, such as Indigenous employment, training and procurement from Indigenous suppliers, together with traditional financial measures.

IBA's commitment to excellence in organisational governance

As part of its continuous improvement strategy for Board and organisational governance, IBA commissioned Deloitte Australia to conduct an independent governance review, which assessed IBA against 62 key governance indicators. The review found that IBA is conducting better practice for 51 of the 62 indicators and needs only minor adjustments on the remaining 11 indicators. IBA will focus its attention on the areas for improvement in the coming months.

Investing in Indigenous communities and economic futures

The approval to invest \$12 million in the redevelopment of the Tjapukai Aboriginal Cultural Park in Cairns reflected Tjapukai's status as an iconic centrepiece of Indigenous tourism in the Cairns region. It also highlighted IBA's commitment to sustainable ventures that showcase Indigenous culture and significantly contribute to direct Indigenous employment.

Similarly, the Board was pleased to approve a new joint venture with the Jawoyn people at Nitmiluk in the Northern Territory to develop a new luxury resort, Cicada Lodge, which will be a cornerstone for the continuing development and growth of the outstanding Nitmiluk Tours enterprise.

In June 2012 IBA proudly presented its 15,000th home loan customer with their loan at Katherine in the Northern Territory. Since 1975, \$1.7 billion in wealth has been transferred through home ownership as IBA loans were repaid. Over that time more than 50,000 individuals – Indigenous parents and their children – were able to live in a house they could call their own.

It was also pleasing to see the progress being made by the Business Development and Assistance Program, which plays a vital role in helping Indigenous Australians achieve their economic goals. In 2011–12, IBA delivered its 500th business loan, one of 85 loan approvals totalling \$17.3 million during the year – the highest number of loan approvals for the past four years.

Outlook

I expect to see continued improvement and innovation in the delivery of our programs and products, so that they meet our customers' needs in business support and financing, investments and home ownership. To enhance service delivery in the future, IBA will also maintain and strengthen its collaboration with partners such as financial institutions, Indigenous commercial and service delivery organisations, the Indigenous Land Corporation and the Australian Indigenous Minority Supplier Council.

Acknowledgements

The Board's approach to Board appointments is to make recommendations to the Minister based on skills, age and gender diversity. Also important is the ability to work together to create an environment within IBA to foster innovation, trust and respect, and thereby grow the economic development of and wealth opportunities for Aboriginal and Torres Strait Islander peoples.

This year the Board welcomed Jason Eades as Director. Jason has already made many substantial contributions to Board deliberations since his appointment in July 2011.

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**I expect to
see continued
improvement and
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delivery of our
programs and
products, so that
they meet our
customers' needs**
.....

I would like to acknowledge the substantial contribution of Leah Armstrong and Jenny Boddington, both of whom retired from the Board after 11 years of service. It has been marvellous to work with such amazing women and on behalf of the Board I wish them all the best for their future endeavours.

I would also like to take the opportunity to thank the Hon. Jenny Macklin, MP; my colleagues on the Board; Ms Jenny Morison, the Chair of our Audit and Risk Management Committee; and the IBA Executive Management Team and staff members for their work throughout the year. Their continued commitment to IBA's vision for a nation in which the First Australians are economically independent and an integral part of the economy is evident throughout this report.



CEO REVIEW

A message from
Chris Fry

IBA is doing well in many areas, and the highlights listed in this report are evidence of this.

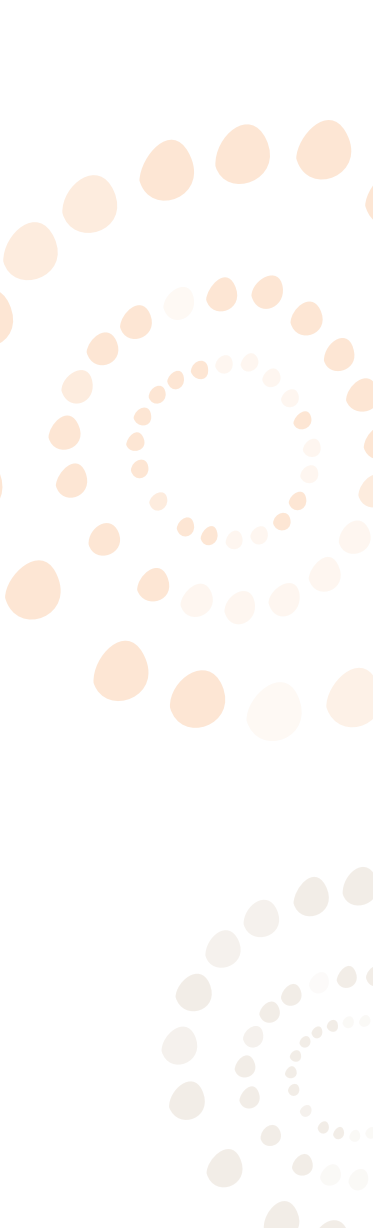
Following a year of internal program and process improvement, as well as better targeting of our expenditures on administration, IBA is now well placed to implement improvements in customer service and in particular the customer's experience in dealing with us. It was pleasing to see IBA's contribution recognised in the Prime Minister's annual *Closing the Gap* report to Parliament, which highlighted the outcomes for two of our customers.

We are especially proud of the two significant milestones in 2011–12 that were also noted by our Chair: during the year, we granted our 15,000th home loan and 500th business loan. The high rates of participation in the *Into Business*™ workshops (see page 77) and subsequent requests for business loans are also encouraging. It has also been rewarding for me and other IBA staff to receive messages from customers who have appreciated the service that we provided.

Financially, IBA is in a sound position and is now better placed to confidently focus on innovating and improving service delivery to its customers over the coming year. In 2011–12 IBA achieved a surplus of \$27.4 million against \$6.8 million in the previous year. The higher surplus resulted from lower expenditure levels driven by tighter control of costs, and savings in loan values caused by lower interest rates. In 2011–12 IBA also saw its net assets grow by \$60 million to over \$1 billion.

Welcoming scrutiny to assist continuous improvement

Over the last few years IBA has welcomed scrutiny from within and outside the organisation. This reflects our ambitious approach to continual improvement of our processes and services, and the time is right to fast-track improvements that will be of immediate benefit to both our existing and potential customers.



During the year I met with staff, our customers and other stakeholders from across the country to find out what we do well and where we can improve. Apart from the very valuable feedback I received, which will be used to help shape and improve our services and approaches, I have been moved by the energy and passion shown by our customers to succeed and by our staff to help them succeed. During 2012–13 IBA will establish a project office that will work to bring many of the innovative ideas that have been suggested to reality.

To ensure that IBA's governance processes and strategies are effective and efficient, IBA recently contracted Deloitte Australia to examine and report on IBA's governance arrangements. The report was overwhelmingly positive, suggesting only a small number of areas for continuous improvement. Fully addressing these issues will be a key priority for IBA in the coming months. The full report is available on the IBA website at www.iba.gov.au.

Investing in people and technology to enhance customer outcomes

To achieve our goals of better economic outcomes for Indigenous peoples, we are reinvesting in our people and technology. Our new Financial Management Information System will deliver improved efficiencies in budgeting and reporting. We are installing new videoconferencing solutions to better connect our regional office network and reduce the costs and time associated with travel and improve communication. IBA has a new Enterprise Agreement in place, and the Board endorsed a new People Plan that provides a comprehensive framework for staff training, development, retention and recruitment.

Creating further partnerships with the Indigenous community

Over the last 18 months IBA has restructured its formal Investments Strategy (2010–15), which is now working much more proactively to engage with Indigenous organisations and groups before investment opportunities are even identified. Through this approach, we hope to build partnerships with Indigenous individuals and organisations that will prove to be durable and resilient over many years to come.

One significant area of new work is assistance to Native Title organisations. We have established a Native Title Task Force to help inform our approach to providing a best practice pathway for Native Title organisations to become economic development agents for their people. The Task Force is already undertaking three pilot projects that will provide valuable insights into our future operations in this area.

Shaping Indigenous economic outcomes through scholarships

The IBA Scholarship Fund is now in its fifth year and in that time has seen seven scholarship recipients graduate from their tertiary studies. This year IBA extended the Fund to support postgraduate study, ensuring that the program provides assistance to Indigenous Australians studying at different levels in the fields of business, finance and commerce. IBA is confident that as more recipients graduate, they will go on to shape Indigenous economic development outcomes throughout Australia.

Outlook

I believe that IBA is well placed to take advantage of future opportunities and continue to assist Indigenous Australians and organisations to achieve their economic aspirations.

Granting the 15,000th home loan to an Indigenous borrower during the year was a proud moment for IBA and clearly demonstrates the value of the program and the support it has among Indigenous Australians.

The decision by the Australian Government to merge the Home Ownership Program (HOP) with the Home Ownership on Indigenous Land (HOIL) Program from 1 July 2012 will enable IBA to provide approximately 275 more home loans in 2012–13, and an additional 270 loans over the following three years. Indigenous home lending has never been more important or more substantial.

We approved 85 loans through our Business Development and Assistance Program in 2011–12. IBA can build on this remarkable achievement by continually improving our business support practices and strengthening our partnerships with organisations such as the Australian Indigenous Minority Supplier Council to support growth strategies for existing Indigenous businesses.

We will also continue to focus on the customer interface. IBA is aiming to be a more internally cohesive organisation, ensuring that whenever customers engage with IBA, their interactions will be straightforward, appropriate and effective regardless of the purpose behind their contact or which product they are accessing. Our intent is that every contact with a customer will be one where there is an opportunity to engage and assist.

Acknowledgements

Finally, I want to acknowledge the valuable service of Ms Kaely Woods, who left the Deputy CEO position after eight years of employment at IBA. I would also like to acknowledge the support of the IBA Board and the great work of my colleagues and staff during 2011–12.

PROGRAM PERFORMANCE

Outcome 1: Stimulating economic advancement of Aboriginal and Torres Strait Islander peoples

Total price: \$139.9m

Total appropriation: \$38.9m

Targets are as specified in 2012–13 Portfolio Budget Statements as revised targets for 2011–12.

Equity and Investments Program	Target	Result
Total price	\$74.2m	\$79.5m
Appropriation: Will not receive government funding, but will cover its operating expenses through prudent management of the investment portfolio.		
To make strategic investments in commercial enterprises and assets to create wealth, employment and other economic development opportunities for Aboriginal and Torres Strait Islander peoples. For performance details see page 15.		
Return on investment ¹	8%	5.5%
Number of new co-investments made during the budget year	5	2
Distribution to Indigenous co-investors ²	5%	9%
Proportion of Indigenous jobs supported by investment portfolio ³	20%	22.5%

Indigenous Home Ownership Program ⁴	Target	Result
Total price	\$33.9m	\$31.9m
Appropriation	\$15.1m	\$15.1m
Objective: Provides an affordable entry into home ownership for Indigenous Australians, particularly those on lower incomes and first home buyers who have difficulty obtaining home loan finance from mainstream commercial lenders. For performance details see page 43.		
Number of new home loans	400	404
Aggregate loans in the portfolio	3,670	3,841
Number of loans to applicants who have an adjusted combined gross annual income of not more than 125% of IBA's Income Amount ⁵	80%	86.9%
Number of loans to applicants who are first home buyers	85%	93.1%
Number of remote Indigenous communities in which IBA is actively facilitating home ownership opportunities.	8	10

Business Development and Assistance Program	Target	Result
Total price	\$34.1m	\$28.4m
Appropriation	\$23.8m	\$23.8m
Objective: Provides affordable business loans and other support to Indigenous Australians to assist them to successfully enter into business and improve their prospects for long-term success. For performance details see page 71.		
Number of new loans approved	75	85
Number of businesses or prospective businesses provided with business advice or support	480	442
Number of participants that attended <i>Into Business™</i> workshops	900	1,844
Number of Strategic Development Initiatives	15	15
Number of Business Development Initiatives	25	30
Number of jobs created/supported through new IBA loan funding	220	272 (including 176 for Indigenous Australians)
Number of active loans in the portfolio	290	289
Percentage of loan accounts that were successfully finalised through loan repayment	65%	52%
Percentage of loan customers still in business 12 months after commencing business	85%	90%
Percentage of loan customers still in business 2 years after commencing business	75%	79%
Percentage of loan customers still in business 3 years after commencing business	65%	71%

IBA is not directly appropriated as it is a CAC Act body. Appropriations are made to the portfolio department (an FMA Agency) at FaHCSIA, which are then paid to IBA and are considered 'departmental' for all purposes. In this way, the Australian Government funds IBA to achieve an agreed outcome of 'improved wealth acquisition to support the economic independence of Aboriginal and Torres Strait Islander peoples' through a series of programs and associated performance indicators and deliverables, as specified in its annual Portfolio Budget Statements. These tables (and in detail throughout the rest of this report) reports on IBA's performance against the targets set out in the revised Portfolio Budget Statements 2011–12.

¹ Total after-tax return generated by the investment portfolio, expressed as a percentage of the average value of the investment portfolio during the budget year ('Portfolio Value'), excluding valuation increments and decrements. It excludes IBA's financial investments and the interest earned thereon. Valuation decrements and increments in respect of the portfolio are provided in the notes to the financial statements.

² Total distribution to Indigenous co-investors in the year, expressed as a percentage of Indigenous co-investors' share of Portfolio Value.

³ Total number of Indigenous Australians employed by employing investment portfolio entities as at 30 June 2012, expressed as a percentage of total workforce.

⁴ While there are no specific performance measures for the Home Ownership on Indigenous Land (HOIL) Program, IBA has continued to actively work supporting Indigenous home ownership in remote communities where land tenure reform is in progress.

⁵ The IBA Income Amount is equivalent to 100 per cent of the national average weekly male earnings, as calculated by the Australian Bureau of Statistics.



CEO Chris Fry and IBA staff member Darlene Riley begin National Reconciliation Week celebrations at the IBA Canberra office. A morning tea was held to mark this week, which commemorates two significant milestones in the reconciliation journey: the anniversaries of the successful 1967 referendum and the High Court of Australia's decision in the Mabo case.



PART 1: INVESTMENTS

16 EQUITY AND INVESTMENTS PROGRAM

- 16 Objectives
- 17 Performance
- 18 Partnership benefits
- 20 Investment philosophy
- 21 Investment selection
- 25 Investment portfolio
- 39 Trusts
- 40 Outlook

L: Kalgoorlie artist Jason Dimer with his recently completed artwork within an IBA owned building. Image courtesy of Jeanette Dimer.

R: Through a joint investment with IBA, the Adnyamathanha Traditional Lands Association (ATLA) bought the Wilpena Pound Resort in South Australia's Flinders Ranges (see pages 22–23). Pictured (left to right) Emily Anderson, Deputy Chairman of ATLA Michael Anderson, Chairman of Anthology Grant Hunt, Anna Caponi, Chairman of ATLA Vince Coulthard, IBA staff member Cronje Wolvaardt, Marcelle Wolvaardt, Jacques Wolvaardt and General Manager of Wilpena Pound Resort Matt Coxon.

EQUITY AND INVESTMENTS PROGRAM

Objectives

IBA's Equity and Investments Program makes strategic investments in commercial enterprises and assets to create wealth, employment and other economic development opportunities for Aboriginal and Torres Strait Islander peoples.

.....
**IBA provided
 \$5.6 million in
 distributions
 to its Aboriginal
 and Torres Strait
 Islander partners**

IBA's investment portfolio comprises 26 active investments across Australia in a range of sectors, including tourism and hotel accommodation, retail, commercial property and industrial (manufacturing, mining services and primary industries). The portfolio has two investments pending divestment, which are not trading.

As at 30 June 2012, IBA's investment portfolio was valued at \$192.04 million, with Aboriginal and Torres Strait Islander investors owning, in aggregate, equity interests of \$64.3 million.

The goal of the Equity and Investments Program is to promote self-management, self-sufficiency and economic independence for Aboriginal and Torres Strait Islander peoples, by building and managing a substantial portfolio of sustainable investments, diversified by industry and geography.

This is pursued using IBA's capital base, skills and expertise to bring together Aboriginal and Torres Strait Islander peoples and industry capability partners in sustainable investments, which provide opportunities for:

- asset ownership
- capability transfer
- wealth accumulation
- stable and enduring income streams
- employment and training
- supply chain benefits for Indigenous-owned businesses.

Performance

In 2011–12, IBA continued to build its investment portfolio, successfully pursuing new investment opportunities while also seeking to maximise economic development outcomes from existing investments.

During the year, IBA's investment portfolio generated over \$5.6 million in distributions to its Aboriginal and Torres Strait Islander partners. As at 30 June 2012, IBA's investments employed 263 Aboriginal and Torres Strait Islander people, representing 22.5 per cent of the total workforce across its portfolio. IBA's investments also provided more than \$18 million in job-relevant training and wages, and purchased more than \$4.2 million worth of services from approximately 140 Indigenous-owned suppliers.

The program does not receive annual budget appropriations from the Australian Government. Its operating expenses are funded entirely from returns on IBA's investment portfolio. As at 30 June 2012, the program employed 19 staff in strategy and governance, acquisitions and portfolio management teams in Brisbane, Canberra, Perth and Sydney.

Table 1 shows the performance of the program against its targets. IBA's return on investment from the portfolio was impacted by the performance of certain investments that were affected by subdued global economic conditions, the high level of the Australian dollar and unforeseen weather conditions. However, profit distributions to Indigenous partners substantially exceeded targets, delivering strong levels of income to IBA's Indigenous co-investors. The portfolio also continues to support strong levels of Indigenous employment.

Table 1: Equity and Investments Program performance summary, measured against the IBA Portfolio Budget Statements revised targets for 2011–12

2011–12 key performance indicator	Target	Result
Return on investment ¹	8%	5.5%
Number of new co-investments made during the budget year	5	2
Distribution to Indigenous co-investors ²	5%	9%
Proportion of Indigenous jobs supported by investment portfolio ³	20%	22.5%

¹ Total after-tax return generated by the investment portfolio, expressed as a percentage of the average value of the investment portfolio during the budget year ('Portfolio Value'), excluding valuation increments and decrements. It excludes IBA's financial investments and the interest earned thereon. Valuation decrements and increments in respect of the portfolio are provided in the notes to IBA's financial statements.

² Total distribution to Indigenous co-investors in the year, expressed as a percentage of Indigenous co-investors' share of Portfolio Value.

³ Total number of Indigenous Australians employed by employing investment portfolio entities as at 30 June 2012, expressed as a percentage of total workforce.

IBA's investments employed 263 Aboriginal and Torres Strait Islander people, representing 22.5 per cent of the total workforce across its portfolio

Partnership benefits

IBA aims to be a partner of choice for Indigenous groups seeking to access commercial investment opportunities. The organisation has more than 25 years experience in investing alongside Aboriginal and Torres Strait Islander peoples.

IBA achieves sound investment outcomes by undertaking thorough and rigorous assessment and due diligence; focusing on management; adhering to strong corporate governance principles; and applying sound commercial judgement. Through these actions and by being open, receptive and easy to deal with, IBA strives to be the partner of choice for Indigenous investors considering a significant investment.

Capacity development

IBA has a proactive focus on capacity development, working closely with partners to implement clear pathways to ensure ownership transitions occur in line with objectives set at the start of an investment.

When making investment decisions, IBA looks for ventures that produce sustainable financial benefits and provide employment, training and procurement opportunities for Aboriginal and Torres Strait Islander peoples. Through direct investment and in parallel with its objectives, IBA mentors Indigenous partners and works with them to transfer business knowledge. This provides them with a sound understanding of governance and management requirements, preparing them for a time in the future when they can acquire IBA's interest in the investment.

During 2011–12, IBA supported an Indigenous partner to assume management control of a business in which the partner had held an equity share for over 10 years. The business had previously been managed by a non-Indigenous capability partner, who worked collaboratively with IBA and the Indigenous partner on the transition to Indigenous management.

Making a difference

In addition to financial and economic development outcomes, many investments carry far greater significance for IBA's Aboriginal and Torres Strait Islander partners. IBA measures success not only by monetary returns and metrics, but from the insights gained and the stories shared.

Through its joint ventures, IBA has encouraged a number of non-Indigenous capability partners to implement Reconciliation Action Plans. IBA has also put a number of Indigenous suppliers in touch with non-Indigenous capability partners, enabling them to pursue common business interests.

Investing in the future of the Jawoyn people

A joint venture between IBA and Nitmiluk Tours this financial year will deliver long-term opportunities for employment and training for the Jawoyn community at Katherine in the Northern Territory.

The venture is Cicada Lodge, a luxury resort in the Nitmiluk National Park that is expected to open in early 2013.

Nitmiluk Tours, owned and operated by the Jawoyn Association, operates tours and cruises to Nitmiluk Gorge, as well as kiosks, cafes and accommodation. Profits from the business go back to the Jawoyn Association and are used to fund social welfare programs for the Jawoyn community.

Wes Miller, Chairman of Nitmiluk Tours, says: 'The key benefits this project will provide to the Jawoyn people are long-term training and employment opportunities, particularly in hospitality and tour guiding. We are looking to build on the current Indigenous employment rates of 25 per cent, and develop and maintain a strong cultural component for visitors to Nitmiluk National Park.'

Cicada Lodge is being built on the edge of the Katherine River and will provide tourists with an authentic Indigenous cultural and wilderness experience. Open all year, it will offer guests scenic flights, access to rock art sites, and cultural experiences such as bushwalks and bush tucker.

Nitmiluk Tours is also negotiating with the contracted construction company to purchase its demountable site buildings once the development is completed. The buildings will be converted into much-needed staff accommodation for future Indigenous employees.

IBA and the Jawoyn Association have a good record of joint investment. The organisations acquired Jawoyn Cruises in 1993 and the Association bought IBA's share within 18 months. IBA looks forward to another successful partnership.

Wes is also delighted with the partnership and says: 'I am very excited about the potential of Cicada Lodge to increase the number of people from Australia and overseas who can come to this beautiful part of the world and immerse themselves in our country and our culture.'

'The Cicada Lodge development would not have happened without IBA's support as a partner. History has shown that Nitmiluk Tours and IBA work well together and I expect that it will only get better as the project continues. The Aboriginal Benefit Account (ABA) has also been very supportive of Nitmiluk Tours for the development.'

Investment philosophy

The Equity and Investments Program is guided by an integrated investment philosophy, with the following guiding principles.

- **Enduring relationships.** IBA forges long-term relationships with its Aboriginal and Torres Strait Islander partners, building trust and providing appropriate support and resources before and throughout the investment life cycle. IBA seeks lasting partnerships that lead to collaboration on further investments beyond the initial opportunity.
- **Stepping stone to economic independence.** IBA proactively focuses on building the capability of its Aboriginal and Torres Strait Islander partners, with a view to selling down its interest so that the investment is ultimately owned or controlled by the partners.
- **Harnessing industry capability.** IBA actively seeks to engage private sector partners, either through co-investment or management arrangements, to harness their expertise and reduce investment risk. This also offers Aboriginal and Torres Strait Islander partners opportunities to build their capabilities by engaging with industry leaders.
- **IBA is a long-term investor.** IBA's approach to risk is balanced between protecting the existing capital base and achieving long-term portfolio growth. IBA looks to grow its asset base conservatively, with a typical investment horizon (i.e. the timeframe in which IBA will seek to exit an investment) of 10 years.
- **A whole-of-portfolio approach.** IBA measures returns on a whole-of-portfolio basis, allowing a balance to be achieved between investments pursued predominantly for financial reasons and investments pursued for their strong economic development outcomes.
- **Innovation.** IBA strives to be an originator of ideas and investment opportunities, and not merely react to investor requests.
- **Holistic measurement of outcomes.** IBA measures more than financial returns, using an Indigenous Economic Impact Report to identify the incremental value created by generating employment, training and supply chain opportunities for Aboriginal and Torres Strait Islander peoples.
- **Qualitative and quantitative insights.** While quantifying returns, risks and correlations is important, a qualitative assessment of returns and risks is also necessary to capture and share the insights of investment partners.


- **Appropriate diversification.** IBA seeks to balance overall portfolio risk by allocating investments across industry sectors and geographies. Regional diversification allows a broader range of Aboriginal and Torres Strait Islander communities to benefit from employment, training and procurement opportunities.
- **Active management.** IBA actively reviews portfolio performance and recommends strategic and management enhancements, and acquisition and divestment decisions when imbalances are detected.
- **Prudence and rigour in investment management.** IBA adopts best practice standards of institutional investment decision making, with investment, portfolio management and divestment decisions made prudently and after rigorous analysis.
- **Flexibility.** IBA is flexible within the broader parameters of strategy, remaining focused on outcomes and responsive to customers' needs.
- **Focus on governance.** IBA strives for best practice in governance and ethical decision making, recognising that high standards of governance, integrity and transparency are critical to success.
- **Continuous improvement.** IBA keeps abreast of economic, market and industry conditions, and employs the latest techniques and tools to continually refine and enhance financial and economic development outcomes across its investment portfolio.

Investment selection

Every investment opportunity is unique and is assessed against its overall strategic goals, with returns and risks carefully weighed against established criteria.

IBA's acquisitions team has more than 55 years of collective experience in investment banking, fund management and social investment. The team assesses all new investment opportunities, guided by IBA's formal five-year Investment Strategy (2010–15), which was established in accordance with the organisation's statutory mandate.

IBA is reviewing and refining its Investment Strategy to ensure its portfolio continues to be well placed to deliver strong financial and economic outcomes for Aboriginal and Torres Strait Islander peoples. Table 2 on page 24 shows the factors taken into account when selecting investments.



Wilpena Pound Resort returns to traditional owners

Adnyamathanha Traditional Lands
Association Chair Vince Coulthard.
Image courtesy of Gayle Mather.

Through a joint investment with IBA, the Adnyamathanha Traditional Lands Association (ATLA) bought the Wilpena Pound Resort in South Australia's Flinders Ranges. The four-star resort is the only accommodation in the Flinders Ranges National Park.

This important collaborative venture creates Indigenous economic development opportunities in remote South Australia and has strong cultural outcomes.

'We believe this is a sound investment that has demonstrated strong financial performance over recent years and will create opportunities for new Indigenous tourism workers and businesses, especially with a focus on Adnyamathanha culture, history, stories and experiences,' says IBA CEO Chris Fry.

The investment is expected to create wealth and an ongoing income stream for ATLA, with IBA's strategy to sell down the equity in the resort to ATLA over time, thereby increasing Indigenous ownership of Wilpena Pound Resort.

'In addition, there is potential for Indigenous employment, training and skills development within the resort,' says Chris.

ATLA Chair Vince Coulthard confirmed that there is strong interest from numerous ATLA members to work at the resort. He is looking forward to seeing the social and economic outcomes for the community.

'It's been a dream of mine for a long time – my vision – that when people visit Wilpena, I'd like to have an Aboriginal person to welcome them from their first stop at the information centre,' he says.

'When they walk into the shop, I'd like to have a couple of Aboriginal people there; when they sit down in the restaurant I'd like young Aboriginal people to serve them at the table. I'd like them [visitors] to have personal contact with Aboriginal people throughout their stay.

'It's important for our people to have a very strong presence there, and to give visitors the experience that we know they want, so they feel welcome to come on country,' says Vince. 'By being welcomed to come on country, I believe they will appreciate Australia more and show respect.'



Table 2: Factors taken into account when selecting investments

Potential for financial sustainability	IBA considers the risk of capital loss from any investment activity over the short and long term.
Potential for positive Indigenous economic impact	<p>IBA considers the potential for the investment to deliver:</p> <ul style="list-style-type: none"> • financial returns to Indigenous partners • employment opportunities • training and education outcomes • procurement of goods and services from Indigenous-owned businesses • corporate governance development at the organisational level.
Promotion of portfolio diversity	The risk of the portfolio is diversified to minimise the impact of individual investment failure, industry-specific events or regional economic downturns.
Potential to introduce specialist management	IBA considers the strength of the management arrangements, the capability of the management team and its willingness to commit to Indigenous capability development and employment.
Transaction size	Typically between \$5 million and \$25 million.
Appropriate structuring and governance	IBA seeks to protect itself against risks arising from the activities at the investment level.
Potential for exit	IBA's goal is to enable Indigenous partners to acquire the capability to own and manage the investment in their own right.
Ability to leverage IBA's unique position	IBA aims to maximise the value proposition of the service it offers.

Investment portfolio

IBA's investment portfolio comprises 26 active investments across Australia in a range of sectors, including tourism and hotel accommodation, retail, commercial property and industrial (manufacturing, mining services and primary industry), as well as the Asset Leasing Trust and Dominican Indigenous Education Trust (see page 40). Two investments are currently being divested and are not trading.

26 active investments
across Australia

Table 3: IBA investment portfolio by asset cluster, value, percentage and number, as at 30 June 2012¹

Asset cluster	Total value (\$)	Total portfolio value (%)	Total in portfolio
Commercial property	80,087,049	41.7	8
Manufacturing	5,712,576	3.0	1
Mining and mine services	11,639,712	6.1	3
Primary industries	1,993,687	1.0	2
Retail	4,878,226	2.5	2
Tourism and hotel accommodation	81,954,366	42.7	11
Other	5,773,780	3.0	3
Total	192,039,397	100.0	30

Note: The total is the rounded sum of unrounded amounts.

Table 4: IBA investment portfolio by metropolitan, regional and remote areas, as at 30 June 2012¹

Area	Total investment (\$)	Total investment (%)	Total investments (no.)
Metropolitan	84,293,053	44	7
Regional	59,738,265	31	11
Remote	48,008,079	25	12
Total	192,039,397	100	30

¹ Includes Asset Leasing Trust and Dominican Indigenous Education Trust.

Figure 1: Principal investment sites by asset cluster and location, as at 30 June 2012





Commercial property

Commercial property is a key component of IBA's portfolio. It maintains a balance between the risk and return created by the other asset clusters. The co-ownership of many of IBA's commercial properties provides IBA's Indigenous partners with access to income and capital growth, which can underpin the future financial structure of their corporations and communities.



1. Commonwealth Centre

3 Brand Street, South Hedland, WA

IBA purchased the Commonwealth Centre in South Hedland in 2000 as part of a strategy to invest in remote areas of Australia. The building accommodates the regional Indigenous Coordination Centre, the local Centrelink office and various local Indigenous organisations.

- 50 per cent Indigenous ownership in the building



2. CPS Building

44 Waymouth Street, Adelaide, SA

The CPS Building is a 12-storey office building in the City of Adelaide's core office precinct. Constructed in 1998, it comprises a net lettable area of 7,200 square metres. IBA acquired the property in June 2003. The building is managed by Jones Lang LaSalle and provides a reliable income to IBA.



3. Goldfields Building

50 Colin Street, West Perth, WA

IBA, together with the Perth Noongar Foundation and the Noongar Country Economic Foundation, purchased the Goldfields Building in West Perth in November 2002. The building was constructed in 1998 and comprises four levels of A-grade commercial office space in the sought-after West Perth precinct.

- 53 per cent Indigenous ownership in the building
- Indigenous partner acquired further equity from IBA in December 2011



4. Government Centre

First Street, Katherine, NT

Centrally located within the township of Katherine, approximately 300 kilometres south of Darwin, the Government Centre is a commercial property with ground-floor and upper-level office accommodation. IBA purchased the building in June 2000 as part of its strategy to increase the geographical coverage of its investments.

- Completed a significant building refurbishment during the 2011–12 financial year
- Recently signed a new long-term lease with the Northern Territory Government
- Indigenous group considering investing in the building is completing due diligence



5. Homestead Centre

Corner Throssell and Tonkin Streets, South Hedland, WA

IBA purchased the Homestead Centre – a retail and office complex in South Hedland – in March 1993, in association with the Port Hedland Regional Aboriginal Corporation. The Homestead Centre, which is operated as a body corporate, caters for 13 tenancies over 1,441 square metres.

- 30 per cent Indigenous ownership in the building



6. IBA Building

39–43 Boulder Road, Kalgoorlie, WA

The IBA Building in Kalgoorlie was only partially complete when IBA acquired it in 2003 from the administrator of the Goldfields Medical Fund. In early 2004, the building was completed to meet the standards for Australian Government tenants. The local Indigenous Coordination Centre operates from the building.

- Commissioned a local Indigenous artist to complete a mural in the building foyer



7. Port Botany Transfer Station

Lot 21 Military Road, Matraville, NSW

The acquisition of the Port Botany Transfer Station enabled IBA to have a presence in New South Wales and provided an Indigenous group with the opportunity to participate in an investment. The facility is leased to Veolia Environmental Services on a long-term commercial agreement.

- 10 per cent Indigenous ownership in the investment



8. Scarborough House

Atlantic Street, Woden, ACT

Scarborough House is a vibrant commercial building in the busy town centre of Woden in the Australian Capital Territory. It is renowned for its eye-catching design and has maintained its NABERS Energy rating of 4.5 stars. This asset benefits IBA's Indigenous partners by providing them with an opportunity to invest in a large, attractive capital asset with strong yields.

- 33.02 per cent Indigenous ownership in the building

Industrial

The industrial portfolio enables IBA and Indigenous partners to participate in established markets with real employment opportunities in regional and remote Australia. The portfolio is supported by strong capability partners who bring sound governance and professional management and reporting standards.

The industrial portfolio supported 161 Indigenous jobs as at 30 June 2012.

Manufacturing

IBA entered the manufacturing sector as part of a strategy to diversify its portfolio asset base. Manufacturing can provide real career paths for Indigenous Australians wishing to enter apprenticeships and pursue managerial opportunities.



9. Inverell Manufacturing Plant

Swanbrook Road, Inverell, NSW

The factory had been manufacturing stock feeds and pet foods for close to 20 years prior to IBA acquiring the asset as part of a joint venture with Ridley Agriproducts. In 2010, the factory was remodified to produce commercial-grade fish food. Located in a regional centre, the business has created employment opportunities for local Aboriginal people.

- Successfully producing high-quality products

Mining and mine services

The general remoteness of Australia's mining sector provides IBA with a unique opportunity to help some of the nation's most disadvantaged Indigenous Australians. But there are significant challenges. The mining industry can be volatile and establishing a mining-related business is very capital intensive. To minimise these risks and difficulties, IBA engages with private sector capability partners who specialise in the industry, to help establish and manage the businesses.



10. Carpentaria Shipping Services

MRM Loading Facility, Port of Bing Bong, NT

Carpentaria Shipping Services Pty Ltd (CSS) is a joint venture between IBA, P&O Maritime Services and Mawa Riinbi Pty Ltd, representing the four language groups in the Borrooloola region. Since starting operations, Mawa Riinbi has used profit distributions to purchase some of IBA's equity and has steadily increased its ownership level. The business ships zinc and lead concentrate from the McArthur River Mine (MRM), barging it from the port of Bing Bong, in the Gulf of Carpentaria, to ships anchored 30 kilometres offshore.

- 31.69 per cent Indigenous ownership
- Scope for significant increases in tonnage based on planned mine and port expansion



11. Ngarda Civil & Mining Limited

Perth Head Office, 185 Great Eastern Highway, Belmont, WA
Port Hedland Office, 4 Kangan Way, Wedgefield, WA

Ngarda Civil and Mining Pty Ltd (Ngarda) provides earthmoving, civil engineering and contract mining services to the resources and construction sectors. The company is headquartered in Belmont, Perth, but most of its business operations are located in Western Australia's Pilbara region, which is dominated by the iron ore, gas and oil industries. Ngarda is owned by the Ngarda Ngarli Yarndu Foundation, IBA and Leighton Contractors Pty Ltd. While pursuing a commercial rate of return, Ngarda regularly achieves significant levels of Indigenous employment. This is a major challenge for any business in the remote Pilbara region, where many Indigenous people face significant barriers to education, and where English is often a second language.

- 25 per cent Indigenous ownership
- Joint sponsorship of the Purarrka Indigenous Mining Academy



Tjapukai Aboriginal Cultural Park, celebrating the history and culture of the Djabugay people.

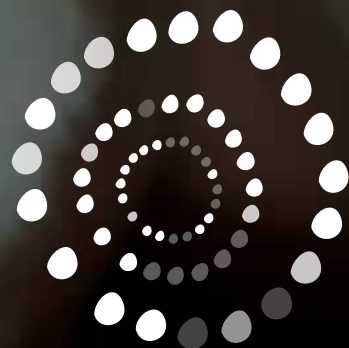
Celebrating culture and tradition

IBA's approval of a \$12 million investment to redevelop and rejuvenate the Tjapukai Aboriginal Cultural Park is expected to deliver outstanding social and economic benefits for Indigenous Australians in the Cairns region. The redevelopment will enhance the attractiveness of the park, and reflects IBA's commitment to sustainable ventures that significantly contribute to direct Indigenous employment, while also showcasing Indigenous cultures.

Tjapukai Aboriginal Cultural Park was built on traditional Tjapukai land in a beautiful rainforest setting (the word Tjapukai means rainforest) and celebrates the history and culture of the Djabugay people of the rainforest. It allows visitors from around the world to experience the many facets of Tjapukai culture with authentic music, dance and storytelling, and gain a greater understanding of the Tjapukai way of life and traditional practices.

Over its 25 years of operation, Tjapukai Aboriginal Cultural Park has hosted more than 3 million people. It has injected more than \$35 million into the local Indigenous community in wages, royalties and the purchase and commissioning of art and artefacts. The park remains the largest employer of Indigenous people in Cairns and has won several state and national industry awards. It was inducted into the Queensland Tourism Awards Hall of Fame in 2000 and in 2004 it was named Australia's best tourist attraction by the Australian Tourism Export Council.

David Hudson, General Manager of Tjapukai, says: 'We want to keep the best of it, keep the strengths intact. This redevelopment is long overdue and very exciting, but this place is really about its people – the 80 staff members. We're still here after 25 years and we'll be here for another 25 years.'



Primary industries

Investments in primary industries are characterised by unique risks and challenges, including pests and diseases, climate change, varying input and output prices, and fluctuating exchange rates. Despite these difficulties, IBA's involvement in this sector enables the organisation to help Indigenous Australians living in remote locations where there are often limited education and employment opportunities.



12. Cummeragunga Farm

Barmah, NSW

IBA acquired Cummeragunga Farm in 2005. The property is a 398-hectare freehold farm adjacent to the Murray River near the town of Barmah in New South Wales. The farm consists of good quality land, part of which is suitable for irrigation through a water allocation from the Murray River. IBA has been working with a local registered training organisation to develop and deliver training in commercial farming operations to the local Indigenous community.



13. Indigenous Fishing Trust: abalone licence

Port Fairy, Vic

The aim of the Indigenous Fishing Trust is to acquire and hold quota and associated licences for the benefit of present and future generations of Indigenous Australians 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 fished from the Western Zone of Victoria, which lies between Apollo Bay and the Victorian–South Australian border.

Retail

The ownership of retail supermarkets in regional and remote areas can help IBA increase employment and potentially create better opportunities for Indigenous people living in those parts of Australia. The retail portfolio provides quality produce at affordable prices to both the Indigenous and local communities. It also provides the Indigenous community with employment prospects and food security.

The retail portfolio supported 19 Indigenous jobs as at 30 June 2012.



14. Leonora Supermarket and Hardware

75 Tower Street, Leonora, WA

IBA acquired the supermarket in Leonora in September 2007. The township of Leonora, situated 230 kilometres north of Kalgoorlie, supports a population of 1,500 people, approximately 30 per cent of whom are Aboriginal. The Leonora Shire has a population of 4,190 and is the service centre for the mining industry, the exploration industry and the well-established pastoral industry. The supermarket also operates a newsagency and sells a small range of hardware.



15. Tennant Food Barn

48 Paterson Street, Tennant Creek, NT

In November 2008, IBA and the Julalikari Council Aboriginal Corporation acquired the Tennant Food Barn. Julalikari represents 16 Indigenous groups in Tennant Creek and the surrounding Barkly Shire, and actively promotes the local Indigenous community through a wide variety of projects, including arts, tourism and conservation initiatives. Outback Stores Pty Ltd has been engaged to provide management services to the store.

- 10 per cent Indigenous ownership

Tourism and hotel accommodation

The tourism and hotel portfolio gives remote and regional Indigenous groups a chance to invest in businesses that generate stable returns and offer employment and training opportunities. Tourism businesses also allow Indigenous groups to promote Aboriginal and Torres Strait Islander language and culture. The sector has several operators working in collaborative partnerships to support business management and knowledge transfer.

The tourism and hotel portfolio supported 83 Indigenous jobs as at 30 June 2012.



16. Chifley Alice Springs Resort

Stott Terrace, Alice Springs, NT

Formerly a part of the Voyages Group, the Chifley Alice Springs Resort was acquired by IBA in November 2009 in partnership with the Centrecorp Aboriginal Development Corporation and the Sitzler family. Only a short stroll from the centre of Alice Springs, the resort's location and facilities make it a popular choice for business and leisure travellers.

- 45 per cent Indigenous ownership



17. Fitzroy River Lodge

Great Northern Highway, Fitzroy Crossing, WA

The Fitzroy River Lodge was established in 1989. IBA became involved in the business in July 2001. At the same time, Leedal Pty Ltd, which represents local Indigenous groups, acquired a majority equity holding in the investment, with the remaining equity held by industry partners. The lodge is built in the style of a pastoral homestead, and includes 20 hectares fronting the Fitzroy River. It is often referred to as an oasis in the region. The lodge assists Leedal to subsidise the groceries sold at its supermarket, sponsor a children's education program, supply computers for the school, support local sporting carnivals and provide opportunities for local Indigenous Fitzroy Valley residents to participate in community events.

- 73.57 per cent Indigenous ownership
- Indigenous partner acquired non-Indigenous partnership share in June 2012
- Indigenous partner assumed control of the lodge under a management contract in June 2012



18. Gagudju Crocodile Holiday Inn

Flinders Street, Jabiru, NT

The Gagudju Crocodile Holiday Inn at Jabiru, a 2.5-hour drive from Darwin, is the only four-star accommodation within the World Heritage-listed Kakadu National Park. The hotel's unique architecture – it is designed in the shape of a crocodile – attracts significant worldwide interest. IBA, in joint venture with the Gagudju Association (which represents the 10 local clan groups), owns the hotel and outsources the management to InterContinental Hotels Group.

- 30 per cent Indigenous ownership
- Registered Indigenous Employment (Training) Program



19. Gagudju Lodge Cooinda

Cooinda, Jim Jim, NT

Gagudju Lodge Cooinda is located at the southern end of Kakadu National Park and operates the highly successful Yellow Water Cruises. Cooinda also offers Gagudju Adventure Tours and operates the Warradjan Cultural Centre. The facility provides guests with a range of accommodation options from 3.5-star lodge rooms and budget rooms to powered and unpowered camp sites. Cooinda supports the southern region of Kakadu with a general store, public bistro and petrol facilities.

