



Australian Government
Indigenous Business Australia

**INDIGENOUS BUSINESS
AUSTRALIA**

**ANNUAL REPORT
2012-13**

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. Through our programs, we 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.



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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.

Cover image: The Willis family at their home in Alice Springs. Read their story on page 74.



Australian Government
Indigenous Business Australia

20 September 2013

Senator the Hon Nigel Scullion
Minister for Indigenous Affairs
Parliament House
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 2013. 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*. The report has been approved by a resolution of the Board.

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 the audited financial statements were approved in accordance with a resolution of IBA's directors on 20 September 2013.

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

Yours sincerely

Dr Dawn Casey PSM FAHA
Chair, Indigenous Business Australia



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IBA staff member Timothy Sundar with CEO Chris Fry, receiving an award for his long and valued service to IBA.

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HIGHLIGHTS



JUL 12

IBA hosted its fifth annual breakfast event, in Hobart, during NAIDOC Week (see page 124).



NOV 12

Anthony Ashby and Claire Woodley (pictured) were welcomed to the Board of Directors (see page 101).



DEC 12

IBA invested in the industry-leading Indigenous telecommunications company Message Stick Communications (see page 28).

IBA successfully implemented its new financial management information system – on time and within budget.



OCT 12

IBA and the Quandamooka people of North Stradbroke Island formed the Minjerribah Camping joint venture to operate the former Straddie Holiday Parks business under the new trading name Straddie Camping (see page 22).



APR 13

IBA cleared the waiting list for home loans for the first time in the home loan program's 38-year history (see page 54).



MAR 13

Cheryl Cannon from Hope Vale became the first person in Queensland to build a home in her traditional community, with the assistance of an IBA home loan (see page 52).



MAY 13

IBA received the *Government Member of the Year* award from Supply Nation (see page 122).

IBA received a Gold award from the Institute of Public Administration Australia (IPAA) and a Silver award from the Australasian Reporting Awards for its 2011–12 Annual Report. Pictured at the IPAA Awards: Mr Andrew Metcalfe, AO, President of IPAA ACT and Secretary of the Department of Agriculture, Fisheries and Forestry; Professor John McMillan, AO, Australian Information Commissioner and Sandy Lolicato, Governance Officer IBA.



PERFORMANCE SUMMARY

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

Total price: \$168.3m

Total appropriation: \$34.2m

Targets are as specified in the revised Portfolio Budget statements for 2012–13.

Equity and Investments Program	Target	Result	Indigenous Home Ownership Program	Target	Result
Total price:	\$83.9m	\$101.2m	Total price:	\$47.4m	\$34.3m
Appropriation: Will not receive government funding, but will cover its operating expenses by prudently managing the investment portfolio.			Appropriation:	\$10.7m	\$10.7m
Objective: To assist and develop Indigenous Australians to achieve economic independence through direct investment and participation in commercial and joint venture business enterprises. For performance details see page 17.			Objective: To provide 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 45.		
Portfolio return (current year)	6.23% Cash + 3% ¹	6.4%	Number of new home loans	645	664
Portfolio return (rolling five years)	7.36% Cash + 3% ¹	4.8%	Aggregate loans in the portfolio	4,095	4,110
Number of Indigenous co-investors supported ²	20	21	Number of loans to applicants who have an adjusted combined gross annual income of not more than 125% of IBA's Income Amount	85%	81.9%
Distributions to Indigenous co-investors	6.23% Cash + 3% ¹	4.7% ³	Number of loans to applicants who are first home buyers	90%	93.5%
Proportion of Indigenous jobs supported by the investment portfolio	20%	25%	Number of remote Indigenous communities in which IBA is actively facilitating home ownership opportunities	10	12

Business Development and Assistance Program	Target	Result
Total price:	\$32.3m	\$32.8m
Appropriation:	\$23.5m	\$23.5m
Objective: To assist Indigenous Australians to succeed in business. This objective is achieved primarily through the provision of affordable business loans and support services to assist customers to successfully establish business. For performance details see page 67.		
Number of new loans approved	75	95
Number of businesses or prospective businesses provided with business advice or support	485	552
Number of participants that attended <i>Into Business</i> TM workshops	750	1,723
Number of Strategic Economic Development Initiatives	15	23
Number of Business Development Initiatives	25	96
Number of jobs created or supported through new IBA loan funding	230	300 ⁴
Number of active loans in the portfolio	300	288 ⁵
Percentage of loan accounts that were successfully finalised through loan repayment	70%	62% ⁶
Percentage of loan customers still in business 12 months after commencing business	85%	90%
Percentage of loan customers still in business 24 months after commencing business	75%	79%
Percentage of loan customers still in business 36 months after commencing business	65%	68%

1 The cash rate is calculated using the average Bank Bill Swap Reference Rate over the measurement period.

2 This KPI was changed for the 2012–13 financial year to reflect IBA's broader activities in supporting investment activity by Indigenous organisations, including by establishing the Traditional Owner and Native Title Unit, as described below. For 2011–12, the key performance indicator (KPI) referred to the 'number of new co-investments made during the budget year'.

3 Distributions are lower than anticipated as one investment made during the budget year has increased portfolio value but has not yet declared a dividend.

4 The number of jobs created includes 222 for Indigenous Australians. Research indicates that Indigenous businesses are more likely to employ Indigenous people.

5 The increased number of customers (43 in total) successfully repaying their loans in 2012–13 resulted in IBA falling short of this PBS key performance indicator.

6 IBA has finalised recovery actions on several old loans dating back to between 2003 and 2008. IBA wrote off nine loans more than planned, resulting in IBA falling short of this PBS key performance indicator.

For notes regarding definitions of KPIs refer to the program areas on pages 17, 45 and 67.

IBA is not directly appropriated as it is a CAC Act body. Appropriations are made to the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) portfolio department (an FMA Agency), and are then paid to IBA and 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) report on IBA's performance against the targets set out in the revised Portfolio Budget Statements 2012–13.

IBA HISTORY

- 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.
- The Home Ownership on Indigenous Land Program is established to facilitate Indigenous home ownership on community-titled land. IBA now has three core program areas.
- 2006** 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 delegates 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** IBA pilots *Into Business™* workshops across Australia, including in regional and remote areas.
- 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.
- 2013** Cheryl Cannon from Hope Vale became the first person in Queensland to build a home in her traditional community, with the assistance of an IBA home loan.



CHAIR REVIEW

A message from
Dr Dawn Casey

The Board has worked hard to bring IBA closer to achieving its vision for a nation in which Aboriginal and Torres Strait Islander peoples are economically independent and an integral part of the economy.

Strategic partnerships and collaborations

IBA is committed to building strategic partnerships with investment partners and other organisations. With their assistance, we can reach out to more people, improve the way we provide our services and deliver optimal outcomes for Indigenous communities.

This year, IBA and Supply Nation launched two new services to facilitate and maximise business opportunities for Indigenous owned and operated businesses (see page 122).

IBA's strong relationships with financial institutions enable our program areas to assist more Indigenous Australians to enjoy the social and economic benefits of home ownership. In 2012–13, we funded 196 home loans under a split loan arrangement, which leveraged an additional \$42 million from external lenders.

Innovative community enterprise development

In addition to supporting individual entrepreneurs, our work with communities and organisations to help establish enterprises is gaining momentum.

This year IBA supported 23 innovative projects under the Strategic Economic Development Initiative (SEDI) program.



This included a new banana farm at Hope Vale, creating a training, employment and business enterprise that will provide sustainable employment for the local Indigenous community. IBA has also collaborated with the University of Canberra and the Cherbourg Shire Council to establish Australia's first recycling facility in an Indigenous community. In addition, we developed projects to provide economic support to communities in the Northern Territory, Victoria and Western Australia, including assisting Indigenous businesses to engage with mining companies in the Pilbara region and other areas.

IBA has also contributed to the Australian Government's *Stronger Futures* initiative in the Northern Territory, by initiating two grassroots projects to develop small and micro-enterprises in Wadeye and Wurrumiyanga.

Measuring the broader effects of investments

IBA has rolled out the Indigenous Economic Impact Reporting tool, which the Board approved last year. The tool measures the return on our investments in terms of social benefits, such as the level of Indigenous employment and training, and procurement from Indigenous suppliers (see page 20). It allows IBA to monitor the results of its investments beyond direct financial returns.

It is timely and important to have a framework to measure the broader effects of our Indigenous economic development activities. We intend to use the results to develop and implement future strategies that deliver even better outcomes for Indigenous communities.

Record results for program areas

On 1 July 2012, the Australian Government merged IBA's two home loan programs into one – now called the Indigenous Home Ownership program. The program's results in its first year were extremely positive. We cleared the waiting list for home loans for the first time in the home loan program's 38-year history, and assisted 664 households into home ownership – a record number of loans.

IBA is also making progress in assisting Indigenous Australians to purchase a home on community-titled land. This year an IBA customer became the first person in Queensland to buy a home in their traditional community (see page 52). IBA and the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) are working with Queensland Government agencies and Indigenous shire councils to increase home ownership in remote Indigenous communities.

It was also a significant year for the Business Development and Assistance program, which provided 95 business loans – also the

highest number of loans since the program was moved to IBA. This achievement is the result of two years of process improvements and initiatives such as the *Into Business*™ workshops, which assist Aboriginal and Torres Strait Islander peoples to consider whether going into business is the right decision.

Investing in the future through the IBA Scholarship Fund

Now in its sixth year, the IBA Scholarship Fund is continuing to help shape Australia's future Indigenous leaders.

The Fund awards \$20,000 a year to mature-age, full-time Aboriginal and Torres Strait Islander students in Australia, to assist them to complete tertiary qualifications in business, financial, commercial or economic management. There were 14 active scholarships at the end of this financial year and seven people have graduated since the Fund began.

Outlook

IBA realises that relying on existing models will not be sufficient to close the gap in the areas in which we operate. As such, the Board has been working with the Executive Management Team to develop a set of strategies to improve the way our services are delivered. These strategies focus on innovative approaches to reach more customers and meet their needs. We will test and introduce improved products and processes to streamline our service delivery over the coming year.

We have already started piloting a new service delivery model based on extensive research and consultation with IBA customers and staff members. This involves improving our documents, processes and practices to enhance customer interaction and service.

This strategy development work is a valuable opportunity to evaluate the organisation from a fresh perspective, and will result in a new IBA corporate plan for 2014–16.

Acknowledgements

The Board was sorry to say goodbye to Dr Valerie Cooms, who served as an IBA Board director and a member of the Finance and Investment Committee since 2010. Valerie's vast knowledge and experience will be missed; however, she will continue to guide and be involved with the IBA Scholarship Fund.

IBA has a strong Board of directors whom I am honoured and proud to lead as Chair. Each Board director has extensive expertise in industry, commerce or finance, or has experience in Aboriginal or Torres Strait Islander community life or enterprises. This year, Deputy Chair Ian Trust won the Indigenous award category at the Western Australian of the Year Award 2013, which is an outstanding achievement.

I was pleased to welcome two new directors to the Board in November 2012. Claire Woodley and Anthony Ashby are already strengthening IBA's strategic and operational capabilities. At the end of the financial year, we were also delighted to welcome Nareen Young to the Board, whose professional experience will be an invaluable asset.

I would also like to thank the Hon. Jenny Macklin, MP, my colleagues on the Board, the Chair of our Audit and Risk Committee Jenny Morison, IBA CEO Chris Fry and other members of the Executive Management Team, along with all IBA staff members for their dedication and commitment to achieving IBA's objectives.



CEO REVIEW

A message from
Chris Fry

It has been a record year for IBA. In terms of home lending, the merging of the Home Ownership Program and the Home Ownership on Indigenous Land Program enabled us to assist 664 households into home ownership in the past year, compared to 404 in 2011–12. IBA approved home loans to the value of \$172.9 million, a 21 per cent increase on the previous record set in 2010–11.

It is also the first time in the program's 38-year history that the waiting list for home loans has been cleared. During the year, all 506 applicants on the waiting list for home loans – including new eligible applicants – were invited to apply for a loan. This compares to a waiting list of 1,323 eligible applicants four years ago.

The Business Development and Assistance Program also had a significant year in 2012–13. The program approved 95 business loans worth \$21.96 million and provided business support worth \$11.34 million. The number of business loan approvals increased to 95 from 85 loans in 2011–12 and these businesses created or supported 222 new Indigenous jobs.

People are continuing to respond positively to the *Into Business*[™] workshops, reflecting Indigenous Australians' significant desire to own their own business. It is most pleasing to see our customers successfully remaining in business. Survival rates for Indigenous businesses are higher than those for Australian businesses as a whole (see page 77).

IBA's Equity and Investments Program has generated almost \$80 million for our Indigenous partners, with the proportion of equity increasing from 22 per cent to 25 per cent since 1 July 2012. The program has also supported employment for 225 Indigenous Australians, paying total salaries of almost \$16 million.

IBA received a Gold award for its 2011–12 Annual Report from the Institute of Public Administration Australia (IPAA) ACT Division, and Silver at the Australasian Reporting Awards. These awards recognise the achievements of public sector agencies and excellent practice in public administration. The positive assessment of our reporting and accountability is another benchmark of excellence for IBA.

Financially, IBA's consolidated net assets have grown by \$41 million to \$1,093 million with the expansion in its loan and investment portfolio. Overhead costs management has continued to improve year-on-year and against approved targets.

Improving service delivery to our customers

IBA encourages staff members to actively put our customers at the heart of all our actions and decisions. To facilitate this, we have spoken to customers and examined our business processes and technology to see how we can improve efficiency, and be more effective in meeting the needs of customers. We will pilot a range of significant changes to our service delivery model in the next 12 months in response to customer feedback.

We will roll out the second phase of our information technology strategy in 2013–14, and include solutions such as a new customer relationship management tool to increase productivity. This will enable our staff to spend more time interacting with customers and greatly improve their experience of working with us.

IBA successfully implemented two major IT projects in 2012–13. We are now using video conferencing across our offices, improving communication and reducing the need for our staff members to travel. The new Financial Management Information System has also significantly increased our budgeting and reporting efficiency.

Investing in the capability of our staff members

To foster a motivated workforce that delivers excellent service, IBA provides a learning and development program for our staff members. This year, IBA introduced Harvard ManageMentor, an online learning module, as well as a Core Skills training program based on learning needs identified by IBA staff members and their managers. Senior staff members also attended a Leadership Development Program to build their management capabilities, giving them the tools and support they need to make organisational changes. We provided the leadership program in conjunction with Reconciliation Australia and Aboriginal Hostels.

Under our Reconciliation Action Plan and People Plan, we have introduced initiatives to build our cultural competency. More staff members have taken up Community Volunteer Leave or secondments, giving them the opportunity to work together and further connect with our customer communities. We held our second Aboriginal and Torres Strait Islander Staff Network conference this year, which is assisting us to develop our culture and business processes, and enhancing our ability to serve customers and use resources more efficiently.

Sharing knowledge and improving outcomes

I have regularly spoken to staff members across our regional offices about IBA's vision and plan for the future. I am always impressed with their dedication and the positive atmosphere in our offices.

IBA is continuing to form partnerships with Indigenous and non-Indigenous organisations that will help us fulfil our vision of economic independence for Indigenous Australians. We share our accrued knowledge and expertise with other organisations that assist Indigenous communities. For example, IBA is encouraging its investment partners to develop Reconciliation Action Plans, and to implement strategies and policies that create employment and training for Aboriginal and Torres Strait Islander peoples.

Our active research agenda continues to enhance our understanding of Indigenous economic engagement, and will enable us to deliver better programs and services to our customers.

I travelled to Canada with Governor-General Quentin Bryce and a small group of Indigenous leaders to meet with Canadian First Nations community leaders. The aim of the trip was to start a dialogue on Indigenous economic development in both countries. While our histories are different, Australia shares common challenges and opportunities with other First Nations people. By identifying these challenges and opportunities and sharing strategies and information, we can all improve the way we assist Indigenous communities.

Commitment to Indigenous procurement and employment

We are committed to deriving as many secondary economic results as possible through our business, home and investment programs, as well as our own activities such as Indigenous employment, procurement and training. For example, we are working closely with our investment partners to measure and improve economic development outcomes (see page 20).

We were proud to receive the Supply Nation *Government Member of the Year* award for transacting with Supply Nation-certified suppliers and helping develop Indigenous suppliers. The award recognises our contributions to building Indigenous businesses and facilitating their integration into corporate and government purchasing decisions.

Wherever possible, we aim to use Indigenous suppliers. We have revised and aligned our internal procurement procedures with this in mind, and I was glad to see that we spent more than \$2 million with Indigenous suppliers this year.

Outlook

IBA has had a record-breaking year. With regards to the record number of home loans, this was largely due to the merger of the two home loan programs, which released additional funds and enabled us to assist more Indigenous Australians to buy their own home. This increase in home loan approvals occurred largely without advertising or promotion, because historically demand has always outstripped capital. The IBA Board has asked the Executive Management Team to find additional sources of capital so IBA can assist an even greater number of Indigenous Australians to enjoy the benefits of home ownership. The Board has also asked us to work more closely with the banking sector to provide even more split loans to customers.

The Equity and Investments Program continued to provide good returns for Indigenous partners and improve employment outcomes. However, a small number of long-term investments underperformed or did not generate sufficient employment. In February 2012, the IBA Board agreed to a plan to progressively revise core business processes undertaken by the Equity and Investments Program. The year-long project has resulted in higher-quality proposals being put to the IBA Board, and greater involvement from private sector leaders who want to contribute towards Indigenous economic development. Importantly, by adopting best-practice processes, we have made the program more effective and efficient. Over the coming year, we will further embed these processes and seek opportunities to apply them to other IBA programs.

While IBA's services have served the organisation well over many years, they are not always as comprehensive or efficient as those a customer might experience in the banking sector. For example, IBA's home loan customers do not have electronic access to their home loan statements, and staff members do not have access to customer relationship management or workflow management systems. To address these shortfalls, the IBA Board has authorised a pilot project to develop best-practice service delivery approaches, and approved expenditure on customer relationship management and workflow management systems. These initiatives aim to improve the customer experience and further Indigenous economic development. The expenditure will be funded by internal cost efficiencies achieved over the past two years.

Acknowledgements

I am very proud of what IBA has accomplished in 2012–13. I wish to acknowledge the IBA staff members who tirelessly explore all avenues to help our customers achieve their financial goals. IBA owes the achievements of the past year to these dedicated staff members.

I would also like to pay tribute to my Executive Management Team who lead our programs and bring the IBA vision to life. Finally, I would like to thank the IBA Board members for their guidance and unfailing support during the year.

Workers at Ngarda Civil and Mining Pty
Ltd, one of IBA's investments.

PART 2: INVESTMENTS

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EQUITY AND INVESTMENTS PROGRAM

Objectives

IBA's Equity and Investments Program aims to promote self-management, self-sufficiency and economic independence for Aboriginal and Torres Strait Islander peoples. It does this by building and managing a substantial portfolio of sustainable investments, diversified by industry and geography, which collectively provide Aboriginal and Torres Strait Islander peoples with meaningful opportunities for:

- asset ownership
- capacity development
- wealth accumulation
- stable and enduring income streams
- employment and training
- supply chain contracts.

Performance

Performance against the Portfolio Budget Statements

Table 1 shows the program's performance against its targets.

Table 1: Equity and Investments Program performance summary, measured against the IBA Portfolio Budget Statements revised targets for 2012–13

2012–13 key performance indicator	Target	Result
Portfolio return (current year) ¹	6.23% Cash + 3% ²	6.4%
Portfolio return (rolling five years) ³	7.36% Cash + 3% ²	4.8% ⁴
Number of Indigenous co-investors supported ⁵	20	21
Distributions to Indigenous co-investors ⁶	6.23% Cash + 3% ²	4.7% ⁷
Proportion of Indigenous jobs supported by the investment portfolio ⁸	20%	25%

1 This measure indicates Portfolio Return during the year. It is calculated as the after-tax return generated by the investment portfolio in the budget year, expressed as a percentage of the average value of the investment portfolio during the budget year ('Portfolio Value'). It excludes IBA's financial investments and the interest earned thereon. Figures exclude the impact of valuation increment and decrement.

2 The cash rate is calculated using the average Bank Bill Swap Reference Rate over the measurement period.

3 This measure indicates Portfolio Return over a rolling five-year period (inclusive of the designated year). Figures exclude the impact of valuation increment and decrement.

4 The portfolio return over a rolling five-year period is lower than the target rate of return primarily due to lower than average portfolio performance in the 2008–09 and 2009–10 financial years.

5 This KPI was changed for the 2012–13 financial year to reflect IBA's broader activities in supporting investment activity by Indigenous organisations, including by establishing the Traditional Owner and Native Title Unit, as described below. For 2011–12, the KPI referred to the 'number of new co-investments made during the budget year'.

6 Total distributions to Indigenous co-investors in the budget year, expressed as a percentage of Indigenous co-investors' share of Portfolio Value averaged across the budget year.

7 Distributions are lower than anticipated as one investment made during the budget year has increased portfolio value but has not yet declared a dividend.

8 Total number of Indigenous peoples employed by employing investment portfolio entities, expressed as a percentage of total workforce, measured quarterly.

IBA financial performance

As at 30 June 2013, IBA's share of the investment portfolio was valued at \$206 million across 32 investments in the tourism, industrial (mining and manufacturing), communications, retail and commercial property sectors as well as three trusts.

In line with the program's objectives, IBA has actively sought to pursue new investment opportunities and to prudently exit from existing investments as it deems appropriate. The latter strategy allows IBA to re-use capital for further investments and transfer ownership to Indigenous co-investors. During the year, IBA completed five new investments and three divestments. The IBA Board has also approved

one new investment and three divestments, and these are currently being executed.

In 2012–13, IBA's investment portfolio generated more than \$13.6 million in distributions for IBA. This is an increase of 32 per cent on the prior reporting period. These funds will be used to pursue new investment opportunities, and to reinvest in existing investments to enable their growth and ongoing plans.

The Equity and Investments 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 2013, the program employed 25 full-time staff in Brisbane, Canberra, Perth and Sydney.

Impact

IBA aims to generate meaningful economic development outcomes for Aboriginal and Torres Strait Islander peoples through the program. In particular, IBA seeks to develop and implement new strategies that deliver more than just direct financial returns.

Wealth accumulation and enduring income streams for Indigenous partners

As at 30 June 2013, Indigenous partners held, in aggregate, equity in the portfolio worth \$80 million. The proportion of equity has increased from 22 per cent to 25 per cent since 1 July 2012.¹

During the 2012–13 financial year, IBA's Indigenous partners received \$4 million in distributions from their investments in the portfolio.

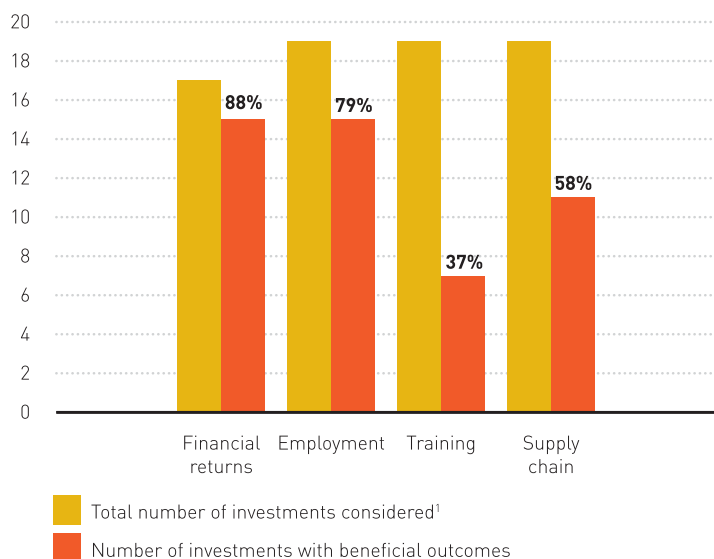
These results are described further in 'Key areas of impact' on page 24.

IBA has developed an Indigenous Economic Impact Reporting tool based on internationally accepted methodologies for measuring social return on investment. The tool measures the beneficial effects of IBA's investments. It captures and reports on data every quarter in four key impact areas: financial returns to Indigenous partners (see pages 24–25), employment, training and supply chain opportunities. IBA selected these areas based on its ability to directly influence the associated outcomes.

The Indigenous Economic Impact Reporting tool reflects best practice measurement and evaluation techniques. It places IBA among the leaders in impact measurement compared with other government agencies, and more broadly across related fields in the investment industry (in which the concept of impact measurement is gaining prominence).

¹ Excludes an additional \$3.3 million in equity divested to Indigenous partners during the 2012–13 financial year.

Figure 1: Total number of investments considered and number and percentage of investments with beneficial impacts



¹ IBA did not include commercial property portfolio performance for employment, training and supply chain outcomes. Financial returns outcome only includes investments with an Indigenous partner.

Please see pages 24–27 for more information on these performance indicators.

CREATING OPPORTUNITIES THROUGH STRONG PARTNERSHIPS

The Minjerribah Camping Pty Limited business venture was the result of three years of negotiations between IBA and the Quandamooka Yoolooburrabee Aboriginal Corporation (QYAC) Registered Native Title Body Corporate.

The first enterprise of the joint venture – Straddie Camping – is generating economic, employment and social benefits for the Quandamooka people of North Stradbroke Island.

The island's original camping business – Straddie Holiday Parks – was previously under the trusteeship of Queensland's Redland City Council. A historic Native Title Determination transferred ownership of the business and control of the land on which it was operating from the Council to QYAC.

Prior to the determination, QYAC – in partnership with IBA – was negotiating with the Council to purchase the camping business, after identifying its potential to generate employment and revenue for the island's Indigenous population.

QYAC Chair Cameron Costello led the negotiations alongside Elder Uncle Bob Anderson. He recalls that the negotiation process was unique. 'It was initially IBA and QYAC negotiating with Redland City Council', he said. 'But when the Native Title Determination came down, and we were suddenly trustees of the island, it became QYAC negotiating with IBA.

'That was an interesting situation because suddenly Uncle Bob and I were on opposite sides of the table to David Vigar [IBA's Head of Acquisitions] and Will Tynan [IBA's Manager of Acquisitions] having these hardcore discussions. And then in the end – because we all wanted the same outcome – we'd shake hands and say "see you in the boardroom later mate"'.

IBA and QYAC signed their commitment to the joint venture on North Stradbroke Island in November 2012.

The camping business has now been rebranded as Straddie Camping. Minjerribah Camping has taken over administration and management of the island's six holiday parks and two foreshore camping grounds (a total of 1,200 sites).

From left to right: IBA's David Vigar and Will Tynan, Minjerribah Camping Pty Ltd Directors Cameron Costello and Elder Uncle Bob Anderson.

With more than 85,000 people visiting North Stradbroke Island each year, the venture is producing significant employment and income outcomes for the Quandamooka community. Currently 50 per cent of staff are Indigenous, with further employment expected from a capital works program to upgrade and expand camping facilities, create public art and signage and further develop the island's tourism and cultural potential. Uncle Bob Anderson believes this employment will encourage Quandamooka people to remain or return to working on their island home.

The business venture has the approval of local Elders, who in February 2013 bestowed their blessings, prayers and gifts on Straddle Camping's staff, stakeholders and bookings office.

'The blessing delivered an important message to the Indigenous community about their ownership of the joint venture', said Cameron. 'It was a really good and important way to say this is not just an IBA thing; this is actually our business, in partnership with IBA'.



Key areas of impact

IBA brings together Indigenous Australians and, where applicable, industry partners into sustainable ventures. These ventures provide Aboriginal and Torres Strait Islander peoples with meaningful opportunities to accumulate wealth, develop their capacity to participate in Australia’s economy, create jobs, increase training and skills development, and supply goods and services.

Accumulating wealth

IBA’s primary objective is to build wealth for Indigenous peoples by participating in a range of diverse commercial investments. When making investments, IBA:

- undertakes thorough and rigorous assessment and due diligence prior to acquiring an asset
- manages the asset over the life of the investment
- adheres to strong corporate governance principles
- applies sound commercial judgement.

Figure 2 illustrates the long-term trend towards increased Indigenous equity in the investment portfolio since 1 July 2008.

Figure 2: Value and percentage of Indigenous equity in the investment portfolio and percentage owned by Indigenous partners



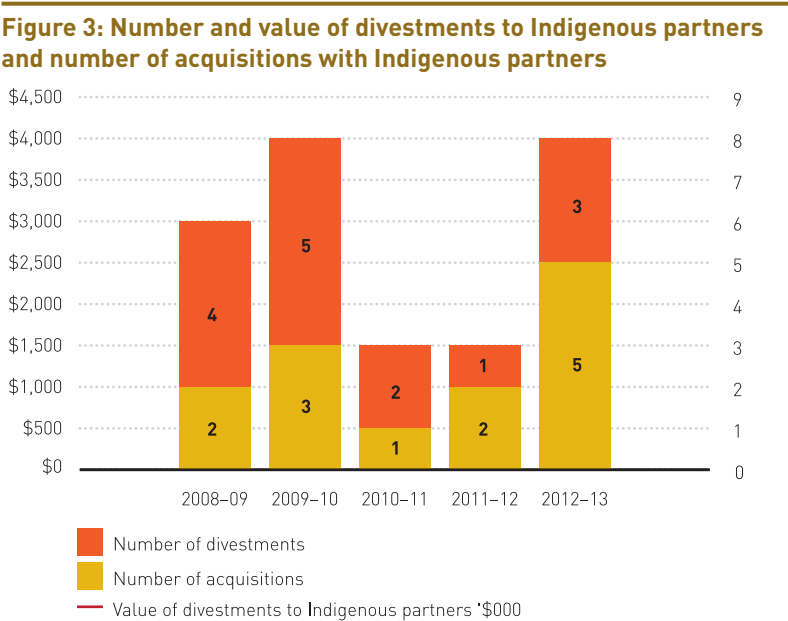
To ensure that capital is regularly available for new investments, IBA must be able to exit its existing investments in a timely and efficient way. One way to do this is by transferring ownership or selling its equity to its Aboriginal and Torres Strait Islander partners.

IBA works closely with partners to implement clear pathways to ownership in line with objectives set at the start of an investment. To ensure the enterprise’s sustainability, IBA provides training and mentoring to develop the capacity of its partners to manage the business (see ‘Capacity development’ on page 26 for more details), and makes certain the new arrangements are structured for success.

In 2012–13, IBA sold its share in the Chifley Alice Springs Resort to its Indigenous partner, and is divesting its stake in other investments to facilitate Indigenous ownership and/or control.

IBA also has the flexibility to invest in proposals that have strong economic development outcomes for Aboriginal and Torres Strait Islander peoples. These are discussed in more detail on page 26-27.

IBA improved its acquisition activity in the 2012–13 financial year, making five new investments and divesting \$3.3 million in equity to Indigenous partners (see Figure 3).



Capacity development

IBA recognises the importance of supporting its current and potential Indigenous partners to fully participate in Australia’s economy. To do this, it provides mentoring and training to develop the capacity of its partners to manage a business or invest in opportunities. IBA’s investments also provide partners with opportunities to find employment or supply goods and services.

IBA believes that employing Indigenous Australians in the Equity and Investments Program will enhance its ability to meet investment objectives by providing a better understanding of the opportunities and challenges faced by its Indigenous co-investors. The program currently employs four full-time Indigenous staff members. There are also two internships available for Indigenous Australians through the CareerTrackers program (see page 107). IBA hopes to increase the number of Indigenous employees in this program, including by recruiting graduates in future years.

In 2012–13, the establishment of the Traditional Owner and Native Title Unit within the Equity and Investments Program has enhanced IBA’s capacity-building abilities. The unit will support Traditional Owner groups and Native Title holders to maximise economic development opportunities from their rights in lands and waters, by assisting them to:

- build their capacity to make informed strategic, governance and investment decisions
- build a sustainable capital base and income streams from the proceeds of their Native Title and other agreements
- use their capital and income to create and pursue sustainable investment, business, commercial and employment opportunities for their constituents.

.....
**In 2012–13, IBA’s
investments provided
employment for
225 Indigenous
Australians, resulting
in total salaries of
\$15,772,000.**
.....

Through this unit, IBA is broadening its reach beyond current partners to build the pipeline of well-governed, well-advised, investment-ready Indigenous organisations, positioning them for self-sufficiency and self-management.

Creating jobs

The majority of IBA’s investments create direct employment opportunities for Indigenous Australians, as many are located in areas with a high proportion of Aboriginal or Torres Strait Islander peoples. To ensure its investments support Indigenous employees, IBA:

- develops partnerships with Indigenous Australians and local employment service providers
- promotes inclusive and culturally aware workplaces

- implements best-practice Indigenous employment and retention strategies
- assists staff members who move or plan to move from Indigenous communities to pursue employment opportunities.

In 2012–13, IBA’s investments provided employment for 225 Indigenous Australians, resulting in total salaries of \$15,772,000.

Increased training and skills development

IBA believes that job-relevant training significantly improves Indigenous people’s ability to become economically self-sufficient. As such, IBA actively encourages its investee businesses and capability partners to provide training for their Indigenous employees. This training includes formal skills development, on-the-job training, traineeships, apprenticeships, cadetships and mentoring.

