



# Indigenous Business Australia

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Annual Report  
2003 - 2004

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# Corporate Directory

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## Board of Directors

Mr Joseph Elu	Chairman
Mr John Moriarty AM	Deputy Chairman    ceased 18 March 2004
Ms Leah Armstrong	
Mr Richard Ryan AO	ceased 22 August 2003
Mr Bob Blair	
Mr Joe Procter	
Mrs Jenny Boddington	
Mr Ian Trust	commenced 4 August 2003

## Senior Management

Mr Ron Morony	General Manager
Mr Ian Myers	Deputy General Manager
Mr Scott Smith	Company Secretary

## Head Office

Level 5  
Bonner House West  
Neptune Street  
Woden ACT 2606  
Telephone: 02 62853031  
Facsimile: 02 62852348  
Website: [www.iba.gov.au](http://www.iba.gov.au)

## Auditors

Australian National Audit Office  
19 National Circuit  
Barton Act 2601

## Bankers

Westpac Banking Corporation  
Level 5  
1 Farrell Place  
Canberra ACT 2601

## Solicitors

Mallesons Stephen Jaques  
10<sup>th</sup> Floor  
St George Bank Building  
60 Marcus Clarke Street  
Canberra ACT 2601



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**Australian Government**  
**Indigenous Business Australia**

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October 2004

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

Dear Minister

I am pleased to present the fourth annual report for Indigenous Business Australia (IBA), covering the period 1 July 2003 to 30 June 2004.

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

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Joseph Elu'.

Joseph Elu  
Chairman

# Principal Investment Sites

as at 30 June 2004



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

20. 2 Neon Street Sumner Park – Brisbane
21. Centrum Insurance - Brisbane
22. Port Botany Transfer Station – Sydney
23. Property Investment Vehicle No. 1 with Baulderstone Hornibrook
24. Hunter Employment Zone – Newcastle
25. Mungo Lodge – Lake Mungo National Park
26. Scarborough House – Canberra
27. Egans Central Laundry – Colac
28. CPS Building – Adelaide
29. Fishing Trust – National

(Not shown are individual business loan and guarantee facilities)



# Highlights for 2003-2004

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## Financial

For the financial year ending 2004 the corporation on consolidation, increased its operating revenue from \$25million to \$44million.

Consolidated operating profit increased from \$3.6 million to \$18 million.

Consolidated total equity rose from \$77 million to \$98 million.

The financial year ended 30 June 2004, produced results heavily influenced by a number of significant but non recurring transactions. While these transactions added significantly to IBA's financial position, they should not be seen as setting a new financial performance benchmark for the corporation. An overview of these transactions is provided in this report.

## Investments

During 2003-04 IBA assessed 56 investment proposals and entered into four new ventures. These ventures included; an insurance company based in Queensland; an industrial land development in New South Wales, a tourism venture in South West New South Wales and a fishing project that is Australia wide.

There was one divestment, that being the holding of shares in the publicly listed company Henry Walker Eltin (HWE). IBA disposed of its shareholding for a profit of \$840,000. One of the major objectives of IBA's investment in HWE was to forge a strategic relationship in the mining and construction industry. The partnership has proven to be mutually beneficial and has continued post sale.

## Operational

Several reviews were commenced and/or completed during the year. These reviews were;

- Internal review of the Business Participation Section
- Internal review of the Company Secretarial Unit
- Internal review of Monkey Mia
- Internal review of the Business Development Section

### Community Outcomes and Relationships

For the financial year ending 2004, IBA was a shareholder in companies that employed in excess of 700 people. Of these, 250 or 35% were Indigenous people. Total salaries for these entities was over \$26.5 million, of which approximately \$10.8 million was paid to Indigenous employees.

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

## Report from Chairperson

On behalf of the Board, I am pleased to report on the outcomes for Indigenous Business Australia (IBA) in 2003-04 and to report on a range of broader issues which have affected IBA, or have the potential to affect IBA.

### Machinery of Government Changes

One of the major events during 2003-04 was the announcement on 15 April 2004 by the Government of its intention to restructure Indigenous affairs. The announced changes had a major impact upon IBA.

As part of this process, IBA moved to the Employment and Workplace relations portfolio as there is a close alignment between IBA's functions and related functions of that portfolio.