- 48 per cent Indigenous ownership
- Active Indigenous Board participation
- Registered Indigenous Employment (Training) Program, which won an award from Tourism NT and was a runner-up at the National Tourism Awards



20. Holiday Inn Townsville

334 Flinders Street, Townsville, Qld

In June 2008, IBA acquired the Holiday Inn Townsville, which is managed by InterContinental Hotels Group. IBA has structured the investment to enable Indigenous participation at an ownership level and to leverage supplier, employment and training opportunities. There is an Indigenous trainee group working in the hotel, with several gaining full-time employment in hotel management. IBA has also worked with the local community to provide over 60 beds for a youth hostel. IBA staff members, in conjunction with Arts Queensland, commissioned over 200 pieces of artwork from local Indigenous artists to be displayed throughout the hotel.

IBA is in discussions with a number of local Indigenous groups in its search for a co-owner.



21. Mungo Lodge

Mungo National Park, NSW

Mungo Lodge was purchased in October 2003. It is situated adjacent to Mungo National Park, within the Willandra Lakes. The region was granted World Heritage listing in 1981 in recognition of its Indigenous heritage, archaeological values and natural landscape.



22. Tjapukai Aboriginal Cultural Park

Western Arterial Road, Caravonica, Qld

Tjapukai Dance Theatre was the first Indigenous tourist attraction in Australia. Born of a need to portray Indigenous culture with dignity and pride, the operation opened in a Kuranda basement in 1987. Tjapukai Aboriginal Cultural Park allows visitors to experience many facets of Tjapukai culture, and to gain a greater understanding of the Tjapukai way of life and traditional practices (see page 33).

- Committed to major redevelopment and product enhancement



23. Medina Grand Darwin Waterfront and Vibe Hotel Darwin

Kitchener Drive, Darwin, NT

In December 2009, IBA and the Larrakia Development Corporation (LDC) entered into a joint venture with the Toga Group to purchase and operate the Medina Grand and Vibe hotels on the Darwin waterfront. The joint venture is expected to generate ongoing revenue, training and employment opportunities for the local Indigenous community. IBA acquired LDC's interest in the hotels in 2011–12 to enable LDC to pursue other investment opportunities.



24. Wildman Wilderness Resort

Wildman Road, Mary River National Park, NT

In December 2006, IBA acquired Wildman Wilderness Resort, located in the Mary River National Park. In November 2009, IBA purchased Wrotham Park Lodge, a five-star resort 400 kilometres inland from Cairns, dismantled the entire resort infrastructure and relocated it to Wildman in the Northern Territory. The five-star Wildman Wilderness Resort opened in April 2011 and employs two Indigenous staff members.



25. Cicada Lodge

Cicada Lodge, a luxury accommodation property in the Nitmiluk National Park, is a new joint venture between IBA and Nitmiluk Tours and is expected to open in early 2013.

Nitmiluk Tours is owned and operated by the Jawoyn Association and operates tours and cruises to Katherine Gorge, as well as owning kiosks, cafes and accommodation. Profits from the business go back to the Jawoyn Association and are used to fund social welfare programs for the Jawoyn community (see page 19).



26. Wilpena Pound Resort

Flinders Ranges, SA

The Adnyamathanha Traditional Lands Association (ATLA) and IBA collaborated to buy Wilpena Pound Resort, a four-star resort that is the only accommodation in the Flinders Ranges National Park.

The investment is expected to create wealth and an ongoing income stream for ATLA. IBA's strategy is to sell down its equity in the resort to ATLA over time, thereby increasing Indigenous ownership of the facility. In addition, there is potential for Indigenous employment, training and skills development within the resort (see page 23).

See page 201-202 for details of IBA's subsidiaries and trusts.

Trusts

Indigenous Economic Development Trust

The Indigenous Economic Development Trust (IED Trust) was established in September 2007 through an agreement between the Australian Government and IBA. The IED Trust supports the Community Development Employment Project (CDEP) reforms introduced by the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA).

Under the agreement, the IED Trust receives funds for future acquisitions and proceeds from rentals or sales of assets. The IED Trust manages these assets and gives priority to Indigenous individuals or organisations when leasing them.

The IED Trust also provides a leasing alternative for Indigenous individuals, partnerships, organisations and existing CDEP providers. The IED Trust lease product offers competitive terms on a range of assets to help people establish, consolidate or expand commercially viable businesses.

Asset Leasing Trust

The Asset Leasing Trust (ALT) was established to provide leasing as an additional IBA service to Indigenous businesses. The ALT was established in February 2010 to work with and support the leasing objectives of the IED Trust.

Like the IED Trust, the ALT provides leasing alternatives for Indigenous individuals, partnerships, organisations and existing CDEP providers. The leases offer competitive terms on a range of assets to help people establish, consolidate or expand commercially viable businesses.

Dominican Indigenous Education Trust

IBA is trustee of the Dominican Indigenous Education Trust (DIET), which recently subdivided and sold the All Hallows property (an old Catholic convent and school) in Bathurst.

The proceeds of the sale are managed in a fund, with the interest available for distribution to Indigenous students in New South Wales (with priority given to the Bathurst area). The monies are in a term deposit with a major bank, which is also donating an additional \$5,000 to local Indigenous students as part of its relationship with IBA.

IBA assists in administering and identifying eligible students, whose educational costs will be supported by the fund.

While the DIET is still in its infancy, it has achieved excellent outcomes, with some 50 students receiving assistance in the first round. IBA aims to continue to provide this assistance over the long term by managing the fund in a sustainable manner.

Outlook

Domestic economic market conditions for 2011–12 remained restrained; however, the pace of business activity picked up noticeably during the last quarter of the 2012 financial year.

In the Asia-Pacific region, the performance of the Chinese economy was subdued compared to previous years, although growth elsewhere in East Asia is recovering from supply disruptions experienced last year. Uncertainty still surrounds Europe, while economic data suggests a slight recovery in the US, albeit from a very low base. Australia's economy remains relatively strong, driven by the continued strength of the resources sector.

Given current economic conditions, IBA can use its strong capital base to invest selectively for the benefit of Aboriginal and Torres Strait Islander peoples. In addition to pursuing sound returns, IBA seeks meaningful commitments from its private sector partners to support Indigenous employment, training and supply chain opportunities.

In 2012–13, IBA expects to continue to be active in the investment market, seeking assets that are consistent with its five-year Investment Strategy and represent prudent commercial value. In addition, through active portfolio management, IBA will seek to drive capital appreciation for both IBA and its Indigenous partners.

IBA is currently reviewing its Investment Strategy, with a view to repositioning its approach to align with current economic and market conditions, emerging areas of the economy and enhanced partnerships with Indigenous and private sector organisations. To ensure that IBA's investment objectives are being achieved, the program is also focusing on enhancing its operating framework in line with industry developments.

A newly created Portfolio Review Committee will assess portfolio performance, risk and investment options on a quarterly basis. The Finance and Investment Committee will continue to have oversight of new acquisitions and proposed divestments, with new proposals rigorously assessed by the Finance and Investment Committee before being endorsed for Board consideration.

At the investment level, a focus on Indigenous employment, training and procurement outcomes will be driven and measured against a newly created Indigenous Economic Impact tool. The tool will provide a framework to assess the portfolio's achievement of economic development outcomes, together with traditional financial measures. This is an innovative and market-leading approach, drawing on a best practice social return on investment methodology.

The investment portfolio has a number of major redevelopment and refurbishment projects scheduled for 2012–13, supported by pending new investment settlements. The program will continue to look for traditional investments with a focus on some new market segments.

IBA will seek to actively diversify its portfolio, to explore further opportunities for investment in the resources, clean energy and infrastructure sectors. IBA may also seek to use collective investment vehicles to offer greater investment options to the Indigenous community.

Healing the spirit at Mareeba Therapeutic Community

Mareeba Therapeutic Community provides Aboriginal and Torres Strait Islander peoples with access to an effective and culturally appropriate drug and alcohol residential rehabilitation service.

This year, IBA, as trustee for the Indigenous Economic Development Trust (IEDT), helped re-establish the Mareeba Therapeutic Community with the Queensland Drug and Alcohol Council (QDAC).

The property on which the Mareeba Therapeutic Community is located previously hosted an Indigenous alcohol and rehabilitation centre run by the Aborigines and Islanders Alcohol Relief Services (AIARS), which closed in 2009. Late in 2011, the property was transferred to the IEDT by the Department of Health and Ageing's Office of Aboriginal and Torres Strait Islander Health (OATSIH). QDAC entered into a lease with the IEDT to provide residential rehabilitation services (as a contracted service provider to OATSIH).

Opening in May 2012, the Mareeba Therapeutic Community provides Aboriginal and Torres Strait Islander peoples in Cairns and surrounding areas with access to an effective and culturally appropriate drug and alcohol residential rehabilitation service. Previously, they would have to leave their home communities to travel interstate to access services.

'Community members will typically be at the centre for six to nine months,' says Dallas Hure, Operations Manager of the centre, who describes it as one big community.

'I believe the centre offers a unique service to Aboriginal and Torres Strait Islander peoples because of its therapeutic model.

'Our community members will work through their addiction through a number of culturally appropriate programs aimed at healing and working on their inner spirit.'

During their time at Mareeba Therapeutic Community, participants learn about addiction and coping strategies and contribute to the community by taking part in farming, kitchen work, hospitality, maintenance and arts and crafts activities. They can obtain experience and qualifications that will assist them when they graduate from the rehabilitation program.

The property has 14 hectares of agricultural land that QDAC plans to incorporate into its program of training and accreditation in agriculture. Community members will have the opportunity to produce self-sustaining foods for the kitchen, and grow traditional native produce and sell these at local markets.

The organisation also provides employment opportunities for the local community; 75 per cent of staff members are of Aboriginal and Torres Strait Islander descent.

Dallas looks forward to the growth of the Mareeba Therapeutic Community and hopes to eventually host up to 20 community members. IBA has been working closely with the centre to reach this goal.

'IBA has been great to work with, the staff members have been really supportive – we have an excellent working relationship,' he concludes.



PART 2: HOME OWNERSHIP

45 HOME OWNERSHIP PROGRAM

- 45 Objectives
- 45 Performance
- 46 Customer characteristics
- 47 Customer service
and delivery
- 50 Housing loans
- 56 Lending
- 59 HOP portfolio

67 HOME OWNERSHIP ON INDIGENOUS LAND PROGRAM

- 67 Objectives
- 68 Performance
- 69 Loan portfolio
- 70 Outlook for the Indigenous
Home Ownership Program

L: The Bonson family [see page 49].

R: Donna Piper outside her Sydney home [see page 60].



Grace Young and her mother Michelle Tipiloura outside their home in Nguui.

HOME OWNERSHIP PROGRAM

Objectives

IBA provides a range of housing loan products to address affordability and other barriers to home ownership faced by Indigenous Australians, such as low incomes and savings, credit impairment and limited experience with loan repayments.

From 1 July 2012, the Australian Government will merge the Home Ownership Program and the Home Ownership on Indigenous Land Program (see page 67) into a single Indigenous Home Ownership Program. This will provide a flexible approach to meeting home ownership demand across all of Australia, and make the best use of the significant investment to provide for home loans.

Performance

IBA achieved all its home ownership key performance indicators for 2011–12 (see Table 5).

.....
The 2011 Australian Census shows that Indigenous home ownership participation rate rose from 35.9 per cent in 2006 to 37.4 per cent in 2011 – but is still below the 69.6 per cent rate of other Australian households.
.....

Table 5: Indigenous Home Ownership Program performance summary, measured against the IBA Portfolio Budget Statements revised targets for 2011–12 ¹

Key performance indicator	Target	Result
Number of new home loans	400	404
Aggregate loans in the portfolio	3,670	3,841
Number of loans to applicants who have an adjusted combined gross annual income of not more than 125% of IBA's Income Amount ²	80%	86.9%
Number of loans to applicants who are first home buyers	85%	93.1%
Number of remote Indigenous communities in which IBA is actively facilitating home ownership opportunities.	8	10

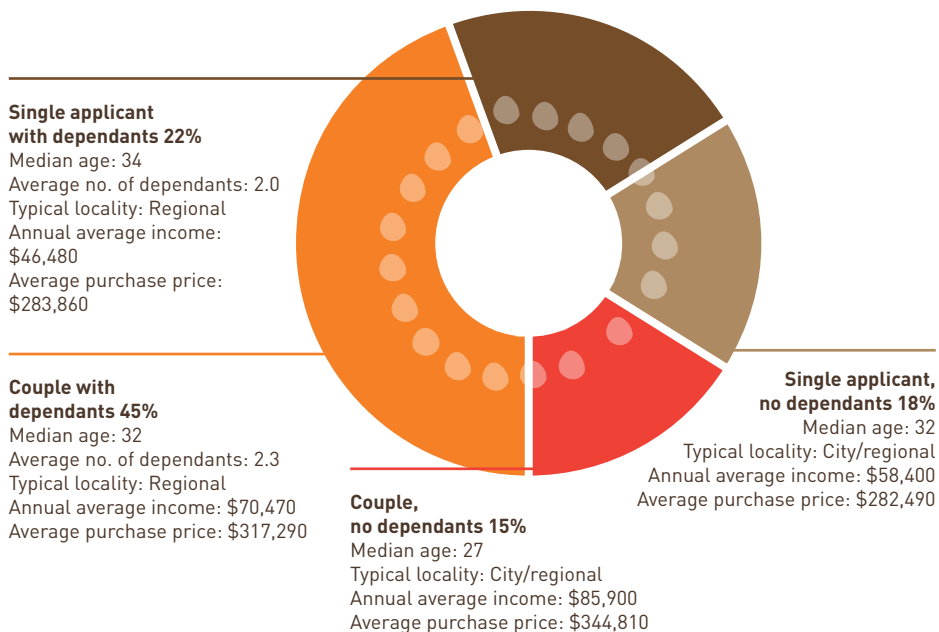
¹ While there are no specific performance measures for the Home Ownership on Indigenous Land (HOIL) Program, IBA has continued to actively work supporting Indigenous home ownership in remote communities where land tenure reform is in progress.

² The IBA Income Amount is equivalent to 100% of the national average weekly male earnings, as calculated by the Australian Bureau of Statistics.

Customer characteristics

The typical HOP customer is a couple in their early 30s, with two dependants, on an annual income of \$70,470, who will purchase their first home for \$317,290 in a non-metropolitan area. Couples with dependent children represent approximately 45 per cent of IBA home loan customers. Other segments include single parents, singles and couples with no dependants, as shown in Figure 2.

Figure 2: Customer characteristics—approvals, 2011–12



Customer service and delivery

IBA's regional focus is fundamental to delivering its targeted lending programs, along with its ability to balance commercially focused lending with economic and social outcomes expected by customers and stakeholders.

IBA uses industry-based loan assessment practices to assess housing loans, taking into account factors such as the customer's income, servicing capacity, credit history and the value of the property being purchased. All loans are secured by a registered mortgage, protecting IBA's substantial investment in home loans.

IBA has dedicated lending staff located throughout Australia to develop and maintain supportive relationships with its housing loan customers. These staff members provide customers with a high level of ongoing loan management and home ownership support.

IBA strives to provide an effective and responsive service that meets customer needs from the first point of contact to completion of the relationship. This is underpinned by a strong commitment to continually improving employees' skills and knowledge in the home ownership market.

Home lending managers and officers continue their professional development by undertaking a nationally recognised Certificate IV credit industry qualification. The qualification is recognised as the finance industry standard of best practice for responsible lending and covers customer service, communicating and negotiating, managing customer loans, compliance, and assessing credit applications. To date, 19 lending managers and officers have been awarded the Certificate IV credit industry qualification. Seven lending managers and officers are currently undertaking studies to obtain the qualification.

.....
IBA's service is underpinned by strong commitment to continually improve employees' skills and knowledge in the home ownership market
.....



Pathway to independence

Naomi and John Bonson are a great example of how IBA provides a foothold for Indigenous Australians that creates a pathway to economic independence and security.

Naomi and John have always had a goal to save for their own home and valued the security and stability that comes with home ownership. But the arrival of their first two daughters put financial strain on the family and saving for a deposit became hard.

The couple heard about concessional housing loans available through IBA and jumped at the opportunity to apply. They found the experience with IBA positive from the start.

'IBA are more personal about their service,' Naomi says. 'They care about your family, your lifestyle. They are more interested in what you can afford and ... how you can better manage your money and your lifestyle rather than just what you can pay back.'

In 2006 Naomi and John finally realised their home ownership dream, purchasing a two-bedroom property on the outskirts of Darwin. With the security of their own home, they continued to develop their careers and education, as well as having a third daughter.

Through the equity they have built in their first home, and by increasing their earning capacity, Naomi and John have this year moved from their initial home and taken out a loan with a non-IBA lender to buy a newly constructed four-bedroom home.

'IBA has been such a wonderful help', says Naomi, 'and we know that we are now in a better position to take on a mortgage on our own without so much handholding. People say, "Oh you wouldn't want to leave IBA, you've got such a good home loan." And yes, it is good, but it's only meant to encourage you to do these bigger things. And [repaying our loan] frees up the money for someone else.'

Over the years, the couple have advised and encouraged other family members to pursue home ownership through IBA, and are strong advocates of the Home Ownership Program. 'Having a home to call your own affects so many broader things,' says Naomi. 'And for Indigenous people it's ... about building your skills and your earning capacity, so that you can do all the things you want to do around your home. You can have the independence in your life, you can have more children; it's choice. But also when you are working ... you are ensuring your kids go to school, you are getting medical help for them when they need it.'

The Bonson family, happy and secure in their home.

Housing loans

Assessment criteria

Housing loans are targeted towards first home buyers who would not generally qualify for housing finance elsewhere.

Eligibility for housing loans is determined by the lending criteria outlined in Table 6.

Table 6: Home Ownership Program eligibility criteria

Criterion	Details
Loan purpose	<p>The loan must be used for purchasing, constructing or renovating standard owner-occupied dwellings, or purchasing residential land on which to build a home.</p> <p>Loans for other housing-related purposes may be available in certain circumstances.</p>
Income limits¹	<p>Up to 100% of the IBA Income Amount – the applicant may borrow up to 100% of the home purchase price from IBA (less the IBA deposit or equity requirement).</p> <p>Over 100% and up to 125% of the IBA Income Amount – the applicant can borrow up to 60% of the home purchase price from IBA (less the IBA deposit or equity requirement).</p> <p>Over 125% and up to 150% of the IBA Income Amount – the applicant can borrow up to 45% of the home purchase price from IBA (less the IBA deposit or equity requirement).</p> <p>Up to 225% of the IBA Income Amount – the applicant can borrow up to 20% of the home purchase price from IBA (less the IBA deposit or equity requirement).</p>
Purchase price limits	<p>IBA has purchase price limit zones in place to ensure loans are only used to buy homes that are adequate for a customer's needs.</p>
Deposit	<p>The deposit is a minimum of \$3,000 or 5% of the purchase price, whichever is less, depending on individual circumstances (the First Home Owner Grant may be used to meet deposit requirements).</p>

¹ The IBA Income Amount is equivalent to 100% of the national average weekly male earnings, as calculated by the Australian Bureau of Statistics.

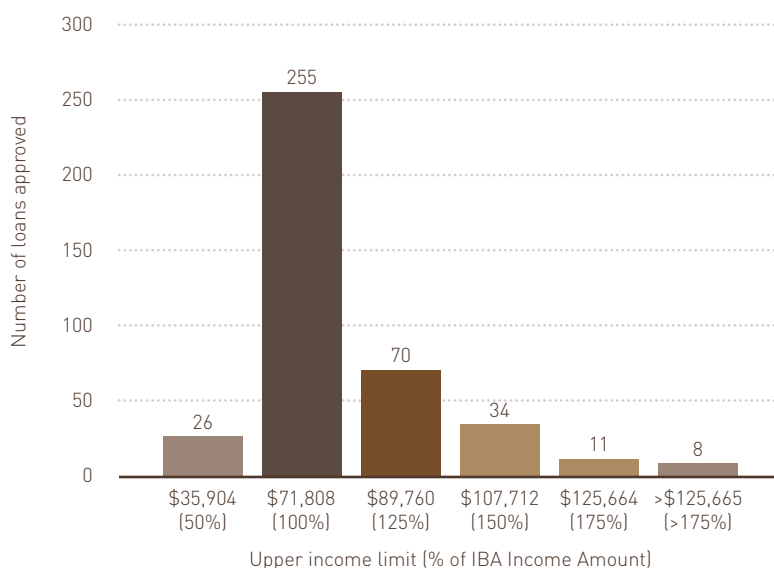
Incomes and loan amounts

The amount that an applicant can borrow is generally limited by income and home loan affordability factors. Income tiers and purchase price limits are also used to determine the amount that IBA will lend to a prospective applicant.

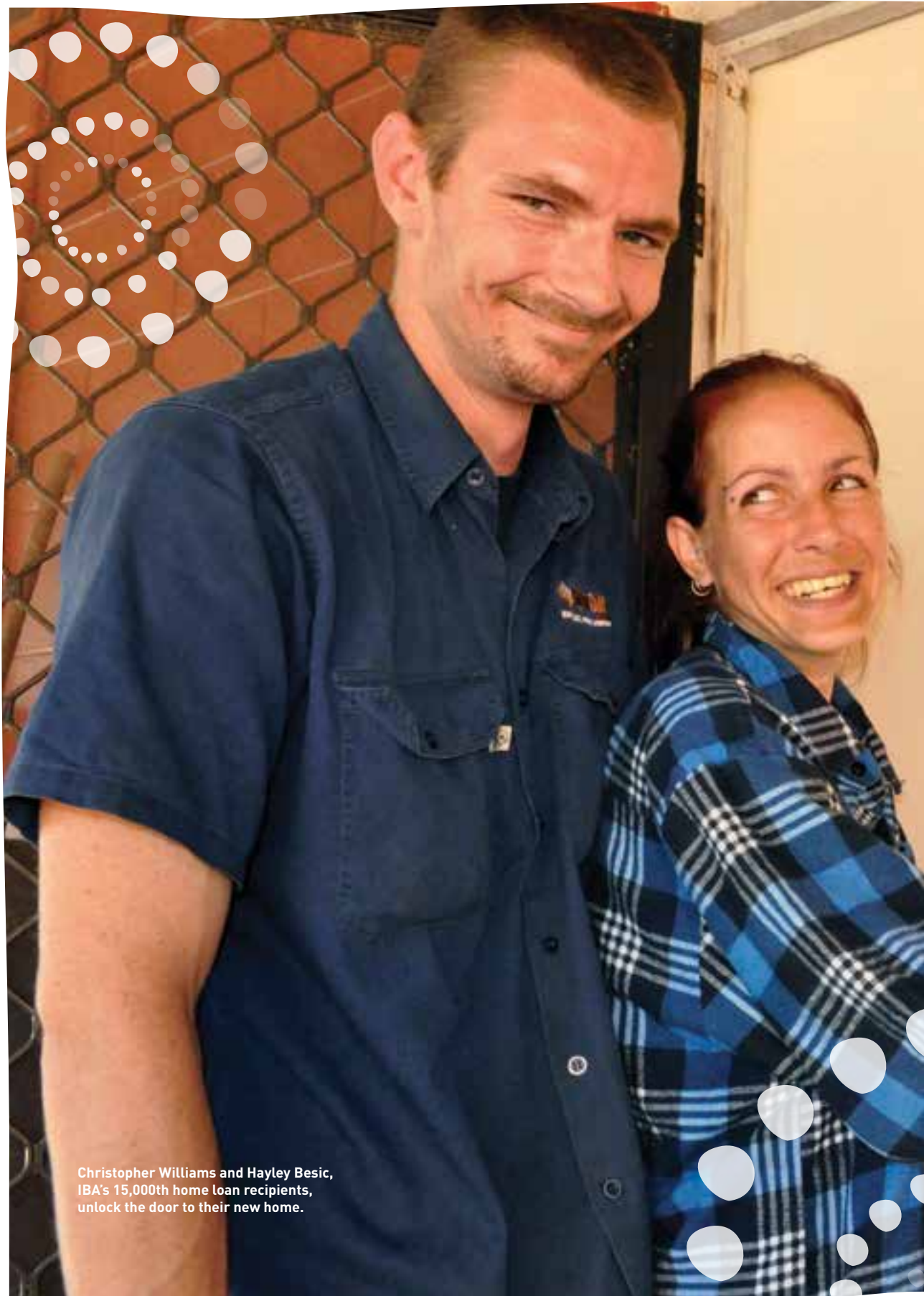
The HOP performance target is that at least 80 per cent of loans are to applicants who have an adjusted combined gross monthly income of not more than 125 per cent of the IBA Income Amount (currently \$71,808 per annum). In 2011–12, IBA exceeded this target by 6.9 per cent, achieving 86.9 per cent.

The distribution of approvals by income bands is shown in Figure 3.

Figure 3: Loan approvals by income band



IBA's partnership with mainstream lenders enables the private sector to play a key role in delivering Indigenous home ownership outcomes. In 2011–12, 113 loans (28 per cent of the total number of loans approved) were funded under a split loan arrangement. Customers approved for a split loan obtained, on average, 50 per cent of their loan funds from an external financier. This effectively transferred \$22 million in loan funding from IBA to the private sector.



Christopher Williams and Hayley Besic,
IBA's 15,000th home loan recipients,
unlock the door to their new home.

Meet the recipients of IBA's 15,000th home loan

The Home Ownership Program achieved a significant milestone this year: it approved its 15,000th home loan.

The lucky recipients were Hayley Besic and Christopher Williams from the Northern Territory, who were thrilled to have secured a loan to buy a home for their family. When they approached the major banks for a home loan, they were told they needed a \$60,000 deposit. They knew they would never be able to save that amount.

'As a family of five with three young children, we are really happy to have been given the opportunity to buy our own home,' says Hayley.

Through the IBA Home Ownership Program they were able to buy a three-bedroom house in Mataranka, a small community about 420 kilometres south-east of Darwin.

They were particularly impressed with IBA's home loan process and sing the praises of the Home Ownership Program.

'We had a great experience dealing with IBA and the level of professional service has been helpful and really appreciated,' they say.

After years of renting and constantly having to move, Christopher feels he can finally build a decent future for his family. 'Now I come home to my own place,' he says.



Interest rates

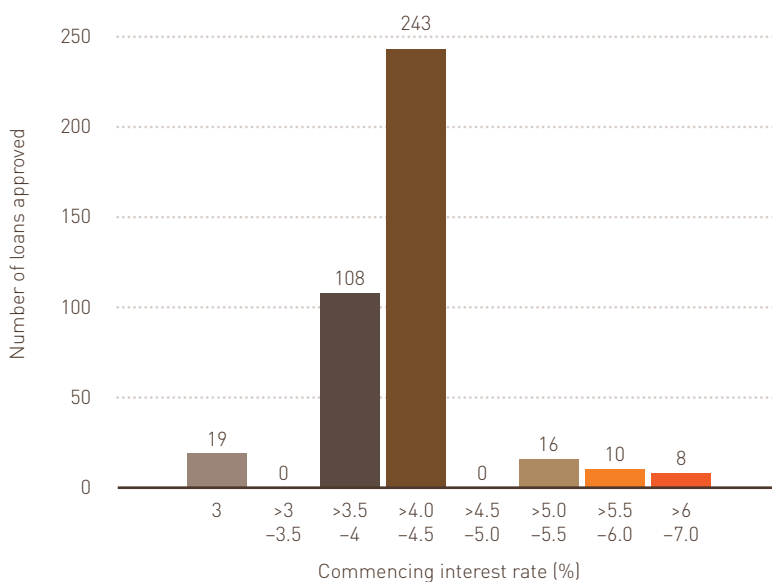
Housing loans for purchasing and/or constructing a house are offered at a range of commencing interest rates, depending on individual customer circumstances and loan requirements. The majority of customers (60 per cent in 2011–12) received loans at a starting interest rate of 4.5 per cent. The interest rate is held for a minimum period of 12 months and then increases by 0.5 per cent on 1 January each year until it reaches the IBA Home Loan Rate. As at 30 June 2012, the IBA Home Loan Rate was 5.25 per cent.

Customers who obtain part of their funding from an external lending institution generally have a starting interest rate of 4 per cent, fixed for three years, after which the rate increases by 0.5 per cent on 1 January each year until it reaches the IBA Home Loan Rate.

Customers on very low incomes may have a starting interest rate as low as 3 per cent.

Figure 4 shows the distribution of loan approvals by commencing interest rates.

Figure 4: New loans approved by commencing interest rate, 2011–12



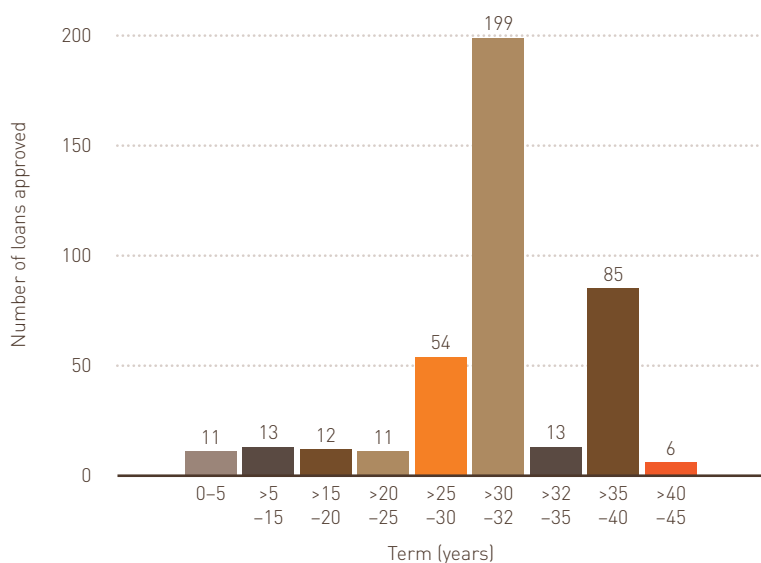
Loan terms

Housing loans are generally offered over a loan term of 32 years, although higher or reduced loan terms are set depending on each customer's capacity to repay their loan. In certain circumstances, the loan term may be extended up to 45 years. Where practical, IBA sets loan terms such that customers contribute the maximum they can afford towards their repayments.

As the loan progresses, many customers are able to make additional repayments or maintain their repayments at a higher level, enabling them repay their loan sooner.

Figure 5 shows the distribution of loan approvals for different loan terms.

Figure 5: New loans approved by loan term, 2011–12



Deposits

The majority of IBA's home loan customers have small deposits and as a consequence need to borrow a substantial portion of their home purchase price. In 2011–12, customers borrowed, on average, 95 per cent of the funds required to purchase their home.

This level of borrowing would be regarded by most commercial lenders as 'high risk' and they would usually require customers to take out mortgage insurance.

By accepting this additional risk, and not imposing mortgage insurance, IBA removes another barrier to home ownership for many Indigenous Australians – and its home lending complements, rather than competes with, mainstream lending products.

In 2011–12, customers borrowed, on average, 95 per cent of the funds required to purchase their home

Loans for other housing-related purposes

IBA offers eligible customers loans for other housing-related purposes, for example, to fund modest renovations or essential repairs, or to refinance an existing loan in cases of family break-up or where there is a change in financial circumstances that would result in the family home being sold. In 2011–12, IBA approved eight such loans.

Lending

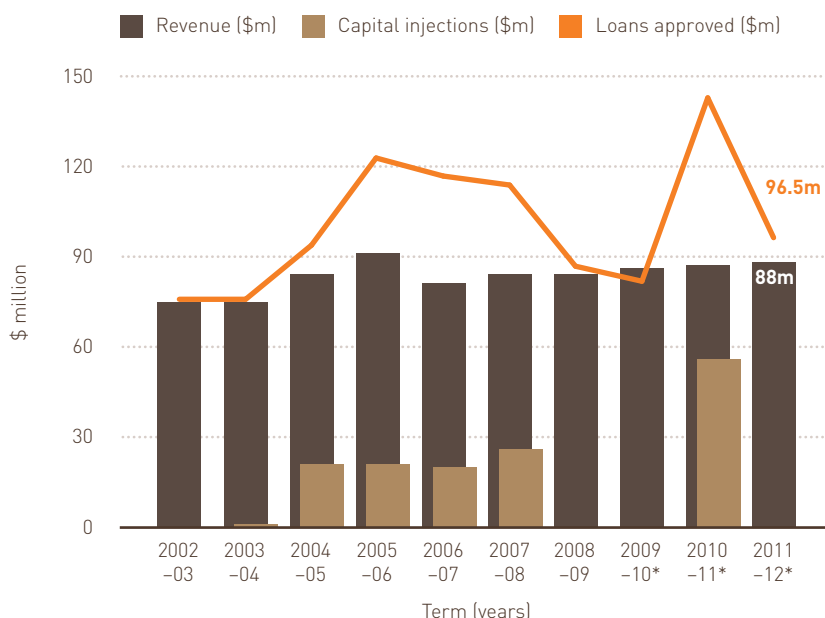
Funding

The level of HOP lending that IBA can undertake each year depends on the revenue it receives from borrowers' repayments, whether loans are repaid or discharged early, and whether there are additional capital injections.

Revenue from loan repayments and discharges totalled \$87.2 million in 2011–12, comprising \$55 million from loan repayments and \$32.2 million from discharges. A further \$0.7 million was received from bank interest on funds held by IBA. Revenue from standard loan repayments has grown steadily, while revenue from loan payouts has declined. Figure 6 shows the value of loan approvals and revenue sources over the past 10 years.

Capital injections in previous years were from the Australian Government (\$56 million in 2010–11; \$20 million in 2004–05 and 2006–07) and IBA (\$20 million in 2005–06 and \$25 million in 2007–08). The program also received monies from the New South Wales Aboriginal Housing Office (AHO) as part of a joint home purchase scheme for AHO tenants (\$1 million in 2003–04, 2004–05, 2005–06 and 2007–08).

Figure 6: Funding and approvals, 10 years to 2011–12



Loan approvals

IBA approved 404 new housing loans in 2011–12, with a total value of \$96.5 million. These loans enabled 1,114 Indigenous Australians to enjoy the social and economic benefits of home ownership.

The HOP performance target is that at least 85 per cent of loans be made to first home buyers. In 2011–12, IBA exceeded this target by 8.1 per cent, achieving 93.1 per cent.

.....
Thirty-three loans (8.3 per cent) were approved in areas classified as remote and very remote

Locations

Loans were provided across urban, regional and remote Australia. More than 68 per cent of new loans were to customers purchasing in regional and remote areas. Thirty-three loans (8.3 per cent) were approved in areas classified as remote and very remote areas. Figure 7 shows the number of loans approved based on Accessibility/Remoteness Index of Australia (ARIA) classifications. Table 7 shows the location of new loans approved by geographic area.

Figure 7: Loan approvals, number, by ARIA classifications

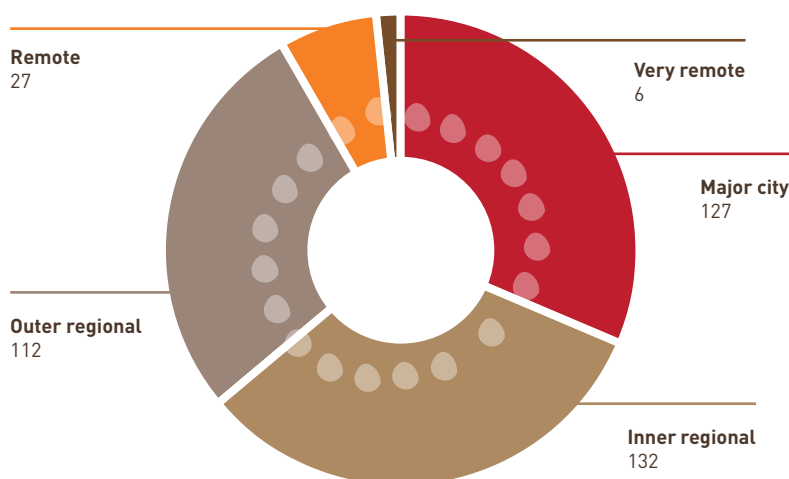


Table 7: Approvals by geographic area, 2011–12

State	Geographical area*	Number of loans approved	Total number of loans approved, (value)
NSW	Sydney	40	170 (\$39.8 million)
	Queanbeyan	9	
	Wagga Wagga	24	
	Bourke	9	
	Dubbo	12	
	Tamworth	9	
	Coffs Harbour	67	
ACT	Canberra	11	11 (\$3.3 million)
QLD	Brisbane	25	104 (\$24.2 million)
	Roma	4	
	Mt Isa	4	
	Rockhampton	27	
	Townsville	16	
	Cairns/Cape York	28	
NT	Darwin/Jabiru	15	25 (\$8.0 million)
	Katherine	5	
	Nhulumbuy	0	
	Alice Springs/Apatula	4	
	Tennant Creek	1	
WA	Perth/Narrogin	15	27 (\$7.0 million)
	Kalgoorlie	2	
	Geraldton	1	
	South Hedland	0	
	Broome	5	
	Derby	1	
	Kununurra	3	
SA	Adelaide	12	13 (\$2.7 million)
	Port Augusta	1	
	Ceduna	0	
VIC	Melbourne Victoria	36	36 (\$7.8 million)
TAS	Tasmania	18	18 (\$3.7 million)
Total		404	\$96.5 million

* Geographic areas are based on Australian Indigenous Geographical Classifications.

Waiting list

IBA maintains a waiting list of eligible applicants to ensure that funds are directed towards customers based on priority and need. The waiting list comprises applicants who meet the general eligibility requirements for the program and would likely qualify for an IBA housing loan.

Applicants are invited to apply for a housing loan based on a priority points system (number of Indigenous people to be housed) and the length of time that they have been on the waiting list. IBA closely manages this process to ensure that applications are received and reviewed in a timely manner. When assessing applications, IBA considers funding availability and customers on the waiting list who may have priority needs.

Priority is determined by family circumstances and housing need. IBA applies purchase price limits to ensure loans are only used to buy homes that are adequate for a customer's needs.

The number of applicants on the waiting list as at 30 June 2012 was 506, slightly up from the previous year. There were 177 applicants from the waiting list who were invited to apply for a housing loan and were at various stages of the home loan assessment process.

HOP portfolio

IBA's exposure to risk is necessarily greater than other lending institutions by virtue of its legislative objectives and target market. These risks are carefully managed through focused loan management practices applied over the course of the loan. This function has two objectives: preserving the HOP's asset base, which provides the source of funds for future lending; and helping customers retain ownership of their homes. The following sections highlight some of the characteristics of IBA's housing loan portfolio and its portfolio management practices.

Loan portfolio balances

IBA was able to grow the value of its loan portfolio despite taking on higher risks associated with its loans.

As at 30 June 2012, IBA's home loan portfolio comprised 3,841 loans with a current balance of \$722 million. During the year, the portfolio grew by a net amount of \$49 million. Interest charged on loans during the year was \$35 million. The value of the portfolio after accounting adjustments for recognising assets at their fair value was \$484 million. Figure 8 on page 61 shows the growth in the portfolio value over the past 10 years.

Home is where the heart is

Donna Piper's biggest motivator in wanting to purchase her own home was her desire to create a more secure future for her family than she had when she was growing up.

Donna and her partner John purchased their Sydney home with a loan from IBA in 2007. Over the next four years, they created an increasingly valuable asset for themselves and a welcoming hub for their four adult children.

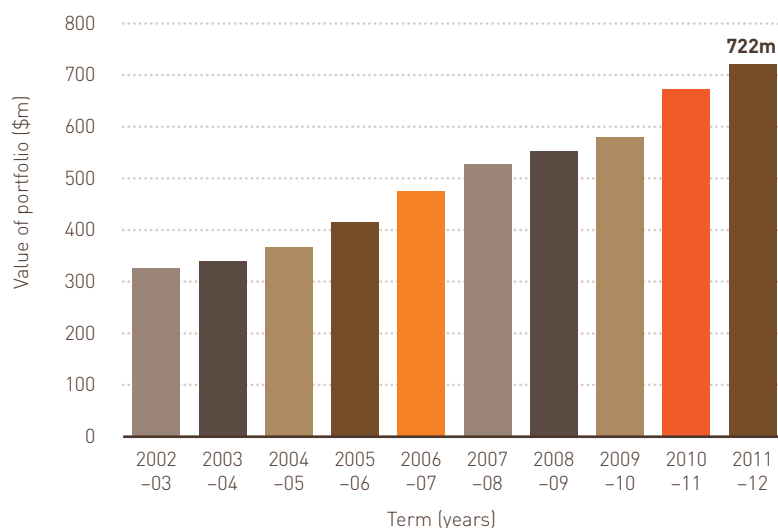
Donna, a Tharawai woman from La Perouse in Sydney, spent her childhood moving from house to house. When she and John had children, they became determined to create a better future.

'We were in government housing with all the "characters" that were there,' says Donna. 'I wanted more for the kids, I wanted them to be proud, to be brought up thinking, "look, mum and dad have got a house".'

She credits the home lending staff at IBA's Sydney office with helping her to understand the specific details of her home loan and learn about interest rates. The process of buying their own home increased Donna's overall confidence in financial matters and has taught her to budget. 'We enjoy our life but we pay our bills,' she says.



Donna Piper outside her Sydney home.

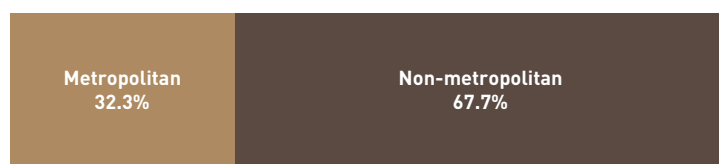
Figure 8: Loan portfolio, value of loans, 10 years to 2011–12

Geographical distribution

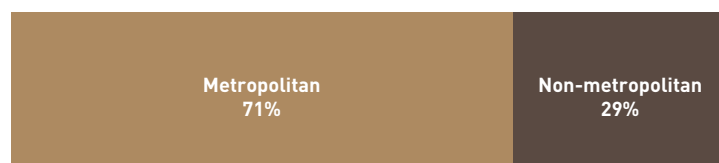
The geographical distribution of the HOP portfolio reflects the program's focus on lending across urban, regional and remote areas across Australia. About 67.2 per cent of HOP loans are in regional and remote areas, while 8.7 per cent (334 loans) are in remote and very remote areas.