Some of IBA’s investments have a strong focus on formal training. For example, Ngarda Civil and Mining’s Ngarda People division provides nationally accredited training to all employees, to develop their capacity to improve their work prospects and gain broader benefits. Ngarda has trained hundreds of Indigenous employees who either continue to work with the company, IBA’s major clients or elsewhere in the industry.

.....
**In 2012–13, IBA
 invested \$158,130
 in training for
 114 Indigenous
 Australians.**

Supply chain opportunities

During the 2012–13 financial year, IBA’s investments procured more than \$4 million worth of goods and services from Indigenous suppliers. This presents a significant opportunity for IBA to support Indigenous small and medium businesses. IBA works with Supply Nation, Indigenous chambers of commerce and other local networks to identify Indigenous-owned businesses that can supply the goods and services that IBA needs.

For example, in 2012–13 IBA negotiated a contract with a single national property management firm to manage the majority of its commercial properties. The arrangement enables service contracts to be aggregated and offered to a new or growing Indigenous business.

.....
**In 2012–13, IBA
 procured goods and
 services from more
 than 63 Indigenous
 suppliers, creating
 \$4,216,733 in financial
 benefits for Indigenous
 Australians.**

DIVERSIFYING THE INVESTMENT PORTFOLIO

As part of its commitment to diversify its investment portfolio, IBA formed a joint venture with a leading company from the communications industry.

Message Stick Communications Pty Ltd is Australia's first Aboriginal national telecommunications provider and has been trading since 2005. It provides unified communications services such as professional telephone, mobile, broadband and internet to a range of corporate and government clients, including Allens, KPMG, Lend Lease, Qantas and Westpac.

CEO and founding Director of Message Stick, Michael McLeod, is a pioneer within the Indigenous business sector and has worked extremely hard to earn his position as one of Australia's most successful Aboriginal businessmen.

When the IBA Board approved the decision to acquire shares in the company from foundation shareholders, the Aboriginal ownership of the business increased from 51 per cent to 67 per cent. IBA owns 31 per cent of the business, and Message Stick's Director and Chief Financial Officer Designate Dugald Russell owns the remaining 2 per cent.

'With investment from IBA, Message Stick was able to step up to the next challenge while retaining a majority Indigenous shareholding', says Michael.

The business has gained access to – and built relationships with – CEOs and key executives in Australia's largest companies, based on its majority Aboriginal ownership and Supply Nation certification. Message Stick focuses on high-quality customer service and its core values of respect, integrity and good faith.

'Through its anticipated strong returns, the investment will help IBA's Investments program to fund its broader work in the area of Indigenous economic development', says IBA Chair Dawn Casey.

Message Stick has experienced annual growth of more than 100 per cent, and continues to expand on its existing products and services, particularly in the area of corporate-grade managed video conferencing. Through additional recruiting, the company is hoping to mentor the next wave of Indigenous entrepreneurs, who can then apply their skills either within the business or externally.

With IBA's encouragement, Message Stick can also use its prominent position and strong relationships with its corporate clients to advocate for greater levels of Aboriginal and Torres Strait Islander employment and engagement with other Indigenous suppliers.

Message Stick Directors Dugald Russell and Michael McLeod. Photo by Cole Bennetts, courtesy and copyright of Reconciliation Australia.



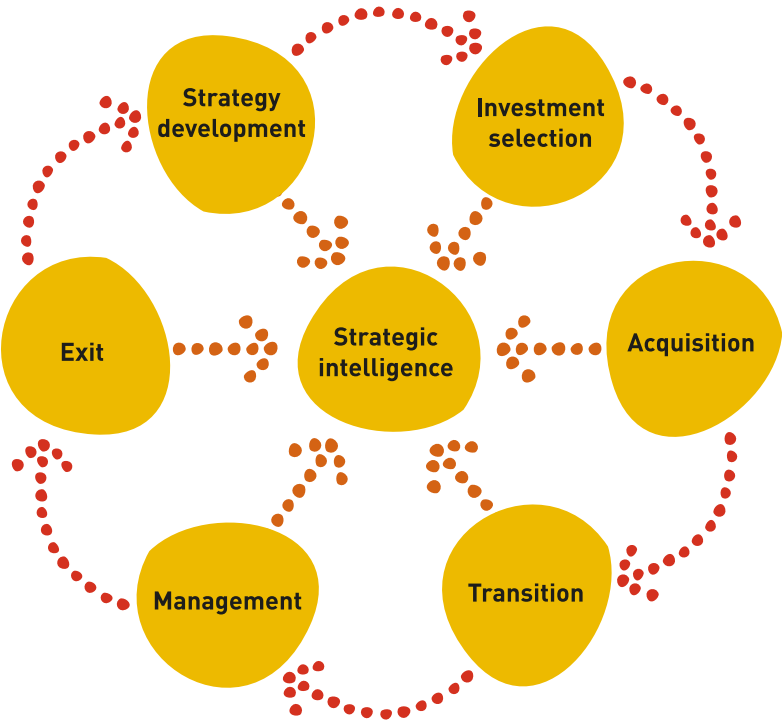
Investment strategy

Investment life cycle

Over the last financial year, IBA has refined its portfolio management model to ensure it reflects broader market conditions, the needs of current and potential Indigenous partners and the IBA investment selection criteria.

Figure 4 illustrates the expected investment life cycle. Each stage of the investment process is underpinned by strong strategic research, and economic, market, investment-specific and demographic intelligence.

Figure 4: IBA's investment life cycle



Investment selection

IBA's investment selection processes ensure capital is prudently allocated to opportunities that maximise investment returns. Table 2 sets out the key investment selection criteria.

Table 2: Factors taken into account when selecting investments

Criterion	Definition
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	IBA considers the potential for the investment to deliver: <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 portfolio's risk is diversified to minimise the effects 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 investment activities.
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.

Risk management

IBA seeks to deliver a positive net return after management and operating expenses, assessed over a reasonable time period, to the organisation and its partners. It does so by identifying and managing risk within the portfolio, through:

- maintaining an appropriately diversified portfolio that balances risk and return, to deliver a comparable commercial rate of return relative to the cost of capital
- matching the risk profile of investments to the current and anticipated future economic environment
- minimising losses on investments through constant monitoring and early intervention
- releasing capital for reinvestment through divestments or partial equity sell-downs.

Over the past 12 months, IBA has developed and implemented procedures for quarterly portfolio reviews, investment selection and structuring, and risk management. These procedures set out specific measures that minimise risk to the portfolio and individual investments. They take into account the latest developments in risk management and governance, and were developed in conjunction with external industry specialists.

In addition, IBA is continuing to strengthen its Governance, Assurance and Compliance Framework, which involves significant work to enhance portfolio management and risk management practices. The Framework will set out the standard of corporate governance that IBA expects each of its investments to have in place. It will include risk management; fraud control; an enterprise agreement, where applicable; appropriate work, health and safety standards; environmental standards; business continuity planning; reconciliation action planning; and compliance with applicable laws and policies.

Investment portfolio

IBA's investment portfolio comprises 32 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), as well as the Indigenous Economic Development Trust, Asset Leasing Trust and Dominican Indigenous Education Trust. Three investments are currently being divested and are not trading.

Figure 5: Investment portfolio by sector (\$'000) and percentage, as at 30 June 2013²

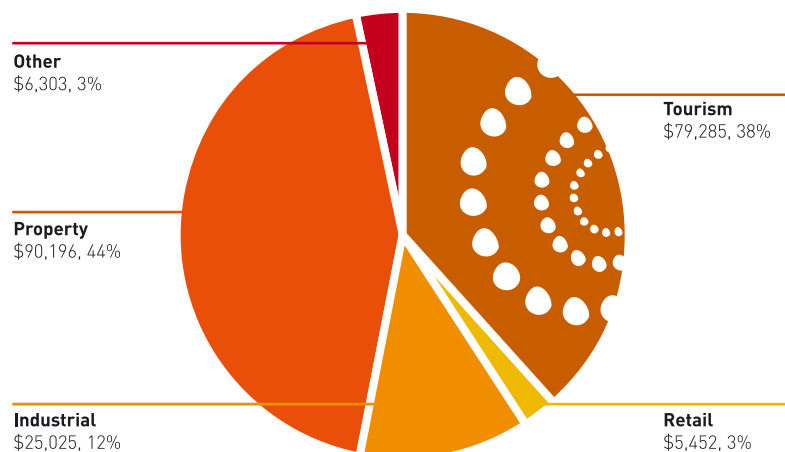


Figure 6: Value of investment portfolio by metropolitan, regional and remote areas (\$'000), as at 30 June 2013³



² Values are based on IBA's share of equity in the relevant investment as at 30 June 2013.

Commercial property

Commercial property is a key component of IBA's portfolio. It provides relatively low-risk returns in comparison to other asset clusters (industrial, tourism and retail) and offers Indigenous partners access to capital gains and sustainable income streams on which to build their financial futures.

Table 3: IBA commercial property portfolio overview

Investment	Year IBA purchased	Indigenous partner	Highlight
Commonwealth Centre, South Hedland	2000	IBN Corporation	Stable income stream and capital growth from leases to local Indigenous and private sector organisations.
CPS Building, Adelaide	2003	Nil ¹	Accommodates a range of mostly private sector tenants.
Goldfields Building, West Perth	2002	Perth Noongar Foundation and the Noongar Country Economic Foundation	Stable income stream and capital growth from leases to a range of private sector tenants associated with the resource sector.
Government Centre, Katherine	2000	Nil ²	Stable income stream and capital growth from a long-term lease to an Australian Government tenant.
Homestead Centre, South Hedland	1993	Port Hedland Regional Aboriginal Corporation	Stable income stream and capital growth from leases to a range of private sector tenants.
IBA Building, Kalgoorlie	2003	Nil ²	Stable income stream and capital growth from a lease to Kalgoorlie Indigenous Coordination Centre, which provides an important range of services to the local community.
Port Botany Transfer Station	2007	Yarnteen Aboriginal and Torres Strait Islanders Corporation	Stable income stream and capital growth from a long-term lease to Veolia Environmental Services.

Investment	Year IBA purchased	Indigenous partner	Highlight
Scarborough House, Woden	2001	Wunan Foundation, Gundjeihmi Aboriginal Corporation, Yarnteen Aboriginal and Torres Strait Islanders Corporation, Groote Eylandt and Bickerton Island Enterprises Aboriginal Council	Stable income stream and capital growth from a long-term lease to a major Australian Government department.
Stony Creek Stores, Halls Gap	2012	Martang Inc.	Stable income stream and capital growth from leases to hotel and retail tenants. Also offers the opportunity to develop local Aboriginal property maintenance and management expertise, providing further opportunities for revenue, employment and training.
Townsville Central	2013	Nil	Seed asset for Indigenous Real Estate Investment Trust.

1 Currently being divested.

2 Currently being divested into a new structure with Indigenous co-investment.

Industrial

The industrial portfolio comprises a diverse range of assets that provide IBA and its partners with exposure to a cross-section of key sectors in the Australian economy. In addition to financial returns, the investments offer non-financial benefits in the form of jobs, training, and procurement of Indigenous-owned goods and services. In 2012–13, IBA acquired a stake in Message Stick (see page 28), the first time it has been active in the growing information communications and technology sector.

Table 4: IBA industrial portfolio overview

Investment	Year IBA purchased	Indigenous partner	Highlight
Manufacturing			
Inverell Manufacturing Plant	2008	Nil	The business has been repositioned for expansion through a change in strategy, and the introduction of new operating processes and technology. A Reconciliation Action Plan and Indigenous Engagement Strategy are in the final stages of development.
Mining and mine services			
Carpentaria Shipping Services, Port of Bing Bong	1995	Mawa Riinbi Pty Ltd	A low-risk and profitable investment for shareholders, currently exploring growth opportunities linked to a potential increase in mining activity in the region.
Ngarda Civil & Mining Limited, Belmont	2001	Ngarda Ngarli Yarndu Foundation	Provides training and employment opportunities to Indigenous peoples in the Pilbara region of Western Australia.
Agribusiness			
Cummeragunga Farm, Barmah	2005	Nil ¹	A local Indigenous organisation, Ulunja Incorporated, leases a section of the property to support its timber business. IBA has also been working with a local registered training organisation to develop and deliver training in commercial farming operations to the local Indigenous community.
Indigenous Fishing Trust: abalone licence, Port Fairy	2004	Nil ¹	IBA is currently in the process of divesting this licence.

¹ Currently being divested.

Investment	Year IBA purchased	Indigenous partner	Highlight
Telecommunications			
Message Stick Communications Pty Ltd, Sydney	2012	Michael McLeod	The investment represents an opportunity for IBA to support a pioneering Indigenous business in its next phase of growth, while also generating a strong commercial return on its invested funds.

Retail

IBA recognises the important role that retail stores play in remote and regional communities. Well-managed stores with stable ownership provide a range of skilled and unskilled employment opportunities and platforms for staff training and development. They also provide communities with food security and families with access to nutritious, reasonably priced fresh produce.

Table 5: IBA retail portfolio overview

Investment	Year purchased by IBA	Indigenous partner	Highlight
Leonora Supermarket and Hardware	2007	Nil	As well as providing a commercial return, without this service residents would be forced to travel more than 250 kilometres each way to Kalgoorlie to do their basic grocery shopping.
Tennant Food Barn, Tennant Creek	2008	Julalikari Council Aboriginal Corporation	As well as providing a sustainable income stream, the Tennant Food Barn offers employment opportunities for local residents. IBA is currently negotiating with Julalikari to sell down a substantial portion of its holding in this investment.
Laverton Motors	2013	Nil	Laverton Motors has recently been acquired as part of the Leonora Investment Trust.

Tourism and hospitality

The tourism and hospitality portfolio contributes significant non-financial benefits to Aboriginal and Torres Strait Islander peoples. This is because of the location of assets, the types of jobs available and the ability to use Indigenous-owned services such as touring and arts-based enterprises. While the majority of IBA's assets in this sector are located in remote regions and linked to important cultural and natural features that act as tourist attractions, IBA also holds a number of investments in key markets that provide strong financial returns.

Table 6: IBA tourism and hospitality portfolio overview

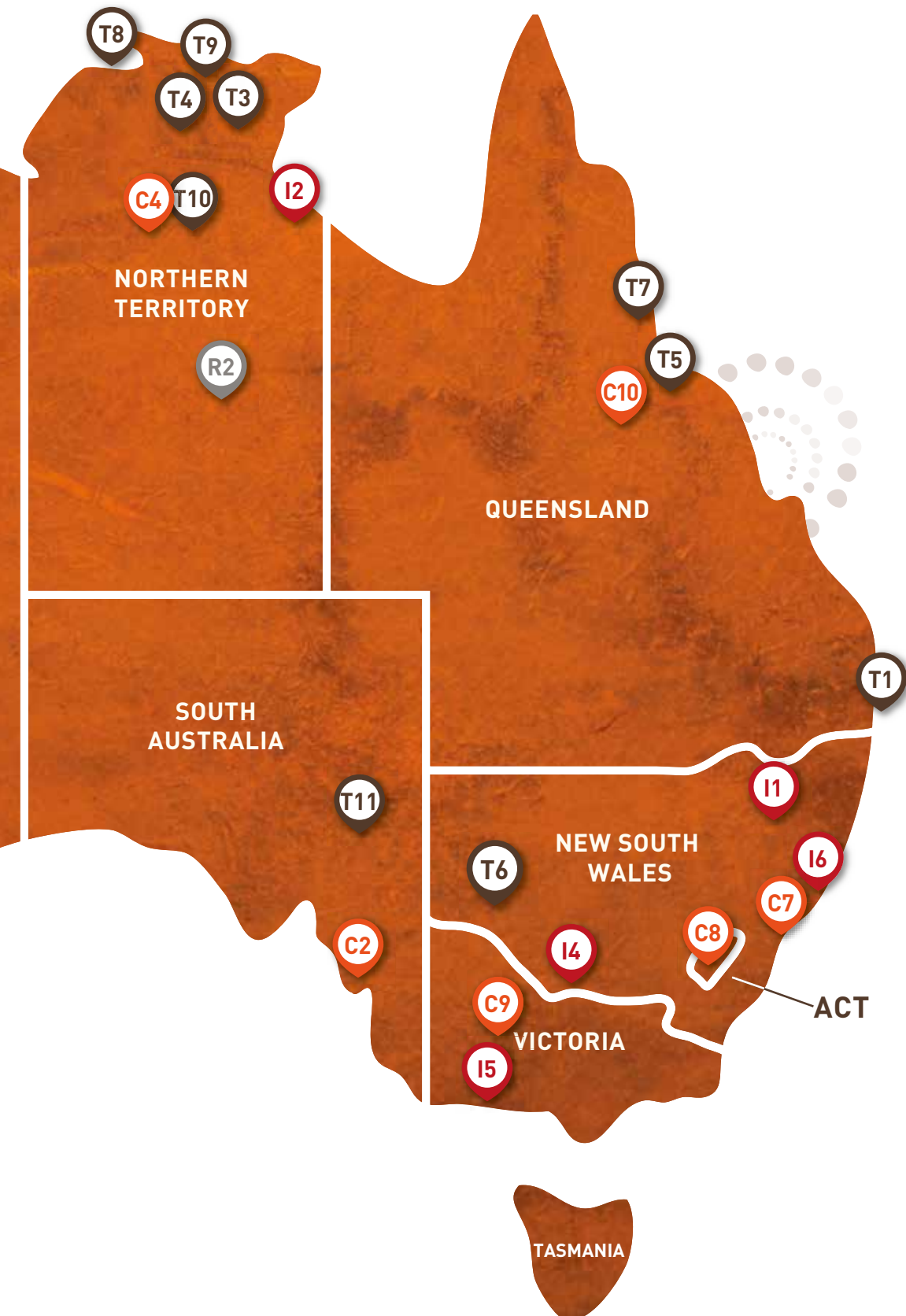
Investment	Year IBA purchased	Indigenous partner	Highlight
Fitzroy River Lodge, Fitzroy Crossing	1989	Leedal Pty Ltd	Leedal uses the income from its investment in the lodge to subsidise a number of social programs for its community members.
Gagudju Crocodile Holiday Inn, Jabiru	1999	Gagudju Association	The Gagudju Association represents 10 local clan groups and actively participates in governing the asset, ensuring that it makes decisions with a focus on Indigenous outcomes.
Gagudju Lodge, Cooina, Jim Jim	1999	Gagudju Association	The asset generates income from tours, and a retail outlet and petrol station. With peak employment numbers at approximately 100, the lodge consistently employs up to 20 local people. It also significantly improves economic outcomes for Indigenous peoples, through a 48 per cent Indigenous partner shareholding and active Indigenous board participation, and by supporting the southern region of Kakadu.
Holiday Inn, Townsville	2008	Nil	The hotel is managed by InterContinental Hotels Group, which works with IBA to increase Indigenous employment and training opportunities. IBA is continuing to seek potential Indigenous co-investors for this asset.
Mungo Lodge, Mungo National Park	2003	Nil ¹	IBA is in the process of divesting Mungo Lodge.

¹ Currently being divested.

Investment	Year IBA purchased	Indigenous partner	Highlight
Tjapukai Aboriginal Cultural Park, Caravonica	1996	Nil	Tjapukai remains the largest employer of Indigenous peoples in North Queensland and has showcased the culture of the Djabugay rainforest people to more than 3 million visitors during the past 25 years, injecting more than \$35 million to the local Indigenous community in wages, royalties and the purchase and commissioning of art and artefacts. Tjapukai will undergo a \$12 million redevelopment over the next two years.
Vibe Hotel Darwin and Adina Apartment Hotel Darwin Waterfront	2009	Nil	The hotels have strategies to attract and retain Indigenous staff members, including cultural competency training, employment targets and training programs that fast-track talented Indigenous employees to become managers. IBA is seeking potential Indigenous co-investors for these assets.
Wildman Wilderness Resort, Mary River National Park	2011	Nil	IBA is currently reviewing the Wildman business model, including seeking partnerships with local Traditional Owners.
Cicada Lodge, Nitmiluk Gorge	2013	The Jawoyn people (Traditional Owners of the Nitmiluk Gorge)	The lodge caters for travellers looking for an authentic Indigenous cultural and natural Australian wilderness experience. The lodge complements the local Jawoyn tour business.
Wilpena Pound Resort, Hawker	2012	Adnyamathanha Traditional Lands Association Inc	IBA and the Traditional Owners are working closely with management to provide training and employment opportunities for local Indigenous peoples.
Minjerribah Camping Pty Limited, Stradbroke Island	2012	Quandamooka Yoolooburrabee Aboriginal Corporation (QYAC) Registered Native Title Body Corporate	IBA and Traditional Owners have created an enterprise that currently employs a 50 per cent Indigenous workforce and has strong growth potential.

Figure 7: Principal investment sites by asset cluster and location, as at 30 June 2013





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. 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.

In 2012–13, the IED Trust delivered a key project for the Department of Health and Ageing, providing much-needed staff housing in Normanton, Queensland. Providing essential service infrastructure in remote communities demonstrates the IED Trust's flexibility to improve the lives of Indigenous Australians within a commercial framework.

Asset Leasing Trust

The Asset Leasing Trust (ALT) was established in 2010 to provide leasing services to Indigenous businesses, and works with and supports the objectives of the IED Trust.

Like the IED Trust, the ALT provides leasing solutions for Indigenous individuals, partnerships and organisations. The leases offer competitive terms on a range of assets (usually vehicles and equipment) 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 supports Indigenous education through grants and scholarships.

The proceeds of the sale of the All Hallows property (an old Catholic convent and school) in Bathurst are managed in a fund, and the interest is available to distribute to Indigenous students in New South Wales. The DIET moneys are in a term deposit with a major bank. IBA assists in administering the trust and identifying eligible students, whose educational costs will be supported by the fund.

Outlook

Market conditions remained soft in 2012–13, with leading research houses estimating that economic growth may slow in 2013–14 as activity in the mining sector diminishes and consumers reduce their spending.

Over the forthcoming year, IBA anticipates that its resources and non-mining sector investment plans may remain muted due to weak domestic demand and the strong Australian dollar (despite its recent falls). IBA also notes the continued uncertainty in the Eurozone, periodic signs of weakness in China and an ongoing slowdown in domestic employment growth.

Against this background, IBA remains relatively well placed to pursue certain investment opportunities given its longer-term focus, ability to fund acquisitions from an existing capital base, and flexibility to partner with investment-ready Indigenous organisations that want to make better use of their investable assets.

IBA plans to focus its investment activities in sectors that are experiencing cyclical weakness, are relatively undervalued and/or have solid underlying growth potential. This may result in IBA diversifying into new areas of the economy, in addition to taking a more proactive and opportunistic approach to its existing sectors.

More broadly, over the next 12 months the Equity and Investments team plans to focus on the following key activities.

Prudent portfolio management

IBA made significant enhancements to its investment program's operating framework over the last year, and has diversified its portfolio by making new investments and strategic divestments.

To ensure its investment portfolio reflects broader local and international market conditions, as well as IBA's corporate objectives, IBA will prioritise the finalisation and implementation of its sector strategies. These will support the enhanced investment approach, and will include divesting legacy assets and proactively acquiring new assets that align with the sector strategies.

.....
**In 2012–13, the
Dominican Indigenous
Education Trust
provided financial
assistance to 113
students.**
.....

Innovation in service delivery

IBA will pursue innovative product development in partnership with the private sector, including:

- establishing an Indigenous Real Estate Investment Trust to expose Indigenous investors to a diversified commercial property portfolio, with integrated economic development outcomes
- proposing new initiatives to support Indigenous entrepreneurs with growth capital, mentoring, education and access to corporate networks
- developing innovative financing structures to attract private participation in Indigenous economic development.

Broader economic impact

Through its investments, IBA will continue to generate non-financial benefits for Indigenous Australians. Its aim is to be a leading practitioner of 'impact investing' within Australia and internationally. In addition to other initiatives, IBA intends to work with investment partners to implement Reconciliation Action Plans. It also plans to implement Indigenous Engagement Strategies and performance targets for each key area of impact for each investment, to maximise non-financial benefits for Indigenous Australians.

Creating jobs

IBA has been working with the Indigenous Land Corporation to offer jobs to graduates from its training programs. Over the next year, IBA hopes to enhance this collaboration and explore opportunities for further cooperation.

Capacity development

IBA will refine how it supports Traditional Owner and Native Title organisations to maximise economic development opportunities arising from their settlements and determinations. To achieve this, IBA will develop best-practice governance, business and investment strategy frameworks that these organisations can use.

Ken and Deanne Markwell at their home
in Queensland (see page 60).

A photograph of a man and a woman, Ken and Deanne Markwell, standing outdoors in front of a house. The man is on the left, wearing a dark blue polo shirt and light-colored trousers, with his arms around the woman. The woman is on the right, wearing a dark top, smiling. The background shows a green-roofed house and trees. There are decorative white dots on the left side of the image.

PART 3: HOME OWNERSHIP

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46	INDIGENOUS HOME OWNERSHIP PROGRAM
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46	Performance
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INDIGENOUS HOME OWNERSHIP PROGRAM

Objectives

IBA's Indigenous Home Ownership program aims to increase the level of home ownership among Aboriginal and Torres Strait Islander peoples. It does this by addressing barriers such as loan affordability, low savings, impaired credit histories and limited experience with long-term loan commitments.

Since its inception, the program has provided 15,798 home loans. By providing a stepping stone into home ownership, IBA estimates that the program has generated \$1.9 billion in wealth to Indigenous peoples.

Performance

.....
**For the first time
ever, there were no
applicants on the home
loan waiting list.**
.....

IBA performed well against all but one of the home ownership key performance indicators for 2012–13 (see Table 7).

IBA did not meet the key performance indicator for the number of loans to applicants who have an adjusted combined gross annual income of not more than 125 per cent of IBA's income amount. The target for this indicator was revised to 85 per cent from the previous year's target of 80 per cent. A high percentage of home purchases jointly funded with other home lenders – split loans – (see page 48) meant that the income benchmark was not met.

Table 7: Indigenous Home Ownership program performance summary, measured against the IBA Portfolio Budget Statements revised targets for 2012–13

Key performance indicator	Target	Result
Number of new home loans	645	664
Aggregate number of loans in the portfolio	4,095	4,110
Number of loans to applicants who have an adjusted combined gross annual income of not more than 125% of IBA's income amount ¹	85%	81.9%
Number of loans to applicants who are first home buyers	90%	93.5%
Number of remote Indigenous communities in which IBA is actively facilitating home ownership opportunities	10	12

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

Program achievements

In 2012–13, the Australian Government consolidated the Home Ownership Program and Home Ownership on Indigenous Land programs into a single Indigenous Home Ownership program (IHOp). The program consolidation has created a more flexible funding approach, enabling IBA to better use the government's substantial capital investment to support Indigenous home ownership across urban, regional and remote areas.

The following sections highlight the IHOp's funding arrangements and outcomes in 2012–13.

Funding

The level of funding available for new loans depends on the amount of borrower repayments that IBA receives, the value of loans that are discharged early and whether there are any additional capital injections.

The total amount of funds allocated for lending through the IHOp in 2012–13 was \$175 million. This included an estimated \$93 million in revenue sourced from loan repayments and discharges and \$24 million in new appropriation. Another \$58 million became available when IBA consolidated the two previous home loan programs. Of the \$175 million, \$165.2 million was allocated for new lending and

\$9.8 million was allocated for loan commitments carried forward from the previous year.

In 2012–13, the amount of revenue received from repayments and early discharge of loans was \$98.5 million, comprising \$61.1 million from loan repayments and \$37.4 million from discharges. A further \$1.5 million was received from bank interest on funds held by IBA.

The total amount of funds committed for lending in 2012–13 was \$182.7 million, including carried-forward commitments. The total expenditure for the year was \$139.3 million, resulting in \$43.4 million in commitments carried forward to 2013–14. Carried-forward commitments can be met from available cash holdings, projected revenue streams and government appropriations.

IBA had more carried-forward commitments due to an increase in the number of loans approved for constructing a new home. This is attributed to changes in state government home purchase assistance schemes and the shift in demand for first home buyers towards purchasing newly constructed homes. The proportion of loans approved for newly constructed homes in 2012–13 was 26 per cent of all loans approved, compared to 12 per cent for the previous financial year.

.....
**In 2012–13, IBA
 approved 664 loans
 with a total value of
 \$172.9 million.**

Lending

IBA's yearly performance target was to approve 645 new loans. In 2012–13, IBA approved 664 new loans with a total value of \$172.9 million. This new lending will enable 1,645 Indigenous Australians (including children) to enjoy the social and economic benefits of home ownership.

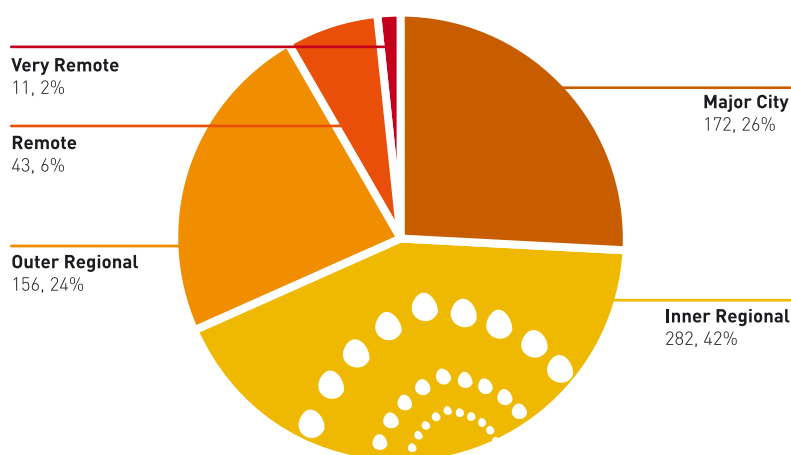
This year, 196 loans (29.5 per cent of the total number of loans approved) were funded under a split loan arrangement, where customers obtained part of their funds from another lender. This is a significant increase from 20 per cent in 2009–10, the year that the split loan product was introduced. Through this arrangement, IBA leveraged \$42 million in external funding to enable more Indigenous Australians to own their homes.

Locations

More than 74 per cent of new loans were to customers purchasing homes in regional and remote areas. Fifty-four loans (8 per cent) were approved for areas classified as remote or very remote.

Figure 8 shows the number of loans approved based on Accessibility/Remoteness Index of Australia (ARIA) classifications. Figure 9 shows the distribution of loans across geographic areas, based on Australian Indigenous Geographical Classifications.

Figure 8: Number of loans by ARIA classifications*, 2012–13



* Based on Australian Indigenous Geographical Classifications.

Targeting

IBA's housing loans are targeted at Aboriginal or Torres Strait Islander first home buyers who would not generally qualify for housing finance elsewhere. The typical housing loan customer is a couple with dependants, on an annual income of \$76,460. They will purchase their first home for \$350,200 in a non-metropolitan area. Couples with dependent children represent approximately 40 per cent of IBA's home loan customers. Other segments include single parents (16 per cent), singles (22 per cent) and couples with no dependants (22 per cent).

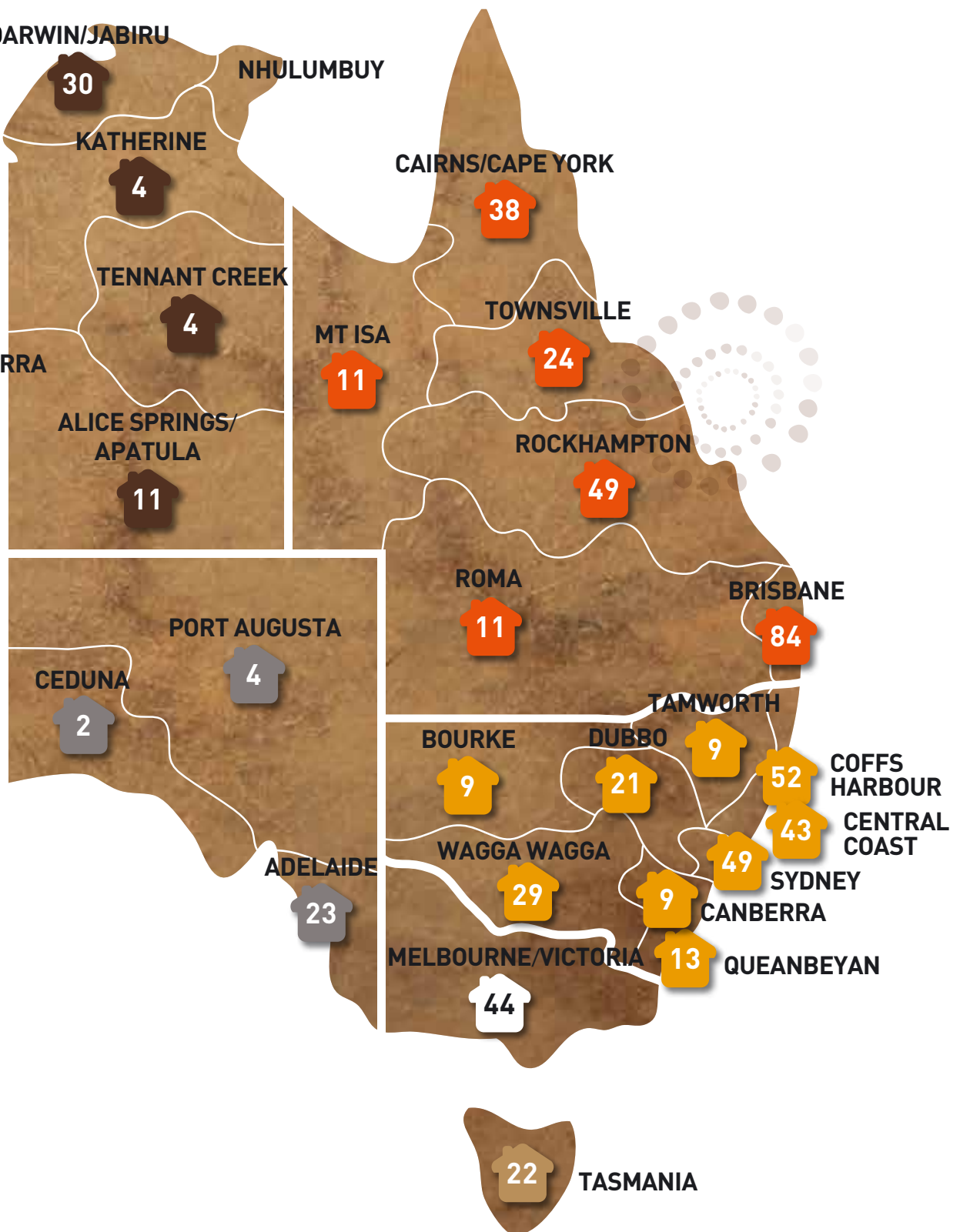
IBA's performance target was to make at least 90 per cent of loans to first home buyers, and 85 per cent of loans to applicants who have an adjusted combined gross annual income of not more than 125 per cent of IBA's income amount (currently \$71,808 per annum).