It is also proposed to transfer two programmes to IBA from the Aboriginal and Torres Strait Islander Commission and Aboriginal and Torres Strait Islander Services. These are the business development programme (containing both an ATSIC element and a Commonwealth element) and the home ownership programme (ATSIC only). These changes were welcomed by my Board and were consistent with IBA's policy position enunciated in a discussion paper *Removing the Welfare Shackles*, issued in 2000.

A Bill was subsequently tabled in Parliament in June 2004 to give effect to the Government's announcements. The key features of the Bill, as they impact upon IBA, were:

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



*Mr Joseph Elu  
IBA Chairman*

The Bill also provided for the scheduling of assets and liabilities to be transferred to IBA from ATSIC and the Commonwealth. These are, in the main, existing housing and business loans.

In anticipation of a 1 July 2004 start date for the new legislation, the IBA Board and senior IBA management devoted considerable energy to developing processes for a smooth transition of responsibilities. This included the development of conditions of service for approximately 120 staff who would transfer to IBA from Aboriginal and Torres Strait Islander Services, the development of an extensive delegation framework to sit around the new programmes, the consideration of policies and guidelines to underpin the administration of the new programmes and the development of an appropriate organisational structure. Work also commenced on reviewing IBA's fraud control plan and risk management strategies.

The Bill passed the House of Representatives while the Senate decided to send the Bill to committee. A committee; the Senate Select Committee on the Administration of Indigenous Affairs, was established on 16 June 2004 and is to report to the Senate by 31 October 2004.

The Government proceeded with changes which it could implement without the Bill. As a result of revised administrative arrangements orders, from 1 July 2004 the Minister for Employment and Workplace Relations oversights IBA. Following consideration by the Board, negotiations are also well advanced for IBA to manage, under contract, the Commonwealth's ongoing Indigenous business development programme which, as a result of the machinery of Government changes, rests with the Department of Employment and Workplace Relations.

### Investment Activities

As reported last year, IBA took a conservative approach in 2002-03 due to the then prevailing global and domestic economies and other events. I also commented that at that time IBA had invested almost all available funds and that the immediate growth in some sectors was limited as we began to get over the residual effects of the collapse of Ansett, the impact of SARS and September 11.

There were broader economic challenges during the 2003-04 which also impacted upon a number of industry sectors and IBA's investments in those sectors were no different. In particular the rapid strengthening in the first six months of the Australian dollar against the US currency affected those tourism products largely focused on overseas markets. There was also an immediate

impact on resource investments in which commodity prices are set in US dollars.

During 2003-04, the IBA board regularly considered its investment portfolio and the performance of individual industry sectors and IBA's investments within those sectors. This allowed the board to consider new investment proposals in an overall context of risk management reflecting industry and geographic diversity, and to review continued involvement in existing ventures.

The result is a diverse investment portfolio which has seen solid growth in 2003-04 and expectations of an even stronger performance over the next 12 months. IBA's current investment portfolio has, I believe, diversity to ameliorate the impact of external domestic or global economic events.

During the year, IBA also provided assistance to both the Aboriginal and Torres Strait Islander Commission and Aboriginal and Torres Strait Islander Services in terms of managing joint investment strategies or taking on certain investments in which IBA could value add.

During 2003/2004, IBA:

- acquired 100% ownership of an insurance brokerage company which had offices in Brisbane, Townsville, Perth and Kalgoorlie;
- purchased \$3m equity in an industrial land development project near Newcastle;
- agreed to a process which may result in the sale of its equity in a Queensland based coal exploration joint venture;
- agreed to a sale proposal of its equity in a Darwin based property;
- advanced negotiations for the sale of an income stream from a coal mining joint venture in Queensland to a local Indigenous foundation;
- acquired outright an accommodation facility adjacent to the World Heritage listed Lake Mungo National Park in south west New South Wales;
- entered into a \$28m contract for the refurbishment and extension of Scarborough House, a 15 level office block in the Woden Town Precinct of the Australian Capital Territory, after securing an agreement with the Federal Department of Health and Ageing to take a long term lease over the building;
- established a fishing trust with the initial injection of \$5m being contributed by ATSIC;
- commenced the process to sell IBA's equity in a commercial laundry based in Colac, Victoria and

- finalised the completion and fit-out of an office block in Kalgoorlie, Western Australia, for occupancy by the Commonwealth.