Figure 9: Geographical distribution, IBA and other lenders

IBA

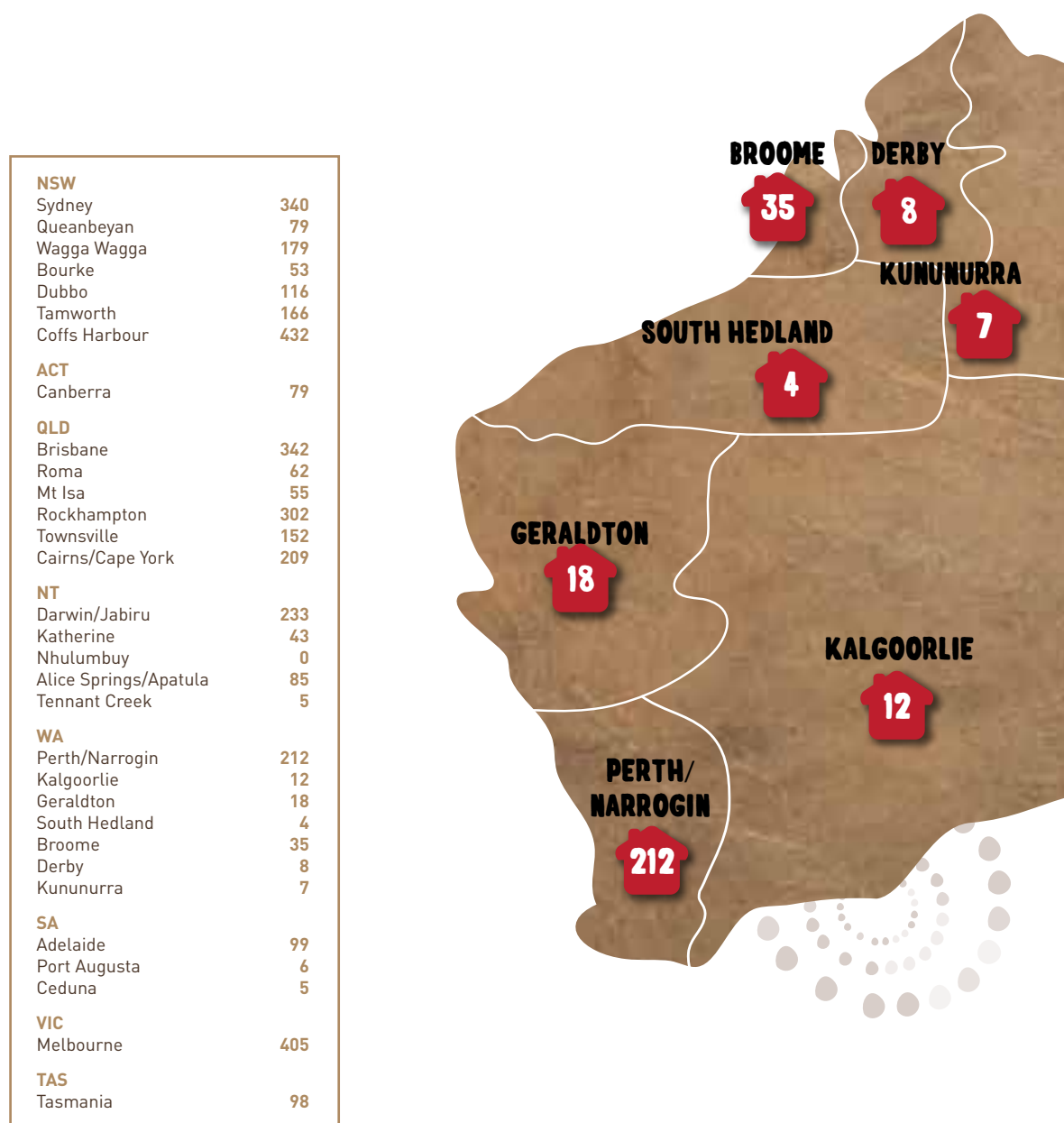


Industry comparison*

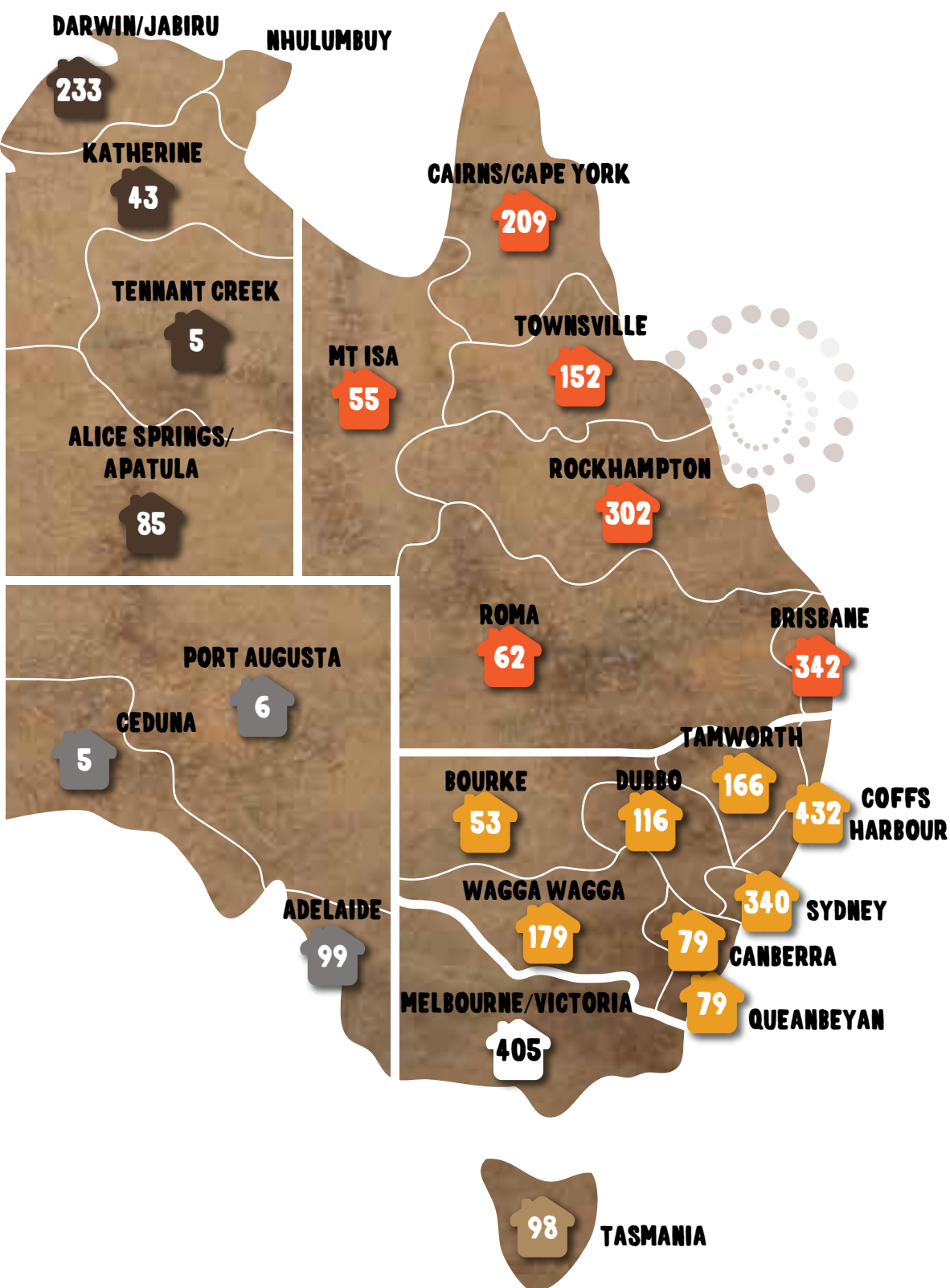


* Industry comparison is sourced from Standard & Poor's Residential Mortgage-Backed Securities (RMBS) Performance Watch Report, March 2012. Inner-city and metropolitan figures have been combined.

Figure 10: Distribution of loans across geographic* areas, 2011–12

**TOTAL 3,841**

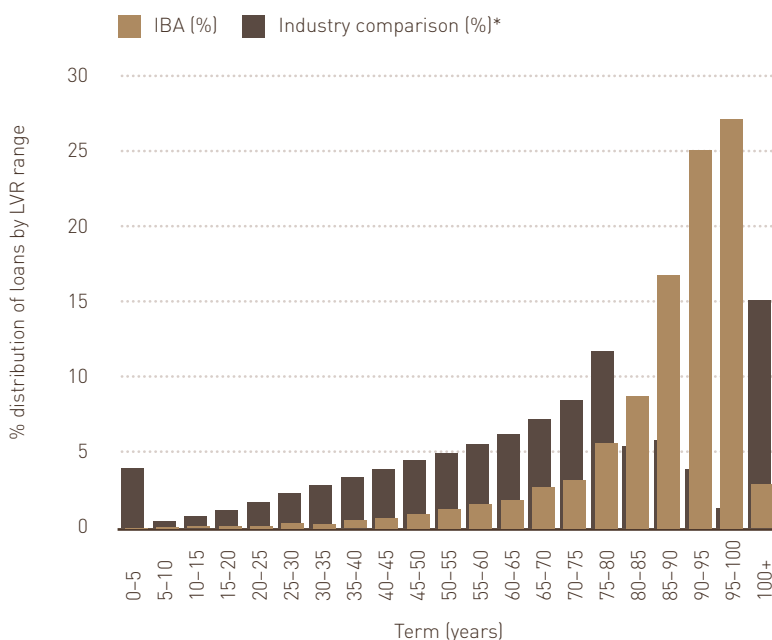
*Geographic areas are based on Australian Indigenous Geographical Classifications.



Loan-to-valuation ratio

The loan-to-valuation ratio (LVR) of loans in the HOP portfolio, when compared with Standard & Poor's Australian RMBS Performance Watch Report (March 2012) benchmark, shows that 85.9 per cent of IBA's current home loan portfolio has an LVR of 75 per cent or more, whereas the mainstream lending market has only 43 per cent (see Figure 11).

Figure 11: Loan-to-valuation ratio, IBA loan portfolio and mainstream lenders



* Industry comparison is sourced from Standard & Poor's Residential Mortgage-Backed Securities (RMBS) Performance Watch Report, March 2012. Inner-city and metropolitan figures have been combined.

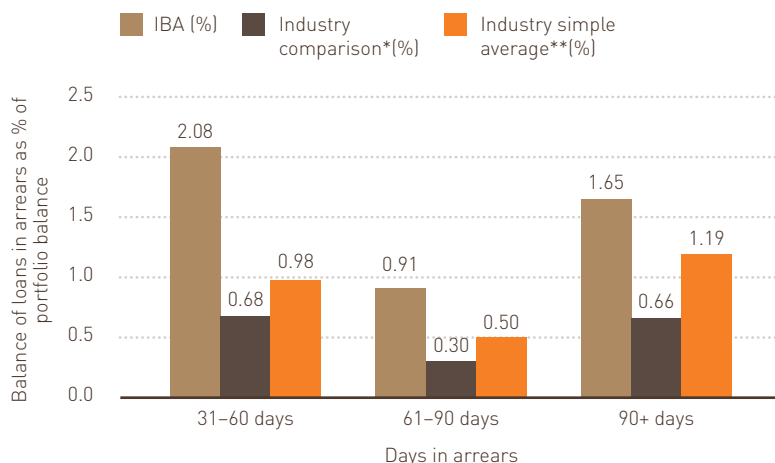
Arrears management

The levels of arrears for the HOP portfolio will be inherently higher than mainstream lenders given the characteristics of IBA borrowers. IBA is able to manage its long-term arrears through appropriate intervention and action.

IBA has a higher proportion of loans in arrears by 30–60 days and 61–90 days but is closer to industry standards for loans with arrears more than 90 days late, as shown in Figure 12.

The trend in 30+ days arrears for IBA over the past five years is shown in Figure 13.

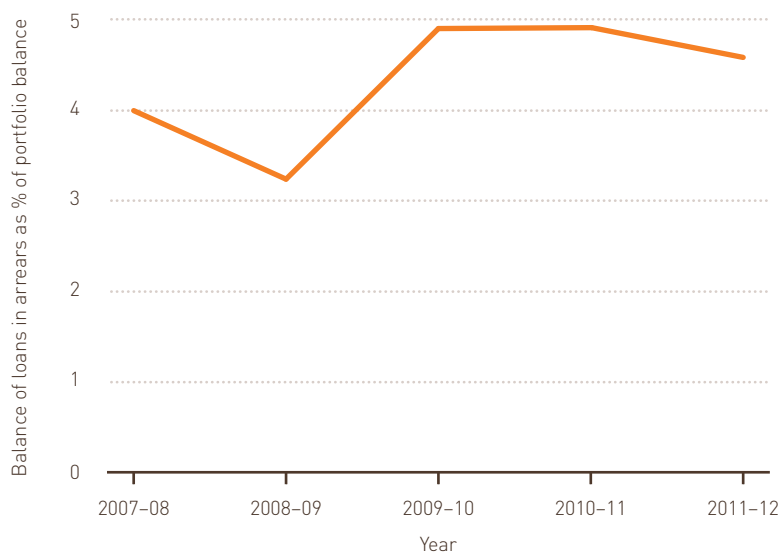
Figure 12: Arrears loan balances comparison, IBA and mainstream lenders



* Industry comparison is sourced from Standard & Poor's Residential Mortgage Backed Securities (RMBS) Performance Watch Report, March 2012. For 2011-12, Standard & Poor's adopted a weighted average calculation for reporting aggregate arrears performance. This has significantly reduced the industry comparison figures from those reported in previous years, which were based on a simple average.

** Industry simple average has been calculated and shown to provide a comparison to industry figures in previous years' annual reports.

Figure 13: The trend in 30+ days arrears for IBA over the past five years



In 2011–12, IBA sold 18 houses for a net loss of \$788,000 under its mortgagee-in-possession powers. This loss reflected depressed markets in the areas where the sales occurred. Before exercising its mortgagor powers, IBA worked extensively with each borrower to ensure they were given every possible opportunity to retain their homes. IBA is pursuing repayment arrangements to recover its losses.

Loan discharges

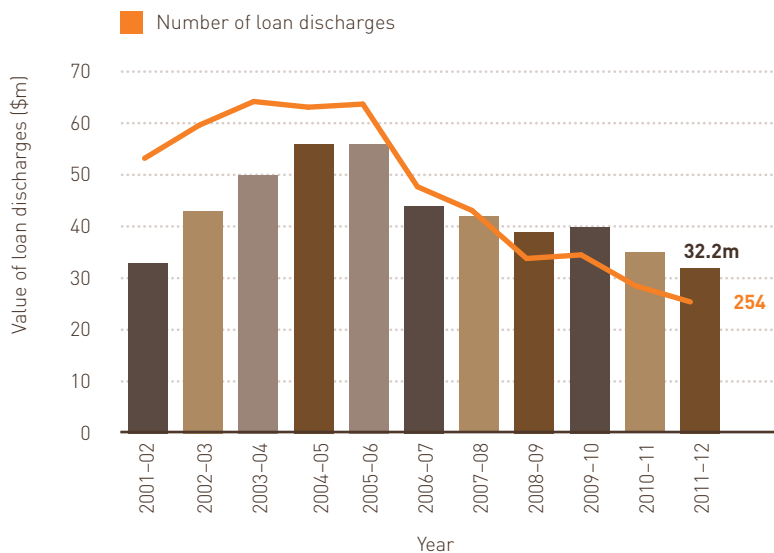
The HOP has enabled many Indigenous families to establish sufficient equity in their homes so they can sell and purchase another home or refinance their IBA loans with another lender. The decision to leave the HOP is mainly driven by individual choices such as trading up to a second home to accommodate changing family circumstances, or accessing mainstream finance products to support lifestyle and other forms of wealth creation.

Although IBA home loan terms are typically 32 years, the vast majority of home loan customers will discharge their loan early and on average after approximately 10 years.

Loan discharges represent an important source of income that can be applied towards new lending. In 2011–12, IBA received \$32 million in revenue from early settlement of loans.

Figure 14 highlights the revenue received from early loan discharges over the last 10 years.

Figure 14: Loan discharges, value and number, 10 years to 2011–12



HOME OWNERSHIP ON INDIGENOUS LAND PROGRAM

Objectives

The Home Ownership on Indigenous Land (HOIL) Program commenced in 2007–08, with a specific focus on assisting Indigenous Australians to buy a home on Indigenous community-titled land where suitable land tenure arrangements exist.

The HOIL Program addresses home ownership barriers such as a lack of access to financial institutions and services, low incomes, substantially higher construction costs, and an absence of residential property markets in rural and remote areas.

The HOIL Program provides:

- affordable loans for a range of housing-related purposes, to people who have the capacity to repay a long-term loan
- interest rates and deposit levels that enable people on low to medium incomes to afford home ownership
- grants and co-payments to make housing loans more affordable
- support and education when establishing the loan and during loan aftercare
- necessary assistance and support to help communities and state and territory organisations and agencies overcome barriers to establishing residential leasing systems.

In addition, IBA administers the financial assistance provided by the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) to HOIL Program customers in the form of good renter's discount (GRD) funding and matched savings grants. GRD funding provides eligible applicants who have a good rental history with a financial contribution to the purchase price of a home.

The creation of home ownership opportunities on Indigenous land relies on the availability and grant of an individual interest in the land. The granting of this interest depends on the resolution of complex land tenure issues and administration processes, which has taken longer than envisaged when the program was established. State and territory governments are responsible for making these changes, which vary across each jurisdiction. These can include legislative changes, resolution of Native Title issues, cadastral surveys, town plans and other land management processes.

Performance

While there are no specific performance measures for HOIL, IBA has continued to actively work supporting Indigenous home ownership in remote communities where land tenure reform is in progress.

While IBA can work with prospective home buyers on the financial aspects of purchasing a home, it is dependent on a number of jurisdictions across Australia having appropriate land tenure and administration arrangements in place to allow long-term leasing for residential purposes, so that home sales can occur. The Office of Township Leasing signed two township leases in 2011-12 that allow for home ownership opportunities in the NT at Milikapiti and Wulirankuwu. IBA and the Australian Government continue to work with key states and the Northern Territory on resolving barriers to home ownership on Indigenous land. In Queensland, land administration systems have progressed, giving good prospects for new lending opportunities in the state for the next financial year and beyond.

Northern Territory

The active loans in Nguuu on Bathurst Island, Northern Territory, continue to be well maintained and supported by IBA. There continues to be interest in home ownership on communal lands and IBA is working with these individuals to progress their applications.

IBA continues to promote home ownership throughout the territory and work with the Northern Territory Government and other stakeholders to implement home ownership initiatives.

Queensland

IBA and FaHCSIA have continued to work with Queensland Government agencies and local Indigenous councils.

FaHCSIA has funded the Queensland Government to establish a Home Ownership Team (HOT) to coordinate various organisations and agencies to facilitate home ownership for Indigenous Australians in Deed of Grant in Trust (DOGIT) communities. Following the establishment of the HOT, IBA hosted a workshop in Cairns to establish a framework to progress home lending in DOGIT communities. The workshop was held over three days and was attended by IBA staff and 16 representatives from key stakeholder groups, including FaHCSIA, HOT, Queensland Government agencies and Indigenous councils. The workshop's outcomes included developing procedures to facilitate sublease sales and home lending arrangements, and increased engagement between the relevant stakeholders.

The Queensland and Australian governments have decided to take a phased approach to enabling home ownership on Indigenous land, with focused efforts in communities where Native Title issues are resolved and local councils have indicated support. The first five communities are Palm Island, Hope Vale, Yarrabah, Woorabinda and Coen. IBA is working with the HOT to process loan enquiries. At the same time, the HOT continues to work with local Indigenous councils to ensure the necessary administrative mechanisms are in place, including policies and procedures for issuing 99-year leases. IBA and FaHCSIA continue to work with the Cape York Welfare Reform Group to develop and establish support mechanisms for sustainable home ownership in Queensland communities.

Loan portfolio

As at 30 June 2012, the HOIL Program portfolio comprised 17 loans valued at \$2.7 million. For the 2011–12 financial year, IBA received \$163,353 in loan repayments. One loan had reportable arrears.

Outlook for the Indigenous Home Ownership Program

The Australian Government is committed to maximising opportunities for Indigenous Australians to own their homes. It is a key part of the government's approach to housing investment under the Healthy Homes building block of the 'Closing the Gap' policy on Indigenous disadvantage.

Private home ownership plays a significant part in providing Indigenous Australians with access to secure housing. The HOP has been extremely successful, having provided more than 15,000 loans to Indigenous Australians, creating estimated wealth of \$1.7 billion since 1975. While demand for home ownership on Indigenous land has been impacted by slower than expected land reform and associated land administration arrangements, as well as limited secondary markets for houses in remote communities, IBA's priority of providing Indigenous Australians with the choice of home ownership as an alternative to social housing remains sound.

From 1 July 2012, the HOP and the HOIL Program will be consolidated into a single Indigenous Home Ownership (IHO) Program. This will enable IBA to better use the Australian Government's investment to support Indigenous home ownership across urban, regional and remote areas, while continuing to meet home ownership aspirations for Indigenous Australians living on community-titled land as land tenure reform progresses and demand increases over time.

By using its consolidated funding source, the IHO Program will be able to fund approximately 650 loans in 2012–13 and assist more than 2,400 Indigenous households into home ownership over a four-year period.



PART 3: BUSINESS OWNERSHIP

72 BUSINESS DEVELOPMENT AND ASSISTANCE PROGRAM

- | | | | |
|----|---|----|--|
| 72 | Objectives | 81 | Growing and sustaining businesses |
| 73 | Performance | 84 | Supporting customers to transition to the broader Australian economy |
| 74 | Preparing for business and developing ideas | 84 | Risk management |
| 77 | <i>Into Business™</i> workshops | 86 | Portfolio management |
| 78 | Business planning and support | 89 | Outlook |
| 78 | Business loans | | |

L: Merinda Recycling, an organisation achieving remarkable goals (see page 85).
R: Fibre Optics NQ staff showcasing their organisation at the AIMSC conference (see pages 82–83).

BUSINESS DEVELOPMENT AND ASSISTANCE PROGRAM

Objectives

The Business Development and Assistance Program assists Aboriginal and Torres Strait Islander peoples to start, acquire or grow a viable business.

IBA works with business owners to ensure the viability of their enterprises is sustained during the life cycle of the business. This is achieved by giving customers the essential information they require to plan and operate a business, and obtain business loans either through IBA or private sector lenders. IBA also provides access to professional guidance to assist Indigenous Australians to start and grow their business.

Business development is a key element of Indigenous economic development. Business ownership provides Aboriginal and Torres Strait Islander peoples with choice in how they participate in the broader Australian economy. It also provides income, social and economic benefits, the ability to shape economic participation, and opportunities to employ other Indigenous Australians.

.....
In the 2006 Australian Census, 5.5 per cent of employed Indigenous Australians indicated that they own a business, compared to 16.4 per cent of employed non-Indigenous Australians
.....

In the 2006 Australian Census, 5.5 per cent of employed Indigenous Australians indicated that they own a business, compared to 16.4 per cent of employed non-Indigenous Australians. While Indigenous participation in business ownership has more than doubled since 1991, according to Census data (from 3,232 in 1991 to 6,599 in 2006), closing the gap between Indigenous and non-Indigenous business ownership requires sustained and concerted efforts.

Performance

The Business Development and Assistance Program has improved its performance in terms of both quantity and quality of outputs compared to previous years. These improvements were realised by obtaining feedback from customers and stakeholders, streamlining processes, improving the use of technology and adding business growth capabilities to better respond to customer needs. See Table 8 for a summary of performance results.

Table 8: Business Development and Assistance Program performance summary, measured against the IBA Portfolio Budget Statements revised targets for 2011–12

Key performance indicator	Target	Result
Number of new loans approved	75	85
Number of businesses or prospective businesses provided with business advice or support	480	442
Number of participants that attended <i>Into Business</i> [™] workshops	900	1,844
Number of Strategic Development Initiatives	15	15
Number of Business Development Initiatives	25	30
Number of jobs created/supported through new IBA loan funding	220	272, including 176 for Indigenous Australians
Number of active loans in the portfolio	290	289
Percentage of loan accounts that were successfully finalised through loan repayment	65%	52%
Percentage of loan customers still in business 12 months after commencing business	85%	90%
Percentage of loan customers still in business 2 years after commencing business	75%	79%
Percentage of loan customers still in business 3 years after commencing business	65%	71%

Preparing for business and developing ideas

Business Development Initiatives (BDIs) are designed to assist Indigenous Australians to build business skills and knowledge, identify business opportunities, address barriers, and access business-related information and products.

There are three broad areas of assistance:

- *Into Business*™ workshops that assist customers to plan and prepare for small business ownership
- capacity-building projects that assist customers to access and prepare to undertake future business opportunities
- support for customers to attend conferences, trade shows and industry-specific forums.

In 2011–12, 43 BDIs were undertaken, with a total funding commitment of \$3.3 million over various terms. Table 9 summarises BDI approvals during the 2011–12 financial year.

Table 9: Summary of BDI approvals in 2011–12

BDI	Type of initiative and number approved	Results
<i>Into Business</i> ™ workshops	National skills development project 21 workshop service providers delivered business preparation skills in more than 50 locations across Australia	461 workshops were held (A, B and C), with 1,844 attendees in total. Over 90% of these participants rated the workshops as 'meeting or exceeding their expectations'.
Conference, industry forums and trade events	Assistance to attend Australian Indigenous Minority Supplier Council and other events	The events were described as successful and beneficial to the participating businesses. Nine customers received assistance.

Indigenous Communities in Business: Maningrida Phase 2	Small or micro business development in Maningrida, NT	17 businesses participated in the program – 10 continuing businesses from the previous year and seven new businesses.
Indigenous Communities in Business (ICIB)	Regional scoping study	A study to scope whether the ICIB approach can be applied in several communities in northern NSW.
Ord Irrigation Expansion Project Phase 2 Business Support	Specific business assistance	The project will support identified potential and existing Indigenous-owned businesses to secure contracts to supply goods and services for Phase 2 of the Ord Irrigation Expansion Project.
Pilbara region: mining supply chain scoping study	Regional scoping study in the Pilbara region	The study aimed to determine whether Indigenous groups had the capacity to supply commercial enterprises engaged in mining, exploration and extraction operations in the Pilbara region.
Pilbara Traditional Owner Alliance Project	Specific assistance project	The project provided assistance for the Kariyarra Aboriginal Corporation, the Ngarla Aboriginal Corporation and the Palyku Aboriginal Corporation to enter into separate joint venture contracts with mining contractors to provide services.
Savannah Guides	Specific business project	The project sought to identify an Indigenous business partner to work with existing Savannah Guides participants in Western Australia, Northern Territory and Queensland.
Yarrabah Business Hub Scoping Study	Develop multi-purpose building concept	Working with the Yarrabah Aboriginal Council and other organisations, the study scoped the concept of a business hub facility in Yarrabah, outlining the likely size, location, standard of construction, cost and other relevant criteria to inform subsequent development and funding applications.

Dja Dja Wurrung Economic Plan	Prepare an Economic Plan for the community	IBA assisted the Dja Dja Wurrung Clans Aboriginal Corporation to identify economic development opportunities as part of its Native Title settlement negotiations with the Victorian Government.
MG Corp Ord Irrigation Expansion Project Phase 2 Business Support	Business support for potential and existing business	IBA supported identified potential and existing Indigenous-owned businesses to secure contracts to supply goods and services for Phase 2 of the Ord Irrigation Expansion Project. Eight individuals were assisted during this project, which was completed in April 2012.
Aboriginal Affairs Victoria	Business training and development for Indigenous Victorians	IBA provided 10 individuals with mentoring and 60 individuals with governance training. Three Indigenous people attended the AICD Company Directors course.
Narungga Aboriginal Corporation Regional Authority	Community economic capability development project	IBA assisted the corporation to understand investment principles and structure the investment arm.
Surat Basin	Industry-specific study	This project identified the needs, opportunities and barriers to Indigenous business, particularly in accessing the supply chains of mining and extraction companies in the region.
Indigenous Tourism Champions Program (ITCP)	Industry-specific national program	Around 30 ITCP members were provided with a range of product and business development support, including mentoring and marketing, and linked to the export program under Tourism Australia.
V Cubed – ITCP	Phase 3 Indigenous Tourism Champions	IBA supported Indigenous tourism operators with online trading and booking.

Into Business™ workshops

Into Business™ workshops are designed to build the business skills of aspiring Indigenous Australians who are new to business. They consist of three free one-day interactive information-sharing sessions where participants explore their business idea, obtain the knowledge to verify whether their idea is viable and sustainable, and plan the next steps in their business model. The workshops are available in regional and urban centres and assistance can be provided for Indigenous Australians from remote parts of Australia who wish to attend.

Workshop A explores business ideas, goals and expectations. During this workshop, participants learn about the various skills needed to run a business; how to research markets, product and services; business risks; and the business planning process.

Workshop B focuses on marketing and managing a business. Participants learn more about how to develop their product or service; existing and new markets; understanding customer needs; competition; marketing; pricing; distribution; suppliers; and resources.

Workshop C concentrates on financial planning and management. In this final session, participants are guided through the financial side of operating a business, including commercial viability; financial projections; business planning; and where to access assistance once in business.

During 2011–12, attendance increased by 29.7 per cent on the previous year as depicted in Table 10. More than 90 per cent of participants rated the workshops as meeting or exceeding their expectations. Of the 398 people who completed all three *Into Business*™ workshops, some have decided to delay starting their business so they can better prepare, or have decided not to pursue their business goals at this time.

.....
**398 people
completed all three
Into Business™
workshops**
.....

Table 10: Workshop attendance in 2010–11 and 2011–12

Workshop	Number of workshops 2010–11	Number of attendees 2010–11	Number of workshops 2011–12	Number of attendees 2011–12
A	113	788	167	876
B	87	406	155	570
C	66	227	139	398
Total	266	1,421	461	1,844

Business planning and support

Owning a business is an evolving process and hurdles are regularly encountered along the journey, from start-up to growth and business exit. This is why IBA provides professional assistance and guidance through a panel of more than 168 consulting firms and 573 consultants.

.....
**IBA expended
 \$407, 677 with
 Indigenous
 businesses that
 provided support
 and service directly
 to our customers**

Planning is an important and ongoing part of owning a business. Business plans need to be updated and reviewed during all stages of business development. A sound business plan is an important basis for organisations seeking finance from IBA or IBA's banking partners.

IBA also understands that during intense business development phases, business owners need access to professional advice. IBA provides a business mentor for up to 18 months through its Business Support service, to provide one-on-one assistance.

During 2011–12, IBA:

- responded to 2,480 business-related enquiries for assistance
- provided 234 customers with pre-business assistance services, such as strategic business planning, marketing, branding, website creation, business growth and cash flow management
- provided 200 people with financial skills development
- finalised 215 business plans
- completed 69 feasibility assessments to enable customers to verify their business plan assumptions with the assistance of an independent expert.

Additionally, IBA also expended \$407,677 with Indigenous businesses that provided support and service directly to our customers. This is an increase of approximately 340 per cent over the 2010–11 expenditure.

Business loans

IBA offers business loans generally not exceeding \$2 million at concessional interest rates that are generally 2.5 per cent per annum below the same rates offered by the major Australian banks. Concessional rates are designed to overcome debt servicing barriers and enable quicker loan repayment, therefore allowing the development of equity in the business. Other loan terms and conditions are generally consistent with private sector bank loans and are based on sound business principles, although IBA does not require the same level of equity holding or security cover.

To qualify for an IBA business loan, the business must be assessed as viable and have a minimum of 50 per cent Indigenous ownership. The owner(s) must also demonstrate sufficient skill and readiness to operate a business.

When it introduced the *Into Business*™ workshops in 2010–11, IBA anticipated that there would be an initial reduction in loan approvals in that year, followed by an increase in 2011–12. This proved to be correct, with the number of approved loans increasing by 20 per cent in 2011–12, as those completing *Into Business*™ workshops progressed to loan financing (see Figure 15).

**Approved 85
new loans totalling
\$17.3 million**

During 2011–12, IBA:

- assessed 117 loan applications
- approved 85 new loans totalling \$17.3 million
- approved its 500th business loan.

The IBA loans were used to start 28 new businesses and acquire 48 existing businesses, with the balance used to consolidate or grow established businesses. The new and acquired businesses employed 272 people, including 176 Aboriginal and Torres Strait Islander peoples.

Figure 15: Business loan applications, as at 30 June, five years to 2011–12

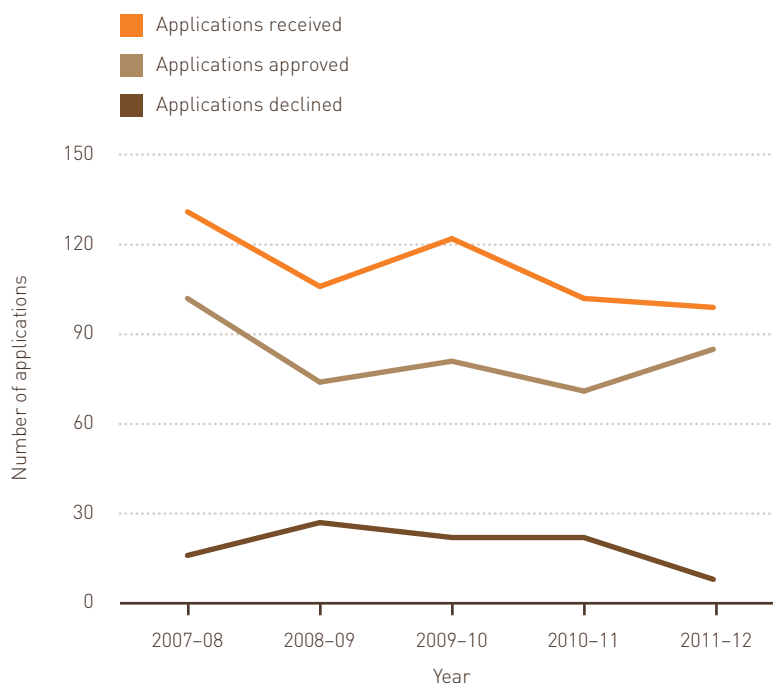
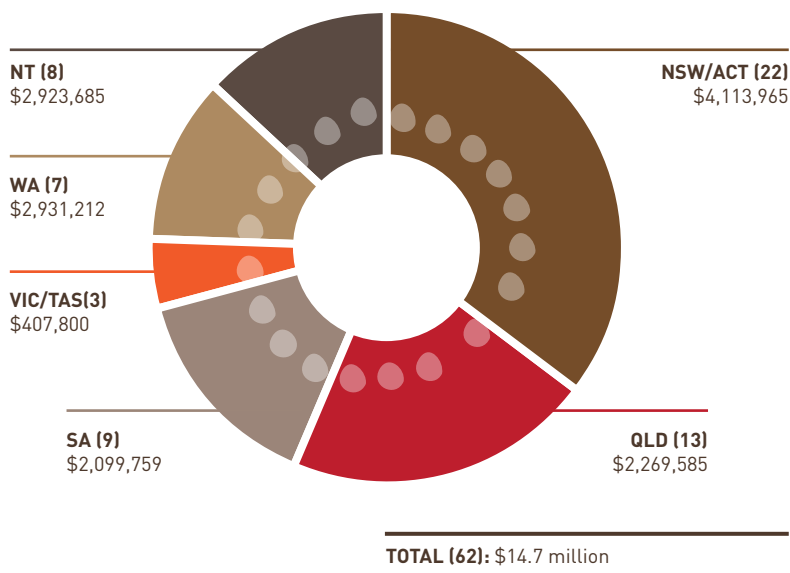


Figure 16: New business loans settled by state, (number) and value, as at 30 June 2012



.....
 ‘At those IBA workshops ... the thing I learned was that the nine-to-five job is gone; now it’s five until nine and longer some days ... And sometimes that might mean working at 11 o’clock at night because I’ve done something fun with them [the children] in the afternoon. But I don’t mind – it’s nice and quiet at night – and when you love it, it’s not a chore.’

Wayne McGinness at his home-based business in Kuranda, with a steel sculpture of his grandfather.



Growing and sustaining businesses

IBA supports Aboriginal and Torres Strait Islander-owned businesses to achieve sustainable growth goals. IBA's Business Support service provides assistance with aspects of business, including marketing and promotion, growth planning and budgeting, procedural and compliance requirements, tender writing and website development. IBA can also assist business owners to access finance for sustainable growth, either using its concessional product, or in partnership with private sector lenders.

The Australian Indigenous Minority Supplier Council (AIMSC), an Australian Government initiative to increase transactions between Indigenous businesses and corporate and government buyers, is an important IBA partner. AIMSC and IBA have been working together to increase the support available to Indigenous businesses that are winning contracts and experiencing growth. IBA has established fast-track application processes for AIMSC-certified suppliers who require business assistance or finance. This new initiative has enabled some Indigenous businesses to secure contracts with large corporations in Australia.

IBA maintains close working relationships with its loan customers. To assist in sustaining businesses, IBA managers conduct quarterly loan assessments and make calls to customers and an annual visit to the business, and provide customers with industry trend information and financial benchmarking data.

IBA customers may seek a loan variation to facilitate growth, manage cash flow or relieve any short-term hardship. Additional support may be sought for expert advice on critical decisions that occur during the life of a business. This support could include advice on expansion, asset disposal, succession, business valuation, refinancing to mainstream lenders, or even exiting the business.

In 2011–12, IBA's Business Development and Assistance Program customers reported aggregated annual turnover in excess of \$71 million.

During 2011–12, IBA:

- provided four loans to AIMSC-certified suppliers to enable them to take up contracts from government and corporate buyers
- referred 18 customers to private sector lenders for loans totalling approximately \$4.9 million
- made more than 1,000 proactive telephone calls to customers
- made more than 300 visits to customers to discuss their business needs.

.....
**In 2011–12,
 IBA's Business
 Development and
 Assistance Program
 customers reported
 aggregated annual
 turnover in excess
 of \$71 million**



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FOR YOUR CHANCE TO WIN
A WHISKEY
BY WAYNE MCGURRAN

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Fibre Optics AU

Making expansion dreams a reality

When Gino Amadio and Gillian Trenerry wanted to expand their business, Fibre Optics North Queensland (Fibre Optics NQ), IBA was instrumental in helping them develop and realise their goal.

Fibre Optics NQ installs and tests fibre-optic cables and is one of the leading telecommunications cabling organisations in Cairns and throughout North Queensland. The company began operations in 2001 and was initially operated by Gino and Gillian on a part-time basis, while they worked full time as electricians.

Within a short period of time, the company experienced phenomenal growth and it became necessary for Gino and Gillian to fully commit themselves to their business. Making the brave move to leave their jobs, they began working full time at Fibre Optics NQ in 2003.

In 2010 when they wanted to expand the business, they sought expert advice. This was when IBA was recommended to them.

'I contacted IBA and it went from there,' says Gillian. 'They helped me sort out my dreams and ideas and put them into a logical and planned approach.'

'They worked really well with us and put us in touch with business planners, who have also been incredible.'

The IBA Business Lending and Support team in Cairns met with Gino and Gillian several times. Through the Business Development and Assistance Program, the IBA team assisted them to develop their business goals. This included looking at areas where a new division could prosper.

In collaboration with their consultant, Gino and Gillian identified Geraldton, Western Australia as a new business location and opened a division there in mid-2011. So far, the division is prospering and has delivered an increase in business, which they aim to progress even further.

Fibre Optics NQ is certified by the Australian Indigenous Minority Supplier Council (AIMSC) and actively supports Indigenous employment, helping to create wealth and role models in the Indigenous community.

'IBA is very structured in its approach to business, which it needs to be,' says Gillian. 'If you are in business you must be looking at it in a business module, systematically and professionally, led not by the heart but by the head. This is what IBA gives people the ability to do.'

The Fibre Optics NQ staff showcasing their organisation at the AIMSC conference.



Supporting customers to transition to the broader Australian economy

While IBA's Business Development and Assistance Program supports Aboriginal and Torres Strait Islander peoples at any stage of their business operations, the ultimate goal is to transition the business into the broader Australian economy, creating economic independence.

This is achieved by continually building the business owner's experience, networks, finance and capabilities. This business education process can seem like a long journey, but it is one that IBA staff are committed to assisting Aboriginal and Torres Strait Islander business owners to achieve.

During 2011–12, 31 customers repaid their loans at or before maturity.

Risk management

IBA has three main priorities in managing outcomes associated with small business risks:

- Minimising the potential harm to Aboriginal and Torres Strait peoples or communities.
- Minimising the potential loss of Aboriginal and Torres Strait Islander-owned and -operated businesses.
- Minimising the potential loss of loan capital for future use in the program.

Risk management activities are adopted over the entire life cycle of a business. These activities include *Into Business*[™] workshops and guidance; business planning; rigorous loan assessment and management; mentoring and skills development; support for growth; and assistance with transitioning to the broader Australian economy. Critical to each activity is IBA's close working relationship with customers.

The Business Development and Assistance Program operates at the higher end of the lending risk spectrum, as loans are generally to businesses that would not meet the private sector's lending credit risk criteria. IBA aims to mitigate this risk through the concessional nature of its business loans, which improve debt servicing ability, and by providing intensive support to businesses.

A recycling success

Merinda Recycling, an organisation achieving remarkable goals.

When Bill Darcy became CEO of the Quirindi Aboriginal Corporation (QAC) in 2007, the organisation had been providing community services and business opportunities to the Aboriginal people in the Quirindi district of northern New South Wales for 13 years. Over the years, Bill improved the organisation's financial and administrative stability. With IBA's assistance, he grew the business to become the success it is today.

Initially, QAC managed various landfill sites on a profitable basis. Local demand was growing and achieving Indigenous employment outcomes. Through this activity, Bill saw an opportunity to enter the recycling industry. QAC approached IBA in June 2009 with a proposal to borrow \$150,000 to purchase the required equipment to enter into a contract with the Liverpool Plains Shire Council. The contract was to manage four landfill areas and undertake recycling for the Quirindi district.

Before approving the loan, IBA provided QAC with Business Support assistance to engage a business consultant, who helped him develop a business plan and determine the commercial viability of the project. After the business plan was developed, it was determined that the new venture had strong potential for success and would provide many benefits to the Indigenous community of the town of Quirindi and surrounding areas.

IBA approved QAC's funding proposal and Merinda Recycling was founded in September 2009. Never one to stand still, Bill looked for ways to improve

productivity and efficiency. The company established a landscaping supply service from the Quirindi landfill site. As Merinda Recycling already had staff at the site, no additional outgoings were incurred. The trucks that pick up the recyclables also drop off supplies. The company also makes products such as mulches, woodchips and fire lighters from the green waste collected at the landfill sites.