In 2012–13, IBA exceeded the target for first home buyers, achieving 93.5 per cent. IBA was within 3.1 per cent of meeting the target for loans to lower income earners, achieving 81.9 per cent.

Figure 9: Distribution of loans across geographic areas*, 2012-13



*Geographic areas are based on Australian Indigenous Geographical Classifications.



IBA'S FIRST HOME LOAN IN HOPE VALE COMMUNITY

When Cheryl Cannon bought her new home in the Hope Vale Community this year, she was the first person in Queensland to buy a home in their traditional community. This was made possible with the assistance of an IBA home loan.

Cheryl purchased a block of land on Hope Valley Estate and began to construct a new home to live in with her daughter and two-year-old granddaughter. The whole family cleared the land together, even her young granddaughter, who is already delightedly telling everyone around her that it is '*my home*'.

Cheryl is extremely proud to have built a home on the land of her people and on a street named after her family name – McLean.

'Initially I wanted something for my children and grandchildren to have ownership of and provide security for their future', she says.

'But the opportunity to be able to teach my family to be responsible and care for their home and property is really important to me.

'I am also pleased to be able to lead the way for the people in my community, who have been asking me how they can buy their own home too'.

Hope Valley Estate is the result of a collaborative effort between the Hope Vale Aboriginal Shire Council, FaHCSIA and IBA. Hope Vale Aboriginal Shire Council purchased the land and the Australian Government made a substantial investment to develop the land for local residents to purchase fully serviced blocks and build their own homes.

IBA is assessing home loan applications from several more Hope Vale residents who wish to build their new homes on Hope Valley Estate.

IBA CEO Chris Fry was delighted to congratulate Cheryl on her new home and to meet her in person.

'It was pleasing to see Cheryl, a Traditional Owner, able to take ownership of her own home – that was built in her people's community – and to see her take those first steps along the pathway to financial independence'.

Cheryl Cannon and IBA CEO Chris Fry, who visited Cheryl in acknowledgement that she is the first person in Queensland to buy a home in their traditional community.



Waiting list

IBA maintains a waiting list of applicants who meet the general eligibility requirements for the program and would likely qualify for a housing loan.

At the start of the year, there were 506 applicants on the waiting list. During the course of the year, all these applicants – including those who were not on last year's list – were invited to apply for a housing loan. There were no applicants on the waiting list as at 30 June 2013. There were 287 applicants in the process of obtaining their loan.

Emerging markets

An emerging market for IBA loans is Indigenous Australians seeking to purchase a home on community-titled land. This market continues to develop as land tenure reforms, and other policy, technical and capacity issues, progress and Indigenous communities make informed choices about participating in home ownership.

IBA's performance target in this area is to actively facilitate home ownership opportunities in at least 10 remote Indigenous communities. In 2012–13, IBA met this target, undertaking more than 25 visits to 12 emerging market communities in the Northern Territory and Queensland. This included the communities of Hope Vale, Yarrabah, Palm Island, Woorabinda, Napranum and Coen.

Also in 2012–13, IBA approved three housing loans in remote Indigenous communities classified as emerging markets in the Northern Territory and Queensland.

Transition to another lender

IBA has enabled many Indigenous families to establish sufficient equity in their homes so they can sell and purchase another house or refinance their IBA loans with another lender. Customers typically turn to other lenders when they want to trade up to a second home to accommodate changing family circumstances, or access finance products to support lifestyle and other forms of wealth creation.

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

In 2012–13, 292 customers discharged their IBA loans. The majority of these customers transitioned to the mainstream finance sector to either refinance their existing loan or upgrade to a new home.

Number of loans in the portfolio

IBA's performance target was to have 4,095 loans in its portfolio. As at 30 June 2013, the loan portfolio consisted of 4,110 active loans valued at \$800 million, achieving the target.

Lending considerations

Assessment

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

Housing loan products

IBA provides loans to Aboriginal and Torres Strait Islander peoples so they can purchase an established residential property, construct a new home, buy land or make essential improvements to an existing home.

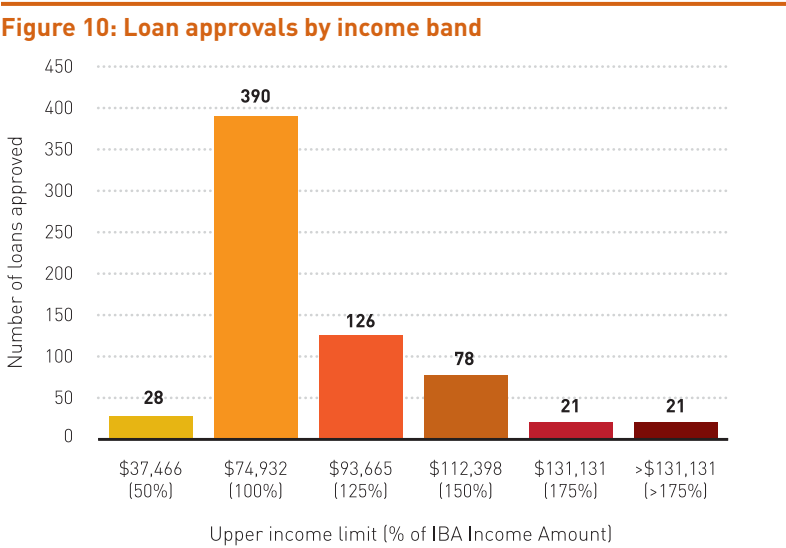
IBA also offers eligible customers loans for other housing-related purposes, for example, to fund modest renovations or essential repairs, or to refinance an existing loan in cases of family break-up or where there is a change in financial circumstances that would result in the family home being sold. In 2012–13, IBA approved seven such loans.

Incomes and loan amounts

The amount that a customer can borrow is generally determined by income and loan affordability factors.

Customers may be required to obtain part of the funds to purchase their home from another lender. The percentage of the home purchase price that the applicant may borrow from IBA depends on their income and ability to secure finance from another lender. Customers on incomes of more than 125 per cent of the IBA Income Amount are generally funded through a split loan arrangement. 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.

Figure 10 shows the number of loans approved by income band.



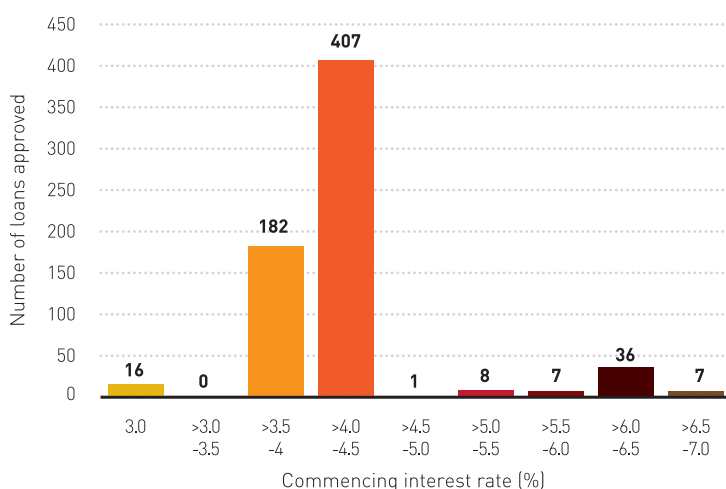
Interest rates

IBA provides housing loans for purchasing and/or constructing a house at a range of commencing interest rates, depending on the individual customer's circumstances and loan requirements. The majority of customers (61.3 per cent in 2012–13) 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. The IBA Home Loan Rate is set at a rate that is comparable to the mortgage rates of other lenders, easing customers' transition to another lender (see page 54). As at 30 June 2013, the IBA Home Loan Rate was 6 per cent.

First home owners who obtain part of their funds from an external lending institution generally receive a starting interest rate of 4 per cent on their IBA loan, capped for three years. At the end of this period, 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 11 shows the number of loans approved by commencing interest rates.

Customers purchasing a home in Indigenous communities classified as emerging markets (see page 54) receive an appropriate commencing interest rate that takes into account their income level. Customers with a family income above \$35,000 and below \$80,000 receive a commencing interest rate of 4.5 per cent. Customers on lower incomes receive a lower commencing interest rate, while those on incomes of \$80,000 or more receive the IBA Home Loan Rate.

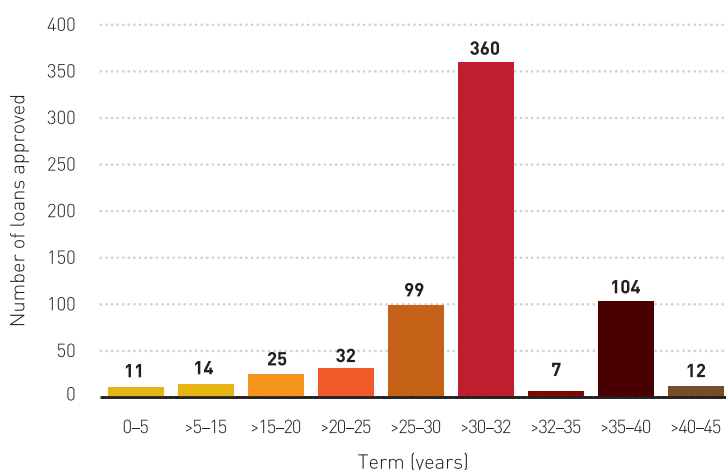
Figure 11: New loans approved by commencing interest rate, 2012–13



Loan terms

Housing loan terms are usually 32 years, but may be longer or shorter depending on the customer's circumstances. Where practical, IBA sets loan terms so that customers contribute the maximum they can afford towards their repayments. As the loan progresses, many customers can make additional repayments or maintain their repayments at a higher level, enabling them to repay their loan sooner. Figure 12 shows the distribution of loan approvals for different loan terms.

Figure 12: New loans approved by loan term, 2012–13



Deposits

One of the ways in which IBA removes barriers to home ownership for Indigenous Australians is by lending a greater proportion of the home purchase price than is offered by banks and other lending institutions. IBA's deposit requirements are therefore lower than those of other lenders.

In 2012–13, customers borrowed, on average, 95.4 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. IBA accepts this risk and does not require customers to obtain mortgage insurance. IBA mitigates this risk by applying a higher duty of care, ensuring customers can afford their housing loan obligations and that they receive support from staff throughout the term of their loan.

Assistance for customers in emerging markets

IBA provides assistance to Indigenous Australians who want to buy a home in remote communities designated as emerging markets. The assistance is designed to overcome barriers such as a lack of access to financial institutions and services, low incomes, and access to housing loan finance, substantially higher construction costs, and an absence of residential property markets.

Assistance measures include:

- paying up-front loan establishment and support costs
- awarding co-payment grants to assist borrowers to pay off a loan
- offering support and education during the life of the loan
- providing free, independent project management services and relevant legal advice
- providing loans at concessional interest rates and with minimal deposit requirements.

In addition to the above, IBA administers the financial assistance provided by FaHCSIA, including good renter's discount (GRD) funding and matched savings grants. The GRD provides eligible applicants who have a good rental history with a financial contribution towards the purchase price of a home.

Criteria for emerging markets

IBA focuses on emerging market communities where there are good prospects for success. This generally includes circumstances where:

- the land tenure is suitable as security for a loan and a leasing administration system is in place
- the community's size can generate sufficient interest in home ownership

- the community has a history of good governance and social stability, and has expressed an interest in home ownership
- IBA has assessed the community's capacity, interest and readiness for home ownership.

NSW remote locations

In June 2013, IBA entered into an agreement with the NSW Department of Family and Community Services to administer the NSW Remote Aboriginal Home Ownership Scheme. Under the scheme, the department will make \$4.1 million in funds available to IBA. IBA will use these funds to provide housing loans and other support to assist Indigenous tenants living in remote NSW locations to transition from renting public housing to home ownership. The scheme will start in the second half of 2013 and will fund an estimated 16 home purchases, initially in the remote localities of Bourke, Walgett and Coonamble.

Asset management

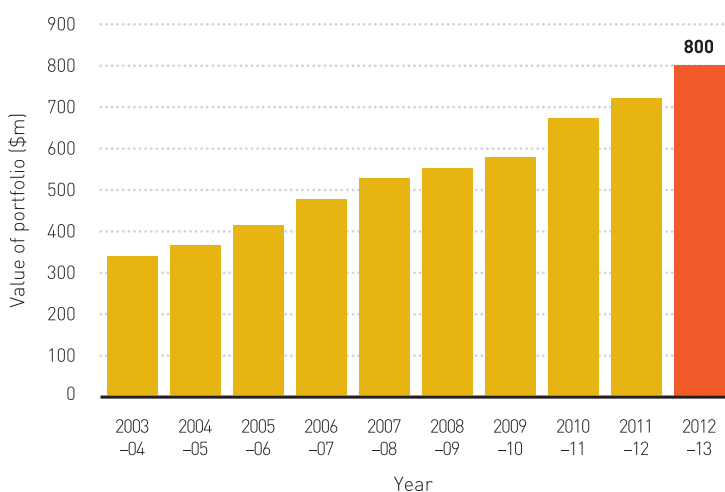
Asset management preserves IBA's asset base, which provides funds for future lending, and assists customers to retain ownership of their homes.

The following sections highlight some of the characteristics of IBA's housing loan portfolio and its portfolio management practices.

Loan portfolio balances

During the year, IBA's housing loan portfolio grew by a net amount of \$71.8 million, bringing the portfolio's total value to \$800 million. Interest charged on loans during the year was \$37.4 million. The value of the portfolio after accounting adjustments for recognising assets at their fair value was \$542.2 million. Figure 13 shows the growth in the portfolio value over the past 10 years.

Figure 13: Value of loans in portfolio over 10 years to 2012–13



BUILDING FOUNDATIONS FOR THE FUTURE

Ken Markwell never doubted the benefits of home ownership and what it would mean to him and his wife Deanne and their family.

Ken is a proud Mununjhali man and his people are from the Beaudesert region southwest of Brisbane. He had seen the value of home ownership from his parents, who had bought their own place when he was growing up.

‘I wanted that certainty and security for my family and wanted to save early’, says Ken. ‘These were my inherent driving values’.

When his wife was pregnant with their first daughter 15 years ago and after hearing about the home ownership program, they walked into the same building that the IBA Brisbane office is in now, known then as the Aboriginal and Torres Strait Islander Commission (ATSIC).

‘We had money saved’, says Ken. ‘But we couldn’t get a home loan with other lenders, so we went to ATSIC’.

Ken says that the process was straightforward and supportive. After they were told they had been approved for a loan, Ken and Deanne looked for a home in the Beaudesert region to be close to their family and country. They are still living in that home today with their two daughters.

‘After about five years, we refinanced with another lender’, says Ken. ‘Part of the decision [to refinance] was knowing that it allows another Aboriginal person to get a home’.

Ken has used the wealth in his home to finance and set up his own consulting business.

He is passionate about what IBA can do to change the future for Indigenous Australians.

‘These home loans are cutting through a legacy of denial of wealth’, he says. ‘IBA supported me when others didn’t. So now my children can inherit wealth through this property – that is more fundamental than my story alone.’

‘Because of my parents’ values, I was able to be educated, to get a degree – I had what they were denied. My parents and grandparents didn’t have that opportunity’.

Ken and Deanne with their two daughters outside their home.

Ken's advocacy of IBA is so strong that he has now chosen to work with IBA. He heads up the Traditional Owner and Native Title Unit, a position that aligns with his values and enables him to continue to make a difference.

He also strongly believes that Aboriginal and Torres Strait Islander peoples should consider home ownership through IBA for themselves.

'Like any investment you've got to go in with your eyes open', he says. 'Find out as much as you can, understand what your obligations are and what your options are. There is an opportunity here and you're going to have people supporting you through that process.'

'This home wasn't just a home – yes, it was a place to raise my family on my traditional country. But it has provided us with collateral. It allowed me to buy a business, to refinance and allow us to do what everyone in Australia has been able to do.'

'Importantly, it provides a legacy of wealth for my children'.



Geographical distribution

The geographical distribution of the loan portfolio by state, and by regional and remote classification is shown in Figures 14 and 15 respectively.

Figure 14: Geographical distribution of loans by state as at 30 June 2013

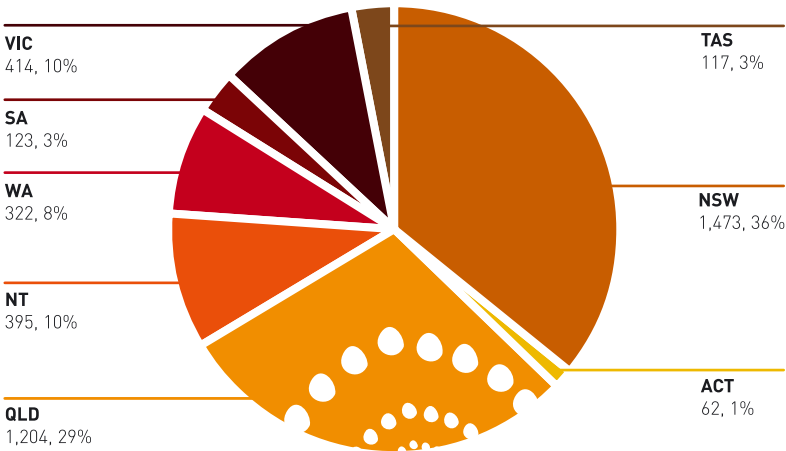
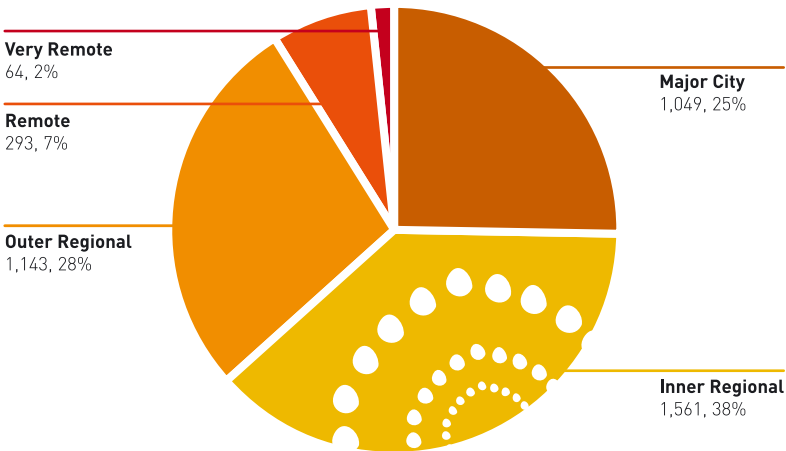


Figure 15: Geographical distribution of loans by major city, regional and remote classifications* as at 30 June 2013

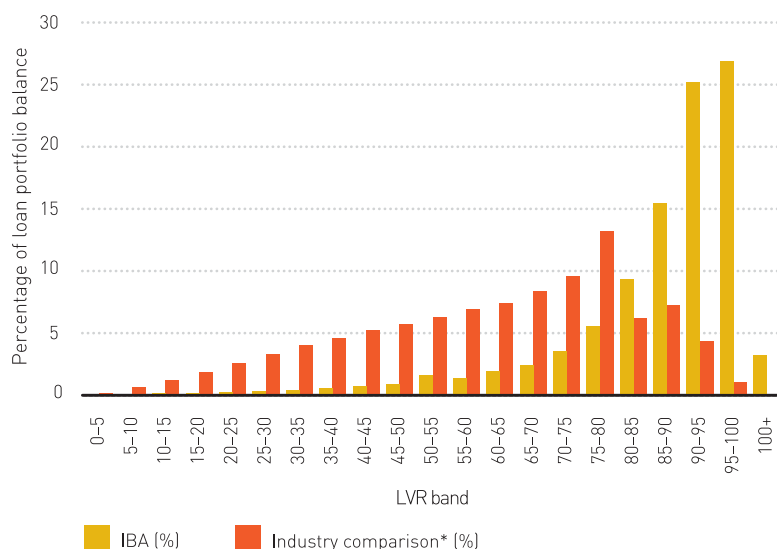


* Based on number of loans and using Accessibility/Remoteness Index of Australia (ARIA) classifications.

Loan-to-valuation ratio (LVR)

The distribution of loans in IBA's current housing loan portfolio shows that a high proportion (85.6 per cent) of loans have an LVR of 75 per cent or more, whereas in the broader lending market this is only 32.2 per cent (see Figure 16).

Figure 16: LVR, IBA loan portfolio and mainstream lenders



* Industry comparison is sourced from Standard & Poor's Residential Mortgage-Backed Securities (RMBS) Performance Watch Report, March 2013. Inner-city and metropolitan figures have been combined.

Arrears

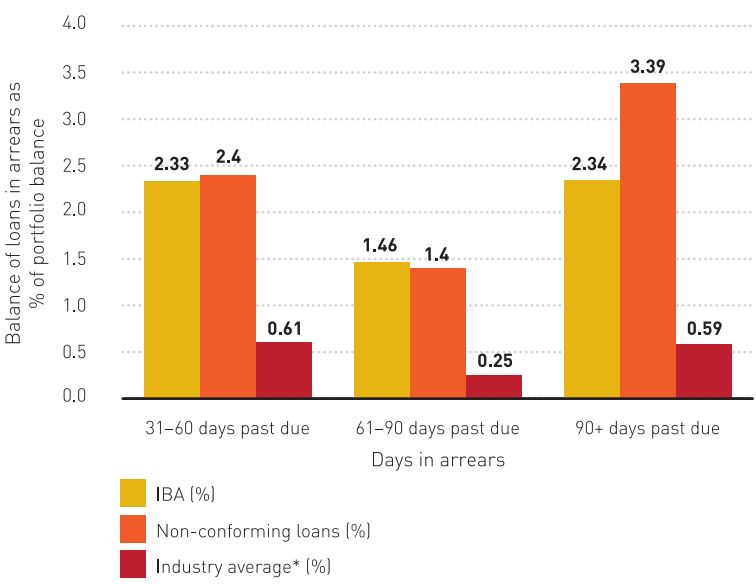
IBA's home ownership program has appropriate arrears management and loan aftercare arrangements in place that allow for early intervention and management of arrears cases. The levels of arrears in IBA's housing loan portfolio will be inherently higher than for other lenders in the broader market, given IBA's focus on low-income first home buyers who are more susceptible to economic downturns.

As at 30 June 2013, the value of IBA loans more than 30 days in arrears comprised 6.13 per cent of the total value of the loan portfolio. This compares to an industry average benchmark figure of 1.45 per cent. The value of loans that were more than 90 days in arrears as at 30 June 2013 comprised 2.34 per cent of the total value of the loan portfolio, compared to an industry average benchmark of 0.59 per cent.

IBA's 30-plus days and 90-plus days arrears rates compare favourably to the industry benchmark for non-conforming loans, which were 7.19 per cent for 30+ days in arrears (6.13 per cent for IBA) and 3.39 per cent for 90+ days in arrears (2.34 per cent for IBA).

Figure 17 compares IBA's housing loan arrears with those of mainstream lenders.

Figure 17: Arrears loan balances comparison, IBA and mainstream lenders*



* Industry comparisons are sourced from Standard & Poor's Residential Mortgage-Backed Securities (RMBS) Performance Watch Report, March 2013. Standard & Poor's reports the arrears figure for non-conforming loans as sub-prime.

As at 30 June 2013, 91 loans were subject to repayment arrangements. There were nine loans where IBA possessed the security property under mortgagee-in-possession arrangements.

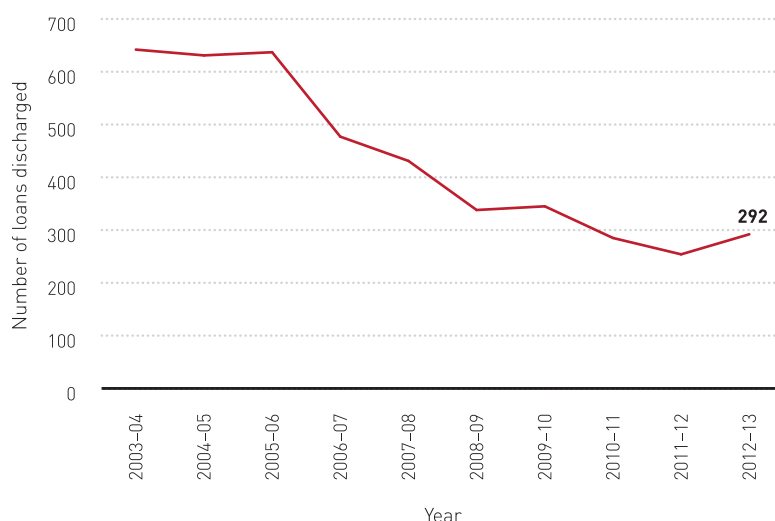
In 2012-13, IBA sold 19 houses under its mortgagee-in-possession powers for a net loss of \$1.033 million. This loss reflected depressed markets in the areas where the sales occurred. Before exercising its mortgagee powers, IBA worked extensively with each borrower to ensure they were given every possible opportunity to retain their homes. IBA is pursuing repayment arrangements to recover its losses.

Loan discharges

Loan discharges represent an important source of income for new lending.

Figure 18 highlights the number of loan discharges over the last 10 years. The increased lending that IBA has undertaken in recent years has resulted in a change to the age distribution of the portfolio. The percentage of loans in the portfolio that are less than five years old increased to 52 per cent as at 30 June 2013, compared to 62 per cent as at 30 June 2008. This means fewer loans are likely to be discharged early.

Figure 18: Number of loan discharges over the 10 years to 2012–13



Risk management

IBA accepts a certain level of risk in providing loans to a high-risk market segment. IBA is conscious of its fiscal obligations to maintain and grow a capital base to support future home lending and its core objective of increasing Indigenous home ownership. IBA manages risk by having prudent lending policies and processes, and employing experienced staff members to oversee lending activities.

From a financial perspective, IBA's loan receivables are considered riskier than those of mainstream lenders. IBA accepts a lower rate of return than the market would allow for this level of risk. The risk and return characteristics that IBA accepts are reflected in the fair valuation of its loan portfolio, which is detailed in the accompanying financial statements on page 131.

IBA's approach to managing external risks – such as changes in market conditions – involves ongoing risk identification and assessment, and developing and implementing appropriate measures to minimise the likelihood and effect of risks eventuating.

Outlook

The IHOp offers a new flexible funding arrangement that will enable IBA to continue to maximise home ownership opportunities for Indigenous Australians. The projected revenue and new appropriations will allow IBA to support an estimated 560 new home purchases in 2013–14.

IBA will continue to give priority to applicants seeking to purchase a home in emerging market communities. Public housing tenants living in remote locations in New South Wales will receive assistance to buy residential properties through funding made available by the NSW Department of Family and Community Services.

IBA is reviewing how it delivers loans to ensure it can continue to effectively administer the IHOp. The review will provide the basis for improving customer service by introducing new contemporary service delivery channels, including online services.

Lee and Monique Willis at the family's Subway franchise (see page 74).

PART 4: BUSINESS OWNERSHIP

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BUSINESS DEVELOPMENT AND ASSISTANCE PROGRAM

Objectives

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

.....
‘It is the opportunity to grow something that is yours, that you are responsible for, that is going to make life better for you and your family – the sky is the limit on what is possible.’
IBA customer, 2012

As business owners, Aboriginal and Torres Strait Islander peoples can define how they participate in the economy. Business ownership generates income, social and economic benefits for Indigenous business owners and their families, and provides opportunities to employ other Indigenous Australians.

In the 2011 Australian Census, 8,893 Aboriginal and Torres Strait Islander peoples reported being self-employed. While this represents a 34 per cent increase from the 2006 Census, it only represents 6 per cent of the Aboriginal and Torres Strait Islander workforce. In contrast, 15 per cent of the non-Indigenous workforce is self-employed, highlighting that an economic participation gap still exists between Indigenous and non-Indigenous Australians.

Performance

The Business Development and Assistance Program has increased the level of sustainable outputs compared to prior years. These increases were achieved by promoting the program through *Into Business*[™] workshops and customer advocacy, improving internal processes and enhancing customer service. In 2012–13, the program approved 95 loans worth a total of \$21.96 million, a 26.9 per cent increase on the previous year.

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 2012–13

Key performance indicator	Target	Result
Number of new loans approved	75	95
Number of businesses or prospective businesses provided with business advice or support	485	552
Number of participants that attended <i>Into Business</i> TM workshops	750	1,723
Number of Strategic Economic Development Initiatives	15	23
Number of Business Development Initiatives	25	96
Number of jobs created or supported through new IBA loan funding	230	300 ¹
Number of active loans in the portfolio	300	288 ²
Percentage of loan accounts that were successfully finalised through loan repayment	70%	62% ³
Percentage of loan customers still in business 12 months after commencing business	85%	90%
Percentage of loan customers still in business 24 months after commencing business	75%	79%
Percentage of loan customers still in business 36 months after commencing business	65%	68%

1 The number of jobs created included 222 jobs for Indigenous Australians. Research indicates that Indigenous businesses are more likely to employ Indigenous people.

2 The increased number of customers (43 in total) successfully repaying their loans or refinancing with Australian banks in 2012–13 resulted in IBA falling short of this key performance indicator.

3 IBA wrote off nine more loans than planned, and as a result did not fulfil this key performance indicator. This included finalising recovery actions on several old loans dating back to between 2003 and 2008.

Preparing for business

IBA has a range of initiatives designed to assist Aboriginal and Torres Strait Islander peoples to identify possible business opportunities, build skills and knowledge, overcome barriers, and access business-related information and services.

There are four broad areas of assistance:

- Strategic Economic Development Initiatives (SEDIs) to develop innovative, complex or collaborative projects that enable Indigenous economic development in a number of communities and in specific industry sectors
- *Into Business*TM workshops to assist people to plan and prepare for small business ownership
- Business Development Initiatives (BDIs) to assist individual business owners within a region or industry
- support for existing business owners to build networks, by participating at trade events, business conferences and industry-specific forums.

More than 70 per cent of *Into Business*TM workshops will be facilitated by Aboriginal and Torres Strait Islander providers, who have successfully tendered for contracts worth more than \$1.2 million for 2013–14.

In 2012–13, IBA conducted 23 SEDIs, 412 *Into Business*TM workshops and 96 BDIs, with a total funding expense of \$4.6 million over various terms.

*Into Business*TM workshops

*Into Business*TM is a free national business preparation program where participants determine the viability and sustainability of their business idea. *Into Business*TM consists of three one-day interactive information-sharing workshops, usually three weeks apart. During these workshops, participants share their business ideas, obtain knowledge on how to verify the viability and sustainability of their concept, and plan the next steps in their business model.

The majority of *Into Business*TM workshops are delivered by Aboriginal or Torres Strait Islander service providers. These providers are business owners themselves, so they can share firsthand knowledge and better relate with participants.

Since the introduction of *Into Business*TM workshops in 2010, more than 1,000 people have completed the series of workshops.

During 2012–13, 380 people completed the series of workshops. IBA believes that the initial pent-up demand for *Into Business*TM workshops has now been satisfied, and that the service will have slightly fewer participants over the next few years.



A REFRESH IN BUSINESS

Debbie and Matt Wakley attended all three *Into Business*™ workshops ahead of opening their business, Green Gables Motel in Dubbo, NSW. The couple, who describe themselves as ‘risk averse’, spent months researching and planning all aspects of their business idea and chosen industry. Even though Matt had previous experience in the finance industry, he felt there was still more he could learn about business operations. ‘When you are trying to apply your knowledge to your own business it was like, “oh, you can never stop learning”,’ Matt says. ‘A lot of the information for me was a refresher but some was new, like the marketing side of things, and learning about small things you can do to increase your profitability’.