2003/04 was also a productive time for joint ventures in which IBA holds significant equity. The following are some of the highlights for the year:

- Queensland based Foxleigh Coal commenced self mining requiring the acquisition of a large fleet of mining equipment and construction of a new single persons camp to house the workforce;
- Ngarda Civil and Mining secured major contracts that will underpin the financial performance and employment opportunities of the business for the next 12 to 18 months;
- major capital works were completed at the Monkey Mia Resort in Western Australia, with the construction of a new lodge style accommodation facility;
- major capital works were also completed at Cooinda Lodge, in the Northern Territory, with the construction of a new swimming pool complex and upgrading and sealing of car parking facilities; and
- additional "high end" accommodation units were constructed at Fitzroy Lodge in Western Australia

As reported in detail elsewhere in this annual report, IBA's financial outcome was solid with a material growth in its overall worth.

These activities reflect the requirement in the *Aboriginal and Torres Strait Islander Commission Act 1989* (the ATSIC Act) to build a commercially focused asset base for Indigenous Australians.

## Reviews

During 2003, two external reviews were commissioned which may have impacted directly or indirectly on IBA and its preferred future direction.

The first was the review of Indigenous Business programmes forecast in the Government's tabling speech when introducing legislation to create IBA. The second was the review of ATSIC.

The review of Indigenous Business programmes was primarily aimed at identifying barriers to Indigenous people entering business and then ensure that the variety of government Indigenous Business programmes are focused at addressing those barriers.

The ATSIC review was commissioned by Government to examine the effectiveness of ATSIC.

In respect of the review of ATSIC, a discussion paper was released which had a number of potential implications for IBA. The Board of IBA, at its 16th

meeting on 4 August 2003, considered the discussion paper and agreed its position in respect of the review of Indigenous Business programmes. As a result of Board deliberations, IBA made a submission both to the review of ATSIC and review of Indigenous Business programmes.

In its submission, IBA suggested that there is a compelling need for the Federal Government to retain and refocus its efforts to directly assist Indigenous participation in economic opportunities. For some time, Indigenous people have been largely dependant upon various government programmes to assist them in asset accumulation (such as acquiring houses or land) or in getting into business.

The submission also noted that while Australia has a comprehensive network of banking services in Australia, IBA was concerned that these financial institutions often appear incapable or unwilling to meet the needs of Indigenous people. The concept of providing debt finance to a commercially "unsophisticated" section of the community (which is generally without equity and often located in remote, rural or on inalienable land) is not seen to be commercially sensible. As it is unlikely that governments will force banks to provide these services, IBA argued that there needs to be a practical acceptance of the constraints under which banks work and there needs to be a focus on designing and implementing programmes, which over time, will encourage banks to more actively engage with the Indigenous community.

IBA also argued that greater attention should be given to Indigenous asset accumulation which can then be used as security to raise funds for other activities.

In looking forward, IBA proposed that the Government should:

- be consistent with broader Commonwealth wide practice to separate the core responsibilities of policy and programme development from hands on delivery responsibility:- reconfirm and ensure that IBA should continue to act commercially and at arms length from the Commonwealth;
- give consideration to whether the IBA hands-on approach and strict commercial focus might provide a useful model for the application of other Commonwealth Indigenous economic development programmes;
- work with IBA to explore further suggestions made by Treasury officers that there may be advantages in moving IBA from the General Government Sector to the Public Non-Financial Sector (Government Business Enterprise). This would allow IBA to accelerate its activities at no cost to the taxpayer by allowing IBA to seek to raise private sector financing or advances from the Commonwealth outside of the budget context; and

- consider whether IBA's capital base is sufficient to meet the demands of long term strategic economic growth of Indigenous people.

The final report into the review of ATSIC was released to the public on 28 November 2003. Although there were no direct or immediate implications for IBA, the report did discuss other portfolio bodies. In respect of IBA the report stated, inter alia, *"The other bodies, Indigenous Business Australia (IBA) and Aboriginal Hostels Ltd (AHL) have very specific roles and responsibilities. The consensus was that these organisations should maintain those roles."*

At this stage, the final report of the review of Indigenous Business programmes has not been released.