Three years on, QAC and Merinda Recycling have achieved the goals identified in their business plans. This includes providing long-term employment and business opportunities to Quirindi's Aboriginal community and the surrounding districts, and developing a business model for Aboriginal enterprises that can be applied in other areas, either by expanding QAC enterprises or assisting other communities.

Merinda Recycling has 18 employees, 16 of whom are Indigenous. The company has continually evolved and Bill has been approached by other organisations seeking advice on how to start similar enterprises.

Merinda Recycling was awarded the 2011 Quirindi Chamber of Commerce, Industry and Tourism Environmental Sustainability Award. The company continues to run an outstanding recycling and landscaping business, not only providing employment but much needed services to a regional area. Bill pays tribute to Jim White, Chairperson of QAC, along with the Board of Directors of QAC for their support in building Merinda Recycling.

Portfolio management

IBA manages key trends and portfolio indicators such as:

- portfolio geography and industry profile – the number and value of loans by state or territory, and industry
- arrears – classified as reportable and non-reportable.
Reportable arrears are loans that are past their due date by two instalments (typically 60 days) or more. Non-reportable arrears are loans that are less than two instalments past their due date
- loss salvage – the number and residual value of loans following the sale of security. Loss salvage accounts are treated as doubtful debts and are fully provisioned
- write-offs – the number and value of loans where debt recovery is unlikely and the residual debt has been written off
- doubtful debt provisions – the estimated loss on loans that may occur during the next financial year.

Results as at 30 June 2012

There were 322 loans in IBA's total loan portfolio as at 30 June 2012, comprising active and loss salvage loans, with a discharge balance of \$55.7 million. Of the 322 loans, 289 were active loans with a discharge balance of \$50.7 million, and 33 were loss salvage loans with a discharge balance of \$5.0 million.

IBA approved 85 loans in 2011–12, compared to 71 in the previous year.

There was an improvement in reportable arrears from 48 accounts (discharge balance of \$10.17 million) as at 30 June 2011, to 39 accounts (discharge balance of \$7.17 million) as at 30 June 2012. Thirty-one loans with total residual balances of \$4.11 million were written off as unrecoverable.

IBA achieved a 'neutral' portfolio position following two years of decline. This is due to settled loans covering pay-outs and loss salvage transfers.

Figure 17: Loan portfolio (number) and value, as at 30 June 2012

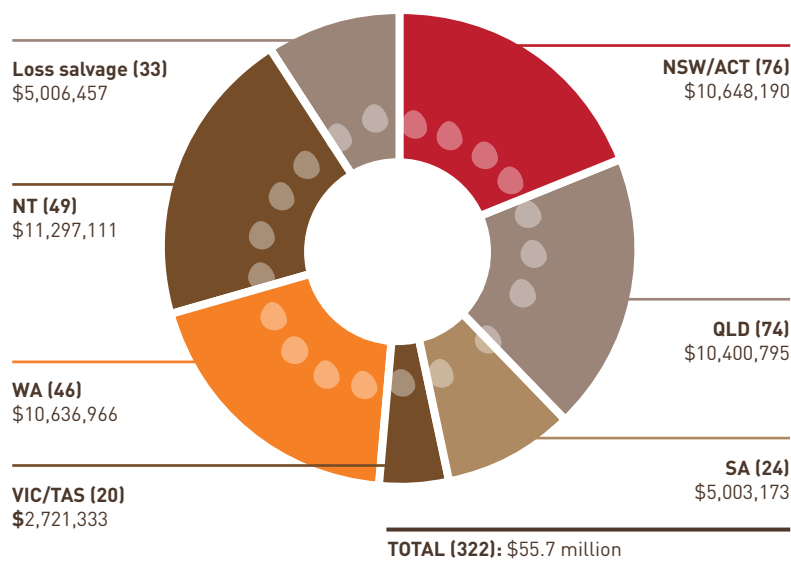


Figure 18: Loan portfolio by loan status (number) and value, as at 30 June 2012

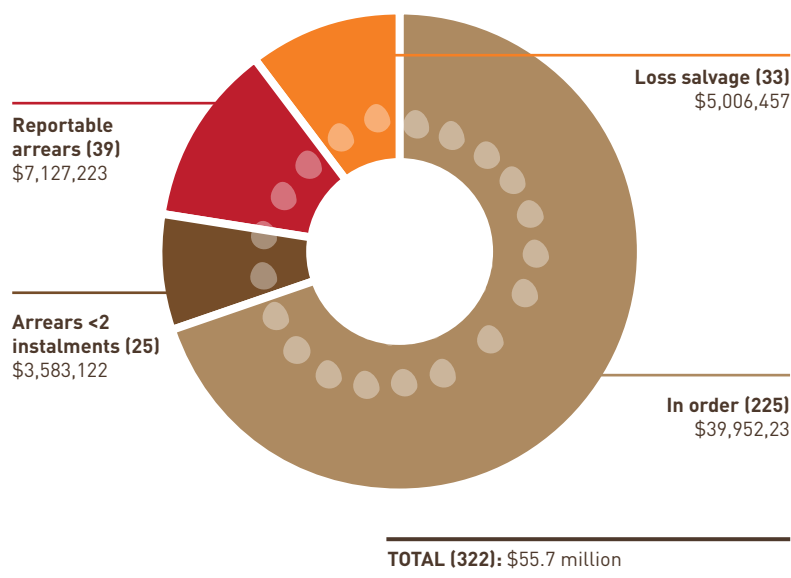


Figure 19: Business loan portfolio reportable arrears, as at 30 June, five years to 2011-12

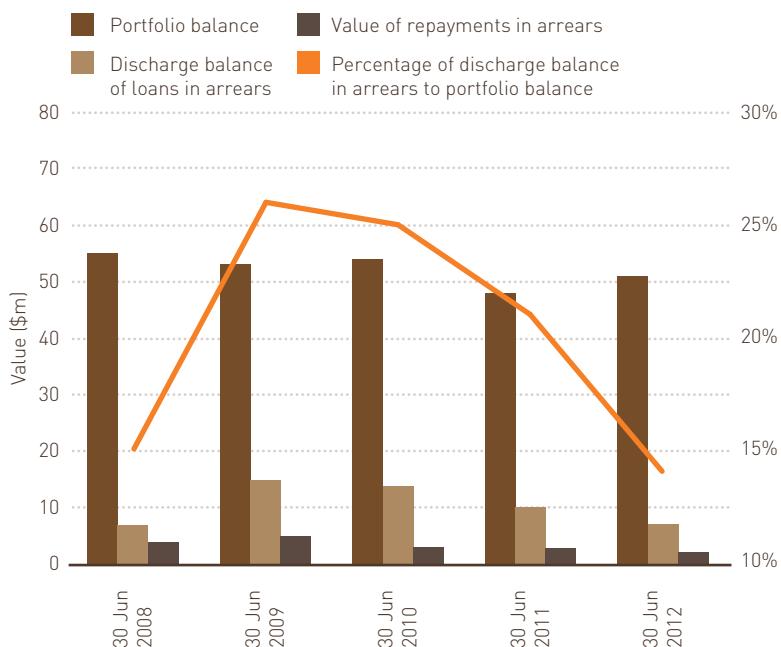
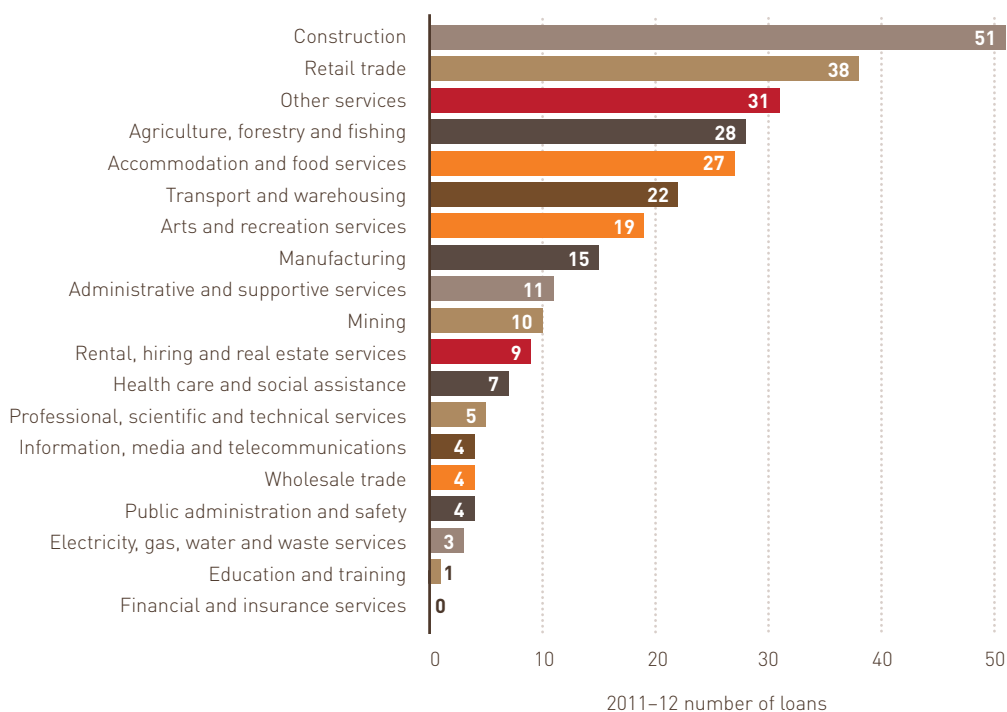


Figure 20: Loans by industry type, as at 30 June 2012



Outlook

In 2012–13, IBA plans to enhance existing technology, and develop new products and services to support and grow the Indigenous business sector through all stages of business development.

This is expected to increase IBA’s responsiveness and efficiency to better meet customer needs, while also allowing staff members to provide services to more people.

Further strategic alliances with the major banks are in progress. This will enable IBA’s customers to access a broader range of financial products and services, and simplify the transition into the broader Australian economy.



.....
Tom and Barbara Johnston
outside of Broome Daycare
Centre. Read their story
on page 90
.....

Caring for business each day

Barbara and Tom Johnston have had a longstanding relationship with IBA that has evolved over the years, along with their business.

Tom and Barbara bought Broome Daycare Centre in 1996 after moving to Broome from Port Hedland. They had been working in the mining industry and wanted to get into private enterprise. Their decision to buy the centre showed shrewd business sense; although neither of them had worked in childcare, they saw that the price and potential for return was right. With two small children of their own, it was the perfect business to enable them to balance their family life. The centre cares for babies and children up to five years old.

A year after buying the centre with a loan from a private sector lender, the couple approached IBA and applied to have their loan transferred from the lender to IBA, which offered a lower interest rate. To this day, Barbara is thankful for IBA's help as there was a time when general interest rates went up to 17 per cent, which would have been crippling for their business.

During the application period, an IBA lending officer helped them with business planning. The officer has continued to work with them over many years.

IBA was also there for Tom and Barbara when, years later, several other daycare centres opened in the area and threatened the sustainability of their business. After identifying where they needed help with their marketing, IBA assisted the couple to find a local web designer – with whom they were very pleased – to create a website for their business. They also hired brand

consultants. With a new brand, logo, slogan and website, Broome Daycare Centre was back in business. It now cares for 55 children and employs 11 staff members. Barbara certainly knows the meaning of hard work and through her years in business has never rested on her laurels. 'We are very careful with money,' she says. 'We have never left anyone else to run the business and don't spend money unless we have it.'

They have also kept up with the evolving childcare sector and significant legislative changes, ensuring Broome Daycare Centre remains one of Broome's leading childcare facilities. Barbara has gained several formal childcare qualifications and now also trains and teaches new carers.

While Barbara is grateful to IBA, their accountants and various consultants, there is one person whom she credits as being the lynchpin of the business's success.

'I could never have done it without my husband Tom,' she admits. 'He is wonderful at the daycare centre and as my support.'



PART 4: ACCOUNTABILITY

92 CORPORATE GOVERNANCE

- 92 Legislation and requirements
- 92 Corporate and strategic plans
- 93 Ministerial directions
- 93 Australian Government policies
- 93 The IBA Board
- 96 Committees
- 97 Internal governance arrangements
- 99 External scrutiny
- 100 Other statutory requirements
- 101 Environmental performance and ecologically sustainable development
- 101 ATSI Act amendments
- 102 IBA Board and committee membership and meeting attendance, 2011–12

CORPORATE GOVERNANCE

Legislation and requirements

IBA delivers its programs guided by its corporate governance framework. This framework comprises IBA's enabling legislation and other legislative instruments; managerial and organisational structures; corporate policies and strategies; and resource management practices.

IBA is a statutory authority of the Australian Government and is accountable to the Parliament and the Minister for Families, Community Services and Indigenous Affairs. IBA's principal legislative basis is the *Aboriginal and Torres Strait Islander Act 2005* (ATSI Act), which sets out its purpose, powers, functions, and administrative and operational arrangements. The ATSI Act also provides the Constitution and for the appointment of the Board of Directors, the appointment of the Chief Executive Officer (CEO) and the operation of Board meetings.

IBA is required to fulfil the requirements of the *Commonwealth Authorities and Companies Act 1997* (CAC Act), which regulates certain aspects of the financial affairs of Commonwealth authorities; their reporting, accountability, banking and investment obligations; and the conduct of IBA directors and officers.

Corporate and strategic plans

The ATSI Act requires the Board to prepare a Corporate Plan that sets out a statement of IBA's objectives, and outlines the strategies and policies the Board intends to adopt to achieve those objectives. This plan must specifically refer to the Board's intentions regarding investments, loans, guarantees and other financial aspects of its operations. IBA is required to review the plan regularly. IBA's Corporate Plan 2008–13 was approved by the Board in July 2008 through a process of planning and discussion. IBA's Strategic Plan 2011–13 (a revision of its Strategic Plan 2008–13) sits under the Corporate Plan, and guides the development of Branch Business Plans. The Strategic Plan describes how the Corporate Plan will be implemented.

Ministerial Directions

The Hon. Jenny Macklin, MP, Minister for Families, Community Services and Indigenous Affairs, was the responsible Minister for the 2011–12 reporting period. She made no directions to IBA under section 151 of the ATSI Act, which empowers the Minister to make directions with which IBA must comply.

Statement of Expectations and Statement of Intent

The Australian Government's Statement of Expectations, and an agency's Statement of Intent in response, are key elements of sound governance for Commonwealth bodies. These documents are valuable tools for increasing transparency and accountability, and ensuring well-defined responsibilities between portfolio bodies and other arms of government. The Minister issued the Australian Government's Statement of Expectations on 11 February 2011. IBA responded to the Minister with a Statement of Intent in March 2011.



The Hon. Jenny Macklin, MP, Minister for Families, Community Services and Indigenous Affairs, Minister for Disability Reform.

Australian Government policies

Previous ministers exempted IBA from the requirement to comply with general government policies regarding Australian Government property ownership, cost recovery, foreign exchange risk management, and the National Code of Practice for the Construction Industry. Although exempted from complying with some aspects of foreign exchange risk management, IBA is required to report any foreign exchange exposures, gains and losses to the Department of Finance and Deregulation. IBA must also comply with guidelines on making appointments to, and setting remuneration for, public offices established under legislation. During 2011–12, IBA was exempted, by regulation, from complying with most aspects of the National Consumer Credit Code.

The IBA Board

The IBA Board is appointed by the Minister. It comprises Indigenous and non-Indigenous members with extensive and varied business expertise (see page 102–106). The full Board consists of a Chair, a Deputy Chair and seven directors. As at 30 June 2012, there were two vacant directors' positions, with the term of two directors concluding on 16 June 2012. The ATSI Act requires that the Chair and a majority of the Board be Indigenous Australians. As at 30 June 2012, 71 per cent of the Board identified as being of Aboriginal or Torres Strait Islander descent. Women made up 57 per cent of the Board's membership, comparing favourably with the 12.8 per cent of women on ASX 200 (Australian Securities Exchange 200) boards.

The role of the IBA Board

In general, the IBA Board is responsible for:

- setting IBA's strategic direction and identifying its strategic opportunities and risks, as per the ATSI Act
- preparing and reviewing IBA's Corporate Plan for consideration by the Minister
- appointing the CEO and evaluating his or her performance in carrying out his or her delegated duties, responsibilities and authorities
- approving and reviewing IBA's Budget and giving input into the Portfolio Budget Statements required by the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA)
- approving and reviewing the Board's policies
- monitoring and reviewing IBA's performance against objectives, and reviewing Board and Board Committee performance
- preparing IBA's Annual Report and annual compliance report, which asserts IBA's compliance with the CAC Act and related regulations and orders.

.....
Women made up 57 per cent of the Board's membership, comparing favourably with the 12.8 per cent of women on Australian Securities Exchange 200 boards

The Board is accountable to the Minister for IBA's strategic and operational performance, and strives to maintain a strong, positive relationship with the Minister. The Board is responsible for keeping the Minister informed of IBA's activities and consulting the Minister about significant decisions.

Consistent with longstanding government practice, the Board consults with the Minister on the CEO's appointment. The Minister also consults IBA about Board appointees whenever there is – or is expected to be – a vacancy, as required by section 158 of the ATSI Act.

By adopting a Board Governance Charter, the Board recognises the importance of applying sound governance principles and practices to ensure that IBA meets its objectives.

The Board implements these governance principles to:

- establish and disclose the respective roles and responsibilities of the Board and management
- exercise key Board functions efficiently and effectively, including ethical and responsible decision making
- exercise sound Board governance processes to facilitate the achievement of IBA objectives
- strive for the continuous improvement of Board and IBA processes.

The IBA Board held five scheduled meetings and eight additional meetings in 2011–12. All Board members are non-executive directors. The composition of the Board and membership details for each director are listed on page 102–106.

Governance review

The IBA Board commissioned an independent review of IBA's governance framework using key governance benchmarks from relevant Better Practice Guides from the Australian National Audit Office. The review concluded that there were no significant gaps in IBA's governance processes and recognises that the organisation has a sound governance system. IBA will implement a number of actions as part of its continuous improvement program and address minor gaps identified in the review.

Board development and review

New Board members undertake a formal induction into their role, including a meeting with the Chair and CEO. They are given a Director's Induction Manual that includes the Board Governance Charter. Directors are required to pursue their own development and continuously update their knowledge to attain and maintain the levels of competence demanded of them. Directors are, with the assistance of IBA, expected to undertake ongoing professional development that is relevant, required and commensurate with IBA's needs. A Board performance review was completed in early 2011–12.

Ethical standards

The Board Governance Charter provides a Directors' Code of Conduct. The charter includes guidelines for dealing with directors' conflicts of interest – including material personal interests – as required by the CAC Act.

Related entity transactions

In accordance with section 15 of the Commonwealth Authorities (Annual Reporting) Orders 2011, there were no related entity transactions during 2011–12.

Remuneration

IBA's directors are entitled to remuneration and allowances in accordance with Remuneration Tribunal determinations. Details of directors' remuneration and interests are set out in notes 13 and 14 of the financial statements (page 181).

Access to information and outside advice

Directors have access to all information necessary (including previous agenda papers) to help them perform their duties. Directors can obtain independent professional advice if they believe it is necessary to fulfil their due diligence responsibilities, subject to making a request to – and obtaining the prior authorisation of – the Chair. Where the Chair wishes to obtain independent advice, she is required to make a request to – and obtain the prior authorisation of – two other directors.

Indemnity and insurance

IBA holds directors' and officers' liability insurance cover through Comcover, the Australian Government's self-managed fund. As part of its annual insurance renewal process, IBA reviewed its insurance coverage in 2010–11 to ensure it remained appropriate for its operations. During the year, no indemnity-related claims were made, and IBA knows of no circumstances likely to lead to such claims being made. The cost of directors' and officers' indemnity insurance for 2011–12 was \$18,609, compared to \$9,254 for 2010–11. This is commensurate with similar increases across agencies within the Comcover insurance fund.

Committees

Two committees help the Board exercise its functions: the Audit and Risk Committee, and the Finance and Investment Committee. A charter details the constitution, responsibilities, functions, and reporting and administrative arrangements of each committee. Other committees may be formed as required, with specific terms of reference.

Audit and Risk Committee

The IBA Board established the Audit and Risk Committee in compliance with section 32 of the CAC Act. It provides independent assurance and assistance to the Board regarding IBA's risk control and compliance framework, and its external accountability responsibilities. For membership details, see pages 102–106. Jenny Morison was appointed on 11 May 2008 as a member of the Audit and Risk Committee and became its Chair on 4 May 2010. Jenny is an independent member of a number of Australian Government audit committees and is a Chartered Accountant with 30 years of broad experience in accounting and commerce. Her career has included audit, taxation, management consulting, and corporate and government advisory work. She attended all five IBA Audit and Risk Committee meetings held during 2011–12.

Finance and Investment Committee

The Finance and Investment Committee was established to provide assurance and assistance to the Board regarding IBA's financial performance and investment decision making. For membership details, see pages 102–106.

Internal governance arrangements

The CEO manages the day-to-day administration of IBA. The CEO is supported by an Executive Management Team, internal management committees and staff members. Internal governance arrangements within IBA include risk management, internal management, appropriate ethical behaviour and fraud control, compliance assurance, insurance arrangements, business continuity and audit.

Internal management committees

IBA has the following internal management committees to support the CEO in the daily administration of IBA:

- **Executive Committee** – the key internal governance committee for information sharing and decision making.
- **Occupational Health and Safety Committee** – develops and promotes initiatives to protect the health and safety of employees, contractors and visitors.
- **Workplace Consultative Committee** – a forum for employee representatives and management to discuss matters that have a broad impact on the effective functioning of IBA.
- **Scholarships Committee** – oversees and manages the IBA Scholarship Fund (see page 130), and selects scholarship recipients. The committee conducts an annual review of the IBA Scholarship Fund operation, and application and selection processes. Committee members include the IBA Board and representatives from IBA's Executive Management Team.
- **Strategic Economic Development Initiatives (SEDI) Committee** – makes recommendations to the relevant delegate on the approval of SEDI projects.
- **Valuation Committee** – reviews valuations with a view to making recommendations to the Finance and Investment Committee, as appropriate.
- **Portfolio Review Committee** – regularly reviews the performance of IBA's investment portfolio against IBA's Investment Strategy.
- **Senior Executive Staff (SES) Remuneration Committee** – oversees the implementation of the SES Remuneration Policy, and reviews and recommends any changes to it and to SES employment conditions every two years.
- **Remuneration Committee** – oversees the non-SES remuneration policy.

Risk management

The IBA risk management framework provides an integrated and structured process to identify risk exposure across IBA's activities and to ensure that its exposure is adequately controlled and addressed. A key risk management objective is the early identification, assessment and mitigation of risks.

The risk management plan outlines the risk register and key strategies for addressing strategic and business risks. The business continuity plan and the fraud control plan are important additional components of the risk management framework. The risk register is reviewed at each meeting of the IBA Board, and the risk management and business continuity plans are updated annually.

The Comcover Risk Management Benchmarking Program has recognised the ongoing positive impact of IBA's risk management strategies and activities by rating IBA 8.5 out of 10 for risk management performance, an improvement on last year's result of 7.8.

Appropriate ethical behaviour and fraud control

IBA's Values and Code of Conduct require that staff members maintain appropriate ethical standards, which include appropriately managing conflicts of interest. The IBA fraud control plan is in line with Australian Government fraud control guidelines and includes a fraud risk assessment system, as well as appropriate fraud prevention, detection, investigation and reporting procedures.

The Audit and Risk Committee reviews the fraud control plan every two years. In 2010–11, the committee developed an updated 2010–12 fraud control plan. An independent whistleblower disclosure and protection scheme has been in place since January 2011 to encourage IBA employees to report any suspected wrongdoing within the organisation.

Compliance assurance

IBA has a control framework that consists of:

- board policies, and the CEO's Instructions and procedures
- effective relationship management with customers and stakeholders
- a program for training and development, monitoring, and compliance assurance (both internal and external).

All IBA employees who have been delegated a specific power and function are required to understand that delegation, and exercise it responsibly and with due care and diligence, in accordance with relevant statutes, IBA policies, and the CEO's Instructions and procedures.

IBA has monitored and made necessary changes to its control environment as a result of legislative changes. During the year, there have been significant changes in law related to work health and safety and personal properties securities registration. IBA has reviewed its practices to comply with the changed law.

IBA has programs in place to ensure compliance with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* and the CAC Act, the latter of which requires an annual Compliance Report. Further assurance of IBA's compliance with relevant statutes is detailed below.

Audit

The Auditor-General (also referred to as the Australian National Audit Office) is IBA's external auditor. The audit of IBA's financial statements is conducted in accordance with an audit strategy as agreed to by the Auditor-General and IBA. RSM Bird Cameron is responsible for implementing IBA's internal audit program, which aims to provide assurance that key risks are being managed effectively and efficiently, including compliance with regulatory requirements and policies. During the year, internal audits were conducted on risk management, conflicts of interest, human resources leave, complaints and procurement. The Audit and Risk Committee is responsible for reviewing both internal and external audit reports and for monitoring the implementation of audit recommendations.

External scrutiny

External scrutiny of IBA includes parliamentary and ministerial oversight, freedom of information, effective service and complaints handling, and judicial decisions and reviews by outside bodies (such as the Commonwealth Ombudsman).

Parliamentary and ministerial oversight

IBA is a statutory authority of the Australian Government and a part of the FaHCSIA portfolio. As such, it is accountable to the Australian Parliament and the Minister for Families, Community Services and Indigenous Affairs. Information about the FaHCSIA portfolio can be found at www.fahcsia.gov.au. Information about IBA – including details of its role and how it approaches this role – can be found on the inside front cover of this report and online at www.iba.gov.au.

The Senate Standing Committees on Community Affairs held an inquiry into the administration of IBA in relation to certain evidence given to the Senate Community Affairs Committee. The Committee concluded there was no basis to raise this matter with the Privileges Committee and that no further action was required.

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**The Comcover
Risk Management
Benchmarking
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ongoing positive
impact of IBA's
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strategies and
activities by rating
IBA 8.5 out of 10 for
risk management
performance**
.....

Freedom of information

Agencies subject to the *Freedom of Information Act 1982* (FOI Act) are required to publish information to the public as part of the Information Publication Scheme (IPS). This requirement is in Part II of the FOI Act and has replaced the former requirement to publish a section 8 statement in an annual report. IBA has displayed on its website (www.iba.gov.au) a plan showing what information it publishes in accordance with IPS requirements. A table summarising the list of FOI activities for 2011–12 is available in Appendix D on page 210.

Complaints handling

The IBA Customer Service Charter outlines IBA's commitment to quality service and details processes for receiving and handling complaints. The complaint management process ensures that any concerns customers may have in relation to IBA's services or decisions or IBA-funded service providers are taken seriously and dealt with promptly. The process also ensures IBA can learn from mistakes and continuously improve its practices and processes and, in turn, improve its customers' experience.

Judicial decisions and reviews by external bodies

There were no judicial decisions or decisions of administrative tribunals that had a significant effect on IBA's operations during 2011–12. The Commonwealth Ombudsman received two complaints regarding IBA during the year and decided not to investigate the complaints.

Other statutory requirements

The following additional statutory reporting requirements are detailed in the Commonwealth Authorities (Annual Reporting) Orders 2011 and other legislation.

Developments and significant events

IBA has notified the Minister of significant events as required under section 15 of the CAC Act. These events relate to the Equity and Investments Program, and are listed in Appendix B on page 208. There have been no developments since 30 June 2012 that have significantly affected or may significantly affect IBA's operations in future financial years, the results of those operations in future years, or the authority's state of affairs in future financial years.

Changes to disability reporting

IBA is committed to providing efficient services to its customers and an effective workplace for its staff members, including those who have a disability.

Since 1994, Commonwealth departments and agencies have reported on their performance as policy advisers, purchasers, employers, regulators and providers under the Commonwealth Disability Strategy. In 2007–08, the responsibility for reporting on the employer role was transferred to the Australian Public Service Commission's State of the Service Report and the APS Statistical Bulletin. These reports are available at www.apsc.gov.au. From 2010–11, departments and agencies are no longer required to report on these functions.

The Commonwealth Disability Strategy has been overtaken by a new National Disability Strategy, which sets out a 10-year national policy framework for improving the lives of Australians with a disability, their families and carers. The Standing Council on Community, Housing and Disability Services will produce a high-level report to track progress for people with a disability at a national level for submission to the Council of Australian Governments. The report will be available at www.fahcsia.gov.au. The Social Inclusion Measurement and Reporting Strategy agreed to by the Australian Government in December 2009 will also include some reporting on disability matters in its regular *Social Inclusion: How Australia is Faring* report and, if appropriate, in strategic change indicators in agency annual reports. More details on social inclusion matters can be found at www.socialinclusion.gov.au.

Environmental performance and ecologically sustainable development

Section 516A of the *Environmental Protection and Biodiversity Conservation Act 1999* (EPBC Act) requires Australian Government organisations – including authorities such as IBA – to include in their annual report a section detailing their environmental performance and their contribution to ecologically sustainable development (ESD). In doing this, IBA is committed to the principles of ESD as detailed in section 3A of the EPBC Act. See Appendix C on page 209 for more information on IBA's ESD activities.

ATSI Act amendments

The ATSI Act was amended on 7 December 2011. The official title of General Manager was changed to Chief Executive Officer (CEO).

Strict secrecy obligations on IBA's directors, employees and consultants were modified to give the CEO limited powers to disclose information in the public interest (see section 191 of the ATSI Act).

IBA Board and committee membership and meeting attendance, 2011–12



Dawn Casey PSM FAHA
Chair of the Board

Dr Dawn Casey is Director of the Museum of Applied Arts and Sciences, which manages the Powerhouse Museum and the Sydney Observatory. She is Chair (part-time) of the Indigenous Land Corporation.

Dawn has held a number of senior executive roles and has contributed greatly to Indigenous policies and programs, and to Australia's cultural heritage. She also represented Australia internationally on the Development Board for Commonwealth Countries, the Global Environment Facility and various United Nations delegations.

Dawn served on a number of university boards and committees and is an Adjunct Professor at the University of Queensland and Griffith University.

Dawn has received many awards for her achievements.

First appointed 29 June 2009
to 28 June 2014

Board 5(5)
AM 6(8)



Ian Trust
**Deputy Chair of the Board and Finance
and Investment Committee member**

Ian Trust, a Gidja man from the East Kimberley region of Western Australia, is the Executive Chair of Wunan Foundation; a director of Kimberley Group Training Incorporated; the Deputy Chair of Kimberley College of TAFE; a committee member of the Western Australian Aboriginal Education and Training Council; and Deputy Chair (part-time) of the Indigenous Land Corporation.

Ian was Chair of the Aboriginal and Torres Strait Islander Commission (ATSIC) Wunan (Kununurra Region) Regional Council for nine years, and Zone Commissioner for the Kimberley for two years.

He was also instrumental in establishing the Wunan Foundation and Kimberley Group Training Company (now Kimberly Group Training Incorporated) in the East Kimberley.

Ian was awarded the Centenary Medal in 2001 for his services to the Indigenous Australians of the East Kimberley, in the areas of social and economic development.

First appointed 31 November
2003
Reappointed 1 December 2007
to 30 November 2013

Board 5(5)
AM 6(8)
Finance and Investment
Committee 4(6)

Figures in parentheses denote the maximum number of meetings that could have been attended. AM: additional meetings.



Leah Armstrong
Board Director

Leah Armstrong was the Executive Director of Yarnteen Ltd, a not-for-profit Indigenous organisation based in New South Wales. For 17 years, Leah worked to ensure Yarnteen was an effective commercial organisation with strong governance, strategic direction and financial accountability.

She brings to the Board valuable knowledge of the issues that Indigenous communities face when undergoing economic development.

Leah's other directorships and committee appointments include CEO of Reconciliation Australia; director of the Australian Indigenous Minority Supplier Council; and Chair of the Indigenous Business Policy Advisory Group. She is also a board member of the Jobs Australia Foundation.

First appointed 19 March 2001
Reappointed 16 June 2010 to
16 June 2012

Board 2(5)
AM 5(8)



Valerie Cooms BA (Hons)
Board Director and Finance
and Investment Committee member

Valerie Cooms belongs to the Nunukul people from North Stradbroke Island and lives in Brisbane.

Valerie recently completed a PhD at the Australian National University. She also holds a Bachelor of Arts degree from the Australian National University, a Bachelor of Arts (with Honours) degree from the University of New England, a Certificate IV in Assessment and Workplace Training, and a PhD candidature from the Queensland University of Technology, Brisbane.

Valerie is Chair of the Quandamooka Yoolooburabee Aboriginal Corporation, the prescribed body corporate for the Quandamooka people's Native Title. She currently works for the Aboriginal and Torres Strait Islanders Community Health Service in Brisbane.

She has three children and six grandchildren.

First appointed 16 June 2010
to 16 June 2013

Board 5(5)
AM 2(8)
Finance and Investment
Committee 4(6)



First appointed
19 March 2001
Reappointed
16 June 2010 to 16 June 2012
Board 2(5)
AM 6(8)

Jenny Boddington MA (Hons), MAICD **Board Director**

Jenny Boddington holds a Masters degree in Metallurgy, Economics and Industrial Management from Oxford University, and is a member of the Australian Institute of Company Directors.

As the Chief Executive Officer of QBE Lenders' Mortgage Insurance Limited (QBE LMI), Jenny is responsible for all aspects of the company's business. QBE LMI is one of the leading providers of mortgage insurance to the lending industry in Australia, New Zealand and Asia and has played a major role in assisting home ownership over the past 40 years. Jenny also holds various private board directorships.

Before joining QBE LMI, Jenny spent 20 years in the investment banking sector, where she advised companies on acquisitions, divestments, listings and capital raisings.

While a director of the private equity arm of Deutsche Bank, Jenny made and managed investments in a variety of Australian industrial and infrastructure operations.

Judy Hardy **Board Director and Audit and Risk Committee member**



First appointed
9 August 2004
Reappointed
1 September 2011 to 31 August 2014
Board 5(5)
AM 8(8)
Audit and Risk Committee 4(5)

Judy Hardy brings to the Board her knowledge of policy development, strategic planning, marketing, community consultation and small business development. She is committed to a partnership approach to Indigenous economic development.

Judy previously held the position of Director of Mental Health in South Australia and now operates an independent national consulting business from Adelaide, South Australia. She is a member of a number of national committees advising the Australian Government on substance abuse, mental health and homelessness.

Judy is also an owner and director of businesses operating in Australia, China and Morocco, in the areas of property development, retirement villages and importation. Her work overseas is focused on the economic development of disadvantaged women.



Gail Reynolds-Adamson MAICD
Board Director and Audit and Risk Committee member

Gail Reynolds-Adamson is an owner and director of Kepa Kurl Enterprises Pty Ltd, a locally owned Aboriginal tourism company based in Esperance, Western Australia.

Kepa Kurl operates two tour companies and an Indigenous art gallery and gift shop. Gail also manages and operates a successful consultancy business, providing services to mining companies and numerous government departments.

Gail is a board member for Indigenous Community Volunteers and the Iconic Task Force, and Chair of South East Aboriginal Health Service.

First appointed
 10 May 2006
 Reappointed
 1 September 2011 to 31 August 2014
 Board 4(5)
 AM 7(8)
 Audit and Risk Committee 5(5)



Peter Thomas BC, FCA
Board Director and Finance and Investment Committee Chair

Peter Thomas brings years of commercial experience to the Board, together with a commitment to advancing Indigenous business and economic self-sufficiency.

Based in Sydney, Peter is a director of TFG International, a consulting and advisory firm offering high-level strategic advice to the public and private sectors. Peter has a Bachelor of Commerce degree and is a Fellow of the Institute of Chartered Accountants. He was a partner at one of Australia's four largest accounting firms for almost 25 years.

First appointed
 24 September 2007
 Reappointed
 5 October 2010 to 4 October 2013
 Board 5(5)
 AM 8(8)
 Finance and Investment Committee 6(6)

Peter is a board member of Innovation Australia and a director of The Australian Solar Institute (both Australian Government entities). He is also a director of the Alcohol Education and Rehabilitation Foundation; a number of private sector companies; and, on a pro-bono basis, three not-for-profit organisations.



Jason Eades
Board Director and Finance and Investment
Committee member

Jason Eades is a proud Gunai man from south-east Victoria, and brings more than 15 years of experience in senior management across the arts, tourism, Native Title and strategic policy sectors, within not-for-profit and government industries. Jason's previous roles have included Chief Executive Officer of the Koorie Heritage Trust Inc., and Manager, Budget and Operations (Planning and Development Branch) of Aboriginal Affairs Victoria. He was also a former co-Chair of Victoria Aboriginal Economic Development Group and former Chairman of Aboriginal Tourism Victoria.

He established the Jason Eades Consultancy in 2009, which later became Eades Consulting Group. His consultancy focuses on governance and developing economic opportunities (including family business and community-based enterprises), and cultural competency and culturally responsive services for Indigenous peoples.

Jason is also a board member of Kinaway Victorian Aboriginal Chamber of Commerce, and Banmirra Arts Inc.

First appointed 19 July 2011
 to 19 July 2014

Board 3(4)
 AM 7(8)

Finance and Investment
 Committee 5(6)

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PART 5: OUR ORGANISATION

108 PEOPLE MANAGEMENT

- 108 Building individual and organisational capability
- 109 Workforce profile
- 110 Organisational structure
- 112 Workplace diversity
- 115 Employment conditions and initiatives
- 117 Enhancing staff wellbeing through work health and safety
- 119 The Executive Management Team

123 EXTERNAL ENGAGEMENT

- 123 Valuing our stakeholders
- 123 Native Title Task Force
- 123 Indigenous tourism
- 124 Supporting Indigenous businesses
- 124 Banking partnerships
- 125 Reconciliation Action Plan
- 125 NAIDOC Week
- 126 Strategic Economic Development Initiatives Program
- 126 Establishing Indigenous communities in business

- 127 Research projects
- 128 Government
- 129 Conferences and major events

130 IBA SCHOLARSHIP FUND

- 130 Creating more opportunities for the Indigenous community through higher education
- 130 A fair and competitive selection process
- 130 New developments
- 132 Outlook

L: The Aboriginal and Torres Strait Islander Staff Network (see page 114).

R: IBA Scholarship Fund recipient Yvette Carolin (see page 131).

PEOPLE MANAGEMENT

Building individual and organisational capacity

IBA is a national organisation of more than 200 professional employees who are deeply committed to delivering IBA's vision. A key focus of IBA's people management initiatives is developing a more strategic and integrated approach to building and maintaining individual and organisational capability. This includes a strong emphasis on IBA's values and preferred behaviours, reflecting its culture, as well as a range of initiatives in response to issues raised in the 2010 Employee Survey.

In April 2012, the Executive endorsed a strategic People Plan that aims to build individual and organisational capability in a more integrated and coordinated way, framed around four key themes:

- shaping the workforce
- developing capability
- delivering high performance
- strengthening the culture.

In addition to building capability, the aim of the plan is to make IBA more effective, efficient, transparent and accountable in how it addresses people management initiatives.

In early 2012, in close collaboration with staff, IBA launched a preferred Behaviours Framework that complements the emphasis on developing capabilities and supporting a strong internal culture. This framework is being progressively embedded in IBA's processes, is included in IBA's Code of Conduct and is a central feature of the new Performance Management and Development System. IBA will continue to develop initiatives that reinforce the Behaviours Framework in coming years.

Workforce profile

IBA staff are located across all states and territories in line with the geographically dispersed nature of its customer base (see Table 11). As at 30 June 2012, IBA had 210 employees, a reduction of about 7.5 per cent compared to 30 June 2011. This reduction was largely a result of a commitment from the Executive to reduce spending on corporate overheads as a proportion of overall expenditure.

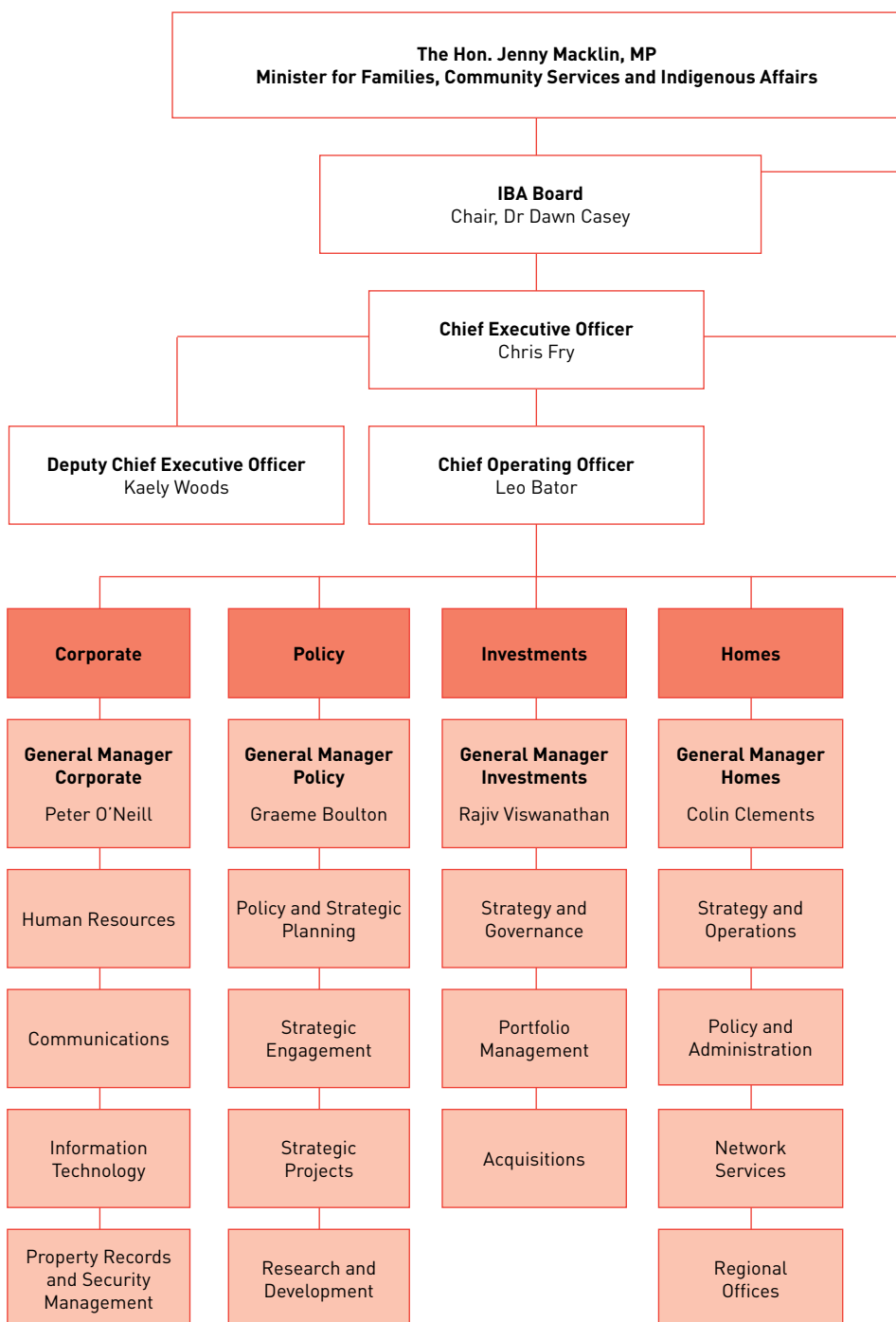
IBA also supports four Indigenous trainees who are not included in the staff numbers below as they are employed by external agencies and hosted by IBA.