Table 9: Workshop attendance in 2010–11, 2011–12 and 2012–13

Workshop	No. of workshops 2010–11	No. of participants 2010–11	No. of workshops 2011–12	No. of participants 2011–12	No. of workshops 2012–13	No. of participants 2012–13
A	113	788	167	876	145	819
B	87	406	155	570	138	524
C	66	227	139	398	129	380
Total	266	1,421	461	1,844	412	1,723

Business planning and support

A good business plan is fundamental for starting or acquiring a business. IBA can assist eligible Aboriginal and Torres Strait Islander peoples to develop a business plan through its panel of consultants. IBA will provide a shortlist of consultants based on their location and industry, so business owners can choose who they wish to work with to finalise their business plan.

Planning is also an essential element of good management at all stages of the business life cycle. Planning assists owners to decide whether to expand into new markets, retract their operations or exit a business, and what steps they need to take to do this.

IBA recognises the importance of planning to seize opportunities that may arise from time to time. Together with Supply Nation, IBA has developed a fast-track assessment procedure that enables Supply Nation-certified suppliers to access business planning, tendering and marketing services, and IBA business loans.

During 2012–13, IBA:

- responded to 2,298 business-related enquiries for assistance
- provided 253 people with pre-business assistance (but excluding *Into Business*™ workshops), including business plans and feasibility assessments
- provided 299 business owners with marketing, branding and website creation support; financial skills development; and advice on growing their business, cash flow management, succession planning and business exit advice.

Business loans

Indigenous Australians may require capital to start, acquire or grow a business. IBA has a concessional loan product available for this purpose. Alternatively, IBA can provide referrals to Australia's major banks, or to dedicated Indigenous micro-loan and small-business loan teams at the National Australia Bank and the Commonwealth Bank of Australia.

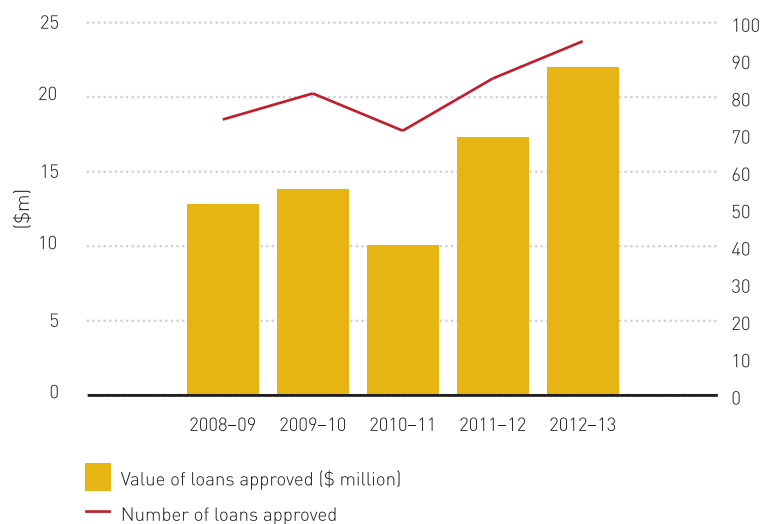
IBA offers business loans up to \$2 million at concessional interest rates that are generally 2.5 per cent per annum below the comparable rates offered by leading Australian banks. Business loans over \$2 million are subject to fund availability and approval by IBA's Board. Concessional interest rates are designed to overcome debt-servicing barriers and enable quicker loan repayment, allowing the business to build equity. Other loan terms and conditions are generally consistent with private sector 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, have a minimum of 50 per cent Indigenous ownership and preferably have an Indigenous management team. The owner(s) must also demonstrate sufficient skill and readiness to operate a business.

Figure 19: Number of business loans used to start a new business, acquire an existing business, or grow and consolidate an existing business



Figure 20: Number and value of new business loan approvals, 2008-09 to 2012-13



STEPPING STONES TO BUILDING A DREAM



Graeme and Lee Willis own a successful Subway food franchise in Alice Springs, where they live with their five children. Driven to create a stable future for their family, they made the leap into business ownership after much careful planning and with business finance and support from IBA.

Graeme and Lee met when they were teenagers and became parents shortly after. As young parents, they say they felt the odds were stacked against them achieving their economic and personal dreams, but they were nonetheless determined to pursue those dreams together. Sixteen years on, they are now both home and business owners and are very proud of their economic independence.

The journey to that independence began when they sold all their belongings and moved away from family and friends in Townsville to pursue employment and a fresh start in Alice Springs.

'I thought if I could get permanent work out here, that would be great because of the kids', says Graeme. 'We needed money to do everything we wanted for them'.

With Graeme in steady employment as a cultural dancer at an Alice Springs resort, the family lived in one hotel room for six months. They then moved into rental accommodation while they were waiting to be approved for an IBA home loan, and saving money. Lee and Graeme bought their own home in 2008 with assistance from IBA's Indigenous Home Ownership program.

After returning to her job following the birth of their fifth child, Lee found herself growing more and more dissatisfied in her education career, and decided to make a change.

'I always say if you are not happy with something in your job, then do something about it', she says. 'It's your life, so do something about it!'

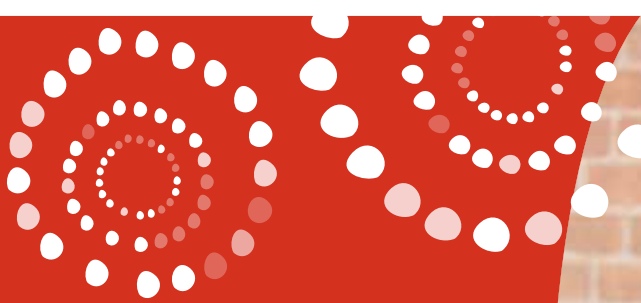
The couple looked online for businesses for sale and found the Alice Springs Subway franchise. Lee had worked for Subway in Townsville and understood the pros and cons of running a franchise. The couple got in touch with IBA and, with the help of a business consultant, planned their move into business ownership.

Of that planning phase Lee said: 'It was a very long process, but it made us very aware of what we were doing. I learned heaps in the first six months before we even bought the business.'

'We had to put our home up against the loan so we needed to make sure we knew what we were doing'.

Even armed with knowledge and a clear business plan, the couple admit that business ownership has been a huge learning curve, and credit their business consultant with going 'above and beyond in dealing with our extra questions and nervous times'.

'We have been able to learn to read facts and figures instantly now', says Lee. 'The big crunches business-wise have been MYOB and staffing!'



Of juggling the demands of a young family and business, Lee says: 'I would say 6am until 3pm is business. Then home, look after the kids and then paperwork till past midnight. And people don't see that side of it – they think sandwich shop, that's easy. Or they will see me in the office only. It's the paperwork trail to do and wanting to build the business, thinking about new ideas. We don't want to be second in this town! It's a reality check every now and then – it spurs us on, spurs the staff on'.

Lee and Graeme are passionate about using their business to create employment opportunities for other local Indigenous peoples. Their two older children are already employed within the business, and Lee and Graeme have provided permanent and casual employment to a number of Indigenous peoples since 2011.

Determined to encourage and motivate others to pursue their goals, Graeme says: 'We are able to show them by example, this is working, this is how we live'.

Lee Willis with daughter Monique at their Subway food franchise in Alice Springs.



Growing and sustaining business

The products and services offered by the Business Development and Assistance Program are available to Aboriginal and Torres Strait Islander peoples throughout the life cycle of their business. This includes existing owners who need assistance to sustainably grow or modify their business.

IBA assists with marketing and promotion, growth planning and budgeting, procedural and compliance requirements for new contracts, tender writing and website development. IBA also assists business owners to access finance for sustainable growth, either by using its own concessional loan product, or in partnership with the private sector.

IBA loan customers may seek a loan variation to facilitate growth, manage cash flow or relieve any short-term hardship.

IBA maintains close working relationships with its customers. IBA managers visit their customers periodically and make scheduled customer contact to understand their business and identify any additional assistance required. IBA also shares any industry trend information, economic forecasts and financial benchmarking data that may be of interest to its customers.

Partnerships

IBA maintains several valuable, strategic partnerships with organisations that develop and assist Aboriginal and Torres Strait Islander-owned businesses. These partnerships include Indigenous business agencies, state and Australian Government agencies, business and industry advisory groups and Indigenous business owners.

During 2012–13, IBA:

- provided seven loans totalling \$877,778 to Supply Nation–certified suppliers
- referred 16 customers to private sector lenders for loans totalling approximately \$1.03 million
- made more than 300 visits to customers' business premises to discuss their needs
- made more than 1,200 proactive telephone calls to customers.

Transitioning to the broader economy

While the Business Development and Assistance Program assists Aboriginal and Torres Strait Islander businesses at any stage of the business life cycle, a successful outcome is that customers transition to economic independence and participate in the broader Australian economy on equal terms. This participation can take many forms, including contract tendering, accessing supplier trade terms, creating wealth, succession planning – even repaying a business loan ahead of schedule to create a positive credit history.

In 2012–13, 43 loans were repaid ahead of schedule, returning \$2.5 million in capital to the program. This is an improvement of \$1.4 million compared to 2011–12.

Risk management

IBA has three risk management priorities for the Business Development and Assistance Program:

- Minimise the potential harm to Aboriginal and Torres Strait Islander peoples arising from small business ownership risks.
- Minimise the potential loss of Aboriginal and Torres Strait Islander-owned businesses.
- Minimise the potential loss of loan capital so it is available for future use in the program.


The Business Development and Assistance Program operates at the higher end of the credit risk spectrum, as IBA's business loan applicants usually cannot meet the private sector's credit risk criteria. IBA aims to mitigate this risk through the concessional nature of its business loans, which improves customers' ability to repay debts, and by providing intensive support to owners to build their business acumen.

IBA applies risk management practices over the life cycle of each customer relationship. IBA's close working relationships with customers enables it to understand their businesses and be proactive in addressing potential issues.

IBA's prudent risk management approach means its customers' businesses have average survival rates that are higher than similar-sized non-Indigenous businesses.³

³ Sourced from Australian Bureau of Statistics, Counts of Australian Businesses including Entries and Exits, June 2007 to June 2011, 0–19 employee categories.

MASTERING THE ART OF BUSINESS SUCCESS



IBA recognises that to thrive in a competitive commercial environment, it is important for Indigenous business owners to invest time in maintaining their professional skills and knowledge. As part of its commitment to supporting customers across all stages of the business ownership cycle, IBA is assisting established Indigenous entrepreneurs to build on their success by developing their skills, knowledge and capabilities.

IBA has partnered with Melbourne Business School (MBS) to enable 19 Indigenous business leaders to participate in the Murra Indigenous Master Class Series (MURRA), an innovative education and mentoring program for experienced Indigenous entrepreneurs.

Designed and delivered by the MBS Asia-Pacific Social Impact Leadership Centre, the MURRA program provides graduate-level education, incorporating the latest research, trends and practices in business strategy, finance, marketing, negotiation, organisational leadership and procurement. As a MURRA program partner, IBA provides financial support to enable participants – some of whom live in regional centres and remote communities – to attend the six two-day study modules in Melbourne.



Graduates of the Murra Indigenous Master Class Series 2013 with IBA CEO Chris Fry and IBA General Manager Business Development and Assistance Program Kirsti McQueen. Photo by Jorge de Araujo, courtesy and copyright of Melbourne Business School.

In addition to delivering world-class education, the MURRA program aims to build strong networks between Indigenous entrepreneurs to facilitate knowledge sharing, foster social and emotional support, and encourage the development of potential business partnerships.

The learning continues outside the classroom too. With support from the broader MBS alumni – including some of Australia's leading business practitioners – the 19 graduates will receive one-on-one mentoring so they can apply their new skills and knowledge to their businesses. They graduated in August 2013 and are now preparing to take their businesses to the next level.

Over the next three years, MBS in partnership with Supply Nation will undertake research to gauge the effects of the program on the MURRA graduates. It is hoped that this research can be used to support the development and sustainability of the Indigenous business sector.

The graduates of 2013 were drawn from industries as diverse as mining, hospitality, media and communications, and share a desire to generate lasting economic and employment opportunities for their communities. In doing so, they hope to inspire and empower other Indigenous Australians to pursue their own personal and entrepreneurial potential.



Loan portfolio

IBA examines its loan portfolio for indicators and trends in areas such as:

- portfolio distribution – by geographical and industry spread
- loan arrears – categorised by indicative risk – those less than two instalments overdue (typically under 60 days) and those more than two instalments overdue
- recovery in progress (previously known as loss salvage) – the number and value of loans undergoing alternate forms of debt recovery, including sale of security and protracted repayment terms. These accounts are treated as doubtful debts and are fully provisioned
- loans written off – IBA conducts a credit loss review on all loans that are written off to identify key learnings from the event
- doubtful debt provisions – IBA estimates the loss on loans that may occur during the next financial year.

Results

There were 320 loans in IBA's business loan portfolio as at 30 June 2013, with a face value of \$57.2 million. The portfolio has an appropriate geographical spread across Australia and is proportional across the various industries of Indigenous self-employment, spreading the risk to IBA in the event of localised economic or industry downturns. It also reflects that IBA's focus is on all Indigenous Australians seeking business assistance.

IBA has made conservative provisioning for doubtful debts of \$11.4 million and is required under AASB 139 to make a market value adjustment of \$10.4 million. This will reduce the value of the portfolio in this report's financial statements from the face value of \$57.2 million to a market value of \$36.3 million (including the suspense account for loans being progressively drawn of \$0.9 million).

There was a minor improvement in the higher-risk arrears position from 39 loans (with a discharge balance of \$7.17 million) as at 30 June 2012 to 40 loans (with a discharge balance of \$6.28 million) as at 30 June 2013. The short-term loan arrears have increased by 13 loans as at 30 June 2013. Twenty-seven loans with total residual balances of \$5.70 million were written off as unrecoverable in 2012–13; this was nine more than planned. IBA finalised recovery actions on several old loans dating back to between 2003 and 2008, including a \$1.4 million loan transferred to IBA after ATSIC was abolished.

Figure 21: Number, value and location of business loans as at 30 June 2013

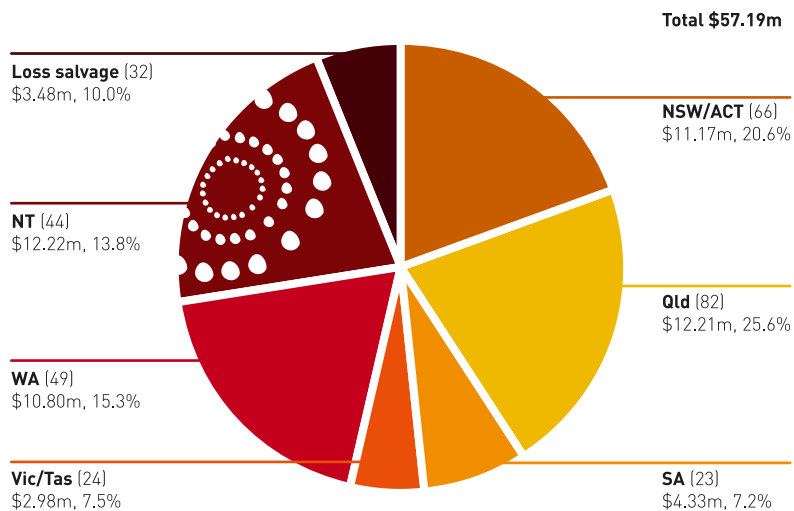


Figure 22: Number, value and industry classification of business loans as at 30 June 2013

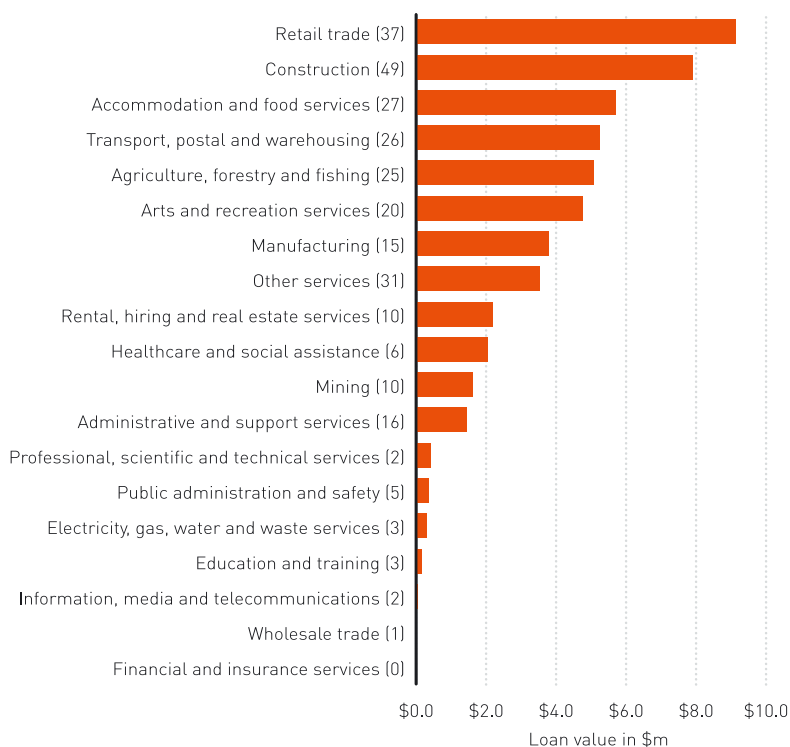
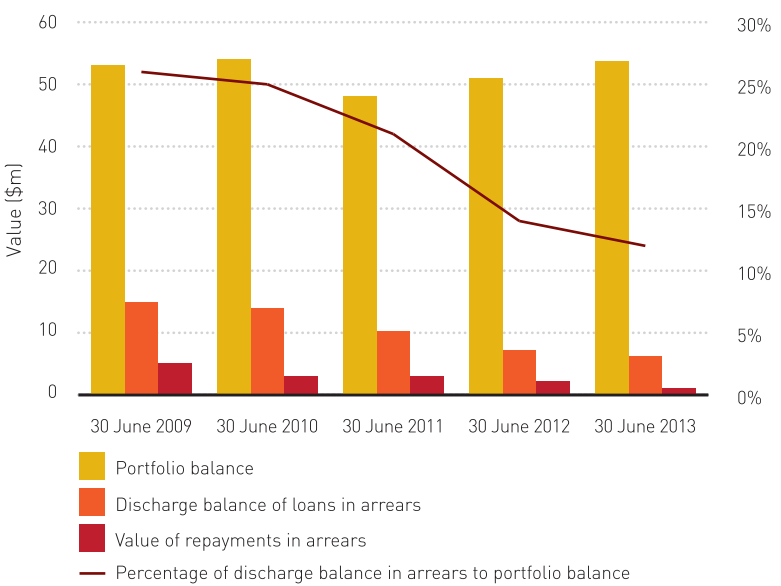


Figure 23: Value of loans in reportable arrears, value of repayments in reportable arrears, and percentage of the portfolio that the reportable arrears represent



Outlook

IBA will deliver services more efficiently in 2013–14 following a series of business process improvement projects. This includes simplifying a number of forms and processes to reduce the burden on customers and staff members, while maintaining sound business management.

In 2013–14, IBA expects to enhance customer access to a wider range of products and services by partnering with more service and product providers. At the same time, IBA will endeavour to deliver improved online access to its own services. The key focus of these changes is to improve the customer’s experience when seeking business assistance.

A photograph of three people standing together at an event. On the left is a man with glasses and a suit, identified as IBA CEO Chris Fry. In the center is a woman with dark hair and a necklace, identified as IBA Chair Dr Dawn Casey. On the right is a woman with blonde hair, identified as The Hon. Jenny Macklin MP. They are all smiling. In the background, there are signs for the 'ANNUAL GENERAL MEETING BREAKFAST 2012'.

IBA CEO Chris Fry, IBA Chair Dr Dawn Casey and The Hon. Jenny Macklin MP, Minister for Families, Community Services and Indigenous Affairs, Minister for Disability Reform.

PART 5: ACCOUNTABILITY

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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 organisation structures; corporate policies and strategies; and resource management practices.

As a statutory authority of the Australian Government, IBA is accountable to the Parliament and the Minister for Families, Community Services and Indigenous Affairs. IBA's principal legislative foundation 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 IBA's constitution, and the process for appointing Board directors and the Chief Executive Officer (CEO) and operating Board meetings.

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

IBA is required to comply with the requirements of the *Commonwealth Authorities and Companies Act 1997* (CAC Act). This Act regulates certain financial aspects of Commonwealth authorities, including reporting, accountability, banking and investment obligations, and the conduct of IBA directors and officers.

Corporate and strategic plans

Under the ATSI Act, the Board is required to prepare a Corporate Plan that sets out 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 about investments, loans, guarantees and other financial aspects of IBA's operations. The plan is also an important tool in communicating IBA's strategy to staff and external audiences. This plan is reviewed regularly as required.

The IBA Corporate Plan 2008–13 was approved by the Board in July 2008 following thorough planning and discussion. Following a review of the Corporate Plan, the IBA Strategic Plan 2011–13 was created to guide the development of Branch Business Plans. The Strategic Plan provides more detailed descriptions on how the Corporate Plan will be implemented.

The Board is expected to approve the IBA Corporate Plan 2014–16 after consulting with the Minister and key stakeholders. The plan will come into effect on 1 January 2014. IBA's Corporate Plan can be found on the IBA website at www.iba.gov.au.

Ministerial directions

The Hon. Jenny Macklin, MP, Minister for Families, Community Services and Indigenous Affairs, was the responsible Minister for the 2012–13 reporting period. Under section 151 of the ATSI Act, the Minister is empowered to make directions with which IBA must comply. The Minister made no directions to IBA during this reporting period.

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 ensure that the responsibilities between portfolio bodies and other arms of government are well defined, and that the agency's actions are transparent and accountable. The Minister issued the Australian Government's Statement of Expectations on 11 February 2011, and IBA provided its Statement of Intent in March 2011.

Australian Government policy orders

IBA must comply with general government policies and general policy orders (as required under the CAC Act), unless exempted. Previous ministers exempted IBA from the requirement to comply with policies regarding Australian Government property ownership, cost recovery, foreign exchange risk management, and the National Code of Practice for the Construction Industry.

Despite a partial exemption, IBA is required to report any foreign exchange exposures, gains and losses to the Department of Finance and Deregulation. During 2012–13, IBA was not required to provide any reports to the department. IBA must also comply with guidelines on making appointments to and setting remuneration for public offices established under legislation. During 2012–13, IBA was exempted, by regulation, from complying with most aspects of the National Credit Code.

During the reporting year, IBA received two approvals for medium-sized works from the Parliamentary Standing Committee of Public Works.

About the IBA Board

The IBA Board is appointed by the Minister in accordance with section 155 of the ATSI Act, which can be found online at www.comlaw.gov.au.

Under section 157, the ATSI Act also details the following requirements for directors:

- The Chair may be either part time or full time.
- The Minister appoints other directors on a part-time basis.
- The Chair and at least four other Board members must be of Aboriginal or Torres Strait Islander descent.
- The Minister must be satisfied that each director has industry, commercial or financial experience, or experience in Aboriginal or Torres Strait Islander community life or enterprises.

The Board comprises members with extensive and varied business expertise. Their profiles are found on pages 98–102. The Board consists of a Chair, a Deputy Chair and seven directors. As at 30 June 2013, 56.5 per cent of the Board identified as being of Aboriginal or Torres Strait Islander descent. Women made up 60 per cent of the Board's membership.

The role of the IBA Board

Section 156 of the ATSI Act states: 'It is the responsibility of the Indigenous Business Australia Board, subject to any direction from the Minister under section 151, to ensure the proper and efficient performance of the functions of Indigenous Business Australia and to determine the policy of Indigenous Business Australia with respect to any matter.'

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, as per the ATSI Act
- appointing the CEO and evaluating their performance in carrying out their 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 its 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.

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.

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

The Board recognises the importance of applying sound governance principles and practices. It has adopted a Board Governance Charter 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 to continuously improve Board and IBA processes.

In 2012–13, the Board held seven scheduled meetings. Due to increased business activity, the Board also held six additional meetings. All Board members are non-executive directors. The composition of the Board and membership details for each director are listed on pages 98–102.

Governance review

Following Deloitte's independent governance review in 2012, IBA has implemented the majority of the review's recommendations. The review assessed IBA against 62 key governance indicators which were derived from relevant Better Practice Guides from the Australian National Audit Office, and found IBA to be conducting better practice for 51 of the 62 indicators and needed only minor adjustments on the remaining 11 indicators. It will continue to implement other measures as part of its continuous improvement program. These measures are detailed on pages 91–93.

Board development and review

IBA provides a formal induction for new Board members, including a meeting with the Chair, CEO and Executive Management Team. They are provided with the Director’s Induction Manual, which includes the Board Governance Charter. Directors are required to pursue their own development and continuously update their knowledge to maintain the standard of competence expected of them. With the assistance of IBA, directors are expected to undertake ongoing professional development that corresponds with IBA’s needs.

Ethical standards

The Directors’ Code of Conduct is included in the Board Governance Charter. The charter also includes guidelines for dealing with directors’ conflicts of interest and material personal interests as required by the CAC Act.

Related entity transactions

Under section 15 of the Commonwealth Authorities (Annual Reporting) Orders 2011, IBA is required to report any related entity transactions.

Note 15 of the Financial Statements (page 186) details the loans and other transactions with directors or director-related entities.

This section provides details on the decision-making process of the Board and transactions during the financial year, where a director received a benefit. The decision-making process was independent from the Board, through a delegation to an IBA staff member that was exercised in accordance with specified policies and procedures. Business Support consulting advice was provided to the following directors. The value of the services and the number of transactions provided are as follows:

Table 10: Value of services and number of transactions provided by directors

Name	\$	Number of transactions
Mr Jason Eades	\$1,254	1
Ms Gail Reynolds-Adamson	\$59,965	3

In addition, loans were made to directors and director-related entities. Further details are at Note 15 of the Financial Statements.

Remuneration

IBA’s directors are entitled to remuneration and allowances. Details of directors’ remuneration and allowances are set out in the Remuneration Tribunal Determinations 2012/13 and 2012/18 as

amended from time to time, and Notes 14 and 16 of the Financial Statements (see pages 185 and 187).

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 the Chair's authorisation. Where the Chair wishes to obtain independent advice, two other directors must approve the request.

Indemnity and insurance

IBA's directors' and officers' liability insurance cover is provided through Comcover, the Australian Government's self-managed fund. IBA renewed its insurance coverage in 2012–13 to a level 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 2012–13 was \$21,017.80, compared to \$18,609 in 2011–12.

Committees

Three committees assist the Board to effectively exercise its functions: the Audit and Risk Committee, the Finance and Investment Committee, and the Remuneration and Nomination Committee. A charter details each committee's constitution, responsibilities, functions, and reporting and administrative arrangements. Other committees may be formed as required, with specific terms of reference.

Audit and Risk Committee

The Board established the IBA Audit and Risk Committee in compliance with section 32 of the CAC Act. The Committee provides independent assurance and assistance to the Board regarding IBA's risk control and compliance framework, and its external accountability responsibilities. Membership details are provided on pages 98–102. 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 Audit and Risk Committee meetings held during 2012–13.

Finance and Investment Committee

The Board established the Finance and Investment Committee to provide assurance and assistance on decisions regarding IBA's financial performance and investment portfolio. The Committee is chaired by Peter Thomas, a director of TFG International, a consulting and advisory firm that provides high-level strategic advice to the public and private sectors. Committee membership details are provided on pages 98–102.

Remuneration and Nomination Committee

The Board has a Remuneration and Nomination Committee that aims to, in accordance with any relevant policy:

- monitor and evaluate the CEO's performance
- consider, review and recommend any variation to the CEO's salary and/or performance bonus
- assess the skills of people nominated for Board membership against the Board's existing skills and the range of criteria mentioned above
- develop a shortlist of nominations for Board membership, conduct interviews, undertake reference checks, and make recommendations to the Board.

Internal governance arrangements

The CEO oversees the day-to-day administration of IBA. The CEO is supported by an Executive Management Team (see pages 114–118), 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

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

- **Executive Committee** – is the key internal governance committee for information sharing and decision making.
- **Workplace Health and Safety Committee** – develops and promotes initiatives to protect the health and safety of employees, contractors and visitors.
- **Workplace Consultative Committee** – provides 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 11), and selects scholarship recipients. The committee conducts an annual review of the IBA Scholarship Fund operations, and the 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 whether to approve SEDI projects.
- **Valuation Committee** – reviews valuations with a view to making recommendations to the relevant delegate [see above] on the approval of investment projects.
- **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 change to it and to SES employment conditions every two years.
- **Remuneration Committee** – oversees the non-SES remuneration policy.

Risk management

IBA's approach to identifying and mitigating risk exposure is outlined in the IBA risk management plan. This integrated and structured process ensures that IBA's exposure to risk is adequately controlled and addressed, by assessing and addressing risks as early as possible.

The risk management framework outlines the risk register and key strategies for addressing strategic and business risks. It also includes a business continuity plan and a fraud control plan. IBA's Board reviews the risk register at each meeting, and updates the risk management and business continuity plans annually.

The Comcover Risk Management Benchmarking Program has recognised the effectiveness of IBA's risk management strategies and activities. IBA was awarded a rating of 8.58 out of 10 (with a 'structured' maturity rating) for its risk management performance. The average result across the Australian public service was 6.8.

In 2012–13, IBA began a project to define its risk appetite in relation to the major categories of risk it faces. IBA will include statements of risk appetite in its 2013–14 risk management plan, as well as a series of risk tolerance indicators that assesses whether IBA is operating within its defined risk appetite. IBA will refine the risk tolerance indicators, and develop risk tolerance limits and monitoring systems during 2013–14.

IBA has reviewed its policies and procedures concerning the procurement of goods and services, and updated the CEO's Instructions and procedural manuals. The review process was undertaken to manage procurement risks and ensure sound accountability.

Appropriate ethical behaviour and fraud control

All staff members are required to maintain the ethical standards outlined in IBA's Values and Code of Conduct, including appropriately managing conflicts of interest. The IBA fraud control plan is in line with Australian Government fraud control guidelines. It includes a fraud risk assessment system, and appropriate fraud prevention, detection, investigation and reporting procedures.

The Audit and Risk Committee reviews the fraud control plan every two years. The last review was in November 2012. The 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 systems for interacting 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 or function are required to exercise it 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, IBA enacted one significant compliance document: the updated Legal Services Directions. As a result of new requirements, IBA put mechanisms in place to ensure it complies with the Legal Services Multi-Use List for engagement and reporting purposes.

IBA also has programs in place to ensure compliance with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act) and the CAC Act. IBA has also met the annual compliance report requirements for the latter. Further assurance of IBA's compliance with relevant statutes is detailed on page 93.

The *Public Governance, Performance and Accountability Act 2013* will replace the CAC Act from July 2014 or earlier if declared. During

2013–14, IBA will liaise with the Department of Finance and Deregulation on developing rules concerning the operation of this new Act.

Audit

IBA's external auditor is the Auditor-General (otherwise known as the Australian National Audit Office). 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. This program aims to provide assurance that key risks are being managed effectively and efficiently, including compliance with regulatory requirements and policies.

During the year, IBA conducted internal audits on its compliance with the AML/CTF Act, fraud control processes and credit card usage, procurement management, project assurance on the new finance information management system, and management of personal property securities. 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

As a statutory authority of the Australian Government, and a part of the FaHCSIA portfolio, IBA 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 and how it approaches its functions can be found on the inside front cover of this report and online at www.iba.gov.au.

Under the *Public Works Committee Act 1969*, Parliament's Standing Committee on Public Works conducts inquiries into proposals for major public works (\$15 million and over) that government agencies are considering undertaking and approves them before the works commence. The Committee also needs to be notified of and approve medium public works (\$2 million and over). In June 2013, IBA notified the Committee of two medium works: the fit-out for IBA's new national office in Canberra, and the redevelopment of the Tjapukai Aboriginal Cultural Park in Cairns. Both these works were approved.

Freedom of information

Under the *Freedom of Information Act 1982* (FOI Act), IBA is required to publish information to the public as part of the Information Publication Scheme (IPS). This is outlined 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 has been published in accordance with IPS requirements. A table summarising the list of FOI activities for 2012–13 is available on page 219.

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 that customers may have in relation to IBA's services or decisions or IBA-funded service providers are taken seriously and dealt with promptly. The standards of response are consistent with the recommended timeframes outlined in the Better Practice Guide published by the Commonwealth Ombudsman. By adhering to these processes, IBA can learn from mistakes and continuously improve its practices, ultimately improving its customers' experiences.

Judicial decisions and reviews by external bodies

There were no judicial decisions or decisions of parliamentary committees, the Auditor-General administrative tribunals and the Australian Information Commissioner that had a significant effect on IBA's operations during 2012–13. The Commonwealth Ombudsman received two complaints regarding IBA during the year and following reviews, decided not to investigate the complaints.

Other statutory requirements

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

Developments and significant events

Under section 15 of the CAC Act, IBA is required to inform the Minister of any significant events. IBA provided six IBA Board meeting summaries to the Minister in the 2012–13 financial year. IBA also reported six significant events to the Minister in this period. These are on page 216.