### Government Policy Directions

Under the current legislative provisions of the ATSIC Act and the Commonwealth Authorities and Companies Act (CAC Act), the Government must consult my Board prior to any decision to require IBA to adopt any broader policy directions. One such request came before the board during the year.

On 3 October 2003, the then acting Minister for Immigration, Multicultural and Indigenous Affairs wrote to me under the provisions of section 28(1) of the CAC Act seeking the Board's view on the application of the National Code of Practice for the Construction Industry and the Commonwealth Implementation Guidelines.

The Government was seeking to implement the code and guidelines across all agencies following the Royal Commission into the Construction Industry. While not opposed to the intent of the guidelines, the IBA board was concerned that the guidelines went well beyond the key target areas in metropolitan locations and had the potential to seriously impact on the rural and remote commercial operations of IBA. The board was also concerned that there may be direct and negative impacts on IBA's existing and future joint venture arrangements resulting in cost and risk issues for third parties.

As a result, the Board decided to seek an exemption from the policy, which the Minister is empowered to grant under section 28(4) of the CAC Act. After careful consideration, an exemption was granted.

During the year IBA was also requested to adopt Australian Government branding. While IBA had some concerns over possible confusion using the Australian Government branding on IBA letterhead when dealing in the commercial market place, IBA proceeded to adopt the branding.



## Recognition

The year has also been very productive in terms of recognition of IBA and the efforts of a number of the joint ventures in which it is involved.

IBA's General Manager, Ron Morony, was recognized for his contribution to Indigenous groups over the past 30 years in being awarded the Public Service Medal on 26 January 2004.

Ngarda Civil and Mining (Ngarda), a joint venture between the Ngarda Ngarli Yarndu Foundation (NNYF), Henry Walker Eltin (HWE) and Indigenous Business Australia (IBA), won the prestigious Prime Minister's Awards for Excellence in Community Business Partnerships 2003 in the large business category.

The award, which was presented at a gala national presentation dinner in Sydney, recognised the significant employment and training outcomes achieved at Ngarda's Pilbara base. Ngarda has an employment policy that commits to employing at least 85 percent Indigenous personnel with a target of 100 percent. This award followed on from the Corporate Leaders for Indigenous Employment Awards held in Canberra, at which the company was a finalist.

Gagadju Cooinda Lodge has been recognised by the Northern Territory's Australia Hotels Association in winning the award for *"Best Community Services."* Cooinda Lodge, based in the Kakadu National Park, is a joint venture between IBA and the Gagadju Association.

## Communication and Information

On 26 November 2003, in my capacity as Chairman of the IBA board, I was invited to address the Ministerial Council for Aboriginal and Torres Strait Islander Affairs to give my views on barriers in achieving Indigenous economic independence and strategies to overcome these barriers. I took the opportunity to discuss some of the institutionalised barriers resulting from historical policies and programmes at the government level, and the lack of expectations at the community level.

I expressed the view that for too long there has been a focus on welfare and rights driven solutions and that I believed it is now time we recognized the need to drive the economic development agenda much harder at the national, state and territory levels. This should be reflected in both the policy context and the programme context and we must make both the providers and the recipients of these policies and programmes more accountable.

In addressing the Council, I took the opportunity to set down some ideas for moving forward. I believe that there are a number of fundamental changes

which are necessary to give weight to sustainable economic development which will, over time, lessen the burden on Indigenous people, governments and taxpayers.

The first is to recognize that there is a compelling need for overarching economic development policy framework to give economic development a conscious priority not only in the minds of Indigenous Australians, but also in the minds of policy makers and programme deliverers throughout Australia. Without this framework, it is too easy for both Indigenous people and service delivery structures to fall back into the comfort zone of traditional welfare based programmes.

The second is to develop new and refine existing programmes to provide a greater focus on economic and commercial outcomes.

Thirdly, there is a need to develop innovative ways to have the private sector invest in areas with high Indigenous populations. I was not advocating special tax treatment for Indigenous businesses – I was advocating special tax treatment for any business which demonstrates that it has taken up the challenge to involve Indigenous people whether by way as employees or partners. This approach should not be challenging as there is sufficient precedent in overseas countries which testifies to the success of actively involving the private sector as partners in first nation economic development.