Table 11: IBA staff numbers, by classification and location as at 30 June 2012

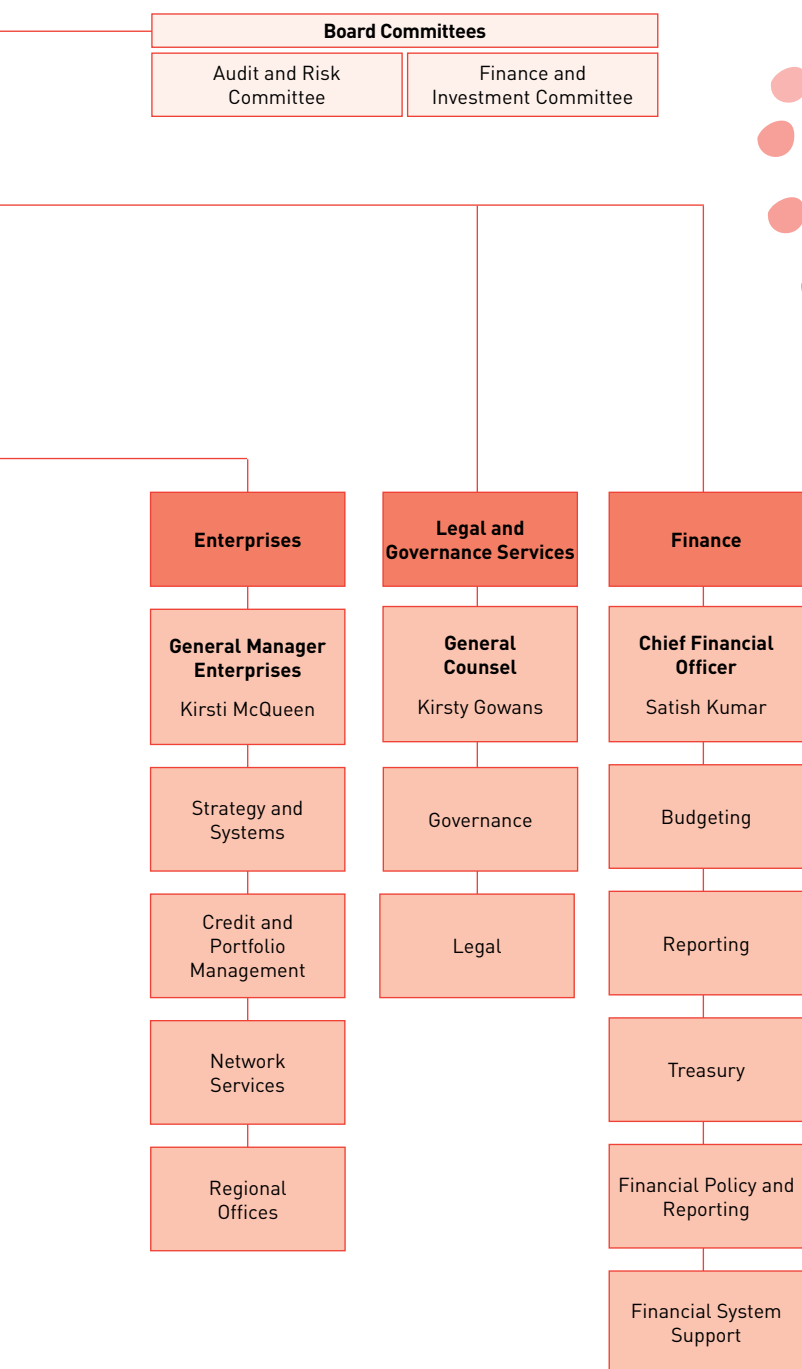
Classification	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	Total
CEO	1	0	0	0	0	0	0	0	1
Deputy CEO/ COO	2	0	0	0	0	0	0	0	2
General Manager*	6	1	0	0	0	0	0	0	7
IBA Level 7	17	2	0	3	0	0	0	1	23
IBA Level 6	19	4	0	4	0	0	0	0	27
IBA Level 5	29	6	2	12	2	0	2	3	56
IBA Level 4	16	8	5	10	2	1	2	7	51
IBA Level 3	11	5	2	4	2	1	2	1	28
IBA Level 2	5	0	0	3	0	0	0	0	8
IBA Level 1	2	1	0	1	0	0	0	0	4
Cadet	0	0	0	2	1	0	0	0	3
Total#	108	27	9	39	7	2	6	12	210

* Includes the Chief Financial Officer and General Counsel positions.

Includes 10 part-time positions, equating to a full-time equivalent of 207.



Organisational structure, as at 30 June 2012



Workplace diversity

IBA continues to emphasise diversity in the workplace, in addition to being an employer of choice for Indigenous people. Courtesy and respect are central behaviours within IBA's new Behaviours Framework. All new employees undertake cultural awareness training, reinforcing IBA's commitment to building cultural awareness and competence. This year, demonstrating IBA's keenness to work closely with other organisations with an Indigenous focus, new

..... staff joining Reconciliation Australia were invited to and participated in these sessions.

23 per cent of employees identify as being of Aboriginal or Torres Strait Islander descent

Of IBA's 210 employees, 23 per cent of employees (48 people) identify as being of Aboriginal or Torres Strait Islander descent (significantly above the Australian Public Service average). Fifty-five per cent of employees (115 people) are female (see Table 12).

IBA also makes reasonable adjustment to encourage the engagement of people with a disability.

Table 12: IBA staff numbers, by classification and gender, as at 30 June 2012

Classification	Male	Female
Chief Executive Officer	1	0
Deputy Chief Executive Officer/ Chief Operating Officer	1	1
General Manager	5	2
IBA Level 7	19	4
IBA Level 6	18	9
IBA Level 5	22	34
IBA Level 4	16	35
IBA Level 3	10	18
IBA Level 2	2	6
IBA Level 1	0	4
Cadet	1	2
Total#	95	115

#IBA is also supporting four Indigenous trainees who are not included in the staff numbers above as they are employed by external agencies and hosted by IBA.

Aboriginal and Torres Strait Islander staff members

In early 2012, IBA reviewed and reissued its Reconciliation Action Plan (RAP). The RAP is an important initiative to promote reconciliation within IBA and externally through its programs. It is coordinated through a working group comprising non-Indigenous and Aboriginal and Torres Strait Islander staff, which met on three occasions during 2011–12.

The RAP adheres to Reconciliation Australia's recommended framework and contains a range of programs around building relationships, respect, opportunities and tracking progress and reporting.

Several positive initiatives have been implemented to further reconciliation and tap into the knowledge and skills of Indigenous employees to enhance IBA's ability to achieve its vision. These measures include, but are not limited to, establishing and conducting the first meeting of IBA's Aboriginal and Torres Strait Islander Staff Network (see page 114), and agreeing to include Indigenous Community Volunteer Leave in IBA's new Enterprise Agreement 2012–14. The agreement also provides one day of paid leave each year for staff to attend or participate in NAIDOC Week activities.

IBA continues to participate in the Australian Public Service Commission's coordinated bulk recruitment exercises for cadets and graduates, and takes on trainees through specialist Indigenous recruitment agencies to position itself as an employer of choice for Indigenous people. IBA is hosting three Indigenous trainees (in Cairns, Townsville and Canberra) while they complete their Certificates III in Business, as well as a school-based trainee in Sydney.

During 2011–12, an IBA cadet completed her degree and was offered a graduate position within the organisation. However, she accepted a position with another public sector agency that she felt better matched her qualifications. A trainee who completed her certificate in early 2012 is now working with IBA in Brisbane.

Staff Network to enhance customer engagement and outcomes

The Aboriginal and Torres Strait Islander Staff Network (ATSISN) is an IBA initiative to inspire, encourage and empower Aboriginal and Torres Strait Islander staff. Its establishment was a key action in IBA's Reconciliation Action Plan and Enterprise Agreement. The network will help improve the way IBA connects with its customers and engages with each other in the workplace.

The inaugural ATSISN conference was held in May 2012 to explore ways to better engage with other IBA staff and customers. It was attended by 35 staff, who took part in workshops and heard inspiring presentations by Aboriginal and Torres Strait Islander guest speakers Kerrie Tim (Australian Public Service Commission), Valerie Cooms (IBA Director) and Dr Dawn Casey (Chair of the IBA Board).

Attendees have reported back on the importance of meeting other Aboriginal and Torres Strait Islander colleagues and being able to freely discuss important issues or share ideas.

The attendees provided valuable feedback to IBA on a range of topics including customer service, Indigenous employment and how to improve cultural competency. In response to this feedback, IBA will concentrate on finalising a new Indigenous Employment Strategy and raising the cultural competency of its staff in the year ahead.



The Aboriginal and Torres Strait Islander Staff Network met for the first time in Canberra in May 2012.

Employment conditions and initiatives

IBA prides itself on supporting staff members through a myriad of initiatives, including flexible working conditions to help them achieve a healthy work-life balance; learning and development opportunities to build individual and corporate capability; ongoing engagement of an Employee Assistance Provider to help staff and their families with work-related or personal challenges; and early intervention in the event of work-related injuries or other health issues.

Consulting with staff

IBA values the input of its employees and consults widely through the Workplace Consultative Committee, which met on three occasions during 2011–12, and the Work Health and Safety Committee, which also met three times. Staff can also contribute through other forums, including the Aboriginal and Torres Strait Islander Staff Network, which was established in 2012. IBA plans to conduct an employee perception survey in 2012–13, which will capture more views on how the organisation can continue to improve, as an employer and in serving the Indigenous community.

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Consultative
Committee**
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In addition, the establishment of a Local Leadership Model, an initiative of Chief Executive Officer Chris Fry, provides a forum for staff to discuss local issues within regional and metropolitan offices. This includes matters such as participating in local cultural events, promoting IBA values and behaviours, celebrating successes, and better coordinating business activities in a location. Additionally, it provides a regular forum, chaired by the Chief Operating Officer, for location 'leaders' to discuss or share information about common issues via teleconference.

Performance Management and Development System

During 2011–12, IBA formed a joint staff management working group to review and revise its Performance Management and Development System. A cross-section of staff members were consulted about the new system and performance agreement template before both were finalised. Key features of the new system include a simpler agreement template, a greater emphasis on IBA's Behaviours Framework, modifications to the rating scale, and changes to the agreement cycle to more closely align with the timing of pay increases.

Learning and development

Learning and development needs and opportunities are identified primarily at the individual level through performance management agreements.

During 2011–12, more than 20 staff members accessed study assistance to undertake a variety of tertiary and Certificate IV-level courses, primarily in management, business or financial services, and project management.

Staff induction is focused on general capability development, such as performance management, leadership and cultural awareness. The People Plan will increase the focus on capability development, particularly leadership and other core skill areas such as customer service.

Staff recognition

IBA recognises and rewards staff through a variety of initiatives. An example is staff-nominated awards – called a ‘round of applause’ – reported regularly in IBA’s internal staff magazine, *Interaction*. Team and other achievements, such as the approval of IBA’s 15,000th home loan, are regularly celebrated at the local and organisational level. The aim of such recognition is to celebrate outcomes and exemplary behaviours.

Enterprise Agreement

IBA’s previous collective agreement expired at the end of 2011. The 2012–14 IBA Enterprise Agreement came into effect on 11 January 2012. Apart from delivering salary increases to staff, other important changes included introducing a new performance management system rating scale; buying out the performance bonus; introducing Indigenous Community Volunteer Leave and adoption leave; improving maternity leave arrangements; and committing to establishing an Aboriginal and Torres Strait Islander Staff Network. Of the staff who voted, 90 per cent voted in favour of the agreement.

Arising out of the new Enterprise Agreement, and in part to facilitate the proposed review of employee loadings, a non-Senior Executive Staff (SES) Remuneration Committee was established and will hold its first meeting early in 2012–13.

Employee superannuation

A number of employees remain members of the closed Commonwealth Superannuation Scheme and Public Sector Superannuation Scheme. IBA offers all new employees a choice of funds, with the Public Sector Superannuation Accumulation Plan being the default fund. Regardless of the fund chosen, they receive employer support of 15.4 per cent of their salary. Staff members can also make personal contributions, including by way of salary sacrifice.

Senior Executive Service (SES) agreements

New SES contracts of employment were raised and entered into early in 2012 following a review of senior executive terms and conditions of employment. During 2011–12, the Board also agreed to establish an SES Remuneration Committee to oversee future changes to remuneration for senior executives. It will have regard to the market, including changes in the Australian Public Service (APS). The committee, which includes two external members who have senior-level APS experience, will meet for the first time in early 2012–13.

Enhancing staff wellbeing through work health and safety

IBA has a duty to provide a workplace where workers and visitors are free from risks to their health and safety. Staff members are encouraged to engage in activities that enhance their wellbeing.

IBA has incident and hazard reporting arrangements in place that require workers to report incidents, hazardous situations and near misses.

IBA's health and safety arrangements are overseen by the Work Health and Safety (WHS) Committee, chaired by the General Manager, Corporate, and comprising employees from across the organisation. Comcare is both IBA's workers compensation insurer and the regulator of IBA's WHS practices.

New work health and safety legislation commenced within a number of jurisdictions, including the Commonwealth from January 2012. IBA conducted a review of its work health and safety arrangements for the organisation and its subsidiaries, focusing on alignment to the new legislation and proposed reporting arrangements. The Legal and Governance Branch provided presentations on the new legislation to IBA staff and a number of subsidiary boards.

The Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) conducted a review of IBA's WHS arrangements against Australian and New Zealand Standard – AS/NZS 4801 Safety Management Systems, and identified no significant issues. The Audit and Risk Committee will review a proposed ongoing assurance framework for work health and safety.

Global Corporate Challenge

For the fourth consecutive year, IBA supported the Global Corporate Challenge (GCC), a health and wellbeing program. The program encourages increased physical activity and teamwork and promotes healthy eating and weight control. In 2011, IBA was the most active office-based organisation in Australia and had 84 participants in the GCC who took an average of 13,849 steps per day.

Employee Assistance Program

Staff can access the Employee Assistance Program (EAP), a free counselling service to help them and their families deal with personal and work-related concerns. In 2011–12, 5 per cent of staff made use of the service.

Workers compensation

Comcare accepted two compensation claims in 2011–12. IBA's Comcare premium increased from 0.47 per cent of payroll in 2010–11 to 1.77 per cent for 2011–12. The preliminary rate for 2012–13 has been set at 2.22 per cent. These increases are due primarily to claims submitted in 2009 and 2010, which resulted in lengthy periods of incapacity.

Comcare investigations

Comcare investigated one incident in which an employee was injured in a team-building exercise in the Northern Territory.

Improvement notices

One Provisional Improvement Notice was issued and was subsequently withdrawn by Comcare.

Incident and hazard reports

Eleven incidents and hazard reports were received, with all except one involving minor injury. One resulted in a claim for workers compensation.

The Executive Management Team



The Executive Management Team. Back row, left to right: Peter O'Neill, Kirsti McQueen, Satish Kumar, Graeme Boulton. Front row, left to right: Kirsty Gowans, Chris Fry, Leo Bator, Colin Clements. Not pictured: Rajiv Viswanathan, Kaely Woods.

Chief Executive Officer

Chris Fry B AG Econ, M App Fin, F Fin, MAICD

Chris Fry joined IBA in February 2011 after an extensive history with the National Australia Bank, working in various roles over 25 years including National Manager of Agribusiness Wealth Solutions, National Manager of Corporate Super, Regional Agribusiness Manager, Business Manager and Branch Manager. This saw him work and live in regional, urban and country towns around Australia. Chris has a longstanding interest and involvement in Indigenous affairs. He was Chair of the Indigenous Land Corporation's Mossman Gorge Development Steering Committee and an inaugural board member of the Indigenous Tourism Leadership Group. He also had a secondment to the Miriuwung Gajerrong Corporation in Kununurra.

Chris holds a Bachelor of Agricultural Economics from the University of New England, a Masters of Applied Finance from Charles Sturt University, is a graduate of the Australian Rural Leadership Program and a member of the Australian Institute of Company Directors.

As CEO of IBA, Chris is responsible for managing IBA's day-to-day administration in line with policies determined by the Board. He is assisted by an experienced executive team, with which he works to ensure IBA meets its corporate objectives.

Chief Operating Officer**Leo Bator** Dip Acc, GAICD

Leo joined IBA as Chief Operating Officer on 30 January 2012. Leo has more than 18 years of senior management experience in the Australian public service, including roles as Deputy Commissioner of Taxation and CEO of ComSuper.

Over his career, Leo has been responsible for effecting significant change and improving customer engagement processes. He held the position of Chair of the Defence Force Retirement and Death Benefits Authority for a number of years.

As Chief Operating Officer of IBA, Leo is responsible for ensuring that IBA's business and corporate functions perform efficiently and effectively and meet the needs of customers.

Deputy Chief Executive Officer**Kaely Woods** B.Ec, GAICD

Kaely joined IBA in 2005 and heads the IBA functions that focus on enabling and supporting business. She has 24 years of experience in Indigenous affairs, particularly around Native Title and land rights. This depth of experience and her tertiary education in economics and Indigenous studies have enabled her to make a rich contribution to the development of new IBA policy and partnership approaches with Indigenous groups, industry and government. In June 2012, Kaely left her position to embark on further studies.

General Manager – Policy**Graeme Boulton** BAppSc, GradDipEd, GradDipPsych

Graeme joined IBA in 2005, bringing with him extensive experience in the retail banking industry. He previously held several senior management positions at Westpac in product development and loan portfolio management, including home lending, operational governance, strategic projects and mortgage operations. Graeme has a strong background in research and analysis, having worked in strategy and research functions in financial institutions before joining IBA. Graeme is head of Policy, which provides high-quality policy advice and research and development of policy options, while ensuring effective engagement with key stakeholders. He is also responsible for implementing and coordinating strategic projects and processes across IBA.

General Manager – Homes

Colin Clements GAICD

Colin has more than 15 years of experience in the public sector, primarily with Indigenous programs and initiatives. Colin also has specific experience in lending products and managing lending operations gained from his extensive career in the commercial banking sector. Colin joined IBA in 2005 and heads the Homes branch, which facilitates Indigenous Australians' participation in home ownership through providing tailored home loans and other assistance measures. In 2008, Colin received an Australia Day Award for Excellence in Public Administration for his contribution to the ongoing success of the IBA Home Ownership Program.

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General Counsel – Legal and Governance Services

Kirsty Gowans BA, LLB

Kirsty joined IBA in 2008, with over 10 years of experience working in Indigenous affairs. Since 1995, she has held positions in the Aboriginal Complaints Unit, the NSW Ombudsman's Office, the Race Discrimination and Human Rights Unit, the Human Rights and Equal Opportunity Commission, the North Australian Aboriginal Legal Service, the Northern Land Council, and FaHCSIA. In addition to her law degree, Kirsty's qualifications include graduate diplomas in Legal Practice and Aboriginal and Torres Strait Islander Studies.

As the head of Legal and Governance Services, Kirsty is responsible for providing legal support and services to IBA, and plays a key role in overseeing IBA's governance, compliance and legal risk management.

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Chief Financial Officer

Satish Kumar CA, CPA, GAICD

Satish joined IBA in 2007 and has more than 26 years of financial management and consulting experience in the retail and investment banking industries. He is responsible for ensuring IBA's budgeting and financial controls comply with the Australian Government's financial framework. Satish heads up the Finance team, which is responsible for budgeting, financial reporting and management accounting for IBA's program delivery areas, subsidiaries and associate investment entities.

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General Manager – Enterprises

Kirsti McQueen LLB, B Com, MAAPD

Kirsti has been with IBA in a strategic policy role since 2006, working primarily on business development projects and products, and initiatives to increase Indigenous home ownership. She spent a year in the Department of Education, Employment and Workplace Relations working on the Australian Government's Indigenous Economic Development

Strategy and establishing the Australian Indigenous Minority Supplier Council. Prior to joining IBA, Kirsti worked as a solicitor in private law firms in Victoria.

Kirsti heads up the Business Development and Assistance Program, which provides a range of assistance to Indigenous customers including loan finance to acquire, establish or grow their business, and *Into Business*TM workshops. It also supports businesses before and after their loans are approved through a panel of business consultants and business development initiatives.

General Manager – Corporate

Peter O'Neill MBA

Following roles with CRS Australia in strategic management and business strategies, Peter joined IBA in 2005 to establish the Corporate branch. Between 2007 and 2009, Peter headed up the Equity and Investments Program during which time there was a renewed focus on improvements in the acquisition process, and the development of a portfolio-based investment strategy and reporting framework. In all his roles, Peter has used the experiences he gained from 20 years of service with the Royal Australian Air Force in numerous roles ranging from engineering, technical training, leadership development, personnel management and business process improvement. As the General Manager–Corporate, Peter oversees IBA's communications; media and marketing; ministerial liaison; human resources; information and communications technology; and records, property and security management.

General Manager – Investments

Rajiv Viswanathan BA LLB (Hons)

Rajiv joined IBA in February 2012 from the Macquarie Group, where he held various senior roles in business development and risk management, most recently in New York. Before joining Macquarie Group, he worked as a corporate lawyer in London and Sydney. He has experience in a range of commercial transactions including establishing new businesses, acquisitions, joint ventures, investment funds and capital raising.

Rajiv has a longstanding interest in working for better outcomes for Aboriginal and Torres Strait Islander peoples, including pro bono policy and advocacy work with key community organisations. He is a non-executive director of Youth Challenge Australia, a community development organisation that sends youth volunteers to Aboriginal and Torres Strait Island communities, the Pacific, Asia and Latin America.

Rajiv is head of the Investments team, which makes strategic investments with a view to creating wealth, employment and other opportunities for Indigenous Australians.

EXTERNAL ENGAGEMENT

Valuing our stakeholders

IBA recognises the value that effective engagement with customers, partners and other stakeholders can create.

To deliver its programs to Indigenous Australians, each year IBA engages with a range of organisations, stakeholders, customers and partners. By doing so, we can better direct and orient our services, gain access to new opportunities, and explore new directions and innovations.

There are a number of specific initiatives that are focused on external engagements.

Native Title Task Force

In 2012, IBA announced that it will develop a Native Title Task Force to help Traditional Owner groups realise the economic potential of Native Title land rights. The Task Force will initially concentrate on determining IBA's role with respect to the following:

- Pre-determination: Is there a role for IBA to help Native Title claimants decide what type of commercial structure (or structures) best fit their economic development aspirations?
- Post-determination: How does IBA assist Registered Native Title Bodies Corporate (RNTBC) become self-sustaining commercial organisations?
- Where do Native Title organisations get their commercial capacity and expertise from?

Through the Native Title Task Force, IBA will provide practical advice and support to help Native Title organisations realise the economic potential of their land.

Indigenous tourism

Tourism is a sector with strong Indigenous participation, and a sector in which IBA is strongly represented. Tourism enables Indigenous Australians to share their culture with visitors from around the world, often at locations of extraordinary natural beauty. IBA supports Indigenous tourism through investments, business loans and practical advice and assistance. IBA is also involved in tourism through involvement and sponsorship of tourism events. See Appendix E on page 211 for details.

The Indigenous Tourism Champions Program

Launched in 2009, the groundbreaking Indigenous Tourism Champions Program (ITCP) coordinates the delivery of cross-agency support to Indigenous tourism operators across Australia. This support, aimed at improving the quality, professionalism and visitor experiences of many of Australia's iconic Indigenous tourism products, increases the exposure of these offerings to the tourism trade market. IBA collaborates with its program partner Tourism Australia to deliver the ITCP, as well as other stakeholders such as the Department of Resources, Energy and Tourism and the Department of Education, Employment and Workplace Relations.

Other tourism engagement

IBA participates in many Indigenous tourism working groups and forums, including the Indigenous Tourism Working Group (ITWG), the Indigenous Tourism Government Forum (ITGF) and the Australian Tourism Export Council's National Indigenous Tourism Task Force (NITTF).

Supporting Indigenous businesses

Collaborating with the Australian Indigenous Minority Supplier Council (AIMSC)

IBA actively promotes the benefits of AIMSC certification to its customers

For Indigenous business to grow as a sector, it needs to effectively tap into the corporate supplier market. AIMSC was established to integrate Indigenous businesses into the supply chains of Australian companies and government agencies.

IBA is committed to helping Indigenous businesses supply goods and services to the corporate and government sector.

As well as improving Indigenous procurement both within IBA and its investment portfolio, IBA is working with its Indigenous business-owner customers to support their efforts to supply to IBA and others.

IBA actively promotes the benefits of AIMSC certification to its customers since the certification may increase the opportunities available to their businesses. In addition, we have been working closely with AIMSC over the past year to help its clients grow their businesses, including providing capital assistance and strategic advice.

IBA will continue to explore areas of collaboration with AIMSC, and to promote the benefits and opportunities of AIMSC membership and certification to customers and stakeholders.

Banking partnerships

IBA has an established program of co-lending with mainstream financial institutions. These split home loans help IBA's capital go further. In the past year, discussions have progressed with

major financial institutions to expand IBA's collaboration with banks regarding business loans. IBA is also working with banks to ensure its customers have access to other mainstream financial products and services, such as overdraft facilities, which will help them sustain and grow their businesses.

Reconciliation Action Plan

IBA's inaugural Reconciliation Action Plan (RAP) was developed in 2007 and refreshed in 2010 and 2011 by IBA's Reconciliation Action Plan Working Group, which comprises representatives from different work areas and includes Indigenous and non-Indigenous staff.

As an organisation that is focused on reconciliation through the nature of its work, our approach to the RAP is to leverage our core activities to promote reconciliation more broadly, with both an internal and external focus. By promoting the commercial success achieved by working with Aboriginal and Torres Strait Islander peoples, we will help improve relations, create positive images and encourage greater private sector support. These actions will help narrow the gap between Aboriginal and Torres Strait Islander peoples and the wider Australian community's standard of living.

Internal initiatives that facilitate greater awareness of and involvement in promoting reconciliation enhance the interaction between staff members and their customers.

NAIDOC Week

NAIDOC (National Aborigines and Islanders Day Observance Committee) Week celebrates the history, culture and achievements of Aboriginal and Torres Strait Islanders.

IBA has hosted a business breakfast as part of NAIDOC Week since 2008. The IBA NAIDOC breakfast takes place in whichever city the NAIDOC Ball is being held and provides a forum for IBA to deliver key messages and network with stakeholders.

In July 2011, IBA's fourth NAIDOC breakfast was held at the Yaama Dhiyaan Function Centre in Sydney. As in previous years, there was strong representation from the private sector, showing its support of Indigenous economic development. Key speakers included IBA Deputy Chair Ian Trust, Reconciliation Australia board member Fred Chaney AO and AFL high performance coach Michael O'Loughlin. Author Dr Anita Heiss was the event's Master of Ceremonies.

IBA staff members also celebrated NAIDOC Week by participating in various events in their local communities.

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their customers**
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Strategic Economic Development Initiatives Program

In early 2011, IBA created a funding program to support innovative, strategic and valuable projects that promote regional, local or more specific Indigenous economic engagement.

Mining supply chain projects

IBA supported several projects and scoping exercises that examined broad and specific opportunities for Indigenous businesses or Traditional Owner groups to be involved in contracts or supply chain work in some of Australia's most intensive areas of mining and resources activity, including the Pilbara and Kimberley regions of Western Australia, and the Surat Basin in Queensland. Another project is examining the application of a pre-qualification assistance package for Indigenous businesses seeking to contract directly with mining and resources companies.

Tourism development

IBA supported a project to involve Indigenous tourism operators in the Savannah Way, an adventure drive that links Western Australia, the Northern Territory and Queensland. The project provided training and business development.

Capacity-building projects

IBA provided economic and business skills development on a number of projects with Native Title organisations. These projects were coordinated through IBA's Native Title Task Force (see page 123 for more information).

Establishing Indigenous communities in business

In 2011–12, IBA showed its support for the Australian Government's Stronger Futures initiative in the Northern Territory by establishing two Indigenous Communities in Business (ICIB) projects in the territory. These projects help Indigenous individuals in remote communities to establish small or micro businesses by providing mentoring and one-on-one business advice, and applying appropriate business tools and guidance.

An expression of interest for community participation was conducted across NT communities in late 2011, and in early 2012 the communities of Wadeye and Wurrumiyanga (formerly Nguiu) were selected as the two locations for the project. As at June 2012, IBA had completed a Request for Tender process to engage consultants for the projects, which will be delivered in 2012–13.

Research projects

IBA has developed and collaborated on several research projects that seek to enhance understanding of Indigenous economic engagement. This will enable IBA to better target and deliver its programs and services, resulting in better customer experiences and outcomes.

Understanding Indigenous businesses

The first IBA *Understanding Indigenous Business* longitudinal report was received in 2011–12. Developed from a series of face-to-face interviews with first-year IBA business loan customers in 2011, the study will help IBA understand the needs, challenges and aspirations of its customers, and to improve its business lending and support services. The second round of interviews with largely the same group of customers is taking place in 2012.

Factors influencing Indigenous business success study

A study of Indigenous business success factors, co-funded by IBA and the Australian Research Council, and led by researchers from Charles Sturt University, the University of Technology Sydney, and the University of Newcastle, commenced in 2011–12. This project is anticipated to run for three years, with the first interim report prepared in late 2012.

The Anatomy of the Australian Entrepreneur

The Anatomy of the Australian Entrepreneur, the final report prepared by Desert Knowledge (now Ninti One) and Curtin University on their IBA-funded study of remote and non-remote small to medium enterprises, was received in 2011–12. The report documents findings of a comparative study of Indigenous and non-Indigenous businesses and their operators through a quantitative survey of 460 respondents (12 per cent Indigenous) from across Australia. The aim of the research was to assess the critical success factors for business in desert and non-desert locations and compare Indigenous and non-Indigenous experiences. Despite being more likely to indicate their business was successful (92 per cent compared with 78 per cent of non-Indigenous owners), Indigenous business operators were also more likely to indicate their business plans for the future were more difficult to meet due to lack of financing, resources, professional assistance and business confidence.

Demand and supply issues in Australian Indigenous tourism

IBA commissioned a new study examining demand and supply issues for Indigenous cultural tourism by overseas and domestic

tourists. Undertaken by the University of Queensland, the study will look at the perceptions of, and demand for, Indigenous cultural tourism, with particular emphasis on the Chinese inbound tourist market. The study was funded by IBA and the Department of Resources, Energy and Tourism through the Indigenous Tourism Working Group (ITWG). The results of the study will be delivered later in 2012.

Government

The Australian Government's Indigenous Economic Development Strategy 2011–2018 was launched in October 2011 by the Hon. Jenny Macklin, MP, Minister for Families, Community Services and Indigenous Affairs. It strongly reaffirms the government's commitment to supporting the Indigenous business sector and increasing Indigenous home ownership, and highlights the continuing contribution of IBA's programs.

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Successful Indigenous enterprises are vital to Indigenous economic development. When Indigenous enterprises thrive they create real and lasting benefits for their owners, employees, families and communities.

In its 2012 Budget, the Australian Government announced that the Home Ownership Program and the Home Ownership on Indigenous Land Program would be merged into a single Indigenous Home Ownership Program.

IBA will work to deliver additional home loans in urban, metropolitan and regional towns over the coming 12 months, as well as help communities in remote locations to prepare for home ownership.

Indigenous Economic Development
 Strategy 2011–2018

Conferences and major events

IBA staff members made keynote speeches and significant presentations at the following events during the year.

Table 13: Keynote speeches and significant presentations

Date	Event	Details
26 September 2011	AIATSIS Seminar Series 2, 2011: Housing and Homelessness, Canberra	Deputy CEO Kaely Woods gave a presentation titled 'From Newtown to Nguiu: Practical approaches supporting Indigenous home ownership in Australia'.
27–28 October 2011	Aboriginal Enterprises in Mining, Exploration and Energy Ltd (AEMEE) Conference, Mackay	CEO Chris Fry gave a presentation titled 'Into Business™ Workshops – A review of successful Indigenous pathways into business ownership'.
2–4 November 2011	Yulkuum Jerrang 3rd Indigenous Economic Development Conference, Melbourne	IBA Chair Dr Dawn Casey made a keynote address, discussing the findings from the first year of the Understanding Indigenous Business study, a three-year study that documents the experiences of IBA's small business customers.
29–30 March 2012	Pacific Asia Indigenous Tourism Conference, Darwin	IBA Chair Dr Dawn Casey made a keynote address on Aboriginal and Torres Strait Islander involvement in tourism.
2–3 April 2012	AIMSC Connect, Sydney	IBA CEO Chris Fry spoke on IBA's procurement of goods and services from Indigenous businesses and the support it provides for business growth. AIMSC Connect brings together corporate and government buyers with certified Indigenous suppliers.
4–6 June 2012	National Native Title Conference, Townsville	IBA CEO Chris Fry made a keynote address on IBA's establishment of a Native Title Task Force.

IBA SCHOLARSHIP FUND

Creating more opportunities
for the Indigenous community
through higher education

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**At 30 June 2012,
there were 18 active
scholarships**
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The IBA Scholarship Fund provides financial support to enable mature-age Indigenous Australian students to complete nationally recognised tertiary qualifications, and attain skills and knowledge that will enhance the future economic and financial development of the Indigenous community.

Launched in 2009, the fund provides \$20,000 each year to successful scholarship applicants to relieve the financial burden of studying for an undergraduate or postgraduate qualification. It supports studies in business, financial, commercial or economic management.

A fair and competitive selection process

Applications open in September each year for four weeks. Applicants must satisfy the selection criteria and provide supporting documents to be considered for the interview stage.

Eligible applications are ranked on each selection criteria, with an order of merit determining which applicants progress to the interview stage. The IBA Scholarship Fund Committee will conduct interviews with shortlisted applicants, either in person, or by teleconference or videoconference.

The IBA Scholarship Fund Committee will then select successful applicants based on their interview, taking into consideration the applicants' experience, academic discipline, referees and capacity to study.

New developments

In 2011–12, a new policy changed the way funding is awarded. A set amount of \$20,000 per annum is awarded to new recipients for each year of their approved course (pro-rata for part-time study). Existing recipients continue their scholarship under their original agreement with IBA.

The other major change is that the fund now invites applications from students pursuing postgraduate studies. This is expected to attract students who have experience in tertiary studies and can demonstrate the ability to balance work and study commitments.

IBA Scholarship Fund helps frame Yvette's future

Yvette Carolin graduated this year from Charles Darwin University with a Bachelor of Commerce degree. She now has plans to apply her new knowledge, skills and 'skyrocketing self-confidence' to enhance the economic development of her community.

Yvette, a proud descendant of the Yanyuwa and Jawoyn people, began her tertiary studies in commerce in 1998, but the personal and financial commitments that go with raising two young children on a low income made it difficult for her to make any headway. When she learned about the IBA Scholarship Fund, she seized the opportunity to get her studies back on track.

As the main income earner in her family, Yvette says she felt guilty about the financial strain her study was placing on her home life, and had considered giving up. The assistance from the fund enabled her to reduce her working hours and switch to full-time study, fast-tracking her degree.

'I worked out that if IBA hadn't supported me, [the degree] would have taken me another nine years,' she says. 'I wouldn't have graduated until 2018. I would have been the oldest new graduate!'

However, Yvette maintains that the scholarship was only one piece of a personal puzzle that also required determination and self-discipline, an ability to manage her time, and a commitment to maintaining strong personal and professional networks.

With the emotional rollercoaster ride of study behind her, Yvette is excited about the 'real study culture' that now exists in her home. She is also proud that her sons believe they can pursue tertiary study if they choose. 'I would bring them into it, and they would ask me, "Mum, how did you go on that assignment?", and when the results came in, they rejoiced with me.'

Yvette is proud and excited about how she will use her qualification to shape her family's and her community's futures. 'I'm looking at my mentors and role models going forward,' she says. 'I am already working out my relationship plan, my networking plan. I have a dream to help with framing economic development and I have over the years looked at different business models. Now with this Bachelor of Commerce behind me, I can articulate and create pathways to elaborate on that.'

She hopes to be a role model for other Indigenous Australians, inspiring them to 'reward' themselves with tertiary education, knowing the individual pursuit of those qualifications can benefit a whole community.

Outlook

People management

The direction over the next 12 months will be driven by the recently endorsed People Plan.

The implementation of a people management framework was identified as a priority in the IBA Strategic Plan 2011–13. The aim is for IBA to take a more coordinated approach to people-related initiatives and ensure the organisation follows through on these initiatives, to ultimately position IBA as an employer of choice.

To develop the plan, IBA held discussions with senior managers and tested the priorities and thinking with focus groups consisting of a representative cross-section of staff in Brisbane, Canberra, Sydney and Wagga Wagga. IBA also continues to address feedback from the 2010 Employee Survey, for example, concerns with recruitment and managing underperformance.

At the heart of the People Plan is building individual and organisational capability. Priorities for action within the four key themes of the plan (discussed on page 108) include:

- finalising a new Indigenous Employment Strategy
- developing initiatives to build cultural competence and leadership
- promoting the IBA Behaviours Framework and new Performance Management and Development System to deliver high staff performance and results
- conducting an employee survey
- continuing the Aboriginal and Torres Strait Islander Staff Network to further strengthen the organisation's culture.

External engagement

IBA welcomes the opportunities that come with forging strong ties with the outside community. It aims to increase the number of successful working relationships it has with stakeholders who also share the vision of economic self-sufficiency for Indigenous Australians.

IBA Scholarship Fund

The IBA Scholarship Fund's policy was revised to accept applications from those who have already started their tertiary studies or who already have a degree and are looking to get a postgraduate qualification. This should result in more applications from those who can demonstrate their experience in managing the work/life/study balance, and who are therefore better placed to have a higher rate of success in achieving their study aspirations with IBA's financial support.



PART 6: FINANCIAL PERFORMANCE

134	Financial snapshot 2011–12	178	Note 10: Provisions
138	Independent audit report	179	Note 11: Cash flow reconciliation
140	Statement by Directors, Chief Executive Officer and Chief Financial Officer	180	Note 12: Contingent liabilities and assets
141	Statement of comprehensive income	181	Note 13: Directors' remuneration
143	Balance sheet	181	Note 14: Related party disclosures
145	Statement of changes in equity	182	Note 15: Senior executive remuneration
146	Cash flow statement	186	Note 16: Remuneration of auditors
148	Schedule of commitments	187	Note 17: Financial instruments
150	Schedule of contingencies	194	Note 18: Financial assets reconciliation
151	Note 1: Summary of significant accounting policies	195	Note 19: Assets held in trust
162	Note 2: Events after the reporting period	196	Note 20: Reporting of outcomes
163	Note 3: Expenses	197	Note 21: New Housing Fund
165	Note 4: Income	200	Note 22: Parent entity—Indigenous Business Australia
166	Note 5: Income tax expense		
167	Note 6: Financial assets		
172	Note 7: Non-financial assets		
176	Note 8: Payables		
177	Note 9: Interest bearing liabilities		

Financial snapshot 2011–12

Economic background

IBA's asset portfolio is mostly composed of home and business loans, and investments in properties, industrial, hospitality and tourism operations. As a lending and investment organisation IBA is significantly impacted by movements in interest rates throughout the year. After peaking at 4.75 per cent in November 2010, the RBA cash rate has been on a downward trend from November 2011, closing at 3.50 per cent in June 2012. The decline in interest rates have had a positive impact on IBA's concessional rate loan valuations, with a considerably lower discount on new loan valuations. However, a weak trend in commercial property valuations have resulted in lower valuations for IBA's investment property portfolio.

Financial results

IBA's investments include 43 active subsidiaries and 9 associate entities, with businesses spread across tourism, mining, retail and commercial property sectors. The financial statements are presented on a consolidated basis, which includes its subsidiaries.

The operating results of IBA consolidated accounts have returned a surplus of \$27.4 million against the previous year's surplus of \$6.8 million. Total income has declined from \$174 million in 2010–11 to \$167 million in 2011–12, since the previous year's increment in property portfolio values of \$5.3 million has not been matched during 2011–12. The property portfolio values have instead declined in the current year by \$4.2 million, adding to the expenses for the current year. However, overall expenses have declined sharply from \$167 million in 2010–11 to \$140 million in 2011–12 due to a decrease of \$32.4 million in loan valuation discounts, driven by declining interest rates in 2011–12.

IBA's total assets as at 30 June 2012 are valued at \$1.076 billion in 2011–12, an increase of \$60 million over the previous year. Net assets as at that date are valued at \$1.043 billion. This is mainly driven by an increase in the home loan portfolio of \$51 million.

Figure 21 shows the growth in corporate and consolidated net assets over the past seven years and Figure 22 shows the composition of total assets.