There are no current developments that 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.

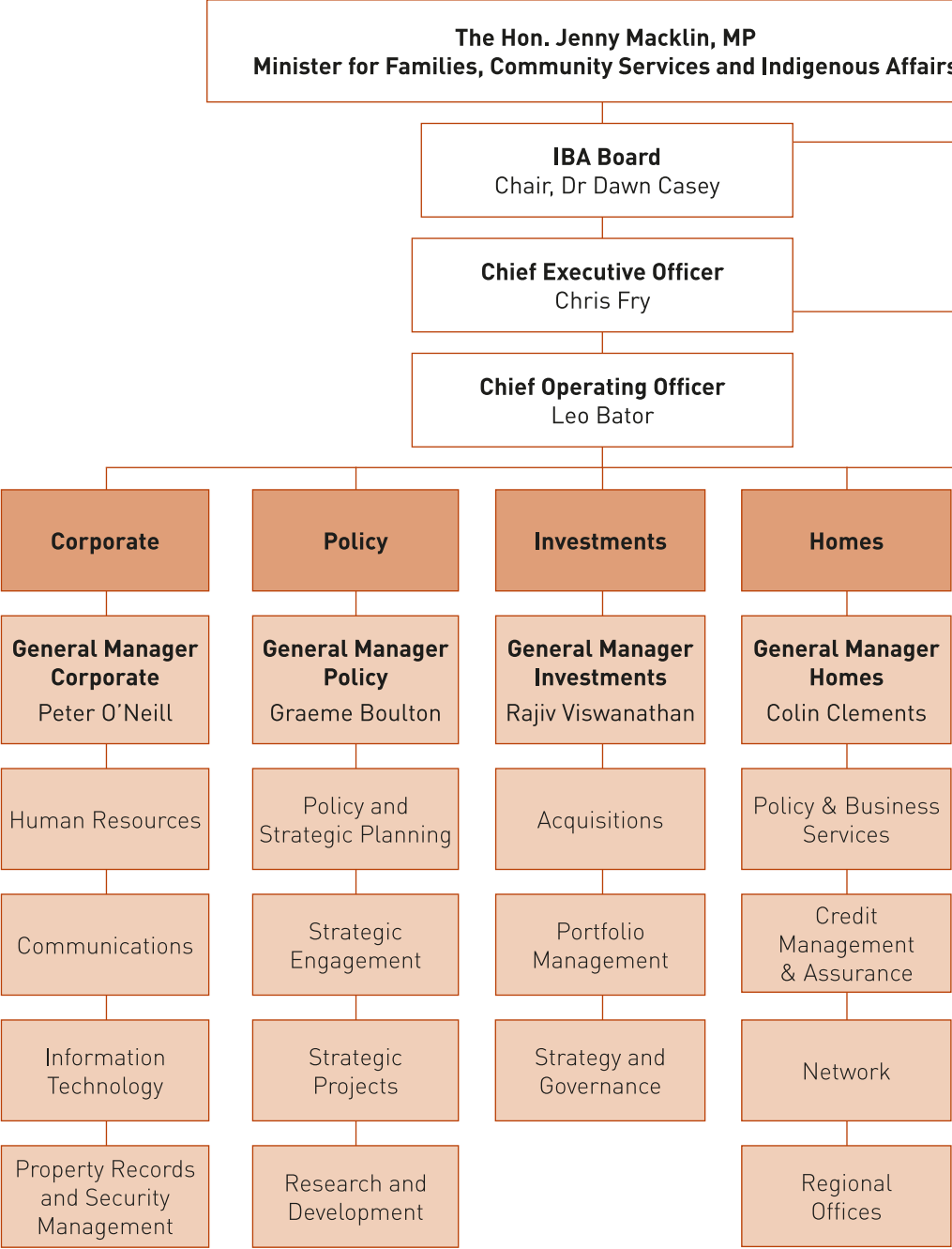
Since 1994, Commonwealth departments and agencies have reported on their performance as policy advisors, purchasers, employers, regulators and providers under the Commonwealth Disability Strategy. In 2007–08, the responsibility for reporting on the employer role was transferred to the Australian Public 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 replaced with a new National Disability Strategy 2010–2020, which sets out a 10-year national policy framework for improving the lives of people with a disability, promoting their participation and creating a more inclusive society. A high-level, two-yearly report will track progress against each of the strategy's six outcome areas and present a picture of how people with a disability are faring. The first of these reports will be available in 2014 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.

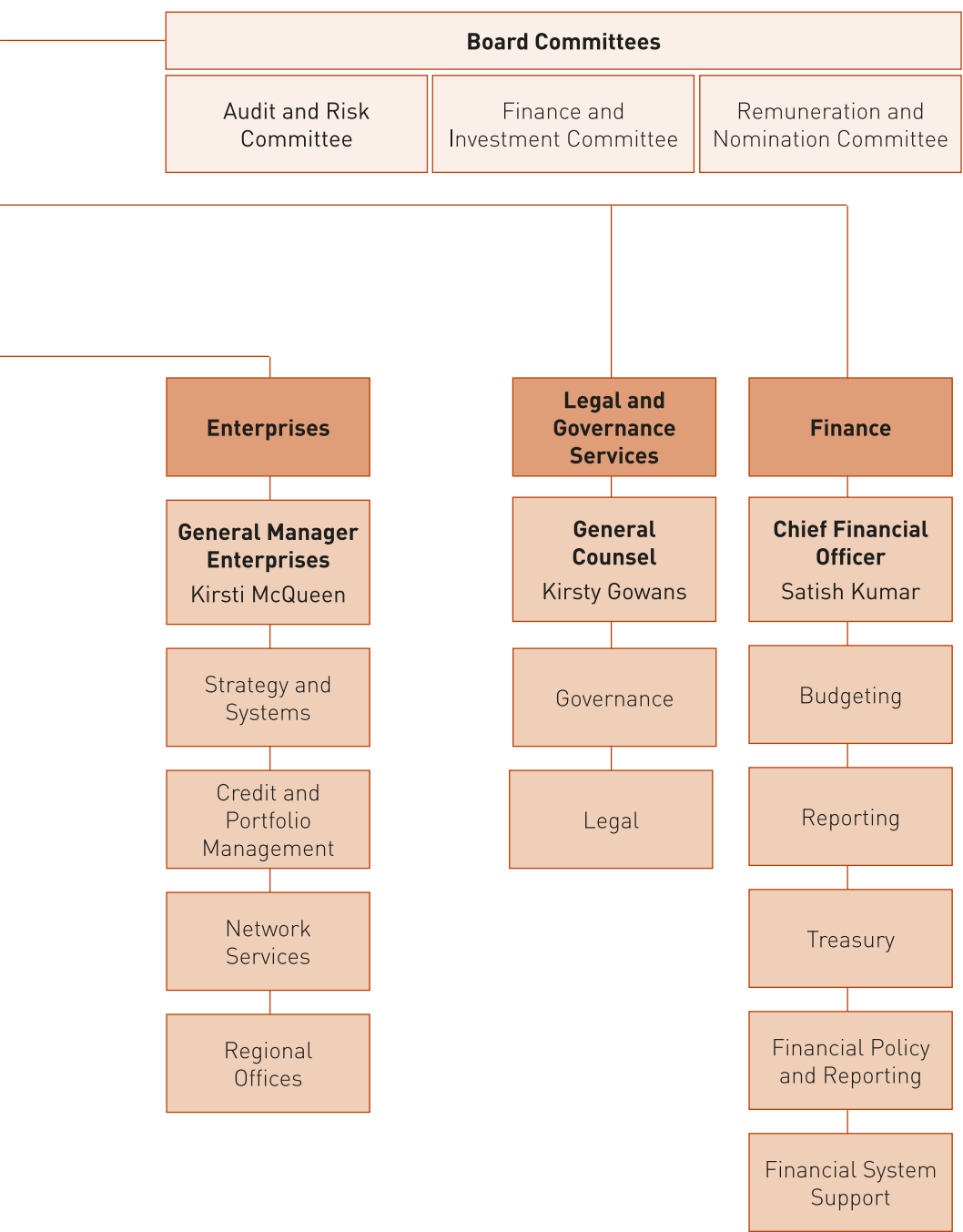
Environmental performance

Under section 516A of the *Environmental Protection and Biodiversity Conservation Act 1999* (EPBC Act), IBA is required to include a section detailing its environmental performance and contribution to ecologically sustainable development (ESD) in its annual report. IBA is committed to the principles of ESD as outlined in section 3A of the EPBC Act. See page 217 for more information on IBA's ESD activities.

Figure 24: Organisational structure, as at 30 June 2013



* IBA's subsidiaries are listed on pages 209–210.



IBA Board of Directors



Dawn Casey

PSM FAHA

Chair

Remuneration and Nomination Committee member

First appointed
29 June 2009 to 28 June 2014.
Board: 7 [7] AM: 5 [6]



Ian Trust

Deputy Chair of the Board and Remuneration and Nomination Committee member

First appointed
30 November 2003.
Reappointed
1 December 2007 to
30 November 2013.
Board: 7 [7] AM: 5 [6]
Finance and Investment
Committee Meetings: 2 [6]

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

She has received many awards for her achievements.

Dawn is a member of the Remuneration and Nomination Committee.

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 part-time Deputy Chair 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 Kimberley 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. He won the Indigenous award category at the Western Australian of the Year Award 2013.

Ian is a member of the Remuneration and Nomination Committee.

He resigned as a member of the Finance and Investment Committee in December 2012.

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



Judy Hardy

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

First appointed
9 August 2004.

Reappointed
1 September 2011 to
31 August 2014.

Board: 7 [7] AM: 6 [6]

Audit and Risk
Committee Meetings: 4[4]
AM: 2 [2]



Gail Reynolds-Adamson

MAICD

**Board Director and Audit
and Risk Committee and
Remuneration and Nomination
Committee member**

First appointed 10 May 2006.

Reappointed 1 September 2011
to 31 August 2014.

Board: 7 [7] AM: 4 [6]

Audit and Risk
Committee Meetings: 3 [4]
AM: 2 [2]

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.

She is a member of the Audit and Risk Committee.

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.

She is a member of the Audit and Risk Committee and the Remuneration and Nomination Committee.



Peter Thomas

BC, FCA

Board Director, Finance and Investment Committee Chair, and Remuneration and Nomination Committee member

First appointed
24 September 2007. Reappointed
5 October 2010 to 4 October 2013.
Board: 6 [7] AM: 4 [6]
Finance and Investment
Committee Meetings: 6 [6]
AM: 4 [4]



Jason Eades

Board Director and Finance and Investment Committee member

First appointed
19 July 2011 to 19 July 2014.
Board: 7 [7] AM: 6 [6]
Finance and Investment
Committee Meetings: 6 [6]
AM: 4 [4]

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 that provides 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.

Peter is a past board member of Innovation Australia and The Australian Solar Institute (both Australian Government entities) and is a member of the Risk and Audit Committee of the Australian Renewable Energy Agency (ARENA). He is a director of the Foundation for Alcohol Research and Education; a number of private sector companies; and, on a pro-bono basis, three not-for-profit organisations.

Peter is Chairman of the Finance and Investment Committee, and a member of the Remuneration and Nomination Committee.

Jason Eades is a proud Gunai man from south-east Victoria, and brings to IBA 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 organisations. 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.

Jason established the Jason Eades Consultancy in 2009, which later became Eades Consulting Group. His firm 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.

Jason is a member of the Finance and Investment Committee.



Anthony Ashby

**Board Director and
Finance and Investment
Committee member**

First appointed
22 October 2012 to
21 October 2015.

Board: 4 [4] AM: 4 [5]

Finance and Investment
Committee Meetings: 3 [3]
AM: 2 [2]



Claire Woodley

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

First appointed
22 October 2012 to
21 October 2015.

Board: 4 [4] AM: 3 [5]

Audit and Risk
Committee Meetings: 2[2]
AM: 1 [1]

Anthony Ashby is a proud Gamilaraay-Yuwaalaraay man from north-western New South Wales. He holds a Bachelor of Commerce (UNSW), and has postgraduate qualifications as a Chartered Accountant and Registered Company Auditor. He also holds a Certificate of Public Practice from the Institute of Chartered Accountants in Australia.

Anthony started as a graduate accountant with Ernst & Young, where he became a manager before leaving to seek new experiences. He gained international accounting experience when he worked with the Moore Stephens Group in the firm's New York and New Jersey offices. After these public accounting experiences, Anthony moved into the commercial arena as Financial Manager for the Darrell Lea Group of companies. In 2004, Anthony and his wife Vanessa established their own boutique accounting business.

Anthony is Treasurer of KARI Aboriginal Resources Incorporated and a member of Supply Nation's Audit and Risk Committee.

He is a member of the Finance and Investment Committee.

Claire Woodley has a diverse background in the banking sector, as well as clinical and managerial experience delivering public mental health services. She has a passion for ensuring equal access to opportunities throughout the community, with a specific interest in enabling Indigenous peoples.

Claire brings to the Board her experience in governance, risk management, strategic planning, policy development, business re-engineering, and project and program management. She also has experience in project portfolio governance, including risk and quality oversight of global change programs.

Claire has formal qualifications in occupational therapy, psychology and project management.

She is a member of the Audit and Risk Committee.



Valerie Cooms

PhD

Board Director and Finance and Investment Committee member

First appointed
16 June 2010,
resigned 1 February 2013.

Board: 2 [4] AM: 0 [1]

Finance and Investment
Committee Meetings: 3 [3]
AM: 1 [1]



Nareen Young

Board Director

First appointed
21 June 2013 to
23 June 2016

Board: 0 [0] AM: 0 [0]

Dr Valerie Cooms belongs to the Nunukul people of Minjerriba (also known as North Stradbroke Island). She is a Visiting Research Fellow with the Australian Institute of Aboriginal and Torres Strait Islander Studies, and has extensive experience in government at both federal and state levels.

Valerie 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 finished her PhD at the Australian National University in June 2012.

Valerie was a member of the Finance and Investment Committee.

Nareen Young has worked in leadership positions within employment diversity for nearly 15 years. She is widely credited with identifying many new concepts in the area of workplace and business diversity thought and practice in Australia.

Since 2007, she has been the Chief Executive Officer of Diversity Council Australia Limited (DCA), the independent, not-for-profit workplace diversity advisor to business in Australia.

In 2012, Nareen was named by the *Australian Financial Review* and Westpac Group as one of Australia's 100 Women of Influence and the most influential Australian woman in the diversity category. She was also named one of the 'Twenty Most Influential Female Voices of 2012' by *Daily Life*.

Nareen is also a board member of the Institute for Cultural Diversity and Netball Australia, and is a member of the Lend Lease Reconciliation Action Plan Advisory Panel.

Nareen has presented and published widely on employment diversity matters and has qualifications in education and employment law.

IBA Business Development and Assistance Program customer Wendy Brookman with IBA staff member Jade Kitchenier at a Reconciliation Week morning tea (see page 108).

PART 6: OUR PEOPLE

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OUR ORGANISATION

About us

IBA is a national organisation staffed by people from diverse public and private sector backgrounds, particularly those with financial management and banking experience.

IBA has a strong regional presence that enhances customer interactions and its ability to quickly respond to their needs.

In 2012–13, IBA implemented a range of initiatives to better position the organisation for the future, including new people management policies, new procedures to support staff members and managers, and reforms to build individual and organisational capabilities.

IBA's People Plan 2012–2014 remains a cornerstone of an integrated approach to:

- shape the IBA workforce – by reporting on workforce metrics and reforming recruitment and selection processes
- develop capability – by launching a core skills training program, introducing the Harvard ManageMentor online learning resource, and developing a focused Leadership Development Program for middle and senior managers
- deliver high performance – by providing ongoing support for the performance management and development system, and embedding the IBA behaviours framework across the organisation
- strengthen culture – by holding IBA's second Aboriginal and Torres Strait Islander Staff Network (ATSISN) meeting, conducting the 2012 employee survey, and implementing measures to move from cultural awareness to competence.

The above initiatives have:

- built IBA's capability, particularly among the organisation's leadership team
- enhanced the organisation's culture, increasing appreciation of Aboriginal and Torres Strait Islander colleagues and customers
- sustained Indigenous employee numbers, and opportunities for capability and career development.

Workforce profile

As at 30 June 2013, IBA employed 227 people, an increase from 210 employees as at 30 June 2012. IBA hired more people in response to emerging priorities and initiatives.

IBA also supports two Indigenous trainees who complement its workforce. They are not direct employees of IBA as they are employed by external agencies that facilitate their traineeship studies, but IBA hosts them in the workplace. See page 107.

Table 11: IBA staff numbers, by classification and location as at 30 June 2013

Classification	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	Total
CEO	1	0	0	0	0	0	0	0	1
COO	1	0	0	0	0	0	0	0	1
General Manager*	7	1	0	0	0	0	0	0	8
IBA Level 7	17	5	0	4	0	0	0	1	27
IBA Level 6	19	6	0	3	0	0	0	0	28
IBA Level 5	31	6	2	14	2	0	2	3	60
IBA Level 4	18	8	2	14	4	1	3	6	56
IBA Level 3	15	5	2	3	1	1	2	1	30
IBA Level 2	4	3	0	2	0	0	0	0	9
IBA Level 1	3	0	0	2	0	0	0	1	6
Cadet	0	0	0	0	1	0	0	0	1
Total#	116	34	6	42	8	2	7	12	227#

Includes 14 part-time and four casual positions, equating to 223 full-time equivalent positions.

* Includes the Chief Financial Officer and the General Council position.

Workplace diversity

To reflect and be responsive to its customer base, IBA is a significant employer of Indigenous people, with 21.15 per cent of its workforce identifying as being of Aboriginal and Torres Strait Islander descent. This compares to the Australian Public Service average of 2.2 per cent (sourced from the 2012 Australian Public Service Commission *State of the Service Report*).

This represents a slight decline from 49 Indigenous staff members in 2011–12 to 48 in 2012–13. A priority in 2013–14 will be increasing Aboriginal and Torres Strait Islander representation, particularly within the senior levels of the organisation.

A new Indigenous Employment Strategy will be central to achieving this. Staff members from the ATSISN, the Reconciliation Action Plan Working Group and representatives on the Workplace Consultative Committee Review have assessed the existing strategy and made recommendations for improvements.

The strategy, to be finalised early in 2013–14, proposes a range of measures to boost overall Indigenous representation, including in leadership roles. The strategy complements the IBA Reconciliation Action Plan and firmly establishes a culture conducive to attracting, developing and retaining Indigenous employees.

Specific measures include:

- reforming IBA's recruitment policy and procedures, such as promoting and better supporting Indigenous employees in the selection processes, and encouraging greater use of Identified positions (in which an understanding of the issues affecting, and the ability to communicate sensitively with, Aboriginal and Torres Strait Islander peoples are essential) and Special Measures positions (open only to Indigenous Australian applicants)
- better coordinating current, and introducing new, entry-level programs, for example, a graduate intake in 2014
- leveraging existing short-term relationships, such as internships, as a source of future longer-term employees.

Table 12: IBA staff numbers, by classification and gender, as at 30 June 2013

Classification	Male	Female
Chief Executive Officer	1	0
Chief Operating Officer	1	0
General Manager	6	2
IBA Level 7	22	5
IBA Level 6	19	9
IBA Level 5	21	39
IBA Level 4	21	35
IBA Level 3	10	20
IBA Level 2	1	8
IBA Level 1	2	4
Cadet	1	0
Total	105	122



APRIL'S CAREER GOALS ARE ON TRACK

IBA has this year supported three Indigenous interns through the CareerTrackers program who work in various areas of the organisation.

One such intern, April Atthews, has been working at IBA within the Equity and Investments program since November 2012, working on a range of projects with the leasing team. She says:

'Working at IBA has given me the opportunity to work in a professional business environment where I have gained practical experience to tie in with my studies at university. My goals on completion of my university degree are to participate in IBA's graduate program and gain my Chartered Accountant qualifications'.

In 2012–13, IBA continued to recruit or engage Indigenous Australians for entry-level positions. At the end of the reporting period, IBA was hosting two trainees, one cadet and three interns. Another trainee became a temporary employee at the completion of their traineeship and one cadet left IBA towards the end of 2012 after completing their cadetship. The three interns came through the CareerTrackers program and work in various areas of the organisation.

IBA is also actively investing in initiatives to build cultural awareness.

During the year, IBA's Executive Management Team endorsed a Cultural Capability Framework that includes a range of practical measures to help staff develop their skills in working with Aboriginal and Torres Strait Islander colleagues, customers and other stakeholders.

The framework is based on 'knowing' (awareness and knowledge of people and processes), 'being' (attitudes and behaviours) and 'doing' (applying skills and building self-awareness).

Specific measures include:

- holding IBA's second ATSISN meeting in June 2013
- offering cultural immersion experiences, including placing one staff member in May 2013 in a community in North East Arnhem Land

- working closely with other Australian Government Indigenous affairs agencies to share learning and development opportunities
- sending senior executives to the annual Garma Festival, one of Australia's leading cultural exchange events
- providing one-day cultural awareness workshops as part of staff induction
- encouraging staff members to participate in NAIDOC activities, Reconciliation Week, and a community volunteer day, and attend Indigenous cultural events
- embedding IBA's behaviours framework through the Performance Management and Development system.

IBA plans to implement more cultural capability initiatives in the first half of 2013–14, including cross-cultural mentoring and developing better online tools to help build cultural capability.

IBA's Reconciliation Action Plan has helped IBA develop a suite of initiatives to improve its internal culture and customer focus (see page 123).

Capability development

In 2012–13, IBA focused on more structured and integrated investment in its people. IBA developed and started implementing an integrated Learning and Development Framework based on learning needs identified through performance management and development agreements, discussions with managers, and consultations with learning and development reference groups.

Key priorities and supporting initiatives include:

- launching core skills development workshops in late 2012, which were well attended and received
- providing training and support in a timely manner irrespective of location through Harvard ManageMentor, an online skills development and performance support resource. More than 60 per cent of staff members have accessed the resource and its 41 online topics
- enhancing the capabilities of IBA's senior leadership group through a Leadership Development Program. This included a three-day workshop, completing a psychometric test to raise self-awareness, and an action learning project that reinforced participants' learning and allowed them to put it into practice. Participants from Reconciliation Australia and Aboriginal Hostels also attended the course
- offering opportunities for Aboriginal and Torres Strait Islander employees to attend programs run by the Australian Indigenous

Leadership Centre. One Aboriginal and Torres Strait Islander staff member participated in a mentoring workshop, and three others were nominated to undertake one of the Centre's Certificate Level II or IV management certificate courses. The outcome of those nominations had not been finalised as at 30 June 2013

- building cultural capability by adopting a Cultural Capability Framework (see page 107).

Employee relations

During the past year, IBA continues implementing its Enterprise Agreement, which was finalised at the start of 2012.

IBA has made considerable effort to either review its existing people policies and procedures or develop new ones to better support staff members, and consistency of decision making by managers under expanded human resource delegations.

In the interests of maintaining collaborative workplace relations, the Workplace Consultative Committee – IBA's peak consultative body – met twice in 2012–13. This included a meeting focused solely on the priorities identified in the 2012 Employee Survey and proposed actions in response to these issues. Seventy per cent of staff members participated in the survey.

.....
**'I feel I have a voice at
IBA and my feedback is
listened to'.
IBA staff member, 2012**
.....

The overall results were very positive, and IBA received constructive feedback. Influenced by issues raised in the survey, IBA launched the Leadership Development Program to help build leadership capability across the organisation. Participants worked in teams on three projects – Health and Wellbeing, Rewards and Recognition, and the Local Leadership Initiative – in direct response to issues brought up in the survey.

IBA also created new finance and HR delegations to enable staff members to efficiently respond to customers.

At the local or branch level, all staff members have been briefed by their General Manager or equivalent about their branch's results.

IBA continues to welcome its staff members' contribution and efforts. The Local Leadership model, which started in 2011–12, continued during the year. The model provided an avenue for staff members to participate in meetings and decision making at the local level.

IBA also maintained its focus on rewards and recognition through, but not limited to:

- Australia Day Achievement Medallions
- peer and executive-nominated staff awards
- CEO's awards at the end of each year.

Senior Executive Service remuneration

The Senior Executive Service (SES) Remuneration Committee met for the first time in August 2012 and made a number of recommendations to the Board about SES remuneration. The recommended changes to the IBA SES Remuneration Policy were in line with guidance from the Remuneration Tribunal and were accepted by the Board.

Employee superannuation

IBA employees continued to enjoy choice regarding their superannuation arrangements. Many employees are members of the closed Commonwealth Superannuation Scheme and Public Sector Scheme. All new employees can choose their superannuation fund, and the Public Sector Superannuation Accumulation plan is the default fund.

Employee wellbeing, work health and safety

The Health and Safety Committee met on four occasions during the year. Major achievements included revising IBA's health and safety management arrangements, and developing improved risk management practices for staff travelling in private vehicles, particularly in remote areas. IBA appointed a new health and safety representative, as well as two deputy health and safety representatives in regional areas to offer more support to staff members.

Staff members and their families continued to access services made available by the employee assistance provider, PPC Worldwide, for personal and work-related issues. Managers also took advantage of the hotline service designed to provide them with advice and assistance in dealing with staff management issues. PPC Worldwide provided general information on issues such as quitting smoking and men's health, which IBA circulated to staff members. Several employees received financial support to access quit smoking programs.

IBA is considering other wellbeing initiatives for staff based on recommendations by participants in the Leadership Development Program.

Workers compensation

Comcare accepted one compensation claim in 2012–13 and another is yet to be decided.

Comcare investigations

Comcare investigated no incidents in 2012–13.

Improvement notices

Comcare did not issue any provisional improvement notices during the year.

Incident and hazard reports

IBA received six incident and hazard reports in 2012–13.

Outlook

Over the next 12 months, IBA will continue its efforts to enhance the capability of staff members through learning and development programs. Staff members will be encouraged to use Harvard ManageMentor and the core skills training program, and to actively seek skills development opportunities identified in their performance agreements.

Another important area of focus is IBA's new Indigenous Employment strategy. The strategy will help IBA establish a culture that is conducive to attracting, developing and retaining Indigenous employees. The aim is to increase the percentage of Aboriginal and Torres Strait Islander staff at IBA, including in leadership roles. IBA will continue consulting with the ATSISN, the Reconciliation Action Plan Working Group and representatives of the Workplace Consultative Committee to facilitate this process. It will also continue to support Indigenous trainees and interns through programs such as CareerTrackers.



ENGAGING IN THE WORKPLACE TO IMPROVE CUSTOMER OUTCOMES

The Aboriginal and Torres Strait Islander Staff Network (ATSISN) held its second annual conference in Canberra in June 2013, which was attended by 40 IBA staff members.

ATSISN is an important initiative established as a key action in IBA's Reconciliation Action Plan and its Enterprise Agreement. It aims to inspire, encourage and empower Aboriginal and Torres Strait Islander employees. It also helps improve the way IBA connects with its customers and the way its employees engage with each other in the workplace.

As well as discussing possible business improvements and strategic directions, the conference was a fantastic networking opportunity for IBA's staff members. The conference agenda was developed by a group of Indigenous staff members from across IBA, and included an inspiring line-up of speakers such as Mrs Ruth Bell, Kerrie Tim from the Australian Public Service Commission, IBA Board member Anthony Ashby and IBA CEO Chris Fry.

One of the key recommendations put forward at this year's conference was around the need for ATSISN to develop stronger governance, better communications and clearer roles, and engage in relevant policy development and other important issues relating to enhancing cultural capability and customer engagement. As a result, an ATSISN committee and charter are currently being developed, to provide staff members with clearer guidance on ATSISN's role and key contacts. Members of the ATSISN committee will present their recommendations to the IBA Board in 2013–14.

Members of the ATSISN at the second annual conference in June 2013.



The Executive Management Team



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

**Chief Executive
Officer**



Leo Bator
Dip Acc, GAICD

**Chief Operating
Officer**

Chris 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 has also completed a secondment with the Miriuwung Gajerrong Corporation in Kununurra.

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

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.

Leo joined IBA as Chief Operating Officer on 30 January 2012. He has more than 18 years of senior management experience in the Australian public service, including 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 was Chair of the Defence Force Retirement and Death Benefits Authority for a number of years.

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



Graeme Boulton

BAppSc, BSocSc
(Psych)(Hons),
GradDipEd

**General Manager
Policy**



Colin Clements

GAICD

**General Manager
Homes**

Graeme joined IBA in 2005, bringing with him extensive experience in the retail banking industry. He previously held several senior management positions 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 the development, implementation and coordination of strategic projects and processes across IBA.

Colin joined IBA in 2005 and has more than 15 years of experience in the public sector, primarily with Indigenous programs and initiatives. He also has specific experience in lending products and managing lending operations gained from his extensive career in the commercial banking sector. In 2008, Colin received an Australia Day Award for Excellence in Public Administration for his contribution to the ongoing success of the IBA Indigenous Home Ownership Program.

Colin heads the Homes branch, which facilitates Indigenous Australians' participation in home ownership by providing tailored home loans and other assistance measures.

**Kirsty Gowans**

BA, LLB

**General Counsel
Legal and
Governance Services****Satish Kumar**

CA, CPA, GAICD

**Chief Financial
Officer**

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.

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 associated investment entities.



Kirsti McQueen

LLB, B Com, MAAPD

**General Manager
Enterprises**



Peter O'Neill

MBA

**General Manager
Corporate**

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 (now Supply Nation). 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 to acquire, establish, grow or exit their businesses. This support includes the *Into Business*™ workshops, and access to expertise and finance for viable businesses.

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 improving the acquisition process, and developing a portfolio-based investment strategy and reporting framework. Peter brings with him the experience he gained from 20 years of service with the Royal Australian Air Force in numerous areas, including engineering, technical training, leadership development, personnel management and business process improvement.

As head of Corporate, Peter oversees IBA's communications; media and marketing; ministerial liaison processes; human resources; information and communications technology; and records, property and security management.



**Rajiv
Viswanathan**

BA, LLB (Hons)

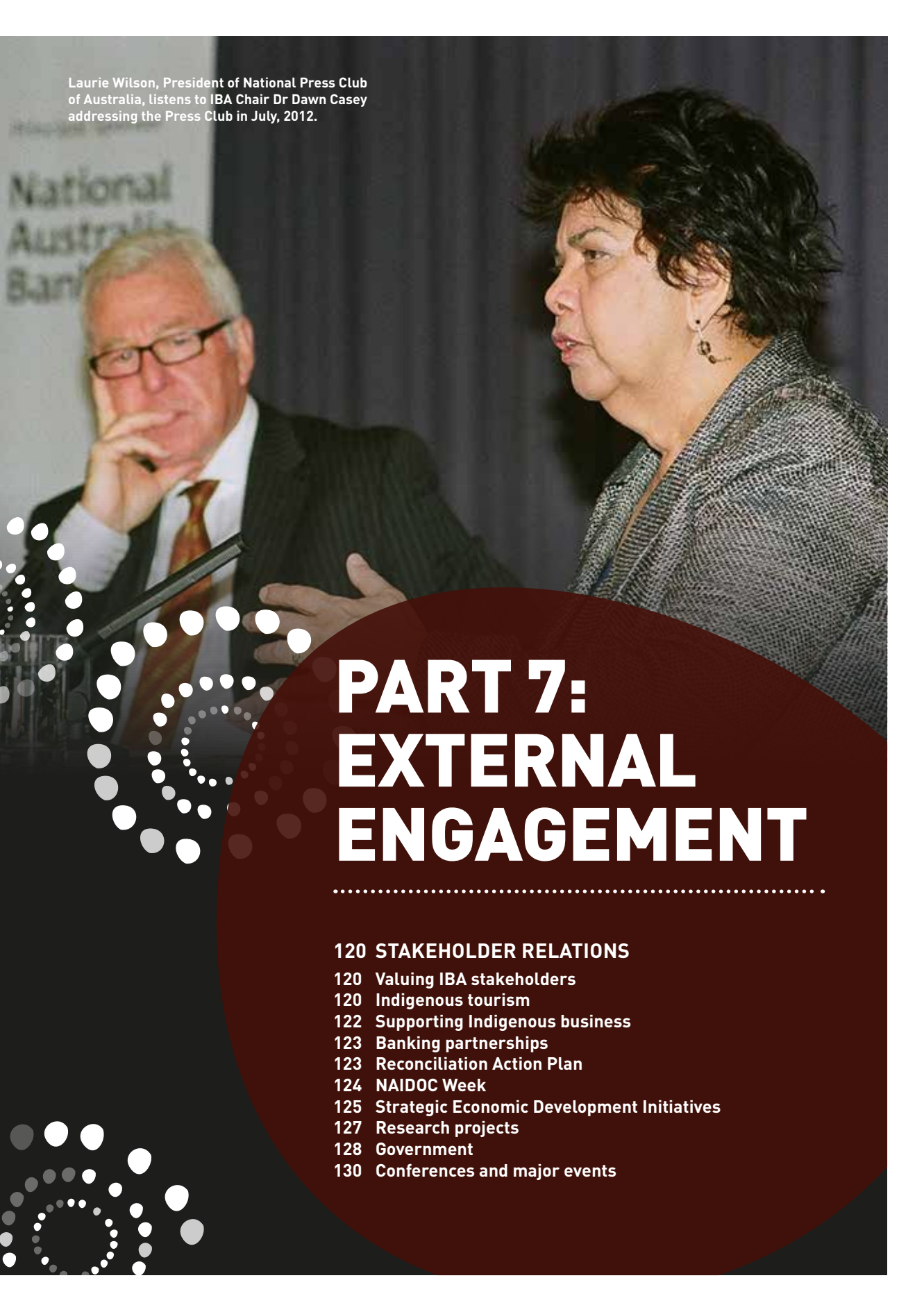
**General Manager
Investments**

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.