The fourth is to recognize the long term strategic value of asset accumulation rather than seeing it in a negative context as nothing more than a passive investment. In some areas of Australia, local economic opportunities will be limited – we should actively encourage the communities in those areas to invest in the future by acquiring equity in productive assets elsewhere in Australia. This will create an income flow and foster business development and provide the means for real priority setting at the local level.

Finally, there is the need to more effectively use existing assets for economic gain. Indigenous people in Australia could be seen to be asset rich (although noting that the realizable value may not be all that great due to issues such as land title). Nevertheless, Indigenous people have significant assets in the form of land, buildings and intellectual property which could, and should be used more effectively.

In June 2004, at the request of the Australian High Commissioner, I attended an Indigenous conference in Canada. Director Armstrong also attended.

Attendance at the conference gave us the opportunity to learn about what is happening in Canada in terms of Indigenous economic development and to

build up networks. We were also able to provide some insights into the directions we are taking in this area in Australia. While we spoke of some of the negative issues, we used the opportunity to talk of the many successes which are being achieved.

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

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

The answer is simple and it puzzles me why I am asked the question. Indigenous Australians want to participate in the mainstream economic growth of this country. The difficulty is more often about finding the right opportunity than it is to convince our people to participate. The forms of participation vary. For some individuals or groups it is about securing employment opportunities. For others, it is securing an asset base for the benefit of future generations. We need to be able to respond to, and support, the development of viable economic opportunities which match need and expectation.

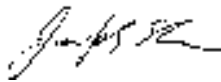
The symptoms of poverty are evident in many of our communities and we do aspire to go beyond programmes such as the Community Development Employment Projects (CDEP) scheme so that our children and future generations will own their own homes and enjoy the benefits of higher incomes and at the same time cherish the values and culture which links us back to our mother lands. We need to build for the future and equip our younger people so that entrenched welfare dependency becomes a thing of the past.

The investments IBA makes are carefully chosen to reflect commercial realities and ways of building for the future.

## Conclusion

I would like to thank my fellow board members for their valuable contribution during the year. In particular, I would like to acknowledge the contribution and commitment of Deputy Chairman John Moriarty who retired during the year.

The Board would like to thank Senator the Hon Amanda Vanstone MP, the responsible Minister for the period covered by this report, for her support during the year. The Board would also like to extend its appreciation to staff for their considerable efforts in achieving the outcomes for the organisation and building on the solid base achieved in recent years.

A handwritten signature in black ink, appearing to read 'Joseph Elu', with a stylized flourish at the end.

Joseph Elu  
Chairman

## IBA Board Overview

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### Mr Joseph Elu (Chairman)

Mr Elu is Chairman of Indigenous Business Australia and has held this position since December 1996.

Mr Elu continues to be Chairman of Seisia Council on the tip of Cape York, a member of the Torres Strait Regional Authority and the elected chairman of the board of IBIS in the Torres Straits.

Mr Elu is also co-chair of the Voluntary Services to Indigenous Communities Foundation, and a member of the boards of Reconciliation Australia and Special Broadcasting Services (SBS). He is also a member of the Indigenous Tourism Leadership Group (ITLG). The ITLG advises the Minister for Tourism on issues impacting on the development of Indigenous Tourism throughout Australia. He continues to be a strong advocate of including private enterprise in the economic development of Indigenous people.

Mr Elu was recently awarded a Centenary Medal. He also holds an honorary Doctorate in economics from the Queensland University of Technology.



### Mr John Moriarty AM (Deputy Chairman)

Mr Moriarty AM was born at Borroloola in Northern Territory and is a member of the Yanyuwa tribe. Mr Moriarty graduated with a Bachelor of Arts degree from Flinders University, South Australia, in 1971, is also a Flinders University Convocation Medalist and has an honorary Doctorate from the University of South Australia.

Following a career at executive levels in the Commonwealth and South Australian State public services, he became a co-owner and a director of Balarinji, a graphic design consultancy firm, incorporating a blend of Aboriginal art and contemporary graphics. He is a strong advocate for Indigenous people to become economically self-sufficient.

Mr Moriarty had been a Board member since December 1996 and his current appointment term expired in March 2004.





### Ms Leah Armstrong

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

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

As Executive Director, Ms Armstrong is assisting Yarnteen in expanding its commercial ventures and encouraging further economic opportunities for associate organisations.