Figure 21: Net asset growth as at 30 June 2012

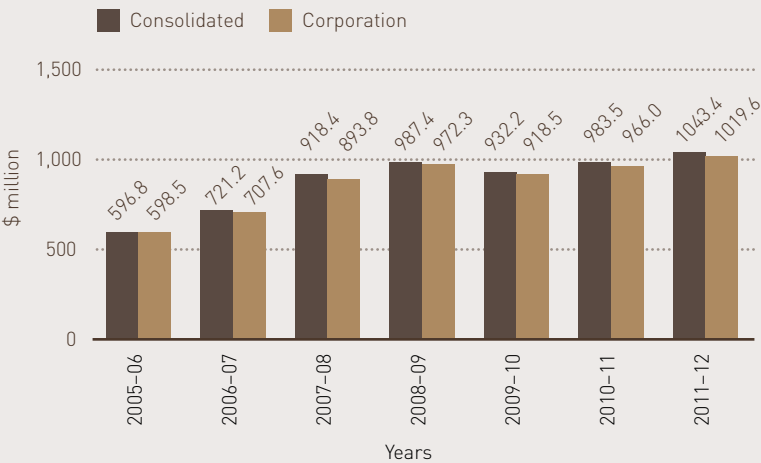
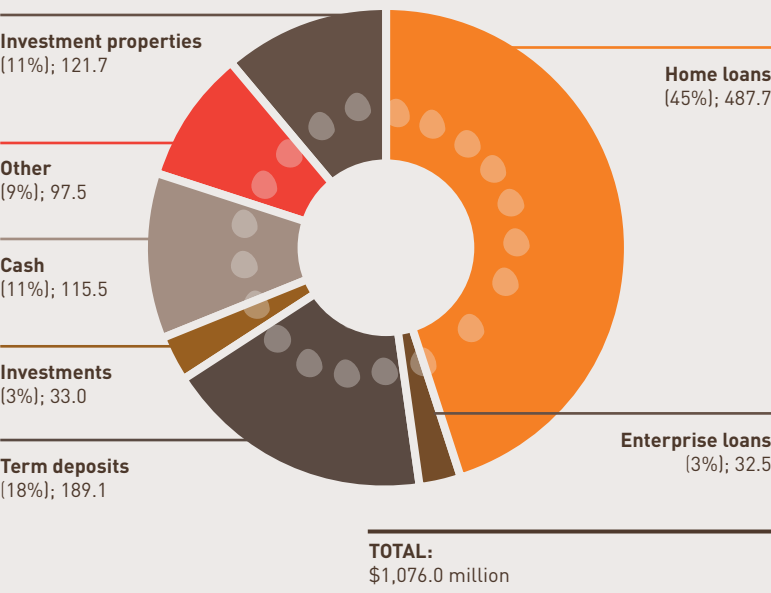


Figure 22: Consolidated total assets as at 30 June 2012 (\$m)



Funding

The income base of the consolidated IBA entity is a mix of departmental receipts from the Australian Government and self-generated revenue. In 2011–12, IBA received \$38.9 million in departmental receipts and \$128.4 million in self-generated revenue. The self-generated revenue is largely from interest earnings on the loan portfolio, rental receipts, and sale of goods and services within IBA's subsidiary investments. IBA also received a \$33.2 million equity infusion from the Australian Government to fund its lending operations (see Figure 23 below for detailed composition of consolidated income and expenditure).

Figure 23: Consolidated income 2011–12 (\$m)

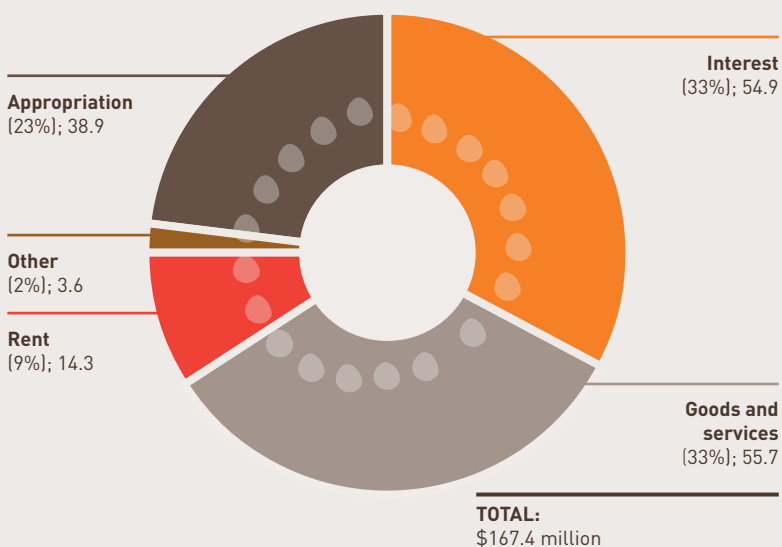
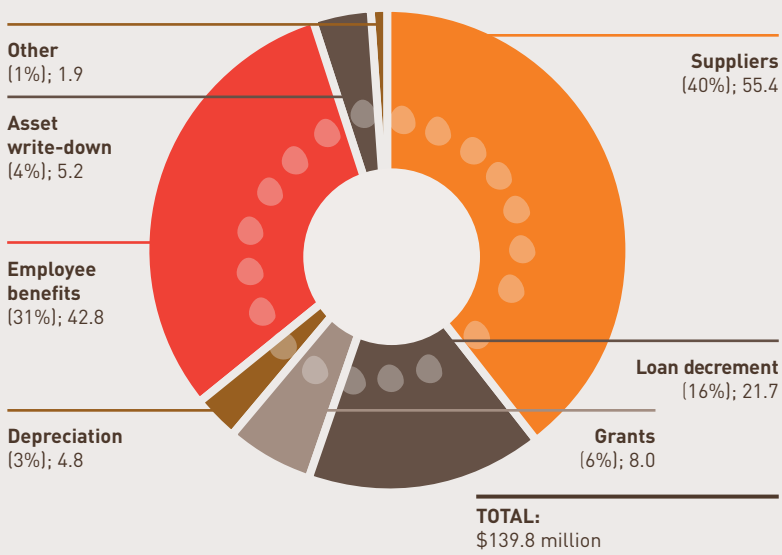


Figure 24: Consolidated expenses 2011–12 (\$m)



IBA's legal and financial framework

IBA's financial performance and balance sheet must be read in the context of its enabling legislation, the *Aboriginal and Torres Strait Islander Act 2005* (ATSI Act) and the impact of accounting standards on the valuation of financial assets.

The ATSI Act requires that funds available under the New Housing Fund, including interest earnings, are to be used exclusively for housing loans. Consequently, income earned on the New Housing Fund is not available for operational expenses but is directed back into new loans. A separate set of financial statements is provided for the New Housing Fund.

Accounting standards require IBA's financial assets to be valued at their fair market value. The housing and business loans portfolio is issued at concessional interest rates. A market valuation of the portfolio requires discounting portfolio value to equate interest earned to market yield for comparable risk. The annual incremental discount is taken as a non-cash charge to the income statement.

For the investment portfolio, valuation at fair market value results in cyclical movements in property and business valuations impacting the comprehensive income statement.

Outlook

IBA expects stability in its lending and investment operations in 2012–13. However, any volatility in the interest rate regime would impact IBA's asset valuations and operating results. IBA initiated a process of cost rationalisation and reduction in 2010–11 and this has resulted in a significant saving in operational overheads over the last two years. IBA will continue to invest in financial and loan application systems during 2012–13 to significantly improve information and cost management. IBA's net asset base is expected to continue its steady growth during 2012–13 with the integration of the Home Ownership Program and the Home Ownership on Indigenous Land Program. Total consolidated revenue is budgeted at \$168 million, including departmental receipts from the Australian Government of \$34.3 million.



INDEPENDENT AUDITOR'S REPORT

To the Minister for Families, Community Services and Indigenous Affairs

I have audited the accompanying financial statements of Indigenous Business Australia for the year ended 30 June 2012, which comprise: the Statement by the Directors, Chief Executive and Chief Financial Officer; the consolidated Statement of Comprehensive Income; consolidated Balance Sheet; consolidated Statement of Changes in Equity; consolidated Cash Flow Statement; consolidated Schedule of Commitments; consolidated Schedule of Contingencies; and Notes to and Forming Part of the Financial Statements including a Summary of Significant Accounting Policies. The consolidated entity comprises Indigenous Business Australia and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The directors of Indigenous Business Australia are responsible for the preparation of the financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit.

I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

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

Opinion

In my opinion, the financial statements of Indigenous Business Australia:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the consolidated entity's financial position as at 30 June 2012 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office

S. Buchanan

Serena Buchanan
Audit Principal

Delegate of the Auditor-General
Canberra

14 September 2012



Australian Government
Indigenous Business Australia

Indigenous Business Australia and controlled entities

STATEMENT BY DIRECTORS, CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2012 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 the *Commonwealth Authorities and Companies Act 1997*, as amended.

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

This statement is made in accordance with a resolution of the Board of Directors.

Dr Dawn Casey
Chairperson
14 September 2012

Ian Trust
Deputy Chairperson
14 September 2012

Chris Fry
Chief Executive Officer
14 September 2012

Satish Kumar
Chief Financial Officer
14 September 2012



STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2012

		Consolidated	
	Notes	2012 \$'000	2011 \$'000
Expenses			
Employee benefits	3A	42,805	41,930
Supplier expenses	3B	54,877	53,711
Grants	3C	8,027	6,579
Depreciation and amortisation	3D	4,838	5,540
Finance costs	3E	1,064	937
Write-down and impairment of assets	3F	27,493	54,497
Losses from asset sales	3G	–	202
Other expenses	3H	688	3,444
Total expenses		139,792	166,840
Less:			
Own-source income			
Own-source revenue			
Sale of goods and rendering of services	4A	55,706	58,535
Interest	4B	54,939	51,671
Dividends	4C	30	20
Rental income	4D	14,281	13,605
Other revenue	4E	1,626	2,293
Total own-source revenue		126,582	126,124
Gains			
Sale of assets	4F	140	23
Other	4G	1,615	8,131
Total gains		1,755	8,154
Total own-source income		128,337	134,278
Net cost of services		11,455	32,562
Revenue from Government	4H	38,923	38,458
Share of surplus of associates using the equity method	4I	20	1,543
Surplus before income tax on continuing operations		27,488	7,439
Income tax expense	5	75	600
Surplus after income tax on continuing operations		27,413	6,839
Surplus attributable to non-controlling interests		2,336	3,441
Surplus attributable to the Australian Government		25,077	3,398

STATEMENT OF COMPREHENSIVE INCOME (continued)

for the period ended 30 June 2012

	Consolidated	
	2012 \$'000	2011 \$'000
Other comprehensive income		
Changes in asset revaluation reserves	(387)	10,616
Total other comprehensive income before income tax	(387)	10,616
Income tax expense—other comprehensive income	—	—
Total other comprehensive income after income tax	(387)	10,616
Total comprehensive income	27,026	17,455
Total comprehensive income attributable to non-controlling interests	3,066	3,450
Total comprehensive income attributable to the Australian Government	23,960	14,005

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

BALANCE SHEET

as at 30 June 2012

		Consolidated	
	Notes	2012 \$'000	2011 \$'000
Assets			
Financial assets			
Cash and cash equivalents	6A	115,538	98,314
Trade, loans and other receivables	6B	529,111	492,699
Investments accounted for using the equity method	6C, 6D	32,655	38,355
Other investments	6E	189,750	185,242
Deferred tax assets	6F	1,313	1,271
Total financial assets		868,367	815,881
Non-financial assets			
Land and buildings	7A, 7C	55,828	50,873
Property, plant and equipment	7B, 7C	18,100	16,791
Investment property	7D	121,551	123,772
Intangibles	7E, 7F	7,602	5,768
Inventories	7G	2,107	2,115
Other	7H	2,421	830
Total non-financial assets		207,609	200,149
Total assets		1,075,976	1,016,030
Liabilities			
Payables			
Suppliers	8A	7,974	5,388
Tax liabilities	8B	40	51
Other	8C	3,769	5,424
Total payables		11,783	10,863
Interest bearing liabilities			
Loans	9A	11,773	11,938
Total interest bearing liabilities		11,773	11,938
Provisions			
Employee provisions	10A	5,839	5,774
Other	10B	3,159	3,862
Total provisions		8,998	9,636
Total liabilities		32,554	32,437
Net assets		1,043,422	983,593

BALANCE SHEET (continued)

as at 30 June 2012

		Consolidated	
	Notes	2012 \$'000	2011 \$'000
Equity			
Parent entity interest			
Contributed equity		785,014	751,844
Reserves		24,567	24,453
Retained earnings		207,339	180,464
Total parent entity interest		1,016,920	956,761
Attributed to non-controlling interests			
Contributed equity		16,050	16,980
Reserves		7,693	6,302
Retained earnings		2,759	3,550
Total non-controlling interests		26,502	26,832
Total equity		1,043,422	983,593

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

STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2012

	Consolidated							
	Retained earnings		Asset revaluation reserves		Contributed equity/capital		Total equity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Opening balance								
Balance carried forward from previous period	184,014	180,573	30,755	18,384	768,824	733,262	983,593	932,218
Reclassification	3,138	-	(108)	-	-	-	3,030	-
Adjusted opening balance	187,152	180,573	30,647	18,384	768,824	733,262	986,623	932,218
Comprehensive income								
Other comprehensive income	-	-	(387)	10,616	-	-	(387)	10,616
Surplus for the period	27,413	6,839	-	-	-	-	27,413	6,839
Total comprehensive income	27,413	6,839	(387)	10,616	-	-	27,026	17,455
of which is:								
Attributable to the Australian Government	25,077	3,398	(1,118)	10,607	-	-	23,959	14,005
Attributable to non-controlling interests	2,336	3,441	731	9	-	-	3,067	3,450
Transactions with owners								
Distributions to owners								
Return on capital:								
Transfer	(2,000)	(1,755)	2,000	1,755	(1,263)	-	(1,263)	-
Dividends	(2,467)	(1,643)	-	-	-	-	(2,467)	(1,643)
Contributions by owners								
Equity injection	-	-	-	-	33,170	33,170	33,170	33,170
Other (equity contribution from non-controlling interests)	-	-	-	-	333	2,392	333	2,392
Sub-total transactions with owners	(4,467)	(3,398)	2,000	1,755	32,240	35,562	29,773	33,919
Closing balance as at 30 June	210,098	184,014	32,260	30,755	801,064	768,824	1,043,422	983,593
Less: non-controlling interests	(2,759)	(3,550)	(7,693)	(6,302)	(16,050)	(16,980)	(26,503)	(26,832)
Closing balance attributable to the Australian Government	207,339	180,464	24,567	24,453	785,014	751,844	1,016,920	956,761

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

CASH FLOW STATEMENT

for the period ended 30 June 2012

		Consolidated	
	Notes	2012 \$'000	2011 \$'000
Operating Activities			
Cash received			
Receipts from Government		38,923	38,458
Goods and services		56,996	63,629
Interest		53,903	48,436
Dividends		30	20
GST received		2,197	1,765
Other		16,307	15,905
Total cash received		168,356	168,213
Cash used			
Employees		42,740	41,296
Suppliers		57,330	59,640
GST paid		–	2,683
Borrowing costs		1,064	1,077
Other—grants		8,026	6,579
Total cash used		109,160	111,275
Net cash from operating activities	11	59,196	56,938
Investing Activities			
Cash received			
Proceeds from sales of property, plant and equipment		1,682	525
Investments		4,125	15,140
Other—repayment of loans		61,525	65,431
Total cash received		67,332	81,096
Cash used			
Purchase of property, plant and equipment		14,150	11,563
Purchase of other non-financial assets		1,076	132
Investments		5,725	22,000
Other—loans and advances		117,963	159,910
Total cash used		138,914	193,605
Net cash used by investing activities		(71,582)	(112,509)

CASH FLOW STATEMENT (continued)

for the period ended 30 June 2012

		Consolidated	
	Notes	2012 \$'000	2011 \$'000
Financing Activities			
Cash received			
Contributed equity		32,240	35,562
Total cash received		32,240	35,562
Cash used			
Repayment of borrowings		165	209
Dividends paid		2,465	1,643
Total cash used		2,630	1,852
Net cash from financing activities		29,610	33,710
Net increase/(decrease) in cash held		17,224	(21,861)
Cash and cash equivalents at the beginning of the reporting period		98,314	120,175
Cash and cash equivalents at the end of the reporting period	6A	115,538	98,314

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

SCHEDULE OF COMMITMENTS

as at 30 June 2012

	Consolidated	
	2012	2011
	\$'000	\$'000
By Type		
Commitments receivable		
Lease rental income ¹	37,013	29,148
Loans ²	15,222	17,324
Total commitments receivable	52,235	46,472
Commitments payable		
Other commitments		
Operating leases ³	7,620	8,707
Loans ²	15,221	17,324
Other ⁴	9,336	3,808
Total other commitments	32,177	29,838
Net commitments by type	20,058	16,633
By Maturity		
Commitments receivable		
Operating lease income		
One year or less	10,273	8,982
From one to five years	22,359	20,166
Over five years	4,381	–
Total operating lease income	37,013	29,148
Loan commitments receivable		
One year or less	1,215	716
From one to five years	3,763	3,361
Over five years	10,244	13,247
Total loan commitments receivable	15,222	17,324
Commitments payable		
Operating lease commitments		
One year or less	3,411	3,175
From one to five years	4,209	5,308
Over five years	–	224
Total operating lease commitments	7,620	8,707
Loan commitments payable		
One year or less	15,221	17,324
Total other commitments payable	15,221	17,324
Other commitments		
One year or less	3,775	2,286
From one to five years	5,162	1,522
Over five years	399	–
Total other commitments	9,336	3,808
Net commitments by maturity	20,058	16,633

NB: Commitments are GST-inclusive where relevant.

SCHEDULE OF COMMITMENTS (continued)

as at 30 June 2012

1. Operating leases receivable included are effectively non-cancellable and comprise:

Nature of lease	General description of leasing arrangement
Leases for office accommodation	There are 10 commercial office accommodation leases across 4 buildings current at 30 June 2012, of which 2 end by 30 June 2013. Initial lease terms range from 1.5 to 10 years (average 6.7 years) with renewal options ranging from 0 to 5 years (average 2 years). Lease terms remaining at 30 June 2012 range from 2 to 5 years (average 2.2 years). Lease payments are subject to either annual fixed rental increases and/or indexed increases, some with market increases in the initial lease term as well as on exercising lease renewals.
Motor vehicle leasing	There are 17 equipment leases current at 30 June 2012, all of which expire on 30 June 2013. Lease terms range from 1 to 3 years (average 2.6 years).

2. Loans commitments pertain to various Indigenous Business Australia loans payable (approved but not advanced) and the related repayments, which are receivable once the loans are advanced.

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

Nature of lease	General description of leasing arrangement
Leases for office accommodation	There are 13 commercial office accommodation leases across 10 buildings current at 30 June 2012, of which 4 end by 30 June 2013. Initial lease terms range from 1 to 7 years (average 4.5 years) with renewal options ranging from 0 to 5 years (average 1.7 years). Lease terms remaining at 30 June 2012 range from 1 to 5 years (average 1 year). The majority of lease payments are subject to annual fixed rental increases, the balance being indexed increases or a combination of both. Market increases are usually applicable on exercising lease renewals.

4. Other commitments payable include a range of contracts, such as fees for provision of services and net GST on commitments.

SCHEDULE OF CONTINGENCIES

as at 30 June 2012

	Consolidated	
	2012 \$'000	2011 \$'000
Contingent assets		
Claims for damages/costs	2,397	2,278
Total contingent assets	2,397	2,278
Contingent liabilities		
Indemnities	1,000	1,000
Claims for damages/costs	200	–
Total contingent liabilities	1,200	1,000
Net contingent assets	1,197	1,278

Details of each class of contingent liabilities and contingent assets listed above are disclosed in Note 12, along with information on significant remote contingencies and contingencies that cannot be quantified.

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

Note 1: Summary of Significant Accounting Policies

1.1 Objectives of Indigenous Business Australia

Indigenous Business Australia (IBA) is an Australian Government controlled entity, which was established on 5 March 1990, when the *Aboriginal and Torres Strait Islander Commission Act 1989* came into operation. On 23 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 performance of functions that:
 - (a) the Minister has authorised IBA to perform as an agent of the Commonwealth; or
 - (b) the Minister has delegated to IBA.

IBA is structured to meet one outcome: improved wealth acquisition to support the economic independence of Aboriginal and Torres Strait Islander peoples through commercial enterprise, asset acquisition, construction, and access to concessional home and business loans.

The continued existence of IBA in its present form and with its present programs is dependent on Government policy and on continuing appropriations by Parliament for IBA's administration and programs.

1.2 Basis of preparation of the financial report

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

The financial statements and notes have been prepared in accordance with:

- The Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2011; and
- Any Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Unless an alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to the entity or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executor contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments or the schedule of contingencies.

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

1.3 Significant accounting judgements and estimates

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

- The fair value of investment properties and other investments is based upon market inputs, backed by periodic external valuations.
- The fair value of the loans portfolio is based on market-derived inputs.

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

1.4 Changes in Australian Accounting Standards

Adoption of new Australian Accounting Standard requirements

No accounting standard has been adopted earlier than the application date stated in the standard. The following new standards and amendments to standards were issued prior to the sign-off date and had a financial impact on IBA:

- AASB 7 *Financial Instruments: Disclosures*
- AASB 101 *Presentation of Financial Statements*
- AASB 124 *Related Party Disclosures*
- AASB 127 *Consolidated and Separate Financial Statements*
- AASB 1054 *Australian Additional Disclosures*.

Other standards, amendments to standards or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a financial impact on IBA.

Future Australian Accounting Standard requirements

The following new standards, amendments to standards or interpretations were issued by the AASB prior to the signing of these statements by the Chief Executive Officer and Chief Financial Officer and are expected to have a financial impact on IBA for future periods:

- AASB 9 *Financial Instruments*
- AASB 10 *Consolidated Financial Statements*
- AASB 13 *Fair Value Measurement*
- AASB 112 *Income Taxes*
- AASB 127 *Separate Financial Statement*
- AASB 128 *Investments in Associates and Joint Ventures*
- AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 and 1049]*.

Other new standards that were issued prior to the signing of the statements by the Chief Executive Officer and Chief Financial Officer and are applicable to the future reporting period are not expected to have a future financial impact on IBA.

1.5 Revenue

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer
- IBA retains no managerial involvement or effective control over the goods
- the revenue and transaction costs incurred can be reliably measured
- it is probable that the economic benefits associated with the transaction will flow to IBA.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured
- the probable economic benefits associated with the transaction will flow to IBA.

The stage of completion of contracts at the reporting date is determined by reference to the proportion of costs incurred to date in relation to the estimated total costs of the transaction.

Receivables for goods and services, which have 30-day terms, are recognised at the nominal amounts due, less any impairment allowance account. Collectability of debts is reviewed at balance date. Allowances are made when collectability of the debt is no longer probable.

Dividends received from associates are accounted for in accordance with the equity method of accounting.

Resources received free of charge

Resources received free of charge are recognised as revenue or gains when and only when a fair value can be reliably determined, and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Resources received free of charge are recorded as either revenue or gains, depending on their nature.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government agency or authority as a consequence of a restructuring of administrative arrangements (refer to Note 1.7).

Revenues from Government

Funding received or receivable from agencies (appropriated to the agency as a CAC Act body payment item for payment to IBA) is recognised as revenue from Government unless it is in the nature of an equity injection or a loan.

1.6 Gains

Resources received free of charge

Resources received free of charge are recognised as gains when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Resources received free of charge are recorded as either revenue or gains depending on their nature.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government agency or authority as a consequence of a restructuring of administrative arrangements (refer to Note 1.7). Where contribution of such assets at no cost is compounded by an obligation or commitment on disposal, the asset recognition is matched with a corresponding liability.

Sale of assets

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

1.7 Transactions with the Government as owner**Equity injections**

Amounts that are designated as equity injections for a year are recognised directly in contributed equity in that year.

Restructuring of administrative arrangements

Net assets received from or relinquished to another Australian Government agency or authority under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

1.8 Employee benefits

Liabilities for short-term employee benefits (as defined in AASB 119 *Employee Benefits*) and termination benefits due within 12 months of balance date are measured at their nominal amounts.

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

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period, minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Leave

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

Leave liabilities are calculated on the basis of employee remuneration at the estimated salary rates that applied at the time the leave is taken, including IBA's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to the Australian Government shorthand method.

Separation and redundancy

Provision is made for separation and redundancy benefit payments. IBA recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

Staff of IBA are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or other scheme nominated by the staff member.

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

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

IBA makes employer contributions to the employee superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. IBA accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions as at year end.

1.9 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased non-current assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract; a liability is recognised at the same time and for the same amount.

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

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

1.10 Borrowing costs

All borrowing costs are expensed as incurred.

1.11 Cash

Cash is recognised at its nominal amount. Cash and cash equivalents include:

- cash on hand
- demand deposits in bank accounts with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

1.12 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 2011 to 30 June 2012 using accounting policies 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 associates and joint venture entities is accounted for using the equity method. Under this method, IBA's share of profits and losses of associates and joint ventures is recognised as revenue or expense in the income statement and its share of movements in reserves is recognised in reserves. Associates and joint ventures are those entities over which IBA exercises significant influence, but not control. The associated and joint venture entities are detailed in Notes 6C and 6D respectively.

1.13 Financial risk management

The operating, investing and financing activities coupled with the guiding policy framework exposes the consolidated entity to credit, liquidity and interest rate risks. These risks are defined as:

- Credit risk: the possibility that a debtor or borrower will not repay or will delay repayment of all or part of a loan, causing a loss to IBA and the consolidated entity.

- Interest rate risk: a risk that the value of a financial asset such as home and business loans would fluctuate in terms of fair value or future cash flows as a result of changes in market rates of interest.
- Liquidity risk: a risk that the consolidated entity may not have or may not be able to raise the funds to meet the obligations associated with financial liabilities. These risks are regularly monitored through a detailed internal management and Board reporting framework.

These risks are managed in the following ways:

- IBA manages credit risk on its loans portfolio by undertaking background and credit checks prior to allowing a debtor relationship. In addition, IBA has policies and procedures that guide employees' debt-recovery techniques.
- IBA also holds collateral against certain loans to mitigate against credit risk.
- IBA's risk management focuses on monitoring, measuring and reporting the impact of interest rate changes.
- IBA liquidity risk arises from the borrowings of its subsidiaries and these are monitored regularly to ensure availability of funding resources to meet these obligations.

IBA is not exposed to currency risk or other price risk.

1.14 Financial assets

IBA classifies financial assets in the following categories:

- financial assets at fair value through profit and loss
- held-to-maturity investments
- available-for-sale financial assets
- loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

Effective interest method

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

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

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where they:

- have been acquired principally for the purpose of being sold in the near future
- are a part of an identified portfolio of financial instruments that IBA manages together and have a recent actual pattern of short-term profit taking
- are derivatives that are not designated and effective as hedging instruments
- include loans which have an embedded derivative and the derivative cannot be separated from the main instrument.

Assets in this category are classified as current assets.

Financial assets at fair value through profit or loss are stated at fair value, with any resulting gain or loss recognised through profit or loss. The net gain or loss recognised in the profit or loss does not incorporate any interest earned on the financial asset.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale financial assets are recorded at fair value. Gains and losses arising from changes in fair value are recognised directly in the reserves (equity) with the exception of impairment losses. Interest is calculated using the effective interest method, and foreign exchange gains and losses on monetary assets are recognised directly in profit or loss. Where the asset is disposed of or is determined to be impaired, part of the cumulative gain or loss previously recognised in the reserve is included in surplus and deficit for the period.

Where a reliable fair value cannot be established for unlisted investments in equity instruments, these instruments are valued at cost.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates, and which group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Categorisation of financial assets

IBA's financial assets have been categorised as follows:

- Cash and cash equivalents include notes and coins held, and any deposits in bank accounts with an original maturity of three months or less that are readily convertible to known amounts of cash and are subject to insignificant risk.
- Business and home loan receivables have been categorised as financial assets at fair value through profit and loss.
- Investments in subsidiaries, associates, joint ventures and other business undertakings have been categorised available-for-sale assets.
- Deposits with banks with original maturity greater than three months have been categorised as held-to-maturity investments.
- Trade receivables, other receivables and other financial assets have been categorised under loans and receivables.

Valuation of financial assets

- Business and home loans are measured at fair value through profit and loss. These loans, issued at less than market rates, are fair valued against market interest rates benchmarked on commercial bank rates. The quantum of interest rate differential determines the variance of the fair value from the face value of the loans.
- Investments in subsidiaries, associates, joint ventures and other business undertakings are valued based on market inputs. This is done annually through a directors' desktop valuation, supported by an external valuation once every three years. The methodology adopted in relation to valuation by the directors of subsidiaries and associates uses techniques consistent with those of the most recent independent valuation.

Impairment of financial assets

- Financial assets held at amortised cost: A loan is impaired when there is objective evidence that events occurring since the loan was recognised have affected expected cash flows from the loan. Impairment is recognised as the difference between the carrying value of the loan and the discounted value of the management's best estimate of future cash repayments and proceeds from any security held (discounted at the loan's original effective interest rate). This loss is recognised in the statement of comprehensive income.

- Available-for-sale financial assets: If there is objective evidence that an impairment loss on available-for-sale financial assets has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the statement of comprehensive income.
- Financial assets held at cost: If there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the current market rate for similar assets.

1.15 Investments in associates

IBA's investment in its associates is accounted for using the equity method.

Under the equity method, investments in the associates are carried in IBA's balance sheet at cost, as adjusted for post-acquisition changes in IBA's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment. After the application of the equity method, IBA determines whether it is necessary to recognise any impairment loss with respect to the net investment in associates.

1.16 Financial liabilities

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

Financial liabilities are recognised and derecognised upon trade date.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in the profit or loss. The net gain or loss recognised in the profit or loss does not incorporate any interest paid on the financial liability. IBA currently has no financial liabilities classified under this category.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods and services have been received, regardless of whether they have been invoiced.

IBA classifies all its financial liabilities under this category.

Interest bearing loans and borrowings

Loans are classified under other financial liabilities and the carrying value is calculated based on the balance yet to be repaid. Interest is expensed as it accrues.

1.17 Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the balance sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain; contingent liabilities are disclosed when the likelihood of settlement is better than remote.

1.18 Financial guarantee contracts

Financial guarantee contracts are accounted for in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. They are not treated as a contingent liability, as they are regarded as financial instruments outside the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

1.19 Acquisition of assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange, and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost or for nominal consideration are initially recognised as assets and revenue at their fair value at the date of acquisition, unless acquired as a consequence of restructuring administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

1.20 Property, plant and equipment

Asset recognition threshold

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

Make good

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to make good provisions in property leases taken up by IBA where there exists an obligation to restore the property to original condition. These costs are included in the value of IBA's leasehold improvements with a corresponding provision for make good recognised.

Revaluations

Fair values for each class of asset are determined as shown below.

Asset class	Fair value measured at
Land	Market selling price
Building excluding leasehold improvements	Market selling price
Leasehold improvements	Depreciated replacement cost
Property, plant, equipment	Market selling price
Investment property	Market selling price

Following initial recognition at cost, property, plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends on the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on an asset class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised through profit and loss. Revaluation decrements for a class of assets are recognised directly through profit and loss except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation

Depreciable property, plant and equipment assets are written off to their estimated residual values over their estimated useful lives to IBA using the straight-line method of depreciation in all cases.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current or current and future reporting periods, as appropriate.

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

Asset class	2012	2011
Leasehold improvements	Lease term	Lease term
Plant and equipment	3 to 5 years	3 to 5 years

Impairment

All assets were assessed for impairment at 30 June 2012. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if IBA was deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

1.21 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which is based on active market prices, adjusted if necessary for any difference in the nature, location or condition of the specific asset at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Where an investment property is acquired at no cost or for nominal cost, its cost is deemed to be its fair value as at the date of acquisition.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on disposal of an investment property is recognised in profit or loss in the year of disposal.

1.22 Intangibles

IBA's intangibles comprise internally developed software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful life of IBA's software is three years (2010–11: three years).

All software assets were assessed for indications of impairment as at 30 June 2012.

1.23 Inventories

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

Inventories held for distribution are valued at cost, adjusted for any loss of service potential.

Costs incurred in bringing each item of inventory to its present location and condition are assigned as follows:

- Raw materials and stores: purchase cost on a first-in, first-out basis
- Finished goods and work in progress: cost of direct materials and labour plus attributable costs that are capable of being allocated on a reasonable basis.

Inventories acquired at no cost or for a nominal consideration are initially measured at current replacement cost at the date of acquisition.

1.24 Taxation

IBA is exempt from all forms of taxation except fringe benefits tax (FBT) and the goods and services tax (GST).

Revenues, expenses, and assets and liabilities are recognised net of GST:

- except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO)
- except for receivables and payables.

However, the exemption does not apply to controlled entities and therefore incorporated controlled entities are subject to taxation. 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.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities, and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited to the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available, against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation 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.

Competitive neutrality

IBA does not have any competitive neutrality obligations.

Note 2: Events after the Reporting Period

There are no potential significant events that will affect the ongoing structure and financial activities of IBA after 30 June 2012.

Note 3: Expenses

	Consolidated	
	2012	2011
	\$'000	\$'000
Note 3A: Employee benefits		
Wages and salaries	32,602	31,989
Superannuation:		
Defined contribution plans	2,353	1,679
Defined benefit plans	1,392	1,650
Leave and other entitlements	6,458	6,612
Total employee benefits	42,805	41,930

Note 3B: Supplier expenses

Cost of goods sold	20,950	20,490
Consultants	4,817	6,064
Investment property management expenses	7,267	6,409
IT expenses	3,067	2,740
Legal expenses	2,643	2,462
Office-related expenses	3,876	3,673
Travel expenses	1,926	2,067
Other suppliers	6,451	5,808
Total goods and services	50,997	49,713

Goods and services are made up of:

Provision of goods—external parties	21,975	22,002
Rendering of services—related entities	2,028	2,457
Rendering of services—external parties	26,994	25,254
Total goods and services	50,997	49,713

Other supplier expenses

Operating lease rentals—related entities:		
Minimum lease payments	429	1,172
Operating lease rentals—external entities:		
Minimum lease payments	2,916	2,622
Workers compensation expenses	535	204
Total other supplier expenses	3,880	3,998

Total supplier expenses	54,877	53,711
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Note 3C: Grants

Private sector:		
Other—business development grants	8,027	6,579
Total grants	8,027	6,579

Note 3: Expenses (continued)

	Consolidated	
	2012	2011
	\$'000	\$'000

Note 3D: Depreciation and amortisation

Depreciation:		
Property, plant and equipment	3,221	2,684
Land and buildings	1,532	2,696
Total depreciation	4,753	5,380
Amortisation:		
Intangibles	85	160
Total amortisation	85	160
Total depreciation and amortisation	4,838	5,540

Note 3E: Finance costs

Loans	1,064	937
Total finance costs	1,064	937

Note 3F: Write-down and impairment of assets

Asset write-downs and impairments from:		
Write-down on investment properties	6,057	1,830
Impairment on loans	5,006	3,966
Valuation decrements on financial instruments	15,500	47,868
Other	930	832
Total write-down and impairment of assets	27,493	54,497

Note 3G: Losses from asset sales

Investments:		
Proceeds from sale	–	1,225
Carrying value of assets sold	–	(1,401)
Plant and equipment:		
Proceeds from asset sale	–	3
Carrying value of asset sold	–	(29)
Total losses from asset sales	–	202

During 2010–11, loss on asset sales and transfer included:

- Sale of 10% share in Port Botany Transfer Station.

Note 3H: Other expenses

Other*	688	3,444
Total other expenses	688	3,444

* Other expenses for 2010–11 include payment of \$2.683 million to the ATO for the period April 2007 through to March 2011. This is a result of the ATO's review of GST processes and its assessment of the extent of creditable purpose for financial supply relating to IBA's loans and investment programs.

Note 4: Income

	Consolidated	
	2012	2011
	\$'000	\$'000

Own-source revenue

Note 4A: Sale of goods and rendering of services

Provision of goods/services—related entities	53	1,736
Provision of goods/services—external parties	55,653	56,799
Total sale of goods and rendering of services	55,706	58,535

Note 4B: Interest

Loans	38,748	35,701
Deposits	16,191	15,970
Total interest	54,939	51,671

Note 4C: Dividends

Associate companies	30	20
Total dividends	30	20

Note 4D: Rental income

Operating lease:		
Investment properties	14,281	13,605
Total rental income	14,281	13,605

Note 4E: Other revenue

Other non-operating income	1,626	2,293
Total other revenue	1,626	2,293

Note 4: Income (continued)

	Consolidated	
	2012	2011
	\$'000	\$'000

Gains

Note 4F: Sale of assets

Investments:

Proceeds from sale	637	–
Carrying value of assets sold	(509)	–
Selling expense	(23)	–
Property, plant and equipment		
Proceeds from sale	94	33
Carrying value of assets sold	(59)	(10)
Net gain from sale of assets	140	23

During 2011–12, proceeds from sale included:

- Sale of a unit at the Lyons townhouse in Darwin by IBA.

During 2010–11, proceeds from sale included:

- Sale of plant and equipment by Kakadu Tourism (GLC) Pty Ltd.

Note 4G: Other gains

Change in fair value of investment properties	156	4,275
Change in fair value of property, plant and equipment	–	1,088
Change in fair value of financial instruments through profit and loss—loans	816	2,085
Other	643	683
Total other gains	1,615	8,131

Revenue from Government

Note 4H: Revenue from Government

Department of Families, Housing, Community Services and Indigenous Affairs:

CAC Act body payment item	38,923	38,458
Total revenue from Government	38,923	38,458

Equity accounted profits of associates

Note 4I: Equity accounted profits of associates

Associate companies	20	1,543
Total equity accounted profit	20	1,543

Note 5: Income Tax Expense

	Consolidated	
	2012	2011
	\$'000	\$'000
Income tax expense	75	600
Total income tax expense	75	600

Note 6: Financial Assets

	Consolidated	
	2012	2011
	\$'000	\$'000

Note 6A: Cash and cash equivalents

Cash on hand or on deposit	112,601	88,527
Cash on hand or on deposit—New Housing Fund	2,937	9,787
Total cash and cash equivalents (current)	115,538	98,314

Note 6B: Trade, program loans and other receivables

Goods and services		
Goods and services—related entities	8	4
Goods and services—external entities	8,483	8,680
Total receivables for goods and services	8,491	8,684

Reconciliations of movements of loans receivable

Loans—New Housing Fund, Home Loan Capital and Home Ownership on Indigenous Land

At fair value—opening balance	452,765	405,397
Add: net loans movement at cost	50,776	95,938
Less: net movement on remeasurement at fair value through profit or loss	(15,500)	(47,868)
Less: impairment movement through profit and loss	(362)	(700)
At fair value—closing balance	487,679	452,767

Loans—Business Development and Assistance Program

At fair value—opening balance	30,043	32,157
Add: net loans movement at cost	6,309	(933)
Add: net movement on remeasurement at fair value through profit or loss	816	2,085
Less: impairment movement through profit and loss	(4,645)	(3,266)
At fair value—closing balance	32,523	30,043
Total home loan and business program loans and other receivables	520,202	482,810

Other receivables:

Dividends	–	596
Other	418	609
Total other receivables	418	1,205

Total trade, program loans and other receivables	529,111	492,699
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Receivables are represented by:

No more than 12 months	14,014	14,059
More than 12 months	515,097	478,640
Total trade, program loans and other receivables	529,111	492,699

Note 6: Financial Assets (continued)

	Consolidated	
	2012	2011
	\$'000	\$'000

Note 6B: Trade, program loans and other receivables (continued)

Receivables are aged as follows:

Not overdue	470,652	430,366
Overdue by:		
0 to 30 days	25,783	26,747
31 to 60 days	11,945	13,527
61 to 90 days	5,680	4,225
More than 90 days	15,051	17,834
Total receivables	529,111	492,699

Reconciliation of loans carrying value

Loans—New Housing Fund and Home Loan Capital

Face value	728,837	678,120
Less: Discount on concessional loans on remeasurement at fair value through profit or loss	238,782	223,282
Less: Impairment allowance	2,376	2,070
Carrying value	487,679	452,767

Loans—Business Development and Assistance Program

Face value	56,112	53,917
Less: Discount on concessional loans on remeasurement at fair value through profit or loss	9,461	10,277
Less: Impairment allowance	14,128	13,597
Carrying value	32,523	30,043

Total concessional loans	520,202	482,810
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Reconciliation of movement in impairment allowance account

Loans—New Housing Fund and Home Loan Capital

Opening provision for impairment allowance as at 1 July	2,072	1,490
Provisions resolved	(402)	(450)
Provision pertaining to loans written off	(53)	(61)
	1,617	979

New accounts	590	409
Change in impairment allowance, for accounts existing at 1 July	169	683
	759	1,092
Closing balance as at 30 June	2,376	2,071

Note 6: Financial Assets (continued)

	Consolidated	
	2012	2011
	\$'000	\$'000
Note 6B: Trade, program loans and other receivables (continued)		
Loans—Business Development and Assistance Program		
Opening provision for impairment allowance as at 1 July	13,596	14,213
Provisions resolved	(670)	(3,535)
Provision pertaining to loans written off	(3,855)	(2,062)
	9,071	8,616
New provisions	4,739	4,980
Change in provision of doubtful debts for accounts existing at 1 July	318	–
Closing balance as at 30 June	14,128	13,596
Total impairment allowance account	16,504	15,667

The impairment allowances are aged as follows

Not overdue	–	–
Overdue by:		
0 to 30 days	3,834	3,802
31 to 60 days	1,199	632
61 to 90 days	–	524
More than 90 days	11,471	10,709
Total impairment allowance account	16,504	15,667

Note 6C: Investments accounted for using the equity method

Investments in associates	32,655	38,355
Total equity accounted investments	32,655	38,355

Investments in equity accounted investments are expected to be recovered in:

More than 12 months	32,655	38,355
Total equity accounted investments	32,655	38,355

Summarised financial information of associates:

Balance sheet:		
Assets	111,587	122,254
Liabilities	(74,407)	(72,770)
Net assets	37,180	49,484
Statement of comprehensive income:		
Revenue	167,337	149,840
Expenses	167,316	142,324
Net surplus	21	7,516
Share of associates' net surplus:		
Share of net surplus before tax	31	2,085
Income tax expense	(11)	(542)
Total share of associates' net surplus	20	1,543

Interests in associates are valued using the equity method.

Note 6: Financial Assets (continued)

Note 6D: Interests in associates

Table A: Interests in associates

Interests are held in the following associated companies:

Associated company	Principal activities	Ownership interest		Voting power		Carrying amount of investment	
		2012 %	2011 %	2012 %	2011 %	2012 \$'000	2011 \$'000
Alice Springs Resort Enterprises Pty Limited	Accommodation provider	45	45	45	45	281	706
Alice Springs Resort Holdings Trust	Accommodation provider	45	45	45	45	3,265	3,324
Carpentaria Shipping Services Pty Limited	Transportation	18	18	25	25	2,035	903
Fitzroy River Lodge Partnership	Accommodation provider	26	26	25	25	1,900	1,656
Nitmiluk (Cicada Lodge) Unit Trust	Accommodation provider	50	–	50	–	1,520	–
Nitmiluk (Cicada Lodge) Pty Ltd	Accommodation provider	50	–	50	–	16	–
Ngarda Civil and Mining Pty Limited	Civil engineering and mining services	25	25	25	25	7,475	14,150
Noongar Property Trust	Property	47	57	50	50	13,643	15,309
Port Hedland Investment Trust	Property	70	70	50	50	2,520	2,307
						32,655	38,355

Interests in associates are valued using the equity method.