Laurie Wilson, President of National Press Club of Australia, listens to IBA Chair Dr Dawn Casey addressing the Press Club in July, 2012.



PART 7: EXTERNAL ENGAGEMENT

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STAKEHOLDER RELATIONS

Valuing IBA 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, guided by a Stakeholder Engagement Strategy. By doing so, we can better direct and orient our services, gain access to new opportunities, and explore new directions and innovations while improving service to customers. IBA has a number of specific initiatives focused on external engagements.

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 and sponsors tourism events. See page 220 for details.

The Indigenous Tourism Champions Program

The Indigenous Tourism Champions Program (ITCP) coordinates the delivery of cross-agency support to Indigenous tourism operators across Australia. This support – which is 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 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 state and territory tourism organisations.

In 2012, IBA reviewed the ITCP and, together with Tourism Australia, relaunched the program in early 2013. The improved program now includes:

- linking more Indigenous tourism operators to tourism industry expert mentors – from 15 businesses in 2011–12 to 37 in 2012–13
- providing matched funding so Indigenous tourism operators can participate in tourism trade events, and access marketing and other business development services
- increasing the number of tourism industry mentors in the program from three to five
- incorporating a development pathway within the program that provides full access to mentoring and marketing funding support
- removing the need for Champions to exit the program after three years, which supports their engagement with Tourism Australia's international and domestic tourism and provides more opportunities for face-to-face mentoring and advice
- developing a special annual event to connect Champions with inbound tour operators and other industry organisations.

IBA participates in other industry and government-led Indigenous tourism working groups and forums, including the Indigenous Tourism Group and the Australian Tourism Export Council's National Indigenous Tourism Task Force.

Indigenous tourism research

In 2012, IBA worked with the Indigenous Tourism Group to engage the University of Queensland in research on the supply of and demand for Indigenous cultural tourism in Australia. The resulting report, finalised in early 2013, was based on interviews with more than 1,300 international and domestic tourists and more than 30 Indigenous tourism operators. It revealed significant opportunities and challenges for the sector. IBA is using the results to inform its engagement with Indigenous tourism operators and the advice it provides on product development, particularly to assist potential tourism operators to better understand the domestic and international tourism market. The full report is available from the IBA website at www.iba.gov.au.

Supporting Indigenous business

Collaborating with Supply Nation

For Indigenous business to grow as a sector, it needs to effectively tap into the supply chains of Australian companies and government agencies. Supply Nation (formerly the Australian Indigenous Minority Supplier Council) was established to support certified Indigenous suppliers entering commercial relationships with corporations and agencies that wish to purchase goods and services. Encouraging Indigenous procurement internally and externally has been an ongoing focus for IBA, and becoming a strategic Supply Nation partner would bring many procurement opportunities.

.....
**In 2012–13, IBA
 procured approximately
 \$2 million worth of
 goods and services
 from Indigenous
 suppliers.**

IBA actively promotes the benefits of becoming a Supply Nation–certified supplier to its customers. The benefits include more opportunities for businesses to compete for tenders and contracts with Supply Nation’s corporate and government members, who are among Australia’s largest purchasers of goods and services. Certification can also provide Indigenous business owners with opportunities to access the networking, mentoring and support services provided by Supply Nation’s strategic partners, including IBA.

During the year, IBA and Supply Nation launched a new service that offers quick turnaround times for loan assessment and marketing assistance to Supply Nation–certified suppliers. The Fast Track Loan Assessment and Fast Track Lite Marketing services will enable suppliers to respond to business opportunities and contracts generated by Supply Nation members that wish to purchase goods and services from majority Indigenous owned and operated businesses.

IBA was recognised for its efforts in developing Indigenous business suppliers at the Supply Nation Connect 2013 Awards in Melbourne. IBA received the Supply Nation *Government Member of the Year* award for transacting with Supply Nation–certified suppliers, engaging in supplier diversity leadership and advocacy, and undertaking supplier development activities.

In 2012–13, IBA procured approximately \$2 million worth of goods and services from Indigenous suppliers.

Banking partnerships

IBA has been building its partnerships with financial institutions for several years, with the aim of assisting its customers to access private sector financial products and services. There is now an established program of co-lending with mainstream home loans. These split loans enable IBA to leverage external capital and therefore deliver more home loans. This year, 29.5 per cent of total home loans were split loans, which has grown from 20 per cent when the program was introduced in 2009–10 (see page 48).

In the past year, IBA has been discussing options for expanding its partnerships with major financial institutions that provide home and business lending products. IBA hopes to develop concrete solutions in the coming year.

Reconciliation Action Plan

IBA's inaugural Reconciliation Action Plan (RAP) was developed in 2007, refreshed in 2010 and updated in 2012. The RAP process has helped IBA develop a suite of initiatives to improve its internal culture and customer focus, while encouraging its partners to provide employment, training, procurement and business opportunities for Indigenous Australians.

During the year, IBA developed a comprehensive strategy for building its cultural capability, reviewed its Indigenous Employment Strategy (see page 106) and held its second Aboriginal and Torres Strait Islander Staff Network (ATSISN) national conference. IBA also implemented recommendations from the inaugural ATSISN conference aimed at improving business processes and Indigenous recruitment and retention. A number of teams and individuals undertook cultural education activities throughout the year, including Indigenous Community Volunteer days, secondments and cultural immersion activities.

Externally, IBA has started working with its investment partners to encourage them to develop RAPs, and implement strategies and policies to create employment, training and supply chain opportunities for Indigenous Australians.

Finally, IBA's RAP Working Group has consulted with Reconciliation Australia to update IBA's current RAP. This will ensure IBA continues to improve its practices and broaden its impact by working more closely with partners, stakeholders and the wider community.

NAIDOC Week

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

Since 2008, IBA has hosted a business breakfast as part of NAIDOC Week each year. The IBA NAIDOC breakfast takes place in whichever city is hosting the NAIDOC Ball and provides a forum for IBA to deliver key messages on Indigenous economic development, and to network with stakeholders.

In July 2012, IBA held its fifth NAIDOC breakfast at the Museum of Old and New Art in Hobart. As in previous years, there was strong representation from the private and public sectors, showing their support for Indigenous economic development. Key speakers included the Hon. Jenny Macklin, Minister for Families, Housing, Community Services and Indigenous Affairs, and Dr Tom Calma, National Coordinator for Tackling Indigenous Smoking.

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



From left to right: IBA Deputy Chair Ian Trust, IBA Chair Dr Dawn Casey, the Hon. Jenny Macklin, MP, and Dr Tom Calma at the 2012 IBA NAIDOC Week breakfast.

Strategic Economic Development Initiatives

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 and enterprise development.

During 2012–13, the following projects received IBA funding.

Business support and development projects

- **Franchising support:** Engaged franchisors in a partnership with IBA to assist Indigenous peoples to own and operate their own franchised business in remote and regional areas.
- **ITCP:** Supported the commercial development of Indigenous cultural tourism businesses in line with industry best practice, with Tourism Australia advertising in major international markets.
- **Kimberley business development:** Identified and assisted Indigenous businesses in the Kimberley region to enter into joint ventures or access business development support, undertaken in conjunction with KRED Enterprises Charitable Trust.
- **Indigenous Communities in Business:** Launched two grassroots projects to develop small and micro-enterprises owned by Indigenous people in the Wadeye and Wurrumiyanga communities in the Northern Territory. This project is IBA's contribution to the Australian Government's Stronger Futures initiative in the Northern Territory.
- **Green Teams Victoria:** Provided assistance to develop 'green team' Indigenous land and environmental management businesses in Victoria.
- **Murchison and Gascoyne goat farming pre-feasibility study:** Examined the feasibility of goat farming operations for Indigenous businesses in this region of Western Australia.
- **Woorabinda abattoir:** Conducted a feasibility assessment on the development of a proposed abattoir on property owned by the Woorabinda Pastoral Company.
- **Kimberley rangers:** Provided assistance to Traditional Owner groups involved in ranger activities in Western Australia, to assist them to understand and develop commercial models for their operations.

Native Title, mining and supply chain projects

- **Supply Chain Pre-qualification Support project:** Developed a kit to assist Indigenous small businesses to pre-qualify for engagement with mining companies, which is presently a major hurdle for businesses in mining and resource areas.
- **Indigenous Pre-qualification Support Program:** IBA sought tenders for a pilot program to support Indigenous businesses' engagement with the mining sector, to be conducted in early 2013–14.
- **Pilbara Traditional Owner Alliance Support:** Provided commercial development assistance to three Traditional Owner groups with mining supply chain contracts in the Pilbara region of Western Australia.
- **Pilbara Indigenous Business Hub scoping project:** Developed a back-office hub to enable small Indigenous businesses to use professional services providers such as accountants.
- **Larrakia Opportunity Framing Workshop:** Held a workshop to assist Indigenous groups to strategically assess investment and other opportunities arising from Indigenous land use agreements and land rights agreements.

Social enterprise assistance projects

- **Hope Vale banana plantation:** Provided funding assistance to a banana plantation venture so it could acquire planting and harvesting equipment for its first year of operation.
- **Cherbourg Material Recycling Facility:** A collaborative project between IBA, the Cherbourg Shire Council and the University of Canberra to develop a functioning and viable Indigenous-owned recycling business in Cherbourg, Queensland.
- **Banthula Market Garden:** Granted funding for farming equipment to a market garden business venture on Elcho Island.
- **Goodooga Community Hall:** Assisted an Indigenous community group to establish a business venture that manages and operates a community hall.

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

Starting as face-to-face interviews with first-year IBA business loan customers in 2011, the *Understanding Indigenous Business* study is interviewing those same customers for the third time in 2013, as well as engaging with a group of customers first interviewed in 2012.

This study is helping IBA understand the needs, challenges and aspirations of its customers as they go through their journey in business. IBA is using this knowledge to improve its business lending and support services. The third round of interviews took place in mid-2013. This project is now the most comprehensive longitudinal study of Indigenous businesses in Australia.

Factors influencing Indigenous business success study

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

Demand and supply issues in Australian Indigenous tourism

IBA received a new research report examining demand and supply issues for Indigenous cultural tourism among overseas and domestic tourists. Undertaken by the University of Queensland and Griffith University, the study examined the perceptions of, and demands 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 Group.

Government

IBA works closely with relevant Australian, state and territory agencies to effectively coordinate and implement its programs, as well as contribute to broader policy development. Examples of this collaboration include the following:

- IBA is on the Reference Group overseeing the implementation of the Australian Government's Indigenous Economic Development Strategy 2011–2018.
- IBA was a major contributor to the Indigenous Home Ownership Paper prepared by FaHCSIA, which received input from all state and territory governments. The paper was endorsed by all housing ministers at the 28 March 2013 Select Council on Housing and Homelessness meeting. The Australian, state and territory governments have committed to ensuring that Indigenous peoples have the same opportunities to purchase housing as non-Indigenous Australians, under the Council of Australian Governments National Affordable Housing Agreement.
- The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) was passed in June 2013. The new Act stemmed from the Commonwealth Financial Accountability Review (CFAR). IBA provided submissions to the CFAR discussion paper *Is Less More? Towards Better Commonwealth Performance* and the CFAR position paper *Sharpening the Focus*. IBA also provided comments on the draft Bill, and gave evidence at a hearing of the Joint Committee of Public Accounts and Audit, which conducted an inquiry into the Bill in June 2013. The PGPA Act replaces the *Financial Management and Accountability Act 1997* and the *Commonwealth Authorities and Companies Act 1997*. It is intended that much of the detail of the legislative framework will be contained in rules made by the Commonwealth Finance Minister over the next year. IBA expects to be consulted on the content of these rules.
- IBA contributed to the whole-of-government small business roundtable that met twice during the year to discuss issues affecting small businesses.
- IBA has worked with FaHCSIA and Queensland Government agencies, Aboriginal Councils and other stakeholders to progress home ownership on Indigenous land to the point where a number of loans in emerging market locations are expected to be made in the coming year.

- IBA and the NSW Department of Family and Community Services formed an agreement to deliver the NSW Remote Home Ownership Scheme. The purpose of the scheme is to enable Aboriginal households in remote towns to transition from public or private rental to home ownership.
- IBA made a submission to the Victorian Government's discussion paper on threshold guidelines for Victorian Traditional Owner groups seeking a settlement under the *Traditional Owner Settlement Act 2010*.



General Manager of the Business Development and Assistance Program Kirsti McQueen (second from right) at the Supply Nation Connect Conference with IBA customers, Sheila, Leah and Leon Torzyn from Print Junction.

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
4 July 2012	National Press Club, Canberra	IBA Chair Dr Dawn Casey addressed the Press Club on Indigenous economic development.
22 August 2012	Indigenous Business Development Forum, South Hedland	David Brudenall, Senior Manager, Strategic Engagement & Research, gave a presentation on IBA's work supporting Indigenous engagement with the mining sector.
22 October 2012	World Indigenous Business Forum, Sydney	IBA CEO Chris Fry spoke on 'Meeting challenges with creative solutions'.
17 November 2012	Northern Territory Tourism Awards (Brolgas), Darwin	Stephen Barry, Senior Manager, Tourism & Hospitality Investments Branch, presented the Indigenous Tourism Award.
3–4 December 2012	Indigenous Business Enterprise and Corporations Conference, Perth	IBA Board Member Gail Reynolds-Adamson chaired a breakout session on strategies to achieve Indigenous empowerment; Andrew Clarke, Manager, Network Services, gave a presentation titled 'IBA – Supporting Indigenous Economic Success'; Tom Jenkins, Senior Manager, Sustainability and Community Engagement, presented a paper titled 'Measuring IBA's Financial and Social Impact'.
26 January 2013	Saltwater Freshwater Festival, Taree	IBA CEO Chris Fry spoke on 'Understanding Indigenous business: Findings of the longitudinal study of IBA business loan clients'.
16 February 2013	Qantas Australian Tourism Awards, Hobart	Stephen Barry, Senior Manager, Tourism & Hospitality Investments Branch, presented the Indigenous Tourism Award.
14–15 May 2013	Supply Nation Connect, Melbourne	IBA CEO Chris Fry presented the Supplier of the Year Award.
3–5 June 2013	National Native Title Conference, Alice Springs	Ken Markwell and Tom Jenkins, Senior Managers, Investments, gave a presentation titled 'Communal rights to economic gains: The next chapter of Native Title'. Ken Markwell and Social Ventures Australia presented a joint paper on investment advisory services for Indigenous organisations.

PART 8: FINANCIAL PERFORMANCE

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FINANCIAL SNAPSHOT

Economic background

National interest rates have continued to trend downwards in 2012–13, with the Reserve Bank of Australia cash rate dropping from 3.50 per cent in June 2012 to its lowest ever level of 2.50 per cent. The impact on IBA's asset portfolio of home and business loans and investments has been mixed. The decline in interest rates has impacted interest incomes from the loan and business portfolio but has 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 has resulted in lower valuations for IBA's investment property portfolio.

Financial results

IBA's investments include 44 active subsidiaries and 10 associate entities with businesses spread across tourism, industrial, retail, mining, telecommunications and commercial property. The Financial Statements are presented on a consolidated basis with its subsidiaries.

The operating results of IBA consolidated accounts have returned a surplus of \$8 million against the previous year's surplus of \$27.6 million. Total income has increased from \$168 million in 2011–12 to \$176 million in 2012–13. Goods and services income has increased by \$8 million and rental income by \$2.5 million. Total expenses have increased from \$141 million in 2011–12 to \$168 million in the current year, driven by a decline in the value of the property portfolio by \$15 million and an increase in supplier expenses of \$7 million.

IBA's total assets as at 30 June 2013 are valued at \$1.129 billion, an increase of \$45 million over the previous year. Net assets as at that date are valued at \$1.093 billion. The increase is mainly driven by an increase in the value of the home loan portfolio.

Figure 25 shows the growth in consolidated net assets over the past eight years and Figure 26 shows the composition of total assets.

Figure 25: Net asset growth as at 30 June 2013

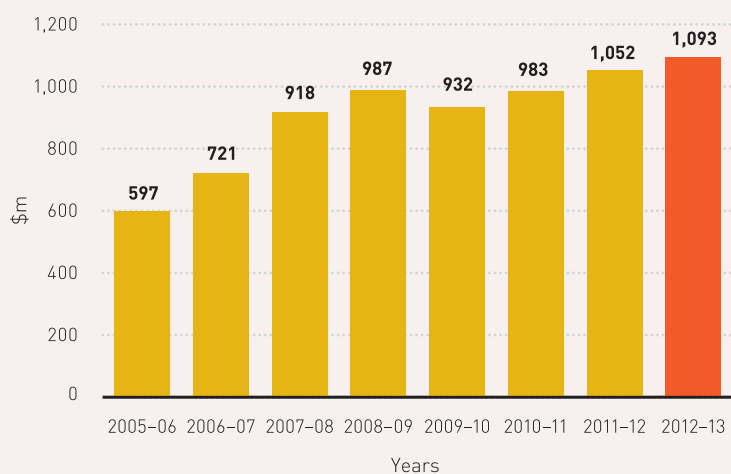
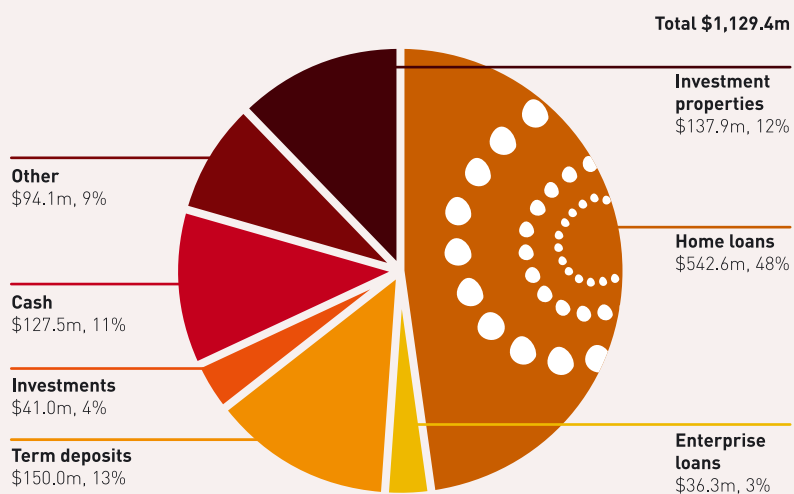


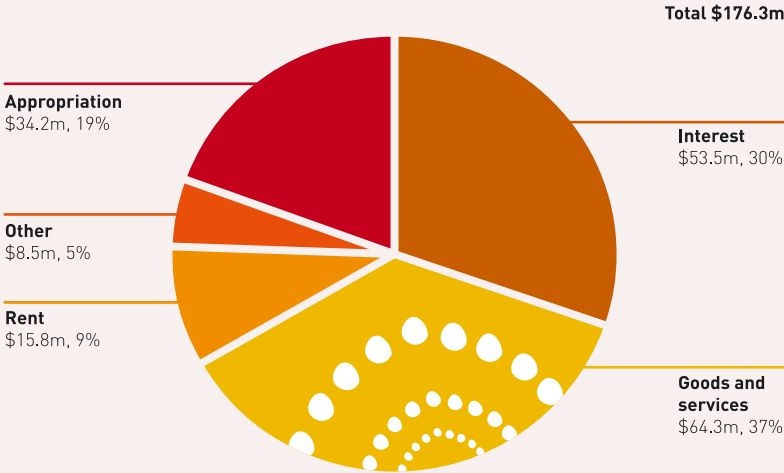
Figure 26: Consolidated total assets as at 30 June 2013 (\$m)



Funding

The income base of the consolidated IBA entity is a mix of departmental receipts from the Australian Government and self-generated revenue. In 2012–13, IBA received \$34.2 million in departmental receipts and \$142.1 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 \$37.5 million equity infusion from the Australian Government to fund its lending operations (see Figure 27 below for a detailed composition of IBA’s consolidated income).

Figure 27: Consolidated income 2012–13 (\$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 statement of comprehensive income.

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

Outlook

IBA expects stability in its lending and investment operations in 2013–14. However, any volatility in the interest rate regime would impact IBA's asset valuations and operating results. IBA has initiated a process of cost rationalisation and reduction from 2010–11 and this has resulted in a significant saving in operational overheads over the last three years. IBA has also invested in a new financial application system during the year and this has significantly improved information and cost management. IBA will continue to invest in cost-effective information management systems to improve its customer support activities and document management.

IBA's net asset base is expected to continue its steady growth during 2013–14, with total assets budgeted at \$1.172 billion as at 30 June 2014. Total consolidated revenue is budgeted at \$187 million, including departmental receipts from the Australian Government of \$34 million.



INDEPENDENT AUDITOR'S REPORT

To the Prime Minister

I have audited the accompanying financial statements of Indigenous Business Australia for the year ended 30 June 2013, which comprise: a Statement by Directors, Chief Executive and Chief Financial Officer; the Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; and Notes comprising a Summary of Significant Accounting Policies and other explanatory information of the consolidated entity comprising Indigenous Business Australia and the entities it controlled at the year's end or from time to time during the financial year.

The Directors' Responsibility for the Financial Statements

The Directors of Indigenous Business Australia is responsible for the preparation of the consolidated 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 the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 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.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT 2600
Phone (02) 6203 7300 Fax (02) 6203 7777

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

Independence

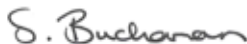
In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

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 Indigenous Business Australia's financial position as at 30 June 2013 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office



Serena Buchanan
Audit Principal

Delegate of the Auditor-General

Canberra
20 September 2013



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 2013 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
20 September 2013

Ian Trust
Deputy Chairperson
20 September 2013

Chris Fry
Chief Executive Officer
20 September 2013

Satish Kumar
Chief Financial Officer
20 September 2013

STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2013

	Notes	Consolidated	
		2013 \$'000	2012 \$'000
Expenses			
Employee benefits	3A	47,318	42,805
Supplier expenses	3B	62,293	55,283
Grants	3C	12,444	8,027
Depreciation and amortisation	3D	4,872	5,232
Finance costs	3E	858	1,064
Write-down and impairment of assets	3F	38,365	27,493
Losses from asset sales	3G	79	-
Other expenses	3H	1,014	688
Total expenses		167,243	140,592
Less:			
Own-source income			
Own-source revenue			
Sale of goods and rendering of services	4A	64,270	55,706
Interest	4B	53,476	54,952
Dividends	4C	26	30
Rental income	4D	15,830	14,900
Other revenue	4E	3,587	1,940
Total own-source revenue		137,189	127,528
Gains			
Sale of assets	4F	461	140
Other	4G	2,975	1,615
Total gains		3,436	1,755
Total own-source income		140,625	129,283
Net cost of services		26,619	11,309
Revenue from Government	4H	34,168	38,923
Share of surplus of associates using the equity method	4I	1,512	20
Surplus before income tax on continuing operations		9,061	27,634
Income tax expense	5	1,093	75
Surplus after income tax on continuing operations		7,968	27,559
Surplus attributable to non-controlling interests		2,546	2,336
Surplus attributable to the Australian Government		5,422	25,223

STATEMENT OF COMPREHENSIVE INCOME

(continued)

for the period ended 30 June 2013

		Consolidated	
		2013	2012
	Notes	\$'000	\$'000
Other comprehensive income			
Items not subject to subsequent reclassification to profit or loss			
Changes in asset revaluation reserves		205	1,743
Items subject to subsequent reclassification to profit or loss			
Gains/(Losses) on available-for-sale financial assets		(4,946)	(2,130)
Total other comprehensive income before income tax		(4,741)	(387)
Income tax expense - other comprehensive income		-	-
Total other comprehensive income after income tax		(4,741)	(387)
Total comprehensive income		3,227	27,172
Total comprehensive income attributable to non-controlling interests		2,596	3,066
Total comprehensive income attributable to the Australian Government		631	24,106

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

BALANCE SHEET

as at 30 June 2013

		Consolidated	
	Notes	2013 \$'000	2012 \$'000
Assets			
Financial assets			
Cash and cash equivalents	7A	127,521	116,321
Trade, loans and other receivables	7B	588,345	529,119
Investments accounted for using the equity method	7C, 7D	40,865	32,655
Other investments	7E	150,103	189,750
Deferred tax assets	7F	303	1,313
Total financial assets		907,137	869,158
Non-financial assets			
Land and buildings	8A, 8C	51,042	55,828
Property, plant and equipment	8B, 8C	20,995	18,909
Investment property	8D	137,904	128,530
Intangibles	8E, 8F	7,783	7,707
Inventories	8G	2,971	2,107
Other	8H	1,603	2,421
Total non-financial assets		222,298	215,502
Total assets		1,129,435	1,084,660
Liabilities			
Payables			
Suppliers	9A	10,177	8,140
Tax liabilities	9B	63	40
Other	9C	6,044	3,769
Total payables		16,284	11,949
Interest bearing liabilities			
Loans	10	11,516	11,773
Total interest bearing liabilities		11,516	11,773
Provisions			
Employee provisions	11A	6,672	5,839
Other	11B	2,418	3,159
Total provisions		9,090	8,998
Total liabilities		36,890	32,720
Net assets		1,092,545	1,051,940

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

BALANCE SHEET (continued)

as at 30 June 2013

	Notes	Consolidated	
		2013	2012
		\$'000	\$'000
Equity			
Parent entity interest			
Contributed equity		831,608	793,534
Reserves		21,284	24,567
Retained earnings		205,242	207,337
Total parent entity interest		1,058,134	1,025,438
Attributed to non-controlling interests			
Contributed equity		18,080	16,050
Reserves		8,489	7,693
Retained earnings		7,842	2,759
Total non-controlling interests		34,411	26,502
Total equity		1,092,545	1,051,940

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2013

	Retained earnings		Consolidated Reserves		Contributed equity/capital		Total equity	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Opening balance								
Balance carried forward from previous period	210,096	184,014	32,260	30,755	809,584	772,636	1,051,940	987,405
Reclassification	(1,008)	2,989	(6)	(108)	-	-	(1,014)	2,881
Adjusted opening balance	209,088	187,003	32,254	30,647	809,584	772,636	1,050,926	990,286
Comprehensive income								
Other comprehensive income	-	-	205	1,743	-	-	205	1,743
Other comprehensive income - available for sale	-	-	(4,946)	(2,130)	-	-	(4,946)	(2,130)
Surplus for the period	7,968	27,559	-	-	-	-	7,968	27,559
Total comprehensive income	7,968	27,559	(4,741)	(387)	-	-	3,227	27,172
of which is:								
Attributable to the Australian Government	5,422	25,223	(4,791)	(1,118)	-	-	631	24,105
Attributable to non-controlling interests	2,546	2,336	50	731	-	-	2,596	3,067
Transactions with owners								
Distributions to owners								
Return on capital:								
Transfer	(2,260)	(2,000)	2,260	2,000	-	(1,263)	-	(1,263)
Dividends	(1,712)	(2,467)	-	-	-	-	(1,712)	(2,467)
Other movement:								
Attributable to the Australian Government	(5,395)	-	-	-	-	-	(5,395)	-
Attributable to non-controlling interests	5,395	-	-	-	-	-	5,395	-
Contributions by owners								
Equity injection	-	-	-	-	38,074	37,878	38,074	37,878
Other (equity contribution from non-controlling interests)	-	-	-	-	2,030	333	2,030	333
Sub-total transactions with owners	(3,972)	(4,467)	2,260	2,000	40,104	36,948	38,392	34,481
Closing balance as at 30 June	213,084	210,096	29,773	32,260	849,688	809,584	1,092,545	1,051,940
Less: non-controlling interests	(7,842)	(2,759)	(8,489)	(7,693)	(18,080)	(16,050)	(34,411)	(26,503)
Closing balance attributable to the Australian Government	205,242	207,337	21,284	24,567	831,608	793,534	1,058,134	1,025,438

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

CASH FLOW STATEMENT

for the period ended 30 June 2013

		Consolidated	
	Notes	2013 \$'000	2012 \$'000
Operating Activities			
Cash received			
Receipts from Government		34,168	38,923
Goods and services		64,196	58,015
Interest		55,039	53,917
Dividends		26	30
GST received		1,554	2,197
Other		19,555	16,307
Total cash received		174,538	169,389
Cash used			
Employees		46,579	42,740
Suppliers		64,160	57,725
GST paid		444	46
Borrowing costs		858	1,064
Other - grants		12,444	8,026
Total cash used		124,485	109,601
Net cash from operating activities	12	50,053	59,788
Investing Activities			
Cash received			
Proceeds from sales of property, plant and equipment		4,157	1,815
Investments		43,388	4,125
Other - repayment of loans		70,628	61,525
Total cash received		118,173	67,465
Cash used			
Purchase of property, plant and equipment		23,400	14,729
Purchase of other non-financial assets		2,116	1,076
Investments		17,172	5,725
Other - loans and advances		151,939	117,963
Total cash used		194,627	139,493
Net cash used by investing activities		(76,454)	(72,028)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

CASH FLOW STATEMENT (continued)

for the period ended 30 June 2013

		Consolidated	
		2013	2012
	Notes	\$'000	\$'000
Financing Activities			
Cash received			
Contributed equity		39,570	32,738
Total cash received		39,570	32,738
Cash used			
Repayment of borrowings		257	165
Dividends paid		1,712	2,465
Total cash used		1,969	2,630
Net cash from financing activities		37,601	30,108
Net increase in cash held			
		11,200	17,868
Cash and cash equivalents at the beginning of the reporting period			
		116,321	98,453
Cash and cash equivalents at the end of the reporting period	7A	127,521	116,321

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

SCHEDULE OF COMMITMENTS

as at 30 June 2013

Notes	Consolidated	
	2013 \$'000	2012 \$'000
By Type		
Commitments receivable		
Lease rental income ¹	34,621	37,013
Loans ²	47,571	15,222
Other capital ⁵	2,877	-
Total commitments receivable	85,069	52,235
Commitments payable		
Other commitments		
Operating leases ³	3,043	7,620
Loans ²	47,571	15,221
Other ⁴	7,224	9,336
Total other commitments	57,838	32,177
Net commitments by type	27,231	20,058
By Maturity		
Commitments receivable		
Operating lease income		
One year or less	12,660	10,273
From one to five years	18,964	22,359
Over five years	2,997	4,381
Total operating lease income	34,621	37,013
Loan commitments receivable		
One year or less	1,347	1,215
From one to five years	7,420	3,763
Over five years	38,804	10,244
Total loan commitments receivable	47,571	15,222
Capital commitments receivable		
One year or less	2,877	-
Total loan commitments receivable	2,877	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

SCHEDULE OF COMMITMENTS (continued)

as at 30 June 2013

	Consolidated	
	2013 \$'000	2012 \$'000
Commitments payable		
Operating lease commitments		
One year or less	1,690	3,411
From one to five years	1,353	4,209
Total operating lease commitments	3,043	7,620
Loan commitments payable		
One year or less	47,571	15,221
Total loan commitments payable	47,571	15,221
Other commitments		
One year or less	4,395	3,775
From one to five years	2,556	5,162
Over five years	273	399
Total other commitments	7,224	9,336
Net commitments by maturity	27,231	20,058

NB: Commitments are GST inclusive where relevant.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

SCHEDULE OF COMMITMENTS (continued)

as at 30 June 2013

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

Nature of lease	General description of leasing arrangement
Leases for commercial accommodation	There are 47 commercial accommodation leases at 30 June 2013, of which 18 will end by 30 June 2014. Initial lease terms range from 2 to 10 years (average 6 years) with renewal options ranging from 0 to 16 years (average 8 years). Lease terms remaining at 30 June 2013 range from one to seven years (average 3.5 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 16 equipment leases current at 30 June 2013. Lease terms range from two to five years (average 3.5 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 commercial accommodation	There are 13 commercial accommodation leases at 30 June 2013 of which 8 will end by 30 June 2014. Initial lease terms range from 1 to 7 years (average 4 years) with renewal options ranging from 0 to 5 years (average 2.5 years). Lease terms remaining at 30 June 2013 range from 0 to 5 years (average 2.5 years). 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.⁵ Other capital: This funding is provided by the Commonwealth for the purposes of housing construction for the Government employees.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

SCHEDULE OF CONTINGENCIES

as at 30 June 2013

	Consolidated	
	2013 \$'000	2012 \$'000
Contingent assets		
Claims for damages/costs	3,459	2,397
Total contingent assets	3,459	2,397
Contingent liabilities		
Indemnities	1,000	1,000
Claims for damages/costs	-	200
Total contingent liabilities	1,000	1,200
Net contingent assets	2,459	1,197

Details of each class of contingent liabilities and contingent assets listed above are disclosed in Note 13, 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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 Standards 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 132 *Financial Instruments: Presentation*

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 Standards 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 3 *Business Combinations*
- AASB 7 *Financial Instruments: Disclosures*
- AASB 9 *Financial Instruments*
- AASB 10 *Consolidated Financial Statements*
- AASB 13 *Fair Value Measurement*
- AASB 101 *Presentation of Financial Statements*
- AASB 107 *Statement of Cash Flows*
- AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- AASB 110 *Events after the Reporting Period*
- AASB 117 *Leases*
- AASB 118 *Revenue*
- AASB 119 *Employee Benefits*
- AASB 127 *Separate Financial Statement*
- AASB 128 *Investments in Associates and Joint Ventures*

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 December 2010* [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and interpretations 2, 5, 10, 12, 19 & 127]
- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and interpretations 5, 9, 16 & 17]
- AASB 2012-1 *Amendments to Australian Accounting Standards - Fair Value Measurement - Reduced Disclosure Requirement* [AASB 3, AASB7, AASB 140 & AASB 141]

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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 2012 to 30 June 2013 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 7C and 7D 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 interest rates.
- 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's 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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 which 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 that 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 the 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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 cash and cash equivalents are classified as loans and other receivables.
- 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 as available-for-sale assets.
- Deposits with banks with an 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 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 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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 may 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*.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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 of 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 follows.