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

Ms Armstrong's initial two-year appointment expired on 18 March 2003. Ms Armstrong was reappointed for a further two years until 18 March 2005. Ms Armstrong is also a member of the IBA Remuneration Committee.



### Mr Bob Blair

Mr Blair is the Administrator of the Dreamtime Cultural Centre in Rockhampton, Queensland, an innovative Indigenous business providing a quality product together with high standard conference and motel facilities. Mr Blair has held this position for the past 17 years. He has a long background in providing Indigenous training services.

Prior to becoming the Administrator at the Centre he was the Senior Training Officer with the Central Queensland Aboriginal Corporation for Training Resources for three years. Mr Blair was a member of the Australian Army from 1961 to 1981, beginning as a recruit and ending his Army career as Warrant Officer Class 1. He served in Vietnam, Malaysia and New Zealand. During his service he has received the following awards:

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

Mr Blair was also recently awarded the Centenary Medal.

He has been a Board member since 3 July 1998.

### Ms Jenny Boddington

Mrs Boddington commenced her career as a management consultant with Booz Allen & Hamilton and then moved into the finance industry. She spent some years analysing engineering companies for Morgan Grenfell Asset Management in London and then transferred to investment banking, where she spent 14 years advising companies in the UK and Australia on acquisitions, divestments, listings and capital raisings. Five years ago Mrs Boddington joined DB Capital Partners, the private equity arm of Deutsche Bank, where she made investments on behalf of DB Capital Partners and held Board seats on investee companies. Mrs Boddington now runs her own consultancy in corporate governance and business development.



Mrs Boddington has an honours masters degree in Metallurgy, Economics and Industrial Management from Oxford University. She has spent the last ten years in Australia and is an Australian citizen.

Mrs Boddington was appointed for a two year period commencing 19 March 2003.

### Mr Joe Procter

Mr Procter has been employed in a variety of positions in the WA State Government and resource sectors for the last 11 years. After spending four years in Aboriginal Affairs in the Finance and Land Management Divisions, he later became involved in Native Title negotiations in the gold and nickel and oil and gas sectors. He progressed to mainstream areas with Woodside Energy, including facilitation of over 30 project strategy sessions, international entry, external affairs, business development, renewable energy, and venture capital and investor relations.



He now works with leading investment bank Carnegie Wylie & Co in corporate advisory, venture capital and is pursuing the Indigenous Capital Limited project as part of that role.

Mr Procter has completed a Bachelor of Business (Accounting), a Graduate Diploma in Social Science and a Master of Business Administration (Finance) at the University of WA, where he made the Dean's Distinction List, was awarded the Dux for Strategic Management, the Executive Leadership Award and represented the University in the National Boston Consulting Group Strategy Competition. His family is from Darwin in the NT and Mr Procter now resides in Sydney.

Mr Procter was initially appointed for a two-year period commencing 18 February 2002 and was subsequently reappointed for a further two-year term.



### Mr Richard Ryan, AO

Mr Ryan is a director of several public companies and is a former managing director of Henry Walker Eltin Group Ltd, a listed contract mining company.

He is a Fellow of the Institute of Chartered Accountants, and Companion of the Institution of Engineers and the Institute of Management (UK). Mr Ryan is Deputy Chancellor of the Northern Territory University, and Chair of the Menzies School of Health Research. Mr Ryan is also National President of the National Heart Foundation of Australia. In February 2003 Mr Ryan was appointed Chairman of the Northern Territory Tourist Commission. Mr Ryan was appointed to the IBA Board in 11 July 1997 and he ceased to be a Board member in August 2003.



### Mr Ian Trust

Mr Trust is a Gidja man who was born on Moola Bulla Station, west of Halls Creek. He served as Chairperson on the Wunan (Kununurra Region) Regional Council for nine years. He was instrumental in setting up the Wunan Foundation, a body established to develop economic initiatives in the region. His goals for the foundation include "developing economic independence for the Kimberly people" and "focusing on youth and women in relation to employment and training."

Mr Trust was appointed to the IBA Board in August 2003.