Note 6: Financial Assets (continued)

	Consolidated	
	2012	2011
	\$'000	\$'000

Note 6D: Interests in associates (continued)

Economic entity's share of associates:

Profit from ordinary activities before tax	31	2,085
Share of income tax expense	(11)	(542)
Net profit	20	1,543

Movements during the year in equity accounted investment in associated companies:

Balance at beginning of financial year	38,355	27,382
Add:		
Additional investments during the year	4,745	547
Share of associated companies' profit from ordinary activities and after income tax	20	1,543
Fair value increment	3,561	10,500
Less:		
Dividend revenue from associated companies	(4,298)	(1,617)
Disposals during the year	(4,037)	–
Fair value decrement	(5,691)	–
Balance at end of financial year	32,655	38,355

The consolidated entity's share of the assets and liabilities of associates in aggregate:

Current assets	8,606	9,737
Non-current assets	28,555	33,039
Current liabilities	(9,628)	(8,987)
Non-current liabilities	(13,897)	(14,733)
Net assets	13,636	19,056

Interests in associates are valued using the equity method.

Note 6E: Other investments

Deposits	189,233	185,043
Other—interest in business undertakings	517	199
Total other investments	189,750	185,242

Investments expected to be recovered in:

No more than 12 months	189,233	185,043
More than 12 months	517	199
Total other investments	189,750	185,242

Note 6F: Deferred tax assets

Deferred tax assets	1,313	1,271
Total deferred tax assets	1,313	1,271

All deferred tax assets are non-current assets.

Note 7: Non-Financial Assets

	Consolidated	
	2012	2011
	\$'000	\$'000
Note 7A: Land and buildings		
Leasehold improvements:		
Fair value	2,409	2,351
Accumulated depreciation	(1,842)	(1,460)
Total leasehold improvements	567	891
Land and buildings:		
Fair value	64,399	57,971
Accumulated depreciation	(9,138)	(7,989)
Total land and buildings	55,261	49,982
Total land and buildings	55,828	50,873

Land and buildings were valued during the year in accordance with the revaluation policy stated in Note 1.20. A revaluation increment of \$1.943 million was recorded for two properties (2011: Nil) and a decrement of \$0.943 million for three properties (2011: Nil).

No land or buildings are expected to be sold or disposed of within the next 12 months.

Note 7B: Property, plant and equipment

Other property, plant and equipment:		
Gross carrying value (at fair value)	34,047	30,130
Accumulated depreciation	(15,947)	(13,339)
Total other property, plant and equipment	18,100	16,791

Plant and equipment were revalued during the year in accordance with the revaluation policy stated in Note 1.20 and no indications of gains or impairment were found (2011; Increment of \$1.088 million).

Note 7: Non-Financial Assets (continued)

Note 7C: Reconciliation of the opening and closing balances of property, plant and equipment (PP&E)

	Consolidated					
	2012			2011		
	Land and buildings \$'000	Other PP&E \$'000	Total \$'000	Land and buildings \$'000	Other PP&E \$'000	Total \$'000
As at 1 July						
Gross book value	60,321	30,130	90,451	52,035	27,150	79,185
Accumulated depreciation and impairment	(9,448)	(13,339)	(22,787)	(6,781)	(10,687)	(17,468)
Net book value as at 1 July	50,873	16,791	67,664	45,254	16,463	61,717
Additions:						
By purchase	5,495	4,590	10,085	2,771	3,371	6,142
Work in progress	-	-	-	-	6,743	6,743
Revaluations and impairments through equity	1,743	-	1,743	-	-	-
Revaluation recognised in the operating result	(744)	-	(744)	-	1,088	1,088
Reclassification	(7)	-	(7)	5,896	(7,694)	(1,798)
Depreciation expense	(1,532)	(3,221)	(4,753)	(2,696)	(2,684)	(5,380)
Impairments recognised in the operating result	-	-	-	-	(771)	(771)
Other movements:						
Opening balance adjustment	-	-	-	498	284	782
Disposals:						
Other disposals	-	(60)	(60)	(850)	(10)	(860)
Net book value as of 30 June	55,828	18,100	73,928	50,873	16,791	67,664
Net book value as at 30 June represented by:						
Gross book value	66,808	34,047	100,855	60,321	30,130	90,452
Accumulated depreciation and impairment	(10,980)	(15,947)	(26,927)	(9,448)	(13,339)	(22,787)
	55,828	18,100	73,928	50,873	16,791	67,664

Note 7: Non-Financial Assets (continued)

	Consolidated	
	2012	2011
	\$'000	\$'000
Note 7D: Investment property		
As at 1 July opening balance		
Gross book value	123,772	120,429
Additions:		
By acquisition	4,115	–
Disposals	(1,543)	–
Net gain (loss) from fair value adjustments	(4,793)	2,445
Reclassification	–	897
Net book value as at 30 June	121,551	123,772

Investment property owned by IBA subsidiaries were revalued during the year in accordance with the revaluation policy stated in Note 1.21. The revaluation resulted in a decrease in value of \$4.950 million (2011: Decrement of \$1.830 million) for five properties and an increase in value of \$0.156 million (2011: Increment of \$4.275 million) for one property and are included in the statement of comprehensive income.

Note 7E: Intangibles

Computer software at cost:		
Computer software purchased/developed	2,033	1,424
Total computer software	2,033	1,424
Accumulated amortisation	(1,410)	(1,325)
Computer software (net)	623	99
Other intangibles		
Fishing licence	6,372	6,372
Write-down—fishing licence	(5,807)	(5,547)
Other	6,852	5,179
Accumulated amortisation	(438)	(335)
Total other intangibles	6,979	5,669
Total intangibles (non-current)	7,602	5,768

No intangibles are expected to be sold or disposed of within the next 12 months.

Note 7: Non-Financial Assets (continued)

	Consolidated	
	2012 \$'000	2011 \$'000
Note 7F: Reconciliation of the opening and closing balances of intangibles		
As at 1 July		
Gross book value	12,725	12,593
Accumulated amortisation and impairment	(6,957)	(6,122)
Net book value as at 1 July	5,768	6,471
Additions:		
By acquisition	2,328	406
Amortisation	(85)	(160)
Revaluation (impairments)	(363)	(675)
Other movements	(46)	–
Disposals	–	(274)
Net book value as at 30 June	7,602	5,768
Net book value as at 30 June represented by:		
Gross book value	14,644	12,725
Accumulated amortisation and impairment—other	(7,042)	(6,957)
Net book value as at 30 June	7,602	5,768

Note 7G: Inventories

Inventories held for sale		
Raw materials	2,107	2,115
Total inventories	2,107	2,115

All inventory is expected to be sold or distributed in the next 12 months.

Note 7H: Other non-financial assets

Prepayments	2,421	830
Total other non-financial assets	2,421	830

All other non-financial assets are expected to be recovered in no more than 12 months.

Note 8: Payables

	Consolidated	
	2012	2011
	\$'000	\$'000

Note 8A: Suppliers

Trade creditors	7,974	5,388
Total supplier payables	7,974	5,388

Supplier payables expected to be settled within 12 months:

Related entities	115	180
External parties	7,859	5,208
Total supplier payables	7,974	5,388

Settlement is usually made within 30 days.

Note 8B: Tax liabilities

Tax liabilities equivalent	40	51
Total tax liabilities	40	51

All deferred tax liabilities are non-current.

Note 8C: Other payables

Salaries and wages	1,472	1,755
Superannuation	80	71
Unearned income	892	2,908
GST payable to the ATO	1,325	690
Total other payables	3,769	5,424

Total other payables expected to be settled in:

No more than 12 months	3,769	5,424
Total other payables	3,769	5,424

Note 9: Interest Bearing Liabilities

	Consolidated	
	2012 \$'000	2011 \$'000
Note 9: Loans		
Secured loan facility	11,773	11,938
Total loans	11,773	11,938
Maturity schedule for loans payable		
In one to five years	11,773	11,938
Total loans	11,773	11,938

As at 30 June 2012, \$11.500 million (30 June 2011: \$11.500 million) relates to amounts borrowed by Larrakia Darwin Hotel Partnership against security of land and buildings.

Note 10: Provisions

	Consolidated	
	2012	2011
	\$'000	\$'000
Note 10A: Employee provisions		
Leave	5,839	5,774
Total employee provisions	5,839	5,774
Employee provisions expected to be settled in:		
No more than 12 months	3,675	3,787
More than 12 months	2,164	1,987
Total employee provisions	5,839	5,774

The classification of current employee provisions includes amounts for which there is no unconditional right to defer settlement by one year, so in the case of employee provisions the above classification does not represent the amount expected to be settled within one year of the reporting date.

Note 10B: Other provisions		
Restoration obligations	732	716
Distribution	2,102	2,735
Other	325	411
Total other provisions	3,159	3,862

Other provisions expected to be settled in:		
No more than 12 months	2,427	3,146
More than 12 months	732	716
Total other provisions	3,159	3,862

	Consolidated					
	2012			2011		
	Provision for restoration \$'000	Distribution/ other provisions \$'000	Total \$'000	Provision for restoration \$'000	Distribution/ other provisions \$'000	Total \$'000
Carrying amount as at 1 July	716	3,146	3,862	901	3,169	4,070
Additional provisions made	16	4,535	4,551	-	3,411	3,411
Amounts used	-	(5,254)	(5,254)	(185)	(3,434)	(3,619)
Closing balance as at 30 June	732	2,427	3,159	716	3,146	3,862

IBA currently has 10 agreements for leasing premises with provisions requiring restoration of the premises to their original conditional at the conclusion of the lease. IBA has made a provision of \$0.732 million to reflect the present value of this obligation.

Note 11: Cash Flow Reconciliation

	Consolidated	
	2012	2011
	\$'000	\$'000
Reconciliation of cash and cash equivalents as per balance sheet to cash flow statement		
Report cash and cash equivalents as per:		
Cash flow statement	115,538	98,314
Balance sheet	115,538	98,314
Difference	-	-
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(11,455)	(32,562)
Add: revenue from Government	38,923	38,458
Less: income tax expense	(75)	(600)
Adjustments for non-cash items		
Depreciation/amortisation	4,836	5,540
Net write-down of non-financial assets	25,829	46,365
Gain on disposal of assets	(140)	(179)
Changes in assets/liabilities		
(Increase)/decrease in net receivables	4,194	4,016
(Increase)/decrease in inventories	(1,583)	211
Increase/(decrease) in employee provisions	65	634
Increase/(decrease) in supplier payables	(1,015)	(1,873)
Increase/(decrease) in GST payable	309	(2,848)
Increase/(decrease) in other provisions	(704)	(207)
Increase/(decrease) in tax liabilities	11	(17)
Net cash from operating activities	59,196	56,938

Note 12: Contingent Liabilities and Assets

	Indemnities		Consolidated Claims for damages or costs		Total	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Contingent assets						
Balance from previous period	-	-	2,278	208	2,278	208
New	-	-	246	2,270	246	2,270
Remeasurement	-	-	-	7	-	7
Assets recognised	-	-	-	-	-	-
Expired	-	-	(127)	(207)	(127)	(207)
Total contingent assets	-	-	2,397	2,278	2,397	2,278
Contingent liabilities						
Balance from previous period	1,000	1,000	-	1,090	1,000	2,090
New	-	-	200	-	200	-
Remeasurement	-	-	-	-	-	-
Liabilities recognised	-	-	-	-	-	-
Obligations expired	-	-	-	(1,090)	-	(1,090)
Total contingent liabilities	1,000	1,000	200	-	1,200	1,000
Net contingent assets (liabilities)	(1,000)	(1,000)	2,197	2,278	1,197	1,278

Quantifiable contingencies

Claims for damages/costs (contingent asset)

It is considered possible that IBA will succeed in a number of legal matters, although the cases are continuing.

Indemnities

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.

IBA has a cross indemnity agreement 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 million) arising from a performance guarantee provided by P&O Maritime Services to Mount Isa Mines Limited.

Claims for damages/costs (contingent liability)

The amount represents an estimate of IBA's liability based on a number of legal matters that are currently ongoing.

Significant remote contingencies

IBA has no significant remote contingencies.

Note 13: Directors' Remuneration

	Consolidated	
	2012 No.	2011 No.
The number of non-executive directors included in these figures are shown below in the relevant remuneration bands:		
\$0 to \$29,999	6	5
\$30,000 to \$59,999	5	4
\$60,000 to \$89,999	1	1
Total number of directors	12	10
	\$	\$
Total remuneration received or due and receivable by directors	386,312	332,916

Note 14: Related Party Disclosures

Loans to directors and director-related entities

Loans were made to the following director-related entities:

- Wunan Foundation
- Ms Valerie Jane Cooms.

These loans were made under commercial terms and conditions. The directors involved took no part in the relevant decisions of the IBA Board.

Mr Ian Trust is the Chairperson of the Wunan Foundation. The Wunan Foundation has received two loans from the Business Development and Assistance Program (then under the Aboriginal and Torres Strait Islander Commission (ATSIC)) on 25 August 2000 for \$300,000 and on 24 April 2002 for \$250,000. The loan granted for \$300,000 on 25 August 2000 has now been fully paid out, while the loan for \$250,000 granted on 24 April 2002 has a current balance of \$43,600. The transactions between the Wunan Foundation and IBA are on a normal commercial arm's length basis. The Wunan Foundation also has a non-controlling interest in IBA's subsidiary, Scarborough House Investment Trust.

Ms Valerie Jane Cooms received a loan from the Home Ownership Program on 30 August 2006. The transaction between Ms Cooms and IBA is on a normal commercial arm's length basis.

	2012 \$'000	2011 \$'000
Loans to director-related entities outstanding at year-end	82	115
Loan repayments during the year	39	39
Interest revenue included in operating result from loans to directors and director-related entities	7	9

Note 15: Senior Executive Remuneration

	2012 \$	2011 \$
Note 15A: Senior executive remuneration expenses for the reporting period		
Executive remuneration		
Short-term employee benefits:		
Salary and allowances	1,563,087	1,686,703
Annual leave accrued	17,084	18,315
Performance bonuses	85,856	139,292
Total short-term employee benefits	1,666,027	1,844,310
Post-employment benefits		
Superannuation	304,214	394,888
Total post-employment benefits	304,214	394,888
Other long-term benefits		
Long service leave	42,253	43,941
Total other long-term benefits	42,253	43,941
Termination benefits	–	40,431
Total executive remuneration	2,012,494	2,323,570

Notes

- Note 15A was prepared on an accrual basis, so the performance bonus expenses disclosed above differ from the cash 'Bonus paid' in Note 15B.
- Note 15A excludes acting arrangements and part-year service where remuneration expensed was less than \$150,000.

Note 15: Senior Executive Remuneration (continued)

Note 15B: Average annual reportable remuneration paid to substantive senior executives during the reporting period

As at 30 June 2012						
Average annual reportable remuneration ¹	Senior executive no.	Reportable salary ² \$	Contributed superannuation ³ \$	Reportable allowances ⁴ \$	Bonus paid ⁵ \$	Total \$
Total remuneration:						
Less than \$150,000	5	55,636	12,992	–	8,726	77,354
\$150,000 to \$179,999	1	178,139	–	–	–	178,139
\$180,000 to \$209,999	–	–	–	–	–	–
\$210,000 to \$239,999	–	–	–	–	–	–
\$240,000 to \$269,999	4	187,314	25,332	–	37,488	250,134
\$270,000 to \$299,999	1	155,835	78,384	–	42,423	276,642
\$300,000 to \$329,999	–	–	–	–	–	–
\$330,000 to \$359,999	2	244,135	62,252	–	32,678	339,064
Total	13					

Note 15B: Average annual reportable remuneration paid to substantive senior executives during the reporting period

As at 30 June 2011						
Average annual reportable remuneration ¹	Senior executive no.	Reportable salary ² \$	Contributed superannuation ³ \$	Reportable allowances ⁴ \$	Bonus paid ⁵ \$	Total \$
Total remuneration:						
Less than \$150,000	4	37,647	15,885	–	772	54,304
\$150,000 to \$179,999	1	147,536	22,844	–	–	170,380
\$180,000 to \$209,999	2	147,691	23,060	–	19,488	190,238
\$210,000 to \$239,999	4	167,269	38,692	–	16,917	222,877
\$240,000 to \$269,999	1	183,066	85,667	–	–	268,733
\$270,000 to \$299,999	–	–	–	–	–	–
\$300,000 to \$329,999	1	226,433	61,984	–	19,456	307,873
Total	13					

Note 15: Senior Executive Remuneration (continued)

Notes

1. This table reports on substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.
2. 'Reportable salary' includes the following:
 - a) gross payments (less bonuses paid, which are separated out and disclosed in the 'Bonus paid' column)
 - b) reportable fringe benefits (at the net amount before 'grossing up' to account for tax benefits)
 - c) exempt foreign employment income.
3. The 'Contributed superannuation' amount is the average actual superannuation contributions paid to senior executives in that reportable remuneration band during the reporting period, including any salary sacrificed amount, as per individual payslips.
4. 'Reportable allowances' are the average actual allowances per the 'total allowances' line on individuals' payment summaries.
5. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'Bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving an entity during the financial year. The Bonus paid during the years was the amount payable for 2010–11 and for the half year ending 31 December 2011.
6. Various salary sacrifice arrangements were available to senior executives, including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'Reportable salary' column, excluding salary sacrificed superannuation, which is reported in the 'Contributed superannuation' column.

Note 15: Senior Executive Remuneration (continued)

Note 15C: Other highly paid staff

As at 30 June 2012						
Average annual reportable remuneration ¹	Senior executive no.	Reportable salary ² \$	Contributed superannuation ³ \$	Reportable allowances ⁴ \$	Bonus paid ⁵ \$	Total \$
Total remuneration:						
\$150,000 to \$179,999	16	129,014	23,344	–	14,402	166,759
\$180,000 to \$209,999	1	164,109	24,504	–	20,943	209,556
\$210,000 to \$239,999	1	173,577	30,603	–	35,660	239,840
\$240,000 to \$269,999	1	184,679	25,167	–	35,500	245,346
\$270,000 to \$299,999	–	–	–	–	–	–
Total	19					
As at 30 June 2011						
Total remuneration:						
\$150,000 to \$179,999	12	126,427	24,543	–	9,211	160,182
\$180,000 to \$209,999	3	162,006	24,865	–	13,789	200,660
\$210,000 to \$239,999	–	–	–	–	–	–
\$240,000 to \$269,999	–	–	–	–	–	–
Total	15					

Notes

- This table reports staff:
 - who were employed by IBA during the reporting period
 - whose reportable remuneration was \$150,000 or more for the financial period
 - who were not required to be disclosed in Table A, B (above) or Note 13 Directors' Remuneration.
- Each row is an average figure based on headcount for individuals in the band.
- 'Reportable salary' includes the following:
 - gross payments (less bonuses paid, which are separated out and disclosed in the 'Bonus paid' column)
 - reportable fringe benefits (at the net amount before 'grossing up' to account for tax benefits)
 - exempt foreign employment income.
- The 'Contributed superannuation' amount is the average actual superannuation contributions paid to senior executives in that reportable remuneration band during the reporting period, including any salary sacrificed amount, as per individual pay slips.
- 'Reportable allowances' are the average actual allowances per the 'total allowances' line on individuals' payment summaries.
- 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'Bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving an entity during the financial year. The Bonus paid during the years was the amount payable for 2010–11 and for the half year ending 31 December 2011.
- Various salary sacrifice arrangements were available to senior executives, including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'Reportable salary' column, excluding salary sacrificed superannuation, which is reported in the 'Contributed superannuation' column.

Note 16: Remuneration of Auditors

	Consolidated	
	2012	2011
	\$'000	\$'000
Financial statement audit services were provided for IBA and its subsidiaries by the Australian National Audit Office		
Fair value of the services provided		
Financial statement audit services—IBA	153	150
Financial statement audit services—Subsidiaries	307	283
	460	433

No other services were provided by the auditors of the financial statements.

Note 17: Financial Instruments

	Notes	Consolidated 2012 \$'000	2011 \$'000
Note 17A: Categories of financial instruments			
Financial assets			
Held-to-maturity financial assets			
Term deposits	6E	189,233	185,043
		189,233	185,043
Loans and receivables financial assets			
Cash and cash equivalents	6A	115,538	98,314
Goods and services	6B	8,491	8,685
Other receivables	6B	107	583
		124,136	107,582
Fair value through profit and loss—designated			
Business and Home loans	6B	520,202	482,810
		520,202	482,810
Available for sale financial assets			
Business undertakings	6E	517	199
Associates	6D	32,655	38,355
		33,172	38,554
Carrying amount of financial assets		866,743	813,989
Financial liabilities			
Other financial liabilities—at amortised cost			
Trade creditors	8A	7,974	5,388
Other payables	8C	1,552	1,826
		9,526	7,214
Borrowings secured by a floating charge		11,773	11,938
		11,773	11,938
Carrying amount of financial liabilities		21,299	19,152

There is no material difference between the fair value and carrying value of financial assets and liabilities.

Note 17: Financial Instruments (continued)

	Notes	Consolidated	
		2012 \$'000	2011 \$'000
Note 17B: Net income and expense from financial assets			
Held-to-maturity			
Interest revenue		11,168	10,630
Net gain—held to maturity		11,168	10,630
Loans and receivables			
Interest revenue		5,023	5,339
Net gain—loans and receivables		5,023	5,339
Fair value through profit and loss			
Interest revenue		38,748	35,701
Changes in fair value		(14,684)	(46,113)
Net gains/(loss)—fair value through profit and loss		24,064	(10,412)
Available for sale			
Interest revenue		239	303
Dividend revenue		30	20
Equity accounted profit of associates		20	1,543
Gain recognised in equity		2,130	10,616
Net gain on disposal		-	202
Net gain—available-for-sale		2,419	12,684
Net gain from financial assets		42,674	18,241
Note 17C: Net income and expense from financial liabilities			
Financial liabilities—at amortised cost			
Interest expense		1,064	937
Net loss—financial liabilities—at amortised cost		1,064	937
Net loss from financial liabilities		1,064	937

Note 17: Financial Instruments (continued)

Note 17D: Fair value of financial instruments

Loan receivables designated at fair value through profit and loss

Changes in the fair value of loans designated at fair value through profit and loss, that arose due to credit risk (method used AASB7.9(i) or 9c(ii)).

	Consolidated	
	2012 \$'000	2011 \$'000
Maximum exposure to credit risk	520,202	482,810
Fair value changes due to credit risk:		
During the period	36,790	30,065
Prior to the period	171,876	141,811
Cumulative change	208,666	171,876

- IBA Home and Business loans, issued at lower than market rates, are fair valued against market interest rates benchmarked on commercial bank rates. The interest rate differential against which the discount is applied is split into market discount and credit discount differentials. Movement in fair value is dependent on new loans settled, loans repaid and interest rate changes during the period. The credit risk impact measured below gives the fair value discount arising on the credit interest differential only.
- IBA has not utilised any instruments, such as credit derivatives, to mitigate its credit risk.

Fair value measurements categorised by fair value hierarchy

IBA uses the following techniques for measuring fair value of assets and liabilities:

- Trade receivables are valued at realisable value, which in the absence of impairment is the same as carrying value.
- Trade and other payables and provisions are valued at their carrying values adjusted for any impairment.
- Investments are assessed for fair value against market-related inputs every year with an external valuation done once every three years.
- Loans receivables are fair value against market-related benchmarks on an ongoing basis.

The table overleaf gives quantitative data on valuation techniques followed for fair valuation of investments and loan receivables, whether obtained with reference to market prices, or by a valuation technique that employs observable market transactions, or non-observable market inputs.

Note 17: Financial Instruments (continued)

Note 17D: Fair value of financial instruments

Consolidated							
Valuation technique 2012				Valuation technique 2011			
Level 1 market values \$'000	Level 2 market inputs \$'000	Level 3 Non- market inputs \$'000	Total \$'000	Level 1 market values \$'000	Level 2 market inputs \$'000	Level 3 Non- market inputs \$'000	Total \$'000
Financial assets:							
Designated at fair value through profit and loss							
Loan receivables—Home	- 487,679	-	487,679	-	452,767	-	452,767
Loan receivables—Business Development	- 32,523	-	32,523	-	30,042	-	30,042
Available-for-sale							
Associates	- 32,655	-	32,655	-	38,355	-	38,355
Business undertakings	- 517	-	517	-	199	-	199
Total	- 553,374	-	553,374	-	521,363	-	521,363

Note 17E: Credit risk—maximum exposure

IBA manages credit risk on its loans portfolio by undertaking background and credit checks prior to allowing a debtor relationship. In addition, IBA has policies and procedures that guide employees' debt recovery techniques. IBA also holds collateral against certain loans to mitigate against credit risk.

The following table illustrates IBA's gross exposure to credit risk, excluding any collateral or credit enhancements.

	Consolidated	
	2012 \$'000	2011 \$'000
Financial assets		
Trade, other receivables and other financial assets	8,598	9,269
Loan receivables—Home	487,679	452,767
Loan receivables—Business Development	32,523	30,042
Investments accounted for using the equity method	32,655	38,355
Investments	189,750	185,242
Total	751,205	715,675

Note 17: Financial Instruments (continued)

Note 17E: Credit risk—maximum exposure (continued)

In relation to financial assets, deposits, trade receivables and investments are considered not past due and not impaired. The details of past due and impaired assets pertain to Home and Business loans only.

Impairment and ageing analysis of IBA's Home and Business Development loan receivables

	Consolidated			
	Not past due nor impaired	Not past due nor impaired	Past due or impaired	Past due or impaired
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Financial assets:				
Loan receivables—Home	440,357	403,808	49,930	50,562
Loan receivables—Business Development	27,530	23,875	20,849	22,970
Total	467,887	427,683	70,779	73,532

Ageing analysis of financial assets and loan receivables that are past due but not impaired

	Consolidated 2012				Total \$'000
	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	
Financial assets:					
Loan receivables—Home	23,913	9,940	3,878	5,836	43,567
Loan receivables—Business Development	662	778	98	0	1,538
Total	24,575	10,718	3,976	5,836	45,105

	Consolidated 2011				Total \$'000
	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	
Financial assets:					
Loan receivables—Home	25,697	11,361	3,491	5,718	46,267
Loan receivables—Business Development	616	466	13	2,128	3,223
Total	26,313	11,827	3,504	7,846	49,490

Loan receivables considered impaired

	Consolidated	
	2012 \$'000	2011 \$'000
Financial assets:		
Loan receivables—Home	6,365	4,296
Loan receivables—Business Development	19,311	19,747
Total	25,676	24,043

Note 17: Financial Instruments (continued)

Note 17F: Liquidity risk

The financial liabilities of IBA are trade payables, other payables and secured loans. The exposure to liquidity risk is analysed with a maturity analysis of all liabilities

	Consolidated 2012				Total 2012 \$'000
	On demand	Within 1 year	1 to 5 years	> 5 years	
	2012 \$'000	2012 \$'000	2012 \$'000	2012 \$'000	
Financial liabilities:					
Trade creditors	-	7,974	-	-	7,974
Other payables	-	1,552	-	-	1,552
Borrowings secured by a floating charge	-	-	11,773	-	11,773
Total	-	9,526	11,773	-	21,299

	Consolidated 2011				Total 2012 \$'000
	On demand	Within 1 year	1 to 5 years	> 5 years	
	2012 \$'000	2012 \$'000	2012 \$'000	2012 \$'000	
Financial liabilities:					
Trade creditors	-	5,388	-	-	5,388
Other payables	-	1,826	-	-	1,826
Borrowings secured by a floating charge	-	-	11,938	-	11,938
Total	-	7,214	11,938	-	19,152

Note 17: Financial Instruments (continued)

Note 17G: Market risk

Interest rate risk refers to the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. IBA is exposed to interest rate risk primarily on its home and business loan receivables.

Consolidated 2012					
	Risk variable	Change in risk variable %	Effect on income statement \$'000	Change in risk variable %	Effect on income statement \$'000
Financial assets: loan receivables					
Interest rate risk	Interest rate	+0.7	(313)	-0.7	(1,911)

Consolidated 2011					
	Risk variable	Change in risk variable %	Effect on income statement \$'000	Change in risk variable %	Effect on income statement \$'000
Financial assets: loan receivables					
Interest rate risk	Interest rate	+0.875	(6,733)	-0.875	(413)

A positive number indicates an increase in surplus in the statement of comprehensive income and a negative number a decrease in surplus.

IBA Home and Business loans, issued at lower than market rates, are fair valued against market interest rates benchmarked on commercial bank rates. The quantum of interest rate differential determines the variance of the fair value from the face value.

Note 17H: Assets pledged/or held as collateral

In relation to the borrowings by subsidiaries of IBA, the following collateral is pledged.

Consolidated		
	2012 \$'000	2011 \$'000
Assets pledged as collateral		
Financial liabilities		
Borrowings secured by floating charge	11,500	11,500
Total assets held as collateral	11,500	11,500

The assets held as collateral comprises of the following:

- As at 30 June 2012, \$11.500 million (30 June 2011: \$11.500 million) pertains to the amount borrowed by Larrakia Darwin Hotel Partnership against security of land and buildings.

In relation to IBA's gross credit risk, the following collateral is held against Home and Business loans.

Consolidated		
	2012 \$'000	2011 \$'000
Assets held as collateral		
Non-financial assets		
Loan receivables—Home	969,393	900,053
Loan receivables—Business Development	105,116	96,832
Total assets held as collateral	1,074,509	996,885

Note 18: Financial Assets Reconciliation

Financial assets	Consolidated	
	2012 \$'000	2011 \$'000
Total financial assets as per balance sheet	868,367	815,880
Less: non-financial instrument components		
Deferred tax assets	1,313	1,271
GST receivable from the Australian Taxation Office	311	621
Total non-financial instrument components	1,624	1,892
Total financial assets as per financial instruments note	866,743	813,989

Note 19: Assets Held in Trust

Aboriginal and Torres Strait Islander Commission Funds

IBA established the Aboriginal and Torres Strait Islander Commission Funds held in a trust account. Funds held in the trust account were received from ATSIC under formal trust arrangements.

	Consolidated	
	2012	2011
	\$'000	\$'000
Opening balance	3,292	3,707
Interest	734	170
Payments	(1)	(585)
Total amount as at 30 June	4,025	3,292

Downs Aboriginal and Islander Company Funds

IBA is a trustee of Downs Aboriginal and Islander Company Funds, a trust set up exclusively for charitable purpose. Its beneficiaries are the Aboriginal and Torres Strait Islander residents of the Darling Downs District in Queensland.

	Consolidated	
	2012	2011
	\$'000	\$'000
Opening balance	311	288
Interest	14	23
Total amount as at 30 June	325	311

Indigenous Economic Development Trust

The Indigenous Economic Development Trust was established in September 2007, with IBA as trustee, to assist FaHCSIA in managing assets formerly held under the Community Development Employment Projects (CDEP) program. The beneficiaries of the trust are the Aboriginal and Torres Strait Islander people of Australia.

	Consolidated	
	2012	2011
	\$'000	\$'000
Opening balance	140	291
Receipts	1,730	891
Interest receivable	10	11
Payments	(1,097)	(1,053)
Total amount as at 30 June	783	140
Total assets held in trust	5,133	3,743

Moneys received are placed in separate bank accounts and are granted to parties in accordance with the trust agreement. The moneys held in these trusts are not available for any other purpose of IBA and are not recognised in the financial statements.

Note 20: Reporting of Outcomes

Net cost of outcome delivery

	Consolidated	
	Outcome 1	
	2012	2011
	\$'000	\$'000
Expenses	139,867	167,440
Income from non-government sector		
Commercial revenue	128,357	135,821
Net cost of outcome delivery	11,510	31,619

Balance sheet

Total assets	1,075,976	1,016,030
Total liabilities	32,554	32,437
Net assets	1,043,422	983,593

Statement of equity

Retained earnings	210,098	184,014
Asset revaluation reserves	32,260	30,755
Contributed equity/capital	801,064	768,824
Total equity	1,043,422	983,593

As IBA has only one outcome, the above figures correspond to the Statement of Comprehensive Income and Balance Sheet.

Note 21: New Housing Fund

As per section 189 (3) of the ATSI Act 2005, money held in the New Housing Fund may only be applied to make housing loans. Specific information on the housing fund's operations and financial position, which has been included in the preceding statement and notes, is disclosed as follows:

New Housing Fund

Statement of Comprehensive Income

for the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
Expenses			
Write-down of assets	21A	10,621	25,725
Other		360	700
Total expenses		10,981	26,425
Less:			
Own-source income			
Revenue			
Interest	21B	30,170	29,021
Other		280	181
Total revenue		30,450	29,202
Total income		30,450	29,202
Net cost of services		19,469	2,777

New Housing Fund

Balance sheet

as at 30 June 2012

Assets

Financial assets			
Cash	21C	2,937	9,787
Receivables	21D	415,711	389,394
Total financial assets		418,648	399,181
Total assets		418,648	399,181

Liabilities

Total liabilities		-	-
Net assets		418,648	399,181

Equity

Parent entity interest			
Capital		429,397	429,397
Accumulated deficit		(10,749)	(30,216)
Total parent entity interest		418,648	399,181
Total equity		418,648	399,181

Note 21: New Housing Fund (continued)

New Housing Fund Cash flow statement

for the period ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
Operating activities			
Cash received			
Interest		30,170	29,021
Other		16	0
Total cash received		30,186	29,021
Cash used			
Other		-	84
Total cash used		-	84
Net cash from operating activities	21E	30,186	28,937
Investing activities			
Cash received			
Repayments of loans		48,205	49,712
Total cash received		48,205	49,712
Cash used			
Loans made		85,241	90,891
Total cash used		85,241	90,891
Net cash from investing activities		(37,036)	(41,179)
Net increase or (decrease) in cash held		(6,850)	(12,243)
Cash at beginning of reporting period		9,787	22,031
Cash at the end of the reporting period		2,937	9,787

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

Note 21A: Write-down and impairment of assets

Value decrement	10,621	25,725
Total write-down of assets	10,621	25,725

Note 21B: Interest revenue

Interest on bank account	447	983
Interest on housing loans	29,723	28,038
Total interest revenue	30,170	29,021

Note 21C: Cash

Cash at bank and on hand	332	5,879
Cash at agents	2,605	3,908
Total cash	2,937	9,787

Note 21: New Housing Fund (continued)

Note 21D: Receivables

Other debtors	1,025	762
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Total receivables	1,025	762
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New Housing Fund only

At cost—opening balance	388,633	373,876
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Add: net movement in loans cost	37,037	41,181
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Less: net loss on re-measurement at fair value through profit or loss	(10,622)	(25,725)
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Less: impairment movement through profit and loss	(362)	(700)
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At fair value/cost closing balance	414,686	388,632
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Current loans receivable	5,024	4,256
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Non-current loans receivable	410,687	385,138
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Total receivables	415,711	389,394
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Note 21E: Cash flow reconciliation

Reconciliation of net surplus to net cash from operating activities

Net surplus	19,468	2,777
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Loans fair value adjustment	10,984	26,425
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Changes in assets and liabilities

(Increase)/decrease in receivables	(266)	(265)
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Net cash from operating activities	30,186	28,937
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Note 22: Parent entity—Indigenous Business Australia

	2012 \$'000	2011 \$'000
Note 22A: Statement of comprehensive income		
Surplus after income tax on continuing operations	33,369	1,309
Total comprehensive income	26,937	14,443
Note 22B: Balance sheet		
Current assets	321,714	309,135
Total assets	1,028,739	976,235
Current liabilities	7,401	8,519
Total liabilities	9,185	10,162
Net assets	1,019,554	966,073
Note 22C: Statement of equity		
Retained earnings	217,946	191,203
Asset revaluation reserves	16,594	23,026
Contributed equity/capital	785,014	751,844
Total equity	1,019,554	966,073

With recent changes in the Finance Minister's Orders (FMOs), it is no longer mandatory for IBA to provide separate financial statements for IBA Corporation as a parent entity. As such the parent entity amounts are provided as supplementary information (FMO 7.2 (b)).

Note 22: Parent entity—Indigenous Business Australia (continued)

Note 22D: Statement of IBA's holding in subsidiaries

Name	Country of incorporation	Percentage of equity interest held by consolidated entity	
		2012 %	2011 %
Anderleigh Quarry	Australia	62	62
Asset Leasing Trust	Australia	100	100
Bowen Basin Holdings Pty Limited *	Australia	100	100
Bowen Basin Investments Pty Limited *	Australia	100	100
Cape Don Pty Limited	Australia	90	90
Carpentaria Shipping Trust	Australia	100	100
CDC Nominees (McArthur River Shipping) Pty Limited *	Australia	100	100
CDC Nominees (TCTP) Pty Limited *	Australia	100	100
Consolidated Manufacturing Enterprises Pty Limited	Australia	75	75
Darwin Hotel Holdings Pty Limited	Australia	100	100
Darwin Hotel Holdings Trust	Australia	100	100
Darwin Hotel Holdings Trust #2	Australia	100	100
Dominican Indigenous Education Trust	Australia	100	0
Fitzroy Lodge Investments Pty Limited	Australia	100	100
Gagudju Crocodile Hotel Trust	Australia	70	70
Gagudju Lodge Cooina Trust	Australia	52	52
Hotel Enterprises Pty Limited	Australia	100	100
Hotel Holdings Trust	Australia	100	100
IBA Insurance Holdings Pty Limited	Australia	100	100
IBA Property Investments Pty Limited *	Australia	100	100
Indigenous Fishing Pty Limited *	Australia	100	100
Indigenous Fishing Trust	Australia	100	100
Indigenous Investment Participation Trust	Australia	100	100
Indigenous Investment Trust	Australia	100	100
Kakadu Tourism (GCH) Pty Limited	Australia	70	70
Kakadu Tourism (GLC) Pty Limited	Australia	52	52
Leonora Investments Pty Limited *	Australia	100	100
Leonora Investments Trust	Australia	100	100
Mungo Lodge Holdings Pty Limited *	Australia	100	100
Mungo Lodge Pty Limited	Australia	100	100
Mungo Lodge Trust	Australia	100	100
National Indigenous Participation Trust	Australia	100	100
National Indigenous Property Trust	Australia	100	100
North Stradbroke Enterprises Trust	Australia	100	100
Port Botany Transfer Station Trust	Australia	100	100

Note 22: Parent entity—Indigenous Business Australia (continued)

Note 22D: Statement of IBA's holding in subsidiaries (continued)

Name	Country of incorporation	Percentage of equity interest held by consolidated entity	
		2012 %	2011 %
Scarborough House Investment Trust	Australia	67	67
Scarborough House Office Trust	Australia	67	67
South Hedland Indigenous Property Trust	Australia	100	100
Swanbrook Road Holding Trust	Australia	75	75
Tennant Creek Enterprises Pty Limited	Australia	100	100
Tennant Creek Enterprises Trust	Australia	100	100
Tennant Creek Land Holding Trust	Australia	90	90
Tennant Creek Supermarket Pty Limited	Australia	90	90
Tjapukai Aboriginal Cultural Park Partnership	Australia	100	100
Tjapukai Pty Limited	Australia	100	100
Wildman River Lodge Trust	Australia	100	100
Wildman Wilderness Lodge Pty Ltd	Australia	100	100
Ikara Wilpena Enterprises Pty Ltd	Australia	87	0
Ikara Wilpena Holdings Trust	Australia	87	0
Wilpena Pound Aerodrome Services	Australia	87	0

*Non-trading



PART 7: APPENDICES

- 204 Appendix A: Consultants**
- 208 Appendix B: Significant events**
- 209 Appendix C: Ecologically sustainable
development compliance**
- 210 Appendix D: Freedom of Information summary**
- 211 Appendix E: Key sponsorship activities**

APPENDIX A

Consultants

Section 178 of the *Aboriginal and Torres Strait Islander Act 2005* (ATSI Act) enables IBA to engage specialist consultancy services when skilled expertise is unavailable within IBA or when independent advice is required.

The terms and conditions on which consultants are engaged are determined by the Board in writing. IBA is not subject to the Commonwealth Procurement Guidelines and therefore engages its consultants in accordance with the requirements of an IBA CEO's Instruction on procurement.

Consultants are distinguished from other contractors by the nature of the work they perform. A consultant is an individual, a partnership or a corporation engaged to provide professional, independent and expert advice or services. IBA engages consultants on behalf of Business Development and Assistance Program customers. These consultants (see page 78) are excluded from the appendix. Please contact IBA if you require further details on these consultants.

During 2011–12, 75 new consultancy contracts were entered into involving a total actual expenditure of \$1,128,944. In addition, 52 ongoing consultancy contracts were active during 2011–12, involving total actual expenditure of \$410,496.

The table below draws on the terminology in the Commonwealth Procurement Guidelines, and lists all consultant contracts entered into by IBA in 2011–12. All contract prices include GST.