Asset class	Fair value measured at
Land	Market selling price
Buildings, excluding leasehold improvements	Market selling price
Leasehold improvements	Depreciated replacement cost
Property, plant and 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 based 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 is restated to the revalued amount.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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	2013	2012
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 2013. 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 (2011-12: three years).

All software assets were assessed for indications of impairment as at 30 June 2013.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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)
- 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 that 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 to comply with the conditions of deductibility imposed by the law.

Competitive neutrality

IBA does not have any competitive neutrality obligations.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.25 Indigenous Economic Development Trust

The Indigenous Economic Development Trust (IEDT) was established in September 2007, with IBA as trustee. The beneficiaries of the trust are the Aboriginal and Torres Strait Islander people of Australia. Based on a review of the trust deed with reference to the issue of beneficial interest, IEDT has been reclassified as a subsidiary and consolidated within IBA's consolidated accounts for 2012-13 financial year. The comparative year's accounts have also been restated.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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 2013.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 3: Expenses

	Consolidated	
	2013	2012
	\$'000	\$'000
Note 3A: Employee benefits		
Wages and salaries	39,367	32,602
Superannuation:		
Defined contribution plans	3,658	2,353
Defined benefit plans	1,292	1,392
Leave and other entitlements	3,001	6,458
Total employee benefits	47,318	42,805

Note 3B: Supplier expenses

Cost of goods sold	23,676	20,950
Consultants	5,025	4,817
Investment property management expenses	9,183	7,267
IT expenses	3,722	3,067
Legal expenses	2,829	2,643
Office related expenses	4,122	3,876
Travel expenses	2,241	1,926
Other suppliers	7,782	6,857
Total goods and services	58,580	51,403

Goods and services are made up of:

Provision of goods - external parties	26,056	21,975
Rendering of services - related entities	2,158	2,028
Rendering of services - external parties	30,366	27,400
Total goods and services	58,580	51,403

Other supplier expenses

Operating lease rentals - related entities:		
Minimum lease payments	453	429
Operating lease rentals - external entities:		
Minimum lease payments	2,398	2,916
Workers compensation expenses	862	535
Total other supplier expenses	3,713	3,880

Total supplier expenses	62,293	55,283
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Note 3C: Grants

Private sector:		
Other - business development grants	12,444	8,027
Total grants	12,444	8,027

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 3: Expenses (continued)

	Consolidated	
	2013	2012
	\$'000	\$'000
Note 3D: Depreciation and amortisation		
Depreciation:		
Property, plant and equipment	3,328	3,615
Land and buildings	1,253	1,532
Total depreciation	4,581	5,147
Amortisation:		
Intangibles	291	85
Total amortisation	291	85
Total depreciation and amortisation	4,872	5,232
Note 3E: Finance costs		
Loans	858	1,064
Total finance costs	858	1,064
Note 3F: Write-down and impairment of assets		
Asset write-downs and impairments from:		
Write-down on non-financial assets	15,078	6,057
Impairment on loans	3,186	5,006
Other supplier expenses		
Operating lease rentals - related entities:		
Minimum lease payments	453	429
Operating lease rentals - external entities:		
Valuation decrements on financial instruments	19,947	15,500
Other	154	930
Total write-down and impairment of assets	38,365	27,493
Note 3G: Losses from asset sales		
Plant and equipment:		
Proceeds from sale	317	-
Less: Carrying value of assets sold	396	-
Total losses from asset sales	79	-
Note 3H: Other expenses		
Other	1,014	688
Total other expenses	1,014	688

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 4: Income

	Consolidated	
	2013	2012
	\$'000	\$'000

Own-source revenue**Note 4A: Sale of goods and rendering of services**

Provision of goods/services - related entities	46	53
Provision of goods/services - external parties	64,224	55,653
Total sale of goods and rendering of services	64,270	55,706

Note 4B: Interest

Loans	41,471	38,748
Deposits	12,005	16,204
Total interest	53,476	54,952

Note 4C: Dividends

Associate companies	26	30
Total dividends	26	30

Note 4D: Rental income

Operating lease:		
Investment properties	15,606	14,513
Other	224	387
Total rental income	15,830	14,900

Note 4E: Other revenue

Other non-operating income	3,587	1,940
Total other revenue	3,587	1,940

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 4: Income (continued)

	Consolidated	
	2013	2012
	\$'000	\$'000
Gains		
Note 4F: Sale of assets		
Investments		
Proceeds from sale	4,262	637
Carrying value of assets sold	(4,085)	(509)
Selling expense	-	(23)
Investment properties		
Proceeds from sale	3,507	-
Carrying value of assets sold	(3,255)	-
Selling expense	(24)	-
Land and buildings		
Proceeds from sale	200	-
Carrying value of assets sold	(197)	-
Property, plant and equipment		
Proceeds from sale	93	94
Carrying value of assets sold	(40)	(59)
Net gain from sale of assets	461	140

During 2012-13, proceeds from sale included:

- Sale of six units at the Lyons townhouses in Darwin by IBA
- Sale of investments in Alice Springs Resort Holdings Trust and Alice Springs Resort Enterprises Pty Ltd.

During 2011-12, proceeds from sale included:

- Sale of a unit at the Lyons townhouse in Darwin by IBA.

Note 4G: Other gains

Change in fair value of non-financial assets	2,487	156
Change in fair value of financial instruments through profit and loss - loans	-	816
Other	488	643
Total other gains	2,975	1,615

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 4: Income (continued)

	Consolidated	
	2013	2012
	\$'000	\$'000

Revenue from Government**Note 4H: Revenue from Government**

Department of Families, Housing, Community

Services and Indigenous Affairs:

CAC Act body payment item	34,168	38,923
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Total revenue from Government	34,168	38,923
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Equity accounted profits of associates**Note 4I: Equity accounted profits of associates**

Associate companies	1,512	20
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Total equity accounted profit	1,512	20
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 5: Income Tax Expense

	Consolidated	
	2013	2012
	\$'000	\$'000
Income tax expense	1,093	75
Total income tax expense	1,093	75

Note 6: Other Comprehensive Income

	Consolidated	
	2013	2012
	\$'000	\$'000
Note 6A: Reclassification Adjustments		
The following amounts previously recognised in other comprehensive income have been reclassified to profit or loss.		
Alice Springs Resort	450	-
Total reclassification adjustments of other comprehensive income	450	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 7: Financial Assets

	Consolidated	
	2013	2012
	\$'000	\$'000
Note 7A: Cash and cash equivalents		
Cash on hand or on deposit	94,467	113,384
Cash on hand or on deposit - New Housing Fund	33,054	2,937
Total cash and cash equivalents (current)	127,521	116,321

Note 7B: Trade, loans and other receivables

Goods and services		
Goods and services - related entities	8	8
Goods and services - external entities	7,000	8,485
Total receivables for goods and services	7,008	8,493

Reconciliations of movements of loans receivable**Loans - Home Ownership Program**

At fair value - opening balance	487,679	452,765
Add: net loans movement at cost	74,139	50,776
Less: net movement on remeasurement at fair value through profit or loss	(18,996)	(15,500)
Less: impairment movement through profit and loss	(191)	(362)
At fair value - closing balance	542,631	487,679

Loans - Business Development and Assistance Program

At fair value - opening balance	32,523	30,043
Add: net loans movement at cost	7,729	6,309
Add/(Less): net movement on remeasurement at fair value through profit or loss	(951)	816
Less: impairment movement through profit and loss	(2,995)	(4,645)
At fair value - closing balance	36,306	32,523
Total home and business loans and other receivables	578,937	520,202

Other receivables:

Other	2,400	424
Total other receivables	2,400	424

Total trade, loans and other receivables	588,345	529,119
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Receivables are represented by:

No more than 12 months	12,720	14,022
More than 12 months	575,625	515,097
Total trade, loans and other receivables	588,345	529,119

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 7: Financial Assets (continued)

	Consolidated	
	2013	2012
	\$'000	\$'000
Note 7B: Trade, loans and other receivables (continued)		
Receivables are aged as follows:		
Not overdue	506,108	470,660
Overdue by:		
0 to 30 days	37,123	25,783
31 to 60 days	16,831	11,945
61 to 90 days	8,850	5,680
More than 90 days	19,433	15,051
Total receivables	588,345	529,119
Reconciliation of loans carrying value		
Loans - Home Ownership Program		
Face value	802,862	728,837
Less: Discount on concessional loans on remeasurement at fair value through profit or loss	257,778	238,782
Less: Impairment allowance	2,452	2,376
Carrying value	542,631	487,679
Loans - Business Development and Assistance Program		
Face value	58,135	56,112
Less: Discount on concessional loans on remeasurement at fair value through profit or loss	10,412	9,461
Less: Impairment allowance	11,417	14,128
Carrying Value	36,306	32,523
Total home and business loans and other receivables	578,937	520,202
Reconciliation of movement in impairment allowance account		
Loans - Home Ownership Program		
Opening provision for impairment allowance as at 1 July	2,376	2,072
Provisions resolved	(763)	(402)
Provision pertaining to loans written off	(71)	(53)
	1,542	1,617
New accounts		
Change in impairment allowance for accounts existing at 1 July	10	169
	910	759
Closing balance as at 30 June	2,452	2,376

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 7: Financial Assets (continued)

	Consolidated	
	2013	2012
	\$'000	\$'000
Note 7B: Trade, loans and other receivables (continued)		
Loans - Business Development and Assistance Program		
Opening provision for impairment allowance as at 1 July	14,128	13,596
Provisions resolved	(1,108)	(670)
Provision pertaining to loans written off	(5,095)	(3,855)
	7,925	9,071
New provisions	3,569	4,739
Change in provision of doubtful debt for accounts existing at 1 July	(78)	318
Closing balance as at 30 June	11,417	14,128
Total impairment allowance account	13,869	16,504
The impairment allowances are aged as follows		
Not overdue	-	-
Overdue by:		
0 to 30 days	2,302	3,834
31 to 60 days	436	1,199
61 to 90 days	311	-
More than 90 days	10,820	11,471
Total impairment allowance account	13,869	16,504
Note 7C: Investments accounted for using the equity method		
Investments in associates	40,865	32,655
Total equity accounted investments	40,865	32,655
Investments in equity accounted investments that are expected to be recovered in:		
More than 12 months	40,865	32,655
Total equity accounted investments	40,865	32,655
Summarised financial information of associates:		
Balance sheet:		
Assets	114,624	111,587
Liabilities	(71,615)	(74,407)
Net assets	43,009	37,180
Statement of comprehensive income:		
Revenue	175,356	167,337
Expenses	172,164	167,316
Net surplus	3,192	21
Share of associates' net surplus		
Share of net surplus before tax	1,512	31
Income tax expense	-	(11)
Total share of associates' net surplus	1,512	20
Interests in associates are valued using the equity method.		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 7: Financial Assets (continued)

Note 7D: 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	
		2013 %	2012 %	2013 %	2012 %	2013 \$'000	2012 \$'000
Alice Springs Resort Enterprises Pty Ltd	Accommodation provider	-	45	-	45	-	281
Alice Springs Resort Holdings Trust	Accommodation provider	-	45	-	45	-	3,265
Carpentaria Shipping Services Pty Ltd	Transportation	18	18	25	25	2,069	2,035
Fitzroy River Lodge Partnership	Accommodation provider	26	26	25	25	1,982	1,900
Message Stick Communications Pty Ltd	Communication service provider	31	n/a	31	n/a	11,338	-
Nitmiluk (Cicada Lodge) Unit Trust	Accommodation provider	50	50	50	50	4,454	1,520
Nitmiluk (Cicada Lodge) Pty Ltd	Accommodation provider	50	50	50	50	16	16
Ngarda Civil & Mining Pty Ltd	Civil engineering & mining services	25	25	25	25	4,475	7,475
Noongar Property Trust	Property	47	47	50	50	14,081	13,643
Port Hedland Investment Trust	Property	70	70	50	50	2,450	2,520
						40,865	32,655

Interests in associates are valued using the equity method.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 7: Financial Assets (continued)

	Consolidated	
	2013	2012
	\$'000	\$'000

Note 7D: Interests in associates (continued)**Economic entity's share of associates:**

Profit from ordinary activities before tax	1,512	31
Share of income tax expense	-	(11)
Net profit	1,512	20

Movements during the year in equity accounted investment in associated companies:

Balance at the beginning of the financial year	32,655	38,355
Add:		
Additional investments during the year	17,448	4,745
Share of associated companies' profit from ordinary activities and after income tax	1,512	20
Fair value increment	224	3,561
Less:		
Dividend revenue from associated companies	(1,719)	(4,298)
Disposals during the year	(3,635)	(4,037)
Fair value decrement	(5,620)	(5,691)
Balance at the end of the financial year	40,865	32,655

The consolidated entity's share of the assets and liabilities of associates in aggregate:

Current assets	10,767	8,606
Non-current assets	28,259	28,555
Current liabilities	(6,553)	(9,628)
Non-current liabilities	(16,568)	(13,897)
Net assets	15,905	13,636

Interests in associates are valued using the equity method.

Note 7E: Other investments

Deposits	150,032	189,233
Other - interest in business undertakings	71	517
Total other investments	150,103	189,750

Investments expected to be recovered in

No more than 12 months	150,032	189,233
More than 12 months	71	517
Total other investments	150,103	189,750

Note 7F: Deferred tax assets

Deferred tax assets	303	1,313
Total deferred tax assets	303	1,313

All deferred tax assets are non-current assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 8: Non-Financial Assets

	Consolidated	
	2013	2012
	\$'000	\$'000
Note 8A: Land and buildings		
Leasehold improvements		
Fair value	2,552	2,409
Accumulated depreciation	(2,111)	(1,842)
Total leasehold improvements	441	567
Land and buildings:		
Fair value	60,499	64,399
Accumulated depreciation	(9,898)	(9,138)
Total land and buildings	50,601	55,261
Total land and buildings	51,042	55,828

Land and buildings were valued during the year in accordance with the revaluation policy stated in Note 1.20. A revaluation increment of \$0.700 million was recorded for two properties (2012: \$1.943 million) and a decrement of \$7.459 million for three properties (2012: \$0.943 million).

No land or buildings are expected to be sold or disposed of within the next 12 months.

Note 8B: Property, plant and equipment		
Other property, plant and equipment:		
Gross carrying value (at fair value)	37,711	35,543
Accumulated depreciation	(16,716)	(16,634)
Total other property, plant and equipment	20,995	18,909

Property, plant and equipment were revalued during the year in accordance with the revaluation policy stated in Note 1.20 a revaluation decrement of \$1.175 million was recorded for three entities (2012 - no impairment).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 8: Non-Financial Assets (continued)**Note 8C: Reconciliation of the opening and closing balances of property, plant and equipment (PP&E)**

	2013			2012		
	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	66,808	35,543	102,351	60,321	31,480	91,801
Accumulated depreciation and impairment	(10,980)	(16,634)	(27,614)	(9,448)	(13,632)	(23,080)
Net book value as at 1 July	55,828	18,909	74,737	50,873	17,848	68,721
Additions:						
By purchase	3,600	7,039	10,639	5,495	4,736	10,231
Revaluations and impairments through equity	200	-	200	1,743	-	1,743
Revaluation recognised in the operating result - cost	(7,180)	(1,386)	(8,566)	(744)	-	(744)
Revaluation recognised in the operating result - accumulated depreciation	221	211	432	-	-	-
Reclassification	-	(14)	(14)	(7)	-	(7)
Depreciation expense	(1,253)	(3,328)	(4,581)	(1,532)	(3,615)	(5,147)
Other movements:						
Opening balance adjustment - cost	(78)	-	(78)	-	-	-
Opening balance adjustment - accumulated depreciation	(79)	40	(39)	-	-	-
Disposals:						
Other disposals - cost	(299)	(3,471)	(3,770)	-	(673)	(673)
Other disposals - accumulated depreciation	82	2,995	3,077	-	613	613
Other disposals	(217)	(190)	(407)	-	(60)	(60)
Net book value 30 June	51,042	20,995	72,037	55,828	18,909	74,737
Net book value as at 30 June represented by:						
Gross book value	63,051	37,711	100,762	66,808	35,543	102,351
Accumulated depreciation and impairment	(12,009)	(16,716)	(28,725)	(10,980)	(16,634)	(27,614)
	51,042	20,995	72,037	55,828	18,909	74,737

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 8: Non-Financial Assets (continued)

	Consolidated	
	2013	2012
	\$'000	\$'000
Note 8D: Investment property		
As at 1 July opening balance		
Gross book value	128,530	126,067
Additions:		
By acquisition	15,385	8,799
Disposals	(3,459)	(1,543)
Net gain/(loss) from fair value adjustments	(2,552)	(4,793)
Net book value as at 30 June	137,904	128,530

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 \$4.539 million (2012: Decrement of \$4.950 million) for four properties and an increase in value of \$1.987 million (2012: Increment of \$0.156 million) for four properties and are included in the statement of comprehensive income.

Note 8E: Intangibles

Computer software at cost:		
Computer software purchased or developed	2,780	2,033
Total computer software	2,780	2,033
Accumulated amortisation	(1,293)	(1,410)
Computer software (net)	1,487	623
Other intangibles		
Fishing licence	6,326	6,372
Write down - fishing licence	(5,807)	(5,807)
Other	5,829	6,957
Accumulated impairment losses	(52)	(438)
Total other intangibles	6,296	7,084
Total intangibles (non-current)	7,783	7,707

No intangibles are expected to be sold or disposed of within the next 12 months.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 8: Non-Financial Assets (continued)

	Consolidated	
	2013	2012
	\$'000	\$'000
Note 8F: Reconciliation of the opening and closing balances of intangibles		
Opening Balance as at 1 July		
Gross book value	15,362	12,725
Accumulated amortisation and impairment	(7,655)	(6,957)
Net book value as at 1 July	7,707	5,768
Additions:		
By acquisition	2,292	2,433
Amortisation	(291)	(85)
Revaluation - impairments	-	(363)
Other movements	-	(46)
Impairments recognised in the operating result	(1,906)	-
Disposals:		
Other disposals - cost	(813)	-
Other disposals - accumulated depreciation	794	-
Net book value as at 30 June	7,783	7,707
Net book value as at 30 June represented by:		
Gross book value	14,935	15,362
Accumulated amortisation and impairment - other	(7,152)	(7,655)
Net book value at 30 June	7,783	7,707
Note 8G: Inventories		
Inventories held for sale		
Raw materials	2,971	2,107
Total inventories	2,971	2,107

All inventory is expected to be sold or distributed in the next 12 months.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 8: Non-Financial Assets (continued)

	Consolidated	
	2013	2012
	\$'000	\$'000
Note 8H: Other non-financial assets		
Prepayments	1,603	2,421
Total other non-financial assets	1,603	2,421

All other non-financial assets are expected to be recovered in no more than 12 months.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 9: Payables

	Consolidated	
	2013	2012
	\$'000	\$'000
Note 9A: Suppliers		
Trade creditors	10,177	8,140
Total supplier payables	10,177	8,140

Supplier payables expected to be settled within 12 months:

Related entities	319	115
External parties	9,858	8,025
Total supplier payables	10,177	8,140

Settlement is usually made within 30 days.

Note 9B: Tax liabilities

Tax liabilities equivalent	63	40
Total tax liabilities	63	40

All deferred tax liabilities are non-current.

Note 9C: Other payables

Salaries and wages	1,221	1,472
Superannuation	96	80
Unearned income	2,117	892
GST payable to ATO	2,610	1,325
Total other payables	6,044	3,769

Total other payables expected to be settled in:

No more than 12 months	6,044	3,769
Total other payables	6,044	3,769

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 10: Interest Bearing Liabilities

	Consolidated	
	2013	2012
	\$'000	\$'000
Note 10: Loans		
Secured loan facility	11,516	11,773
Total loans	11,516	11,773
Maturity schedule for loans payable:		
In one to five years	11,516	11,773
Total loans	11,516	11,773

As at 30 June 2013, \$11.500 million (30 June 2012: \$11.500 million) relates to amounts borrowed against security of land and buildings.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 11: Provisions

	Consolidated	
	2013	2012
	\$'000	\$'000
Note 11A: Employee provisions		
Leave	6,672	5,839
Total employee provisions	6,672	5,839

Employee provisions expected to be settled in:

No more than 12 months	3,899	3,675
More than 12 months	2,773	2,164
Total employee provisions	6,672	5,839

The classification of current employee provisions includes amounts for which there is not an 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 11B: Other provisions

Restoration obligations	624	732
Distribution	842	2,102
Other	952	325
Total other provisions	2,418	3,159

Other provisions expected to be settled in:

No more than 12 months	2,312	2,427
More than 12 months	106	732
Total other provisions	2,418	3,159

	Consolidated			Consolidated		
	2013			2012		
	Restoration obligations	Distribution/ other provisions	Total	Restoration obligations	Distribution/ other provisions	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount						
1 July	732	2,427	3,159	716	3,146	3,862
Additional provisions made	-	758	758	16	4,535	4,551
Amounts used	(108)	(1,391)	(1,499)	-	(5,254)	(5,254)
Closing balance						
30 June	624	1,794	2,418	732	2,427	3,159

IBA currently has 10 agreements for leasing premises with provisions requiring restoration of the premises to their original condition at the conclusion of the lease. IBA has made a provision of \$0.624 million to reflect the present value of this obligation.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 12: Cash Flow Reconciliation

	Consolidated	
	2013	2012
	\$'000	\$'000
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement		
Reported cash and cash equivalents as per:		
Cash Flow Statement	127,521	116,321
Balance Sheet	127,521	116,321
Difference	-	-
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(26,619)	(11,309)
Add: revenue from Government	34,168	38,923
Less: income tax expense	(1,093)	(75)
Less: other	(754)	(60)
Adjustments for non-cash items		
Depreciation and amortisation	4,872	5,230
Net write down of non-financial assets	35,390	25,519
Net gain on disposal of assets	(382)	(132)
Changes in assets/liabilities		
(Increase)/decrease in net receivables	4,865	4,190
(Increase)/decrease in inventories	(46)	(1,239)
Increase/(decrease) in employee provisions	739	65
Increase/(decrease) in supplier payables	1,480	(960)
Increase/(decrease) in GST payable	(1,804)	328
Increase/(decrease) in other provisions	(741)	(704)
Increase/(decrease) in tax liabilities	(22)	11
Net cash from operating activities	50,053	59,788

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 13: Contingent Liabilities and Assets

	Consolidated						Total
	Guarantees		Indemnities		Claims for damages or costs		
	2013	2012	2013	2012	2013	2012	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Contingent assets							
Balance from previous period	-	-	-	-	2,397	2,278	2,397
New	-	-	-	-	1,213	246	1,213
Remeasurement	-	-	-	-	(1)	-	(1)
Expired	-	-	-	-	(150)	(127)	(150)
Total contingent assets	-	-	-	-	3,459	2,397	3,459
Contingent liabilities							
Balance from previous period	-	-	1,000	1,000	200	-	1,200
New	-	-	-	-	-	200	-
Obligations expired	-	-	-	-	(200)	-	(200)
Total contingent liabilities	-	-	1,000	1,000	-	200	1,000
Net contingent assets (liabilities)			(1,000)	(1,000)	3,459	2,197	2,459

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 and 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 14: Directors' Remuneration

	Consolidated	
	2013	2012
	No.	No.
The number of non-executive directors of the entity included in these figures are shown below in the relevant remuneration bands:		
\$0 to \$29,999	6	6
\$30,000 to \$59,999	5	5
\$60,000 to \$89,999	1	1
\$90,000 to \$119,999	-	-
\$120,000 to \$149,999	-	-
\$150,000 to \$179,999	1	-
Total number of directors	13	12
	\$	\$
Total remuneration received or due and receivable by directors of IBA and subsidiaries	544,763	386,312

Remuneration of executive directors is included in Note 16: Senior Executive Remuneration where applicable.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 15: Related Party Disclosure**Loans to directors and director-related entities**

Loans were made to the following director-related entities:

- Wunan Foundation

They 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. Both loans have now been fully paid out. The transactions between the Wunan Foundation and IBA are on a normal commercial arm's length basis. Wunan Foundation also has a non-controlling interest in IBA's subsidiary, Scarborough House Investment Trust.

Ms Valerie Jane Cooms was a director of IBA for part of the year, and she 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.

	2013 \$'000	2012 \$'000
Loans to director-related entities outstanding at year-end	-	82
Loans to director-related entities during the year:		
Loan repayments during the year	47	39
Interest revenue included in operating result from loans to directors and director-related entities	3	7

Other transactions with directors or director-related entities

Business Support consulting advice was provided to the following directors. The value of the services provided was:

- Mr Jason Eades - \$1,254
- Ms Gail Reynolds-Adamson - \$59,965

The directors involved took no part in the relevant decisions.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 16: Senior Executive Remuneration

	2013	2012
	\$	\$
Note 16A: Senior executive remuneration expenses for the reporting period		
Executive remuneration		
Short-term employee benefits:		
Salary and allowances	1,925,619	1,476,994
Annual leave accrued	150,839	115,447
Performance bonuses	50,000	85,856
Total short-term employee benefits	2,126,458	1,678,297
Post-employment benefits		
Superannuation	271,844	212,168
Total post-employment benefits	271,844	212,168
Other long-term benefits		
Long-service leave	37,852	29,465
Total other long-term benefits	37,852	29,465
Total employment benefits	2,436,154	1,919,929

Notes

- Note 16A was prepared on an accrual basis, so the performance bonus expenses disclosed above differ from the cash 'Bonus paid' in Note 16B.
- Note 16A excludes acting arrangements and part-year service where remuneration expense was less than \$180,000.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 16: Senior Executive Remuneration (continued)

Note 16B: Average annual reportable remuneration paid to substantive senior executives during the reporting period

Average annual reportable remuneration paid to substantive senior executives in 2013						
Average annual reportable remuneration ¹	Substantive Senior Executives	Reportable salary ²	Contributed superannuation ³	Reportable allowances ⁴	Bonus paid ⁵	Total reportable remuneration
	No.	\$	\$	\$	\$	\$
Total remuneration:						
Less than \$179,999	1	44,688	6,882	-	-	51,570
\$180,000 to \$209,999	2	164,975	28,536	-	-	193,511
\$210,000 to \$239,999	2	203,636	24,356	-	-	227,992
\$240,000 to \$269,999	4	223,783	31,885	-	-	255,668
\$270,000 to \$299,999	-	-	-	-	-	-
\$300,000 to \$329,999	-	-	-	-	-	-
\$330,000 to \$359,999	-	-	-	-	-	-
\$360,000 to \$389,999	1	293,266	38,521	-	41,868	373,655
Total	10					

Average annual reportable remuneration paid to substantive senior executives in 2012						
Average annual reportable remuneration ¹	Substantive Senior Executives	Reportable salary ²	Contributed superannuation ³	Reportable allowances ⁴	Bonus paid ⁵	Total reportable remuneration
	No.	\$	\$	\$	\$	\$
Total remuneration:						
Less than \$179,999	6	80,383	6,497	-	7,271	94,152
\$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	202,046	32,173	-	42,423	276,642
\$300,000 to \$329,999	-	-	-	-	-	-
\$330,000 to \$359,999	2	267,053	39,334	-	32,678	339,064
Total	13					

Note 16: Senior Executive Remuneration (continued)

Notes

1. This table reports substantive senior executives who received remuneration during the reporting period. Each row is an average figure based on headcount for individuals in the band.
2. 'Reportable salary' includes the following:
 - a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'Bonus paid' column)
 - b) reportable fringe benefits (at the net amount prior to grossing up for tax purposes)
 - c) exempt foreign employment income
 - d) salary sacrificed benefits.
3. The 'Contributed superannuation' amount is the average cost to the entity for the provision of superannuation benefits to substantive senior executives in that reportable remuneration band during the reporting period.
4. 'Reportable allowances' are the average actual allowances paid as 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 the entity during the financial year.
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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 16: Senior Executive Remuneration (continued)**Note 16C: Other highly paid staff**

As at 30 June 2013						
Average annual reportable remuneration ¹	Senior executive	Reportable salary ²	Contributed superannuation ³	Reportable allowances ⁴	Bonus paid ⁵	Total reportable remuneration
	No.	\$	\$	\$	\$	\$
Total remuneration:						
\$180,000 to \$209,999	1	173,768	25,328	-	-	199,096
\$210,000 to \$239,999	1	181,837	35,402	-	-	217,239
Total	2					

As at 30 June 2012						
Average annual reportable remuneration ¹	Senior executive	Reportable salary ²	Contributed superannuation ³	Reportable allowances ⁴	Bonus paid ⁵	Total reportable remuneration
	No.	\$	\$	\$	\$	\$
Total remuneration:						
\$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
Total	3					

Note 16: Senior Executive Remuneration (continued)

Notes

1. This table reports staff:
 - a) who were employed by IBA during the reporting period
 - b) whose reportable remuneration was \$180,000 or more for the financial period; and
 - c) who were not required to be disclosed in Table A, B (above) or Note 14 Director remuneration.

Each row is an average 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
 - d) any salary sacrificed amount.
3. The 'Contributed superannuation' amount is the average actual superannuation contributions paid to senior executives in that reportable remuneration band during the reporting period 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 variation factors such as individuals commencing with or leaving an entity during the financial year.
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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 17: Remuneration of Auditors

	Consolidated	
	2013	2012
	\$'000	\$'000
Financial statement audit services were provided to IBA by the Australian National Audit Office (ANAO).		
Fair value of the services provided		
Financial statement audit services - IBA	150	153
Financial statement audit services - Subsidiaries	352	307
Total	502	460

No other services were provided by the auditors of the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 18: Financial Instruments

		Consolidated	
	Notes	2013 \$'000	2012 \$'000
Note 18A: Categories of financial instruments			
Financial assets			
Held-to-maturity financial assets			
Term deposits	7E	150,032	189,233
		150,032	189,233
Loans and receivables financial assets			
Cash and cash equivalents	7A	127,521	116,321
Goods and services	7B	7,008	8,499
Other receivables	7B	723	107
		135,252	124,927
Fair value through profit and loss - designated			
Business and Home loans	7B	578,937	520,202
		578,937	520,202
Available-for-sale financial assets			
Business undertakings	7E	71	517
Associates	7D	40,865	32,655
		40,936	33,172
Carrying amount of financial assets		905,157	867,534
Financial liabilities			
Other financial liabilities - at amortised cost			
Trade creditors	9A	10,177	8,140
Other payables	9C	1,317	1,552
		11,494	9,692
Borrowings secured by a floating charge	10	11,516	11,773
		11,516	11,773
Carrying amount of financial liabilities		23,010	21,466

There is no material difference between the fair value and carrying value of financial assets and liabilities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 18: Financial Instruments (continued)

		Consolidated	
	Notes	2013	2012
		\$'000	\$'000
18B: Net income and expense from financial assets			
Held-to-maturity assets			
Interest revenue		8,441	11,168
Net gain - held-to-maturity assets		8,441	11,168
Loans and receivables			
Interest revenue		3,535	5,023
Net gain - loans and receivables		3,535	5,023
Fair value through profit and loss			
Interest revenue		41,471	38,748
Changes in fair value		(19,947)	(14,684)
Net gains/(loss) - fair value through profit and loss		21,524	24,064
Available-for-sale assets			
Interest revenue		306	239
Dividend revenue		26	30
Equity accounted profit of associates		1,512	20
Gain recognised in equity		4,946	2,130
Net gain on disposal		176	-
Net gain - available-for-sale assets		6,966	2,419
Net gain from financial assets		40,466	42,694
18C: Net income and expense from financial liabilities			
Financial liabilities - at amortised cost			
Interest expense		858	1,064
Net loss - financial liabilities - at amortised cost		858	1,064
Net loss from financial liabilities		858	1,064

Note 18: Financial Instruments (continued)

18D: 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	
	2013	2012
	\$'000	\$'000
Maximum exposure to credit risk	578,937	520,202
Fair value changes due to credit risk:		
During the period	38,687	36,790
Prior to the period	208,665	171,876
Cumulative change	247,352	208,665

- 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 and an external valuation is performed once every three years.
- Loans receivables are assessed for fair value against market-related benchmarks on an ongoing basis.

The table gives quantitative data on valuation techniques followed for fair valuation of investments and loan receivables, whether obtained with reference to market prices or by using a valuation technique that employs observable market transactions, or non-observable market inputs.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 18: Financial Instruments (continued)**18D: Fair value of financial instruments (continued)**

Consolidated								
Valuation technique 2013				Valuation technique 2012				
Level 1 Market values	Level 2 Market inputs	Level 3 Non- market inputs	Total	Level 1 Market values	Level 2 Market inputs	Level 3 Non- market inputs	Total	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:								
Designated at fair value through profit and loss								
Loan receivables - Home	-	542,631	-	542,631	-	487,679	-	487,679
Loan receivables - Business Loans	-	36,306	-	36,306	-	32,523	-	32,523
Available-for-sale assets								
Associates	-	40,865	-	40,865	-	32,655	-	32,655
Business undertakings	-	71	-	71	-	517	-	517
Total	-	619,873	-	619,873	-	553,374	-	553,374

18E: 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	
	2013 \$'000	2012 \$'000
Financial assets		
Trade, other receivables and other financial assets	7,731	8,606
Loans receivables - Home	542,631	487,679
Loans receivables - Business Loans	36,306	32,523
Investments treated as available-for-sale	40,865	32,655
Investments	150,103	189,750
Total	777,636	751,213

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 18: Financial Instruments (continued)

18E: 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 loan receivables

Consolidated				
	Not past due nor impaired	Not past due nor impaired	Past due or impaired	Past due or impaired
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Financial assets:				
Loans receivables - Home	476,171	440,357	70,655	49,930
Loans receivables - Business Loans	28,216	27,530	20,948	20,849
Total	504,388	467,887	91,602	70,779

Ageing analysis of financial assets and loan receivables that are past due but not impaired

Consolidated 2013					
	0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:					
Loans receivables - Home	33,294	12,509	6,889	8,658	61,350
Loans receivables - Business Loans	1,923	2,378	233	429	4,963
Total	35,217	14,887	7,122	9,087	66,313

Consolidated 2012					
	0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:					
Loans receivables - Home	23,913	9,940	3,878	5,836	43,567
Loans receivables - Business Loans	662	778	98	-	1,538
Total	24,575	10,718	3,976	5,836	45,105

Loans receivables considered impaired

Consolidated		
	2013	2012
	\$'000	\$'000
Financial assets:		
Loans receivables - Home	9,304	6,365
Loans receivables - Business Loans	15,984	19,311
Total	25,289	25,676

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 18: Financial Instruments (continued)**18F: 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 2013					
	On demand \$'000	Within 1 year \$'000	1 to 5 years \$'000	> 5 years \$'000	Total \$'000
Financial liabilities:					
Trade creditors	-	10,177	-	-	10,177
Other payables	-	1,318	-	-	1,318
Borrowings secured by a floating charge	-	-	11,516	-	11,516
Total	-	11,495	11,516	-	23,011

Consolidated 2012					
	On demand \$'000	Within 1 year \$'000	1 to 5 years \$'000	> 5 years \$'000	Total \$'000
Financial liabilities:					
Trade creditors	-	8,140	-	-	8,140
Other payables	-	1,552	-	-	1,552
Borrowings secured by a floating charge	-	-	11,773	-	11,773
Total	-	9,692	11,773	-	21,466

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 18: Financial Instruments (continued)

18G: 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 2013					
	Risk variable	Change in risk variable	Effect on income statement	Change in risk variable	Effect on income statement
		%	\$'000	%	\$'000
Financial assets: loan receivables					
Interest rate risk	Interest rate	+0.6	(2)	-0.6	(2,010)

Consolidated 2012					
	Risk variable	Change in risk variable	Effect on income statement	Change in risk variable	Effect on income statement
		%	\$'000	%	\$'000
Financial assets: loan receivables					
Interest rate risk	Interest rate	+0.7	(313)	-0.7	(1,911)

A positive number indicates an increase in surplus in the statement of comprehensive income and a negative number indicates 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 18: Financial Instruments (continued)**Note 18H: Assets pledged/or held as collateral**

In relation to the borrowings by subsidiaries of IBA, the following collateral is pledged.

	Consolidated	
	2013	2012
	\$'000	\$'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 comprise the following:

- As at 30 June 2013, \$11.500 million (30 June 2012: \$11.500 million) pertains to the amount borrowed 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	
	2013	2012
	\$'000	\$'000
Assets held as collateral		
Non-financial assets		
Loans receivables - Home	1,095,966	969,393
Loans receivables - Business Loans	100,075	105,116
Total assets held as collateral	1,196,041	1,074,509

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 19: Financial Assets Reconciliation

Financial assets	Consolidated	
	2013 \$'000	2012 \$'000
Total financial assets as per balance sheet	907,137	869,158
Less: non-financial instrument components		
Deferred tax assets	(303)	(1,313)
GST receivable from the Australian Taxation Office	(1,676)	(311)
Total non-financial instrument components	(1,979)	1,624
Total financial assets as per financial instruments note	905,158	867,534

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 20: Assets Held in Trust**Aboriginal and Torres Strait Islander Commission Funds**

IBA established the Aboriginal and Torres Strait Islander Commission Funds held in trust account. Funds held in the trust were received from the Aboriginal and Torres Strait Islander Commission under formal trust arrangements.

	Consolidated	
	2013	2012
	\$'000	\$'000
Opening balance	4,025	3,292
Interest received	123	734
Payments	-	(1)
Total amount at 30 June	4,148	4,025

Downs Aboriginal and Islander Company Funds

IBA is a trustee of Downs Aboriginal and Islander Company Funds, a trust set up exclusively for charitable purposes. Its beneficiaries are the Aboriginal and Torres Strait Islander residents of the Darling Downs District of Queensland.

	Consolidated	
	2013	2012
	\$'000	\$'000
Opening balance	325	311
Interest received	10	14
Total amount at 30 June	335	325

Moneys received are placed in a separate bank account and are granted to parties in accordance with the Grant Agreement. These monies are not available for any other purpose of the Corporation and are not recognised in the financial statements.

The Indigenous Economic Development Trust (IEDT) has been re-classified as a subsidiary and consolidated within IBA's consolidated accounts for the 2012-13 financial year. The comparative year's accounts have also been restated.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 21: Reporting of Outcomes

Net cost of outcome delivery		
	Consolidated	
	Outcome 1	
	2013	2012
	\$'000	\$'000
Expenses	167,243	140,592
Income from non-government sector		
Commercial revenue	140,625	129,282
Net cost of outcome delivery	26,619	11,309
Balance sheet		
Total assets	1,129,435	1,084,660
Total liabilities	36,890	32,720
Net assets	1,092,545	1,051,940
Statement of equity		
Retained earnings	213,084	210,096
Asset revaluation reserves	29,773	32,260
Contributed equity/capital	849,688	809,584
Total equity	1,092,545	1,051,940

As IBA has only one outcome, the above figures correspond to the Statement of Comprehensive Income and Balance Sheet.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 22: New Housing Fund

As per section 189 (3) of the *ATS/ Act 2005* money held in the New Housing Fund may only be applied to make housing loans. Specific information on the New 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 2013

	Notes	2013 \$'000	2012 \$'000
Expenses			
Write-down of assets	22A	-	10,621
Other		187	360
Total expenses		187	10,981
Less: Own-source income			
Revenue			
Interest	22B	30,602	30,170
Other		294	280
Total revenue		30,896	30,450
Gains			
Valuation increment	22C	4,181	-
Total gains		4,181	-
Total income		35,077	30,450
Net cost of services		34,890	19,469

New Housing Fund**Balance sheet**

as at 30 June 2013

Assets**Financial assets**

Cash	22D	33,054	2,937
Receivables	22E	420,484	415,711
Total financial assets		453,538	418,648
Total assets		453,538	418,648
Liabilities			
Total liabilities		-	-
Net assets		453,538	418,648

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 22: New Housing Fund (continued)

New Housing Fund

Balance sheet (continued)

as at 30 June 2013

	Notes	2013 \$'000	2012 \$'000
Equity			
Parent entity interest			
Capital		429,397	429,397
Accumulated surplus/(deficit)		24,141	(10,749)
Total parent entity interest		453,538	418,648
Total equity		453,538	418,648

New Housing Fund

Cash flow statement

for the period ended 30 June 2013

Operating activities

Cash received

Interest	30,602	30,170
Other	1,318	16
Total cash received	31,920	30,186

Net cash from operating activities

22F

31,920 30,186

Investing activities

Cash received

Repayments of loans	49,855	48,205
Total cash received	49,855	48,205

Cash used

Loans made	51,658	85,241
Total cash used	51,658	85,241

Net cash from investing activities

(1,803) (37,036)

Net increase or (decrease) in cash held

30,117 (6,850)

Cash at beginning of reporting period

2,937 9,787

Cash at the end of the reporting period

33,054 2,937

The above statements should be read with the accompanying notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 22: New Housing Fund (continued)

	2013	2012
	\$'000	\$'000

Note 22A: Write-down and impairment of assets

Value decrement	-	10,621
Total write-down of assets	-	10,621

Note 22B: Interest revenue

Interest on bank account	720	447
Interest on housing loans	29,882	29,723
Total interest revenue	30,602	30,170

Note 22C: Valuation increment

Gains from re-measuring financial instruments held at fair value through Profit and Loss	4,181	-
Total valuation increment	4,181	-

Note 22D: Cash

Cash at bank and on hand	25,917	332
Cash at agents	7,137	2,605
Total cash	33,054	2,937

Note 22E: Receivables

Other debtors	-	1,025
Total other receivables	-	1,025

New Housing Fund only

At cost - opening balance	414,686	388,633
Add: net movement in loans cost	1,804	37,037
Add/(Less): net gain/(loss) on re-measurement at fair value through profit and loss	4,181	(10,622)
Less: impairment movement through profit and loss	(187)	(362)

At fair value/cost closing balance	420,484	414,686
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Current loans receivable	5,567	5,024
Non-current loans receivable	414,917	410,687
Total receivables	420,484	415,711

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 22: New Housing Fund (continued)

	2013	2012
	\$'000	\$'000
Note 22F: Cash flow reconciliation		
Reconciliation of net surplus to net cash from operating activities		
Net surplus	34,890	19,468
Loans fair value adjustment	(3,995)	10,984
Changes in assets and liabilities		
(Increase)/decrease in receivables	1,025	(266)
Net cash from operating activities	31,920	30,186

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 23: Parent entity - Indigenous**Business Australia**

	2013	2012
	\$'000	\$'000

Note 23A: Statement of comprehensive income

Surplus after income tax on continuing operations	9,898	33,369
Total comprehensive income/(loss)	(18,345)	26,937

Note 23B: Balance Sheet

Current assets	353,260	321,714
Total assets	1,050,909	1,028,739
Current liabilities	10,011	7,401
Total liabilities	12,158	9,185
Net assets	1,038,750	1,019,554

Note 23C: Statement of Equity

Retained earnings	227,843	217,946
Reserves	(11,647)	16,594
Contributed equity/capital	822,554	785,014
Total equity	1,038,750	1,019,554

With recent changes in the Financial Minister's Orders (FMO's), it is no longer mandatory for IBA to provide separate financial statements for IBA Corporation as a parent entity. Hence the parent entity amounts are provided as supplementary information (FMO 7.2 (b)).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 23: Parent Entity - Indigenous Business Australia (continued)

Note 23D: Statement of IBA's holding in subsidiaries

Name	Country of incorporation	Percentage of equity interest held by consolidated entity	
		2013 %	2012 %
Anderleigh Quarry	Australia	63	63
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	100
Fitzroy Lodge Investments Pty Limited	Australia	100	100
Gagudju Crocodile Hotel Trust	Australia	70	70
Gagudju Lodge Cooinda 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 Economic Development Trust	Australia	100	100
Indigenous Fishing Pty Limited *	Australia	100	100
Indigenous Fishing Trust	Australia	100	100
Indigenous Investment Trust	Australia	100	100
Indigenous Investment Participation Trust	Australia	100	100
Kakadu Tourism (GCH) Pty Limited	Australia	70	70
Kakadu Tourism (GLC) Pty Limited	Australia	52	52
Leonora Investments Trust	Australia	100	100
Leonora Investments Pty Limited *	Australia	100	100
Li Ar Yalug Holding Trust	Australia	91	0
Minjerribah Camping Partnership	Australia	89	89
Mungo Lodge Pty Limited	Australia	100	100
Mungo Lodge Holdings Pty Limited *	Australia	100	100
Mungo Lodge Trust	Australia	100	100
National Indigenous Participation Trust	Australia	100	100
North Stradbroke Enterprises Trust	Australia	89	89
Port Botany Transfer Station Trust	Australia	90	90

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 23: Parent Entity - Indigenous Business Australia (continued)

Note 23D: Statement of IBA's holding in subsidiaries (continued)

Name	Country of incorporation	Percentage of equity interest held by consolidated entity	
		2013 %	2012 %
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 Wilderness Lodge Pty Ltd	Australia	100	100
Wildman River Lodge Trust	Australia	100	100
Ikara Wilpena Enterprises Pty Ltd	Australia	87	87
Wilpena Pound Aerodrome Services	Australia	87	87
Ikara Wilpena Holdings Trust	Australia	87	87

*Non-trading



PART 9: APPENDICES

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CONSULTANTS

Section 178 of the *Aboriginal and Torres Strait Islander Act 2005* (ATSIA 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 Rules 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.

During 2012–13, 69 new consultancy contracts were entered into involving a total actual expenditure of \$786,738. In addition, 38 ongoing consultancy contracts were active during 2012–13, involving total actual expenditure of \$ 558,638.

The table below draws on the terminology in the Commonwealth Procurement Rules, and lists all consultant contracts entered into by IBA in 2012–13.

All contract prices include GST.

Name of consultant	Description of services	Selection process ¹	Justification ²	Contract price \$
Australian Valuations Office	Business review	Limited quotation	B	3,300
BDA Marketing Planning Pty Ltd	Economic development consulting	Limited tender	C	11,000
Bowchung Consulting Pty Ltd	Business research	Open tender	B	70,989
Catalyste Pty Ltd	Business review	Limited tender	B	20,572
CBRE Valuations Pty Ltd	Professional services	Limited tender	B	5,500
Centre For Public Management	Professional services	Limited quotation	C	8,628
Charles Sturt University	Business research	Limited quotation	B	55,000
Colliers International (NT) Pty Ltd	Professional services	Limited tender	B	9,900

Name of consultant	Description of services	Selection process¹	Justification²	Contract price \$
Corporate Connect.AB Pty Ltd	Professional services	Limited quotation	B	14,251
CPM REVIEWS	Professional services	Limited quotation	C	24,800
Davis Langdon Australia Pty Ltd	Professional services	Limited quotation	B	2,200
DC Strategy Pty Ltd	Business research	Limited quotation	B	25,146
Deloitte Touche Tohmatsu	Professional services	Limited tender	B and C	116,010
Dupont & Associates Pty Ltd	HR services	Prequalified	B	2,299
Earthcheck Pty Ltd	Business review	Limited tender	B	23,320
Engtech (Aust) Pty Ltd	Audit services	Prequalified	B	2,574
Ernst & Young	Business review	Limited quotation	B	91,722
Fivegrants Consulting Service	Business review	Limited tender	C	26,186
Gavin Brown	Professional services	Limited quotation	B	6,245
Geoff Lovell	Professional services	Limited quotation	B	5,025
Integrated Valuation Services (NT)	Professional services	Limited tender	B	8,800
IP Prop Reappraisal	Professional services	Limited quotation	B	3,520
Jones Lang LaSalle Advisory Services Pty Ltd	Professional services	Limited tender	B	14,757
KRED Enterprises Charitable Trust	Professional services	Limited quotation	B	15,400
LandMark White	Professional services	Limited quotation	B	18,150
Michael Phillips	Business review	Limited tender	B	36,932
Mick Peterson & Associates Pty Ltd	Audit services	Limited tender	B and C	31,078

Name of consultant	Description of services	Selection process¹	Justification²	Contract price \$
Nicholas R Minogue	Professional services	Limited quotation	C	2,200
Orion Corporate Advisory Services Pty Ltd	Professional services	Limited quotation	B	148,612
Paul Budde Communication Pty Ltd	Professional services	Limited quotation	B	16,500
Paul Howorth	Business review	Limited quotation	C	21,242
PSARN International Pty Ltd	IT services	Ongoing consultancy	C	5,500
Rich River Irrigation Developments Pty Ltd	Management services	Limited quotation	B	6,009
Rider Levett Bucknall	Professional services	Limited quotation	B	33,358
RSM Bird Cameron	Audit services	Limited tender	C	28,842
Sense of Security Pty Ltd	IT services	Ongoing consultancy	C	29,288
Snowden Mining Industry Consultants Pty Ltd	Professional services	Limited tender	B	50,344
Social Justice Communications Pty Ltd	Business review	Limited tender	C	16,911
Social Ventures Australia	Business research	Limited quotation	B	130,010
Starfish Business Solutions	Business review	Limited quotation	B	33,361
The University of Queensland	Business research	Limited quotation	B	92,574
Towers Watson Australia Pty Ltd	Business review	Limited tender	B	55,000
Walter Saunders	Management services	Limited quotation	B	2,750

Name of consultant	Description of services	Selection process¹	Justification²	Contract price \$
Watermark Architecture	Professional services	Limited quotation	B	15,466
Xact Project Consulting Pty Ltd	Project management	Prequalified	B	4,106
Total				1,346,376

1 Explanation of selection process terms drawn from the Commonwealth Procurement Rules (July 2012).

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.

Limited 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.

Limited quotation: Refers to a procurement process in which IBA invites a potential supplier to quote.

Prequalified: 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.

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	Date of event
(a) Form a company or participate in the formation of a company	Li Ar Yalug Pty Ltd & Li Ar Yalug Land Holding Trust	IBA acquired the Stoney Creek Stores at Halls Gap, Victoria.	July 2012
(d) Acquire or dispose of a significant business	Cape Don Pty Ltd	IBA closed the 'Cape Don Experience', Cobourg Peninsula, Arnhem Land, NT.	October 2012
(a) Form a company or participate in the formation of a company	Minjerribah Camping Pty Ltd	IBA formed a company.	October 2012
(c) Acquire or dispose of a significant shareholding in a company	Message Stick Group Pty Ltd	IBA approved an investment in Message Stick Communications, Sydney, NSW	November 2012
(d) Acquire or dispose of a significant business	Mungo Lodge Holdings Pty Ltd (as trustee for Mungo Lodge Trust); Mungo Lodge Pty Ltd; Mungo Lodge Trust	IBA sold Mungo Lodge, NSW.	December 2012
(d) Acquire or dispose of a significant business	Leonora Investments Pty Ltd	IBA approved an investment in Laverton Motors and Laverton Store, WA.	March 2013

ECOLOGICALLY SUSTAINABLE DEVELOPMENT COMPLIANCE

The table below details IBA's ecologically sustainable development (ESD) activities (discussed earlier on page 95) in accordance with section 516A(6) of the *Environmental 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 in landfill contributions and a 135 per cent increase in recycling. IBA also installed energy-efficient lighting and computers in its national office, resulting in a 42 per cent reduction in energy use. IBA continued to provide awareness training to staff on how to reduce IBA's carbon footprint and adopted the Green Start Energy Rating and, as far as possible, NABERS (National Australian Built Environment Rating System) requirements for all new office fit-outs. IBA has completed rolling out a national video conferencing facility to reduce the need for air travel. A project is underway to relocate IBA's national office to a 6-star energy-rated building.

ESD reporting requirement	IBA response
Mechanisms to review and increase the effectiveness of measures to minimise the environmental effect of activities	The Environmental Strategy has identified a number of metrics for monitoring IBA's carbon footprint and environmental improvements in the workplace (such as electricity and paper usage, consumables and staff travel). The strategy is reviewed annually. IBA is committed to continually improving its environmental performance management.

FREEDOM OF INFORMATION SUMMARY

The table below summarises the year's Freedom of Information (FOI) requests and their outcomes as discussed on page 94.

Activity	Number
Requests	
On hand as at 1 July 2012	2
New requests received	2
Total requests handled	4
Total requests completed as at 30 June 2013	4
Action on requests	
Access granted in full	1
Access granted in part	0
Access refused	1
Access transferred in full	0
Request withdrawn	2
No records	0
Response times	
0–30 days	4
0–60 days	0
Internal review	
On hand as at 1 July 2012	0
Requests received	0
Decisions affirmed	0
Decisions amended	0
Requests withdrawn	0
Review by Administrative Appeals Tribunal	
Applications received	0
Review by the Office of the Australian Information Commissioner	
Applications received	0

KEY SPONSORSHIP ACTIVITIES

Conference, event or award	IBA's involvement
The NAIDOC on the Peninsula event was held on 1 July 2012 in Canberra, ACT.	Organised by the Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS), this event is considered to be the largest Indigenous event in the ACT, attracting approximately 4,000 people. IBA sponsored this event and provided staff to work at an IBA stall on the day.
The Aboriginal Hostels Limited (AHL) Annual NAIDOC Luncheon was held on 6 July 2012 in Canberra, ACT.	This annual event is considered to be the marquee NAIDOC event in the ACT. It provides Indigenous stakeholders the opportunity to celebrate Indigenous achievement.
The 2012 Northern Territory Tourism Awards (Brolgas) were held on 17 November 2012 in Darwin, NT.	IBA has sponsored the Indigenous Tourism Award category at this event for a number of years as it recognises the achievements of Indigenous tourism businesses in the Northern Territory. The award was presented by IBA's Senior Tourism Portfolio Manager.
The Saltwater Freshwater Festival was held on 26 January 2013 in Taree, NSW.	This was IBA's third year sponsoring this event, which is organised by the Saltwater Freshwater Arts Alliance Aboriginal Corporation. IBA reached 3,500 attendees through brand awareness activity and staff participation at a stall.
The 2012 Qantas Australian Tourism Awards were held on 15 February 2013 in Hobart, Tasmania.	This is the second time IBA has sponsored the Indigenous Tourism Award category at this event, which is considered the pinnacle of achievement for the tourism industry across Australia. The award was presented by IBA's Senior Tourism Portfolio Manager.
The Supply Nation Connect 2013 Conference was held on 14–15 May 2013 in Melbourne, Victoria.	IBA sponsored the Supplier of the Year award at the Supply Nation Connect 2013 Supplier Diversity Awards. IBA's CEO made a keynote address and staff members managed a stall at the Indigenous Business Tradeshow.
The 14th National Native Title Conference was held on 3–5 June 2013 in Alice Springs, NT.	IBA's sponsorship allowed the organisation to participate in an event that promotes public discussion about Native Title and Indigenous Australians' interests in land, water, community and economic development. IBA's Senior Manager, Traditional Owner and Native Title Unit, also presented at the conference.



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GLOSSARY

Term	Meaning
appropriation	An authorisation by Parliament to spend moneys 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. Corporate governance 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's 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 accrued 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).
IBA Home Loan Rate	The variable housing loan interest rate for owner-occupied properties set by IBA from time to time.
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 (LVR)	This ratio 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.

Term	Meaning
loss salvage	The number and value of defaulted loans and loans for which a payout has been demanded (including by 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. The 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 Australian Government Budget is presented. These changes to funding require the House of Representatives and the Senate to consider the Additional Estimates.
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.
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. Programs 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 information and analysis.
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 ultimately responsible to Parliament.

ABBREVIATIONS AND ACRONYMS

Term	Meaning
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
ARIA	Accessibility/Remoteness Index of Australia
ASX	Australian Securities Exchange
ATSI Act	<i>Aboriginal and Torres Strait Islander Act 2005</i>
ATSIC	Aboriginal and Torres Strait Islander Commission
ATSIC Act	<i>Aboriginal and Torres Strait Islander Commission Act 1989</i>
ATSISN	Aboriginal and Torres Strait Islander Staff Network
BDI	Business Development Initiative
CAC	Commonwealth Authorities (Annual Reporting) Orders 2011
CAC Act	<i>Commonwealth Authorities and Companies Act 1997</i>
CDC	Aboriginal and Torres Strait Islander Commercial Development Corporation
CDEP	Community Development Employment Projects
CEO	Chief Executive Officer
CFAR	Commonwealth Financial Accountability Review
CFO	Chief Financial Officer
COO	Chief Operating Officer
CSS	Carpentaria Shipping Services Pty Ltd
DEEWR	Department of Education, Employment and Workplace Relations
DIET	Dominican Indigenous Education Trust
DOGIT	Deed of Grant in Trust
EPBC Act	<i>Environmental Protection and Biodiversity Conservation Act 1999</i>
ESD	ecologically sustainable development

Term	Meaning
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>
GM	General Manager
GRD	good renter's discount
HOT	Home Ownership Team
IED Trust	Indigenous Economic Development Trust
IHO _p	Indigenous Home Ownership program
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
MBS	Melbourne Business School
MURRA	Murra Indigenous Master Class Series
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
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
S&P	Standard & Poor's
SEDI	Strategic Economic Development Initiative
SES	Senior Executive Service

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 (CA 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, June 2013 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 or optional reporting requirements, by reference and page location

Requirement	Reference	Detail and page listing of compliant information
Mandatory as per the CA Orders 2011 or the ATSI Act		
New Housing Fund financial statements	ATSI Act sub section 189(3)	204
Consultants engaged	ATSI Act, sub section 189(2)(b)	212–215
Approval by directors	CA Orders 2011, clause 6	2
Details of exemptions granted by Finance Minister in regard to reporting requirements	CA Orders 2011, clause 7	No exemptions granted
Parliamentary standards of design	CA Orders 2011, clause 8	Throughout
Plain English and clear design	CA Orders 2011, clause 9	Throughout
Enabling legislation, functions and objectives	CA Orders 2011, clause 10	84
Responsible minister	CA Orders 2011, clause 11	85
Ministerial directions	CA Orders 2011, sub clause 12, ref ATSI Act, sections 151 and 189	85
General Policy Orders	CA Orders 2011, clause 12.	85

Requirement	Reference	Detail and page listing of compliant information
Work health and safety	CA Orders 2011, clause 12, ref <i>Work Health and Safety Act 2011</i> , Schedule 2, Part 4	110
Disability Reporting Mechanisms	CA Orders 2011, clause 12	95
Ecologically sustainable development and environmental performance	CA Orders 2011, clause 12, ref <i>Environment Protection and Biodiversity Conservation Act 1999</i> , section 516A	95, 217–218
Information Publication Scheme Statement	CA Orders 2011, clause 12, ref <i>Freedom of Information Act 1982</i> , Part II	94
Other legislation	CA Orders 2011, clause 12	94–95
Information about directors	CA Orders 2011, clause 13	98–102
Organisational structure (for IBA and subsidiaries)	CA Orders 2011, clause 14	96–97
Location of major activities and facilities	CA Orders 2011, clause 14	Principal investment sites (40–41) Contact information (inside back cover)
Board committees and their responsibilities	CA Orders 2011, clause 14	89–90
Education and performance review processes for directors	CA Orders 2011, clause 14	88
Ethics and risk management policies	CA Orders 2011, clause 14	91–92
Statement on governance	CA Orders 2011, clause 14	83–102
Related entity transactions	CA Orders 2011, clause 15	88
Review of performance	CA Orders 2011, clause 16	6–7, 18–82
Significant events under section 15 of the CAC Act	CA Orders 2011, sub-clause 16(a)	94, 216
Operational and financial results	CA Orders 2011, sub-clause 16(b)	6–7
Key changes to IBA's state of affairs or principal activities	CA Orders 2011, sub-clause 16(c)	18–82

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	CA Orders 2011, sub-clause 16(d)	92–93
Significant judicial or administrative tribunal decisions	CA Orders 2011, clause 17(a)	94
Reports made about IBA	CA Orders 2011, clause 17(b)	93–94
Obtaining information from subsidiaries	CA Orders 2011, clause 18	All relevant material provided by subsidiaries
Indemnities and insurance premiums for officers	CA Orders 2011, clause 19	89
Compliance index	CA Orders 2011, clause 21	226–233
Fraud risk assessment and control	Commonwealth Fraud Control Guidelines 2002	92
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.	131
Financial Statements certification: Auditor-General's Report	Sub-clause 1(c) and Part 2 of Schedule 1 to the CAC Act	136
Financial Statements certification: a statement, signed by the directors	Sub-clause 2(3) of Schedule 1 to the CAC Act	138
Optional as RARD		
Table of contents	RARD, Attachment A, fifth item	1
Index	RARD, Attachment A, fifth item	236
Glossary	RARD, Attachment A, fifth item	222
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)

Requirement	Reference	Detail and page listing of compliant information
Review by CEO	RARD 9(1)	13
Outlook for following year	RARD 9(2)	11, 16, 42–43, 66, 82, 111, 135
Roles and functions	RARD 10(1)	IBA at a glance
Where outcome and program structures differ from Portfolio Budget Statements/Portfolio Additional Estimates Statements or other portfolio statements accompanying any other additional appropriation bills (other portfolio statements), details of variation and reasons for change	RARD 10(2)	6–7
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)	6–7
Where performance targets differ from the Portfolio Budget Statements/Portfolio Additional Estimates Statements, details of both former and new targets, and reasons for the change	RARD 11(2)	Not applicable as there was no change
Performance against service charter customer service standards, complaints data, and response to complaints	RARD 11(5)	94
Contribution of risk management in achieving objectives	RARD 11(3)	32, 65, 77, 91–92
Social inclusion outcomes	RARD 11(4)	95
Agency resource statement and summary resource tables by outcomes	RARD 11(8)	6–7
Names of the senior executives and their responsibilities	RARD 12(3)	114–118
Senior management committees and their roles	RARD 12(3)	89–91
Corporate and operational planning and associated performance reporting and review	RARD 12(3)	84–85

Requirement	Reference	Detail and page listing of compliant information
Policy and practices on the establishment and maintenance of appropriate ethical standards	RARD 12(3)	92
Significant developments in external scrutiny	RARD 12(4)	93–94
How nature and amount of remuneration for senior executive service officers is determined	RARD 12(3)	110
Training and development undertaken and its impact	RARD 12(6)	108–109
Statistics on staffing	RARD 12(7)	105–106
Impact and features of enterprise or collective agreements, individual flexibility arrangements, determinations, common law contracts and Australian Workplace Agreements	RARD 12(6)	109
Assessment of effectiveness of asset management	RARD 12(10)–(11)	59
Assessment of purchasing against core policies and principles	RARD 12(12)	92
Note: Since optional requirements are in addition to those legislatively mandated, any double-ups are stated once only within the mandatory requirements.		
Optional as CGPR		
Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	CGPR1.1	86–87
Companies should disclose the process for evaluating the performance of senior executives.	CGPR1.2	108–109
Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.	CGPR2.1	86
A majority of the board should be independent directors.	CGPR2.2	86

Requirement	Reference	Detail and page listing of compliant information
The roles of chair and chief executive officer should not be exercised by the same individual.	CGPR2.3	86
The board should establish a nomination committee.	CGPR2.4	90
Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	CGPR2.5	88
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. 	CGPR3.1	88, 92
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.	CGPR3.2	105–108
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.	CGPR3.3	Not applicable as no such measurable objects
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.	CGPR3.4	86, 106

Requirement	Reference	Detail and page listing of compliant information
The board should establish an audit committee.	CGPR4.1	89
<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. 	CGPR4.2	89
The audit committee should have a formal charter.	CGPR4.3	89
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.	CGPR5.1	Not applicable. IBA is 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.	CGPR6.1	120
Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	CGPR7.1	91–92
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.	CGPR7.2	91–92

Requirement	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 <i>Corporations Act 2001</i> is founded on a sound system of risk management and internal control and that the system is operating effectively.	CGPR7.3	Not applicable. IBA is not subject to section 295A of the <i>Corporations Act 2001</i>
The board should establish a remuneration committee.	CGPR8.1	90
<p>The remuneration committee should be structured so that it:</p> <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	90
Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	CGPR8.3	88–89, 110

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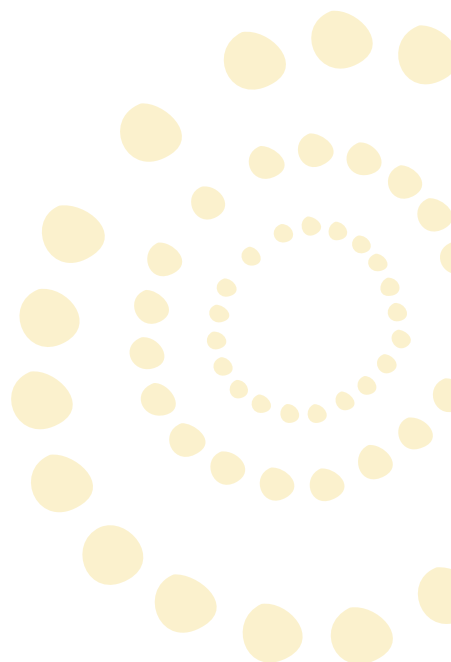
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