### Directors Meetings

During the financial year nine meetings of the Directors were held, five of which were in person. The number of meetings attended by each Director during the year is as follows:

		16	17	18	19	20	21	22	23	24
Mr Joseph Elu	Chairman	•		•	•	•	•	•	•	•
Mr John Moriarty AM	Deputy Chairman	•		•	•					
Ms Leah Armstrong		•	•	•	•	•	•	•	•	•
Mr Richard Ryan AO		•	•							
Mr Bob Blair		•	•	•	•		•	•	•	•
Mr Joe Procter		•	•	•	•	•	•	•	•	•
Mrs Jenny Boddington		•	•		•	•	•	•	•	•
Mr Ian Trust			•	•	•	•	•		•	•

Note:

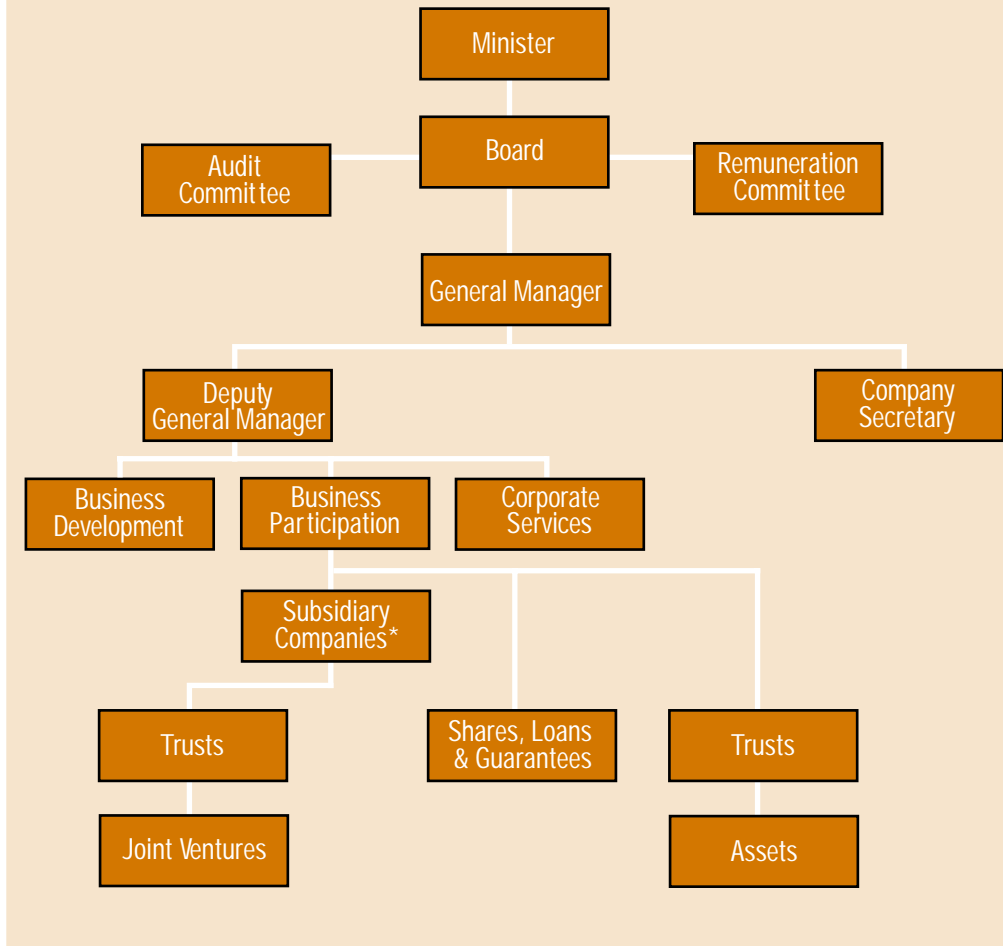
Mr Moriarty's appointment expired on 18 March 2004

Mr Ryan's appointment expired on 23 August 2003

Mr Trust's appointment commenced 4 August 2003



The structure of IBA as at 30 June 2004:



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

# Report of Operations

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## Introduction

Indigenous Business Australia (IBA) is a Commonwealth Statutory Authority established to stimulate the economic advancement of Indigenous peoples through investing in sound commercial ventures while encouraging and supporting Indigenous participation at both the management and employment levels.

## Enabling Legislation

IBA was established in March 1990 following passage in the Federal Parliament of the *Aboriginal and Torres Strait Islander Commission Act 1989* (the ATSIC Act). From its creation in 1990 until 2001, it was known as the Aboriginal