Name of consultant	Description of services	Selection process¹	Justification²	Contract price (\$)
Beacon Consulting	Business review	Direct sourcing	B	9,543
BDA Marketing Planning Pty Ltd	Economic development consulting	Direct sourcing	B	39,501
Bowchung Consulting Pty Ltd	Business research	Open tender	C	52,724
Bruce Glanville	Management services	Direct sourcing	B	9,900

Name of consultant	Description of services	Selection process¹	Justification²	Contract price (\$)
CB Richard	Property management services	Panel	B	5,500
C3 Business Solutions Pty Ltd	IT review	Select tender	B	149,282
Cardno ITC Pty Ltd	Property management services	Select tender	B	4,565
Charles Sturt University	Business research	Direct sourcing	B	110,000
Civil Aviation Safety Authority	Business review	Direct sourcing	B	6,589
Colliers International	Business review	Panel	B	8,250
Cosmic Tech Solutions Pty Ltd	IT services	Direct sourcing	B	11,259
Creative Thinking	Business review	Direct sourcing	B	26,662
Credit Wise PTY LTD	Business research	Direct sourcing	B	14,960
Deloitte Growth Solutions QLD	Professional services	Panel	C	47,300
Ernst & Young	Business review	Panel	B	22,000
Executive Intelligence Group	HR services	Direct sourcing	B	80,575
Fire Cash Pty Ltd	Management services	Direct sourcing	B	40,677
Focus on Research	Business research	Select tender	B	1,550
HBO EMTB Interiors (ACT) Pty Ltd	Office design	Direct sourcing	B	3,890
Herron Todd White	Business review	Panel	B	3,520
IA Group Pty Ltd	Office design	Select tender	B	32,864
Ian Meyers	Management services	Direct sourcing	B	27,500
IFlex Services Pty Ltd	IT services	Direct sourcing	B	20,444
Integrated Business Services	Business review	Panel	B	8,800

Name of consultant	Description of services	Selection process¹	Justification²	Contract price (\$)
Interiors Australia Pty Ltd	Office design	Select tender	B	3,498
J G Service Pty Ltd	Professional services	Direct sourcing	B	494
Jones Lang Lasalle Hotels (NSW) P/L	Asset management services	Direct sourcing	B	31,262
Ken Matthews AO	Professional services	Direct sourcing	B	11,300
King & Wood Mallesons	Legal services	Panel	B	243,457
Lange Consulting & Software	IT services	Direct sourcing	B	25,438
Leader Property Practice	Property consultancy advice	Direct sourcing	B	5,500
Morison Consulting Pty Ltd	Audit services	Direct sourcing	B	20,383
Napier and Blakeley	Business review	Panel	B	39,875
NBC Consultants	Project management	Select tender	B	11,694
Ninti One Ltd	Business research	Open tender	C	11,000
Nowland Builders Pty Ltd	Project management	Select tender	B	6,949
Our Community Pty Ltd	Business research	Direct sourcing	B	1,023
Parker & Partners	Professional services	Direct sourcing	B	12,747
Peter Jones	Business research	Direct sourcing	B	7,970
Peter Robson	Management services	Direct sourcing	B	9,625
R D Collins & Associates	Professional services	Direct sourcing	B	2,723
Rick Allert	Management services	Direct sourcing	B	3,718
Rider Levett Bucknall	Professional services	Panel	B	16,995

Name of consultant	Description of services	Selection process ¹	Justification ²	Contract price (\$)
Rolins Consulting Pty Ltd	Professional services	Select tender	B	20,800
Ross Hammond Pty Ltd	Management services	Direct sourcing	B	38,500
SLR Consulting Australia Pty Ltd	Business review	Panel	B	15,928
Social Ventures Australia	Business research	Direct sourcing	B	27,000
Src Solutions	HR services	Direct sourcing	B	3,960
Tempo Strategies Pty Ltd	Professional services	Direct sourcing	B	20,735
The Board Table	Professional services	Direct sourcing	B	18,989
The Nous Group	Stakeholder engagement	Direct sourcing	B	54,004
Van Stephan Burroughs	Business research	Direct sourcing	B	36,721
World Vision Australia	Business research	Direct sourcing	C	44,000
Xact Project Consulting Pty Ltd	Project management	Select tender	B	52,110
Your-Call Pty Ltd	Professional services	Direct sourcing	B	3,190
Total				1,539,440

¹ Explanation of selection process terms drawn from the Commonwealth Procurement Guidelines (December 2008).

Open tender: A procurement procedure in which a request for tender is published, inviting all businesses that satisfy the conditions for participation to submit tenders. Public tenders are generally sought from the Australian Government AusTender website.

Select tender: A procurement procedure in which the procuring agency selects which potential suppliers are invited to submit tenders. This procurement process may only be used under certain defined circumstances.

Direct sourcing: A form of restricted tendering, available only under certain defined circumstances, with a single potential supplier or suppliers being invited to bid because of their unique expertise and/or special ability to supply the goods and/or services sought.

Panel: An arrangement by which a number of suppliers, initially selected through an open tender process, may each supply property or services to an agency as specified in the panel arrangements. Quotes are sought from suppliers that have pre-qualified on the agency panels to supply to the government. This category includes standing offers and supplier panels where the supply of goods and services may be provided for a pre-determined length of time, usually at a pre-arranged price.

² Justification for deciding to engage a consultant:

- A: skills currently unavailable within IBA
- B: need for specialised or professional skills
- C: need for independent research or assessment.

APPENDIX B

Significant events

IBA has notified the Minister of significant events as required under section 15 of the *Commonwealth Authorities and Companies Act 1997* (CAC Act). These events relate to the Equity and Investments Program and are listed in the following table.

Requirements under section 15 of the CAC Act	Name of body	Event (including purpose of body)	Date of event
(a) Form a company or participate in the formation of a company	Darwin Hotel Holdings No. 2 Pty Ltd and Darwin Hotel Holdings No. 2 Trust	IBA invested in the Darwin City Waterfront Vibe and Medina hotels, NT.	18 November 2011
	Wilpena Pound Aerodrome Services Pty Ltd and Ikara Wilpena Enterprises Pty Ltd	IBA invested in the Wilpena Pound Resort, SA.	18 November 2011
(c) Acquire or dispose of a significant shareholding in a company	Noongar Property Trust and Noongat Property Holdings Pty Ltd	Change in IBA's interest.	5 December 2011
	Nitmiluk Nominees Pty Ltd and Nitmiluk (Cicada Lodge) Pty Ltd	IBA invested in the Cicada Lodge, NT.	28 February 2012

APPENDIX C

Ecologically sustainable development compliance

The following table details IBA's ecologically sustainable development (ESD) activities (discussed earlier on page 101) in accordance with section 516A(6) of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act).

ESD reporting requirement	IBA response
How IBA's activities accorded with the principles of ESD	IBA developed an Environmental Strategy in 2010 and reviewed it in 2011 and 2012 with help from the Australian National University's Green Steps Program. The strategy focuses on reducing IBA's carbon footprint through various methods such as more sustainable energy, water and waste management. IBA's Occupational Health and Safety Committee has general oversight of the strategy.
Outcomes contributing to ESD	IBA's single appropriations outcome – improving the economic independence of Indigenous Australians – focuses on economic and social outcomes rather than environmental outcomes and, as such, has no ESD implications.
Activities that affect the environment	IBA implemented programs at its national and regional offices to reduce environmental impacts.
Measures taken to minimise the effect of activities on the environment	IBA implemented a recycling plan in national and regional offices, resulting in a 20 per cent reduction of landfill stream and a 135 per cent increase in recycling stream. IBA also installed energy-efficient lighting and computers in the national office, resulting in a 42 per cent reduction in energy usage. IBA continued to provide awareness training to staff on how to reduce IBA's carbon footprint, and adopted the Green Star Energy Rating and, as far as possible, NABERS (National Australian Built Environment Rating System) requirements, for all new office fit-outs. (During the year, the Darwin regional office moved into a 5-star energy rated building). IBA also commenced rollout of a national video conferencing facility to reduce the need for airline travel.
Mechanisms to review and increase the effectiveness of measures to minimise the environmental impact of activities	The Environmental Strategy has identified a number of metrics for monitoring IBA's carbon footprint and environmental improvement in the workplace (such as electricity and paper usage, consumables and staff travel). The strategy is reviewed annually. IBA is committed to continual improvement in environmental performance management.

APPENDIX D

Freedom of Information summary

The following table summarises the year's Freedom of Information (FOI) requests and their outcomes as discussed in detail on page 100.

Activity	Number
Requests	
On hand as at 1 July 2011	0
New requests received	5
Total requests handled	5
Total requests completed as at 30 June 2012	3
Action on requests	
Access granted in full	0
Access granted in part	0
Access refused	0
Access transferred in full	0
Request withdrawn	0
No records	3
Response times	
0–30 days	2
30–60 days	1
Internal review	
On hand as at 1 July 2011	0
Requests received	2
Decision affirmed	1
Decision amended	1
Request withdrawn	0
Review by Administrative Appeals Tribunal	
Applications received	0
Review by the Office of the Australian Information Commissioner	
Applications received	0

APPENDIX E

Key sponsorship activities

Conference, event or award	IBA's involvement
The 5th Indigenous Economic Development (IED) Forum, titled 'Working Toward a Strong Future' was held on 13–14 October 2011 at the Darwin Convention Centre.	The biannual forum is recognised as one of the key events in the Northern Territory. IBA supports the forum as it involves Indigenous and non-Indigenous stakeholders in economic development that has an impact on the emerging Indigenous business landscape.
Yulkuum Jerrang, the Third Victorian Indigenous Economic Development Conference, was held on 2–4 November 2011 at The Sebel, Albert Park, Melbourne.	This event brings together local and international representatives and business leaders from Indigenous and minority businesses, Indigenous communities, government, universities, social ventures, the corporate sector and the wider business community. IBA Chair Dr Dawn Casey was a keynote speaker at the conference.
The 2011 Brolga Northern Territory Tourism Awards were held on 12 November 2011 at the Crowne Plaza in Alice Springs.	The Northern Territory's official tourism awards program recognises the achievements of tourism businesses. IBA has investments in the tourism industry and supports the development of tourism businesses. It has sponsored the Indigenous Tourism Award category for a number of years.
The 2011 NSW Tourism Awards were held on 19 November 2011 at the Sydney Convention and Exhibition Centre, Darling Harbour, Sydney.	This event is NSW's official tourism awards program and recognises the achievements of tourism businesses. This was the first time that IBA has participated in these awards. IBA sponsored the Indigenous Tourism Category, with the award presented by IBA Deputy CEO Kaely Woods.
The Saltwater Freshwater Festival was scheduled to be held on 26 January 2011 in Taree, NSW.	This event is run by the Saltwater Freshwater Arts Alliance Aboriginal Corporation, a peak body for Aboriginal arts and culture on the mid-north coast of NSW. Due to flooding in the Taree area, the event was cancelled.

Conference, event or award	IBA's involvement
The 2011 Qantas Australian Tourism Awards were held on 2 March 2012 at the Convention Centre in Cairns.	These industry awards are the pinnacle of achievement for the tourism industry across Australia. IBA sponsored the Indigenous Tourism Award category, presented by IBA CEO Chris Fry.
The AIMSC Connect 2012 Conference was held on 2–3 April 2012 at the Hilton Sydney and Town Hall, Sydney.	This conference is considered one of the key national Indigenous business events of the year. It provides an opportunity to reach a wide-ranging audience integral to developing and supporting the Indigenous business sector. IBA Chair Dr Dawn Casey and CEO Chris Fry participated in the conference.
The Queensland Reconciliation Awards were held on 29 May 2012 at the Gallery of Modern Art, South Brisbane.	The awards recognise businesses, community organisations, educational institutions and projects working towards reconciliation in Queensland. IBA presented the award for businesses with programs and/or initiatives that actively promote reconciliation in the Emerging Business category. IBA staff members were also part of the awards judging panel.
The 13th National Native Title Conference was held in Townsville on 4–6 June 2012 at the Townsville Entertainment and Convention Centre.	<p>This conference aims to promote public debate about Native Title and Indigenous Australians' interests in land, waters, community and economic development.</p> <p>IBA Chair Dr Dawn Casey presented at the conference, discussing the opportunities available for economic development through Native Title for Indigenous Australians and how IBA can offer assistance.</p>



PART 8: REFERENCES

- 214 Glossary
- 217 Abbreviations and acronyms
- 219 Compliance index
- 227 Alphabetical index

GLOSSARY

Term	Meaning
appropriation	An authorisation by Parliament to spend monies from the Consolidated Revenue Fund for a particular purpose.
assets	Future economic benefits controlled by an entity as a result of past transactions or other past events.
Business Development Initiatives	The process of identifying and promoting small business opportunities within an industry, community or geographical location.
corporate governance	The process by which agencies are directed and controlled. It is generally understood to encompass authority, accountability, stewardship, leadership, direction and control.
depreciation	A method of allocating the cost of a tangible asset over its useful life. Businesses depreciate long-term assets for both tax and accounting purposes.
Enterprise Agreement	Details IBA employment conditions and is approved by the Workplace Authority.
estimates	An agency's expected revenues, expenses, assets, liabilities and cash flows. They are prepared for each output in the agency's budget, in consultation with the Department of Finance and Deregulation.
expenses	The full costs of an activity; that is, the total value of all the resources consumed in producing goods and services, or the loss of future economic benefits in the form of asset reductions or increases in the entity's liabilities. Expenses include cash items such as salary payments, as well as expenses incurred, such as accruing employee entitlements that will be paid in the future.
fair market value	The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's-length transaction (a transaction in which the buyers and sellers of a product act independently and have no relationship to each other).

Term	Meaning
IBA Home Loan Rate	The variable housing loan interest rate set by IBA from time to time for owner occupied properties.
IBA Income Amount	Equivalent to 100 per cent of the national average weekly male earnings, as calculated by the Australian Bureau of Statistics.
loan-to-valuation ratio	This is calculated by dividing the housing loan amount by the value of the property. For example, a \$50,000 loan against a home that is worth \$100,000 has an LVR of 50 per cent. The closer the LVR is to 100 per cent, the riskier it is viewed by lenders.
loss salvage	The number and value of defaulted loans and loans for which a payout has been demanded (including selling the security).
NAIDOC Week	NAIDOC stands for National Aborigines and Islanders Day Observance Committee. This Committee was once responsible for organising national activities during NAIDOC Week and its acronym has since become the name of the week itself.
New Housing Fund	The designated housing loan fund – created under section 181A of the ATSI Act – may only be applied to make housing loans.
outcomes	The Australian Government's objectives for the FaHCSIA portfolio. Outcomes are desired results, impacts or consequences for the Australian community as influenced by the actions of the Australian Government. Actual outcomes are assessments of the end results or impacts actually achieved.
performance information	Evidence about performance that is collected and used systematically. Evidence may relate to appropriateness, effectiveness and efficiency. It may be about outcomes, factors that affect outcomes, and what can be done to improve them.
Portfolio Additional Estimates	Changes in funding requirements that occur after the presentation of the Australian Government Budget. These changes to funding require the consideration of Additional Estimates by the House of Representatives and the Senate.
Portfolio Budget Statements	Budget papers that inform senators and members of Parliament of the proposed allocation of resources to government outcomes by agencies within the portfolio.

Term	Meaning
program	An activity or group of activities that delivers benefits or services, or that transfers payments to individuals, industry, businesses or the community as a whole. They are the primary vehicles for government agencies to achieve the intended results of their outcome statement.
revenue	The total value of resources earned or received to cover the production of goods and services.
Standard & Poor's	Standard & Poor's is a provider of financial market intelligence.
statutory authority	A government agency set up by an Act of Parliament, more or less independent of day-to-day ministerial control, usually not bound by public service procedures to the same extent as ordinary departments, and that is responsible finally to Parliament.

ABBREVIATIONS AND ACRONYMS

ABS	Australian Bureau of Statistics
AIATSIS	Australian Institute of Aboriginal and Torres Strait Islander Studies
AICD	Australian Institute of Company Directors
AIMSC	Australian Indigenous Minority Supply Council
ALT	Asset Leasing Trust
ANAO	Australian National Audit Office
ASX	Australian Securities Exchange
ATSI Act	<i>Aboriginal and Torres Strait Islander Act 2005</i>
ATSIC	Aboriginal and Torres Strait Islander Commission
BDI	Business Development Initiative
CAC	Commonwealth Authorities (Annual Reporting) Orders 2011
CDC	Aboriginal and Torres Strait Islander Commercial Development Corporation
CDEP	Community Development Employment Projects
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operating Officer
CSS	Carpentaria Shipping Services Pty Ltd
DEEWR	Department of Education, Employment and Workplace Relations
DOGIT	Deed of Grant in Trust
EPBC Act	<i>Environmental Protection and Biodiversity Conservation Act 1999</i>
ESD	ecologically sustainable development
FaHCSIA	Department of Families, Housing, Community Services and Indigenous Affairs
FOI	freedom of information
FOI Act	<i>Freedom of Information Act 1982</i>

FMA Act	<i>Financial Management and Accountability Act 1997</i>
GCC	Global Corporate Challenge
GM	General Manager
GRD	good renters discount
HOIL	Home Ownership on Indigenous Land
HOP	Home Ownership Program
HOT	Home Ownership Team
IED Trust	Indigenous Economic Development Trust
IFT	Indigenous Fishing Trust
IPS	Information Publication Scheme
ITCP	Indigenous Tourism Champions Program
KPI	key performance indicator
LVR	loan-to-valuation ratio
LDC	Larrakia Development Corporation
NAB	National Australia Bank
NABERS	National Australian Built Environment Rating System
NAIDOC	National Aborigines and Islanders Day Observance Committee
OH&S	occupational health and safety
PBTS	Port Botany Transfer Station
S&P	Standard & Poor's
SES	Senior Executive Service
SROI	Social Return on Investment
TA	Tourism Australia

COMPLIANCE INDEX

IBA is bound by various legislative requirements to disclose certain information in its annual report. The main requirements are detailed in the Commonwealth Authorities (Annual Reporting) Orders 2011 (CAC Orders 2011) and the *Aboriginal and Torres Strait Islander Act 2005* (ATSI Act).

IBA's commitment to better practice in its annual reporting is demonstrated through its compliance, while not mandatory, with some additional principles from the:

- Requirements for Annual Reports for Departments (RARD), Executive Agencies and FMA Act Bodies, 2012 Department of Prime Minister and Cabinet
- Corporate Governance Principles and Recommendations (CGPR) with 2010 Amendments, 2nd edition Australian Securities Exchange (ASX) Corporate Governance Council.

Table 14: List of mandatory reporting requirements, as per the CAC Orders 2011 or the ATSI Act, by reference and page location

Requirement	Reference	Detail and page listing of compliant information
Amendments to IBA's enabling legislation and to any other legislation directly relevant to its operation	CAC Orders 2011, sub-clause 16(d)	99, 101
Approval by directors	CAC Orders 2011, clause 6	3
Board committees	CAC Orders 2011, clause 14	Committees [96–97]
Commonwealth Disability Strategy	CAC Orders 2011, clause 12	100–101
Consultants engaged	ATSI Act, sub section 189 2(b)	204–207
Statement on governance	CAC Orders 2011, clause 14	92–106

Requirement	Reference	Detail and page listing of compliant information
Directors	CAC Orders 2011, clause 13	102–106
Ecologically sustainable development and environmental performance	CAC Orders 2011, sub-clause 12, ref <i>Environment Protection and Biodiversity Conservation Act 1999</i> , section 516A	101 and Appendix C 209
Education and performance review processes for directors	CAC Orders 2011, clause 14	95
Enabling legislation, functions and objectives	CAC Orders 2011, clause 10	IBA at a glance
Ethics and risk management policies	CAC Orders 2011, clause 14	98
Financial statements	Sub-clause 1(b) and sub-clause 2(1) of Schedule 1 to the CAC Act. Finance Ministers' Orders for Financial Reports July 2009	133
Financial statements certification: a statement, signed by the directors	Sub-clause 2(3) of Schedule 1 to the CAC Act	140
Financial statements certification: Auditor-General's Report	Sub-clause 1(c) and Part 2 of Schedule 1 to the CAC Act	138–139
Fraud risk assessment and control	Commonwealth Fraud Control Guidelines 2002	98
General policies of the Australian Government and General Policy Orders	CAC Orders 2011, clause 12.	93
Indemnities and insurance premiums for officers	CAC Orders 2011, clause 19	96
Information Publication Scheme Statement	CAC Orders 2011, clause 12	100
Judicial decisions and decisions by administrative tribunals	CAC Orders 2011, clause 17	100

Requirement	Reference	Detail and page listing of compliant information
Key activities and changes that have affected IBA	CAC Orders 2011, clause 16	16–90
Letter of transmittal detailing approval by directors	CAC Orders 2011, clause 6	3
Location of major activities and facilities	CAC Orders 2011, clause 14	Principal investment sites (26–27) Contact information (inside back cover)
Ministerial Directions	CAC Orders 2011, sub-clause 12, ref ATSI Act, sections 151 and 189	93
New Housing Fund financial statements	ATSI Act sub-section 189(3)	197
Operational and financial results	CAC Orders 2011, sub-clause 16(b)	12–13
Organisational structure (for IBA and subsidiaries)	CAC Orders 2011, clause 14	110–111
Other legislation	CAC Orders 2011, clause 12	100–101
Related entity transactions	CAC Orders 2011, clause 15	95
Reporting of significant events, as required by section 15 of the CAC Act	CAC Orders 2011, sub-clause 16(a)	100, 208
Reports about IBA by the Auditor-General, a parliamentary committee, the Commonwealth Ombudsman or the Office of the Australian Information Commissioner	CAC Orders 2011, clause 17	99–100
Responsible minister	CAC Orders 2011, clause 11	IBA at a glance
Review of performance	CAC Orders 2011, clause 16	16–90
Work health and safety	CAC Orders 2011, clause 12, ref Work Health and Safety Act 2011, Schedule 2, Part 4	117–118

Table 15: List of optional reporting requirements, as per the RARD or CPGR, by reference and page location

Requirement¹	Reference	Detail and page listing of compliant information
Table of contents	RARD, Attachment A, fifth item	1
Index	RARD, Attachment A, fifth item	227
Glossary	RARD, Attachment A, fifth item	214
Contact officers	RARD, Attachment A, fifth item	Contact information (inside back cover)
Internet home page and internet address for report	RARD, Attachment A, fifth item	Contact information (inside back cover)
Review by CEO	RARD 9(1)	9
Outlook for following year	RARD 9(2)	8, 11, 40–41, 70, 89, 132
Roles and functions	RARD 10(1)	IBA at a glance
Actual performance in relation to deliverables and KPIs set out in Portfolio Budget Statements/Portfolio Additional Estimates Statements or other portfolio statements	RARD 11(2)	12–13
Performance against service charter customer service standards, complaints data and response to complaints	RARD 11(5)	100
Contribution of risk management in achieving objectives	RARD 11(3)	98
Social inclusion outcomes	RARD 11(4)	112–113
Agency resource statement and summary resource tables by outcomes	RARD 11(8)	12–13
Names of the senior executives and their responsibilities	RARD 12(3)	119–122

Requirement¹	Reference	Detail and page listing of compliant information
Senior management committees and their roles	RARD 12(3)	97
Corporate and operational planning and associated performance reporting and review	RARD 12(3)	92
Policy and practices on the establishment and maintenance of appropriate ethical standards	RARD 12(3)	98
Significant developments in external scrutiny	RARD 12(4)	99–100
How nature and amount of remuneration for senior executive service officers is determined	RARD 12(3)	117
Training and development undertaken and its impact	RARD 12(6)	116
Statistics on staffing	RARD 12(7)	109, 112
Impact and features of enterprise or collective agreements, individual flexibility arrangements, determinations, common law contracts and Australian Workplace Agreements	RARD 12(6)	116
Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	CGPR 1.1	94
Companies should disclose the process for evaluating the performance of senior executives.	CGPR 1.2	117
Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.	CGPR 2.1	93
A majority of the board should be independent directors.	CGPR 2.2	93
The roles of chair and chief executive officer should not be exercised by the same individual.	CGPR 2.3	93

Requirement ¹	Reference	Detail and page listing of compliant information
The board should establish a nomination committee.	CGPR 2.4	Not applicable. Minister appoints directors.
Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	CGPR 2.5	95
Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> the practices necessary to maintain confidence in the company's integrity the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	CGPR 3.1	98
Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving diversity and to assess annually both the objectives and progress in achieving them.	CGPR 3.2	112
Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	CGPR 3.3	94
Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	CGPR 3.4	93, 112

Requirement ¹	Reference	Detail and page listing of compliant information
The board should establish an audit committee.	CGPR 4.1	96
<p>The audit committee should be structured so that it:</p> <ul style="list-style-type: none"> • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the board • has at least three members. 	CGPR 4.2	96
The audit committee should have a formal charter.	CGPR 4.3	96
Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	CGPR 5.1	Not applicable. IBA not subject to ASX Listing Rule.
Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	CGPR 6.1	Contact Information, IBA at a glance 123
Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	CGPR 7.1	98
The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	CGPR 7.2	98

Requirement ¹	Reference	Detail and page listing of compliant information
The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating effectively.	CGPR7.3	Not applicable. IBA not subject to section 295A of the <i>Corporations Act 2001</i>
The board should establish a remuneration committee.	CGPR8.1	97
The remuneration committee should be structured so that it: <ul style="list-style-type: none"> • consists of a majority of independent directors • is chaired by an independent chair • has at least three members. 	CGPR8.2	Not applicable
Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	CGPR8.3	116-117

¹ Since optional requirements are in addition to those legislatively mandated, any double-ups are stated once only within the mandatory requirements.

ALPHABETICAL INDEX

Page references in **bold** type refer to major discussions of a topic.

A

Abbreviations and acronyms, 217–218

Aboriginal and Torres Strait Islander (ATSI) Act 2005 (ATSI Act)

amendments, **101**

Board's responsibilities, 94

compliance with, 219

function, 92

history, 2

IBA financial performance, 137

section 146, *inside front cover*

section 151, 93

section 178, 204

section 181A, 215

section 189 (3), 197

Aboriginal and Torres Strait Islander Commercial Development Corporation (CDC), 2

Aboriginal and Torres Strait Islander Commission (ATSIC), 2

Aboriginal and Torres Strait Islander Staff Network (ATSISN), 5, 113, 114, 116

Accessibility/Remoteness Index of Australia (ARIA) classifications, 57

accounting standards, 137

addresses, *inside back cover*

Adnyamathanha Traditional Lands Association (ATLA), 22–23

adoption leave, 116

The Anatomy of the Australian Entrepreneur report, 127

Anti-Money Laundering and Counter-Terrorism Financing Act 2006, 99

Armstrong, Leah, 8, 103

arrears (BDAP), 86, 88

arrears management (HOP), **64–66**

assessment criteria (HOP), 50

Asset Leasing Trust (ALT), 40

assets, 134–135, 143

ATSI Act *see* *Aboriginal and Torres Strait Islander (ATSI) Act 2005 (ATSI Act)*

Audit and Risk Committee, 96, 98, 99, 104–105, 117

audit report, 99, 138

Australasian Reporting Awards, 5

Australian Indigenous Minority Supplier Council (AIMSC), 8, 11, 81, 124

Australian National Audit Office, 95

Australian Tourism Export Council's National Indigenous Tourism Task Force (NITTF), 124

B

banking partnerships, **124–125**

Bathurst Island, 68

Bator, Leo, 120

Behaviours Framework, 108

Better Practice Guides, 95

Board *see* IBA Board

Boddington, Jenny, 8, 104

Boulton, Graeme, 120

breakfast event, 4

Broome Daycare Centre, 90

Business Development and Assistance Program (BDAP), **71–90**

Business Development Initiatives (BDIs), **74**

business loans, 8, 9, **78–80**

business planning and support, **78**

Into Business[™] workshops, 2, 74, **77**, 84

Chair's message, 8

growing and sustaining businesses, **81**

history, 2

objectives, **72**

outlook, 11, **89**

performance, 13, **73**

portfolio management, **86–88**

risk management, **84**

transition to the broader Australian economy, **84**

Business Development Initiatives (BDIs), **74**

business loans, 8, 9, **78–80**

business ownership *see* Business Development and Assistance Program (BDAP)

business planning, **78**

business support services, 11, 13, 73, 78, 81, 85

C

CAC Act, 92, 99

capacity development, 18

Casey, Dr Dawn, 3, 6, 102

cash flow statement, 146–147

CDC (Aboriginal and Torres Strait Islander Commercial Development Corporation), 2

Census, 45, 72

CEO *see* Chief Executive Officer (CEO)

Chair's message, **6–8**

Chief Executive Officer (CEO)

administrative duties, 97

appointment, 92, 94

ATSI Act amendments, 101

compliance issues, 98

conferences, 129, 212

new Board members, 95

profile, 119

review, **9–11**

Chief Financial Officer (CFO)

IBA's financial performance, 140

profile, 121

Chifley Alice Springs Resort, 36

Cicada Lodge, 7, 19, 39

Clements, Colin, 121

Closing the Gap report, 9

Code of Conduct, 95

collective agreement, 116

Comcare investigations, 118

Comcover Risk Management Benchmarking Program, 98, 99

commercial property portfolio, 28–30

committees (Board), **96–97**

Audit and Risk Committee, 96, 98, 99, 104–105, 117

Finance and Investment Committee, 41, 97, 102–103, 105–106

membership, **102–106**

committees (internal governance), **97–99**

Executive Committee, 97

Occupational Health and Safety Committee, 97

Portfolio Review Committee, 97

Remuneration Committee, 97

Scholarships Committee, 97

Senior Executive Staff (SES) Remuneration Committee, 97

Strategic Economic Development Initiatives (SEDI) Committee, 97

Valuation Committee, 97

Workplace Consultative Committee, 97

Commonwealth Authorities and Companies (CAC) Act 1997 (CAC Act), 92, 99

Commonwealth Centre (South Hedland, WA), 28

Commonwealth Disability Strategy, 101

Community Development Employment Project (CDEP), 39

complaints handling, 100

compliance, 98–99, **219–226**

Compliance Report, 99

conferences, **129**

consolidated assets, 135

consolidated revenue, 137

consultants, **204–207**

contact information, *inside back cover*

Cooms, Valerie, 103

corporate governance, **91–106**

- ATSI Act amendments, **101**
- Australian Government policies, **93**
- committees *see* committees (Board); committees (internal governance)
- corporate plan, **92**
- environmental performance and ecologically sustainable development, **101**
- external scrutiny, **99–100**
- framework, **92**
- Ministerial directions, **93**
- review, 6, 95
- statutory requirements, **100–101**
- strategic plan, **92**

corporate plan, **92**

Coulthard, Vince, 22–23

counselling service, 118

CPS Building (Adelaide), 28

cultural tourism, 128

Cummeragunga Farm (Barmah, NSW), 34

customer service, 9

D

Deloitte Australia, 7, 10

demand and supply issues, 127–128

Department of Education, Employment and Workplace Relations, 2

Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA)

- CDEP reforms, 39
- health and safety review, 117
- HOIL, 67
- HOT, 69
- IBA Board's role, 94
- oversight, 99

Deputy Chair (IBA Board), 93, 102, 125

Directors (IBA), **93–106**

- access to information, 96
- appointment, 93
- ATSI Act, 92, 101
- Code of Conduct, 95
- financial statement, 140
- liability insurance, 96
- remuneration, 95
- responsibilities, 95

disability reporting, 100–101

Djabugay rainforest people, 4, 33

Dominican Indigenous Education Trust (DIET), 40

doubtful debt management, 86

drug and alcohol residential rehabilitation service, 42

E

Eades, Jason, 8, 106

ecologically sustainable development (ESD), **101, 209**

education scholarships, 130

Employee Assistance Program (EAP), 118

employees *see* staff

employment conditions, **115–117**

enabling legislation *see* *Aboriginal and Torres Strait Islander (ATSI) Act 2005* [ATSI Act]

Enterprise Agreement (2012–14), 5, 10, 113, **116**

environmental performance, **101**

Environmental Protection and Biodiversity Conservation Act 1999 [EPBC Act], 101

equity, 136, 144, 145

Equity and Investments Program, **16–42**

see also equity; investments

ethical standards, 95, 98

Executive Committee, 97

Executive Management Team, 97, **119–122**

expenses, 141

external scrutiny, **99–100**

CEO review, 9–11

complaints handling, 100

freedom of information, 100

parliamentary and ministerial oversight, 99

F

FaHCSIA *see* Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA)

Fibre Optics NQ, 83

Finance and Investment Committee, 41, 97, 102–103, 105–106

Financial Management Information System, 6, 10

financial performance, **133–202**

background, **134**

CEO review, 9

financial results, **134–135**

financial statements *see* financial statements

funding, **136**

legal framework, **137**

outlook, **137**

financial statements, **141–150**

audit report, 138–139

balance sheet, 143–144

cash flow statement, 146–147

schedule of commitments, 148–149

schedule of contingencies, 150

statement by Directors, 140

statement of changes in equity, 145

statement of comprehensive income, 141–142

First Nations Economic Opportunities Conference, 2

Fitzroy River Lodge (Fitzroy Crossing, WA), 36

fraud control, 98

Freedom of Information Act 1982
(FOI Act), 100

freedom of information (FOI), 100, **210**

Fry, Chris, 9–11, 14, 23, 115, 119

funding, departmental, **136**

future *see* outlook

G

Gagudju Crocodile Holiday Inn (Jabiru, NT), 37

Gagudju Lodge Cooina (Jim Jim, NT), 37

Global Corporate Challenge, 117

glossary, **214–216**

Goldfields Building (West Perth), 28

governance

corporate *see* corporate governance

internal *see* internal governance

scrutiny *see* external scrutiny

Governance Charter, 94

Government Centre (Katherine, NT), 29

Gowans, Kirsty, 121

H

Hardy, Judy, 104

health and safety, **117–118**

history of IBA, **2**

HOIL *see* Home Ownership on
Indigenous Land (HOIL) Program

Holiday Inn Townsville, 37

Home Loan Rate, 54

home loans *see* housing loans (HOP)

home ownership *see* Home Ownership
on Indigenous Land (HOIL) Program;
Home Ownership Program (HOP)

Home Ownership on Indigenous Land
(HOIL) Program, **67–70**

history, 2

loan portfolio, **69**

merged with HOP, 11, 45, 128

objectives, **67–68**

outlook, **70**

performance, **68–69**

Home Ownership Program (HOP),
45–66

arrears management, **64–66**

customer characteristics, **46**

customer service and delivery, **47**

geographical distribution, **61–63**

history, 2

housing loans *see* housing loans (HOP)

lending operations *see* lending
operations (HOP)

loan discharges, **66**

loan portfolio, **59–63**

loan-to-valuation ratio, **64**

merged with HOIL, 11, 45, 128

objectives, **45**

ownership rate, 45

performance, 12, **45**

Home Ownership Team (HOT), 69

Homestead Centre (South Hedland, WA), 29

HOP *see* Home Ownership Program (HOP)

hotel accommodation portfolio, 36–39

housing loans (HOP), **50–59**

- assessment criteria, 50
- CEO review, 9, 11
- Chair’s message, 7
- deposits, 55
- incomes and loan amounts, 51
- interest rates, 54
- terms, 55
- see also* Home Ownership Program (HOP)

Hudson, David, 33

Hure, Dallas, 42

IBA Board, **93–97**

- access to advice, 96
- appointments, 8
- Committees *see* committees (Board)
- development and review, 95
- Directors *see* Directors (IBA)
- ethical standards, 95
- Governance Charter, 94
- indemnity and insurance, 96
- membership, **102–106**
- People Plan, 10
- related entity transactions, 95
- remuneration, 95
- review, 7, 95
- role, 94

IBA Building (Kalgoorlie, WA), 29

IBA consolidated accounts, 134

IBA Scholarship Fund, 2, 4, 11, 97, **130**, 132

Improvement notices, 118

incident and hazard reports, 118

income, 136, 137, 141–142

income assessment (HOP), 51

income base, 136

indemnity, 96

Indigenous Australians in Deed of Grant in Trust (DOGIT), 69

Indigenous Communities in Business (ICIB) projects, **126**

- Indigenous Community Volunteer Leave, 113, 116
- Indigenous Economic Development Strategy 2011–2018, 128
- Indigenous Economic Development Trust (IEDT), 39, 42
- Indigenous Economic Impact tool, 7, 41
- Indigenous Entrepreneurs Program, 2
- Indigenous Fishing Trust (Port Fairy, Vic), 34
- Indigenous Home Ownership Program
see Home Ownership Program (HOP)
- Indigenous Land Corporation, 8
- Indigenous tourism see tourism
- Indigenous Tourism Champions Program (ITCP), 124
- Indigenous Tourism Government Forum (ITGF), 124
- Indigenous Tourism Working Group (ITWG), 124
- industrial portfolio, 30
- insurance, 96
- Interaction* magazine, 116
- interest rates
 - HOP, 54
 - investment portfolio, 134
- internal governance, **97–99**
 - committees see committees (internal governance)
 - compliance assurance, 98–99
 - ethical behaviour, 98
 - Executive Management Team, 97, **119–122**
 - fraud control, 98
 - risk management, 98
- Into Business*TM workshops, 2, 74, **77**, 84
- Inverell Manufacturing Plant (Inverell, NSW), 30
- investment portfolio, **25–31**
 - commercial property, 28–30
 - financial results, 134
 - industrial, 30
 - manufacturing, 30
 - mining and mine services, 31
 - performance, 17
 - primary industries, 34
 - retail, 35
 - tourism and hotel accommodation, 36–39
- Investment Strategy (2010–15), 21, 41
- investments, **16–42**
 - Chair’s message, 7
 - objectives, **16**
 - outlook, **40–41**
 - partnership benefits, **18**
 - performance, 12, 13, **17**
 - philosophy, **20–21**
 - portfolio see investment portfolio
 - selection, **21**, 24
 - statutory requirements, 100

J

Jawoyn Association, 7, 19

joint ventures, 18

judicial decisions, 100

K

key events, timeline of, **4–5**

Kumar, Satish, 121

L

land rights, 123

learning and development, 116

legal and financial framework, **137**

legislative basis *see* *Aboriginal and Torres Strait Islander (ATSI) Act 2005* (ATSI Act)

lending credit risk criteria (BDAP), 84

lending operations (HOP), **56–59**

 funding, 56

 loan approvals, 57–58

 locations, 57

 waiting list, 59

Leonora Supermarket and Hardware (WA), 35

liabilities, 143

liability insurance, 96

loan approvals (HOP), 57–58

loan discharges (HOP), **66**

loan portfolio

 HOIL, **69**

 HOP, 59–63

loan-to-valuation ratio (HOP), **64**

loans, business *see* business loans

loans, housing *see* Home Ownership Program (HOP); housing loans (HOP)

Local Leadership Model, 115

loss salvage (investments), 86

M

Macklin, Jenny, *inside front cover*, 8, 93

McQueen, Kirsti, 121–122

management

 corporate *see* corporate governance

 internal *see* internal governance

management system rating scale, 116

manufacturing portfolio, 30

Mareeba Therapeutic Community, 42

maternity leave, 116

Merinda Recycling, 85

Milikapiti, 68

Miller, Wes, 19

mining and mine services portfolio, 31

mining supply chain projects, 126

Ministerial direction and oversight, 93, 99

Morison, Jenny, 8, 96

Mungo Lodge (Mungo National Park, NSW), 38

N

NAIDOC (National Aborigines and Islanders Day Observance Committee) Week, **125**

National Australia Bank (NAB), 2

National Reconciliation Week, 14

Native Title land rights, 123

Native Title Task Force, 10, **123**, 126

net asset growth, 135

New Housing Fund, 137

Ngarda Civil & Mining Limited (WA), 31

Nguiu (Bathurst Island), 68

Nitmiluk Tours, 7, 19

non-Senior Executive Staff (SES) Remuneration Committee, 116

O

occupational health and safety, **117–118**

Occupational Health and Safety Committee, 97

Office of Aboriginal and Torres Strait Islander Health, 5, 42

Office of Township Leasing, 68

O'Neill, Peter, 122

operating expenses funding, 17

organisational chart, 110–111

outlook

business ownership, **89**

CEO review, 11

Chair's message, 8

financial performance, **137**

home ownership, **70**

our organisation, **132**

investments, **40–41**

P

parliamentary oversight, 99

people management *see* staff

People Plan, 10, 116, 132

performance bonus, 116

Performance Management and Development System, 108, **115**

Port Botany Transfer Station (Matraville, NSW), 29

Portfolio Budget Statements, 94

portfolio management (BDAP), **86–88**

 HOP, **59–63**

 organisational structure, 110–111

 outlook, **40**

 performance, 17

 philosophy, 21

Portfolio Review Committee, 41, 97

postgraduate study, 11

primary industries portfolio, 34

professional development

 Directors, 95

 home lending officers, 47

program performance, **12–13**

property portfolio, 134

Provisional Improvement Notice, 118

Q

Queensland Drug and Alcohol Council (QDAC), 5, 42

Quirindi Aboriginal Corporation (QAC), 85

R

receipts (revenue), 136, 137, 141–142

Reconciliation Action Plan (RAP), 18, 113, **125**

recruitment exercises, 113

Registered Native Title Bodies Corporate (RNTBC), 123

remuneration

 Board members, 95

 senior staff, 117

 staff, 116

Remuneration Committee, 97

research projects, **127–128**

retail portfolio, 35

revenue, 136, 137, 141–142

reviews, external, 100

Reynolds-Adamson, Gail, 105

risk management

 BDAP, **84**

 internal governance, 98

S

safety, **117–118**

Scarborough House (Woden, ACT), 30

schedule of commitments, 148–149

schedule of contingencies, 150

Scholarship Fund, 2, 11, **130–131**, 132

scholarships, 2, 11, 97, **130–131**, 132

Scholarships Committee, 97

scrutiny *see* external scrutiny

Senate Standing Committees on
Community Affairs, 99

Senior Executive Service agreements,
117

Senior Executive Staff (SES)
Remuneration Committee, 97, 117

significant events, 100, **208**

Social Inclusion: How Australia is Faring
report, 101

sponsorship, **211–212**

staff, **108–132**

Aboriginal and Torres Strait Islander,
113

awards and recognition, 116

conditions, **115–117**

consultation, 115

counselling service, 118

development, 116

diversity, **112–113**

employment conditions, **115–117**

Enterprise Agreement, 5, 116

health and safety, **117–118**

management framework, 132

numbers, *inside front cover*

profile, **109–111**

recruitment exercises, 113

remuneration, 116, 117

superannuation, 116

training *see* staff training

workers compensation, 118

staff training

compliance assurance, 98

needs, 116

workplace diversity, 112

see also professional development

stakeholders, 10, **123**

Standing Council on Community,
Housing and Disability Services, 101

statement of changes in equity, 145

statement of comprehensive income,
141–142

Statement of Expectations, 93

Statement of Intent, 93

Strategic Economic Development
Initiatives (SEDI) Committee, 97

Strategic Plan (2011–13), **92**, 132

Stronger Futures initiative, 126

superannuation, 116

Sustainable Financial Futures
Strategy, 6

T

Tennant Food Barn (Tennant Creek, NT), 35

tertiary qualifications, 130

Thomas, Peter, 105

timeline, **4–5**

Tjapukai Aboriginal Cultural Park, 4, 7, 33

Tjapukai Aboriginal Cultural Park (Caravonica, Qld), 38

tourism, **123–124**

Chair's message, 7

development, 126

investment portfolio, 25–39

research, 127–128

Tourism Australia, 124

trainees, 109

training

Aboriginal Affairs Victoria (AAV), 76

Cicada Lodge, 19

Cummeragunga Farm, 34

investing for, 17, 18, 20, 24, 41

Mareeba Therapeutic Community, 42

staff *see* staff training

tourism, 36, 37, 38, 39, 126

Trust, Ian, 102

trusts, 39–40

U

Understanding Indigenous Business
longitudinal report, 127

V

Valuation Committee, 97

Values and Code of Conduct, 98

Vibe and Medina Grand Darwin
Waterfront Hotels (Darwin), 38

videoconferencing, 10

Viswanathan, Rajiv, 122

W

waiting lists for home loans, 59

whistleblower disclosure and protection scheme, 98

Wildman Wilderness Resort (Mary River National Park, NT), 38

Wilpena Pound Resort (Flinders Ranges, SA), 22, 39

Woods, Kaely, 120

Work Health and Safety (WHS) Committee, 117

workers compensation, 118

workforce see staff

Workplace Consultative Committee, 97

workplace diversity, **112–113**

workplace safety, **117–118**

workshop, *Into Business*TM, 2, 74, **77**, 84

write-offs (BDAP), 86

Wulirankuwu, 68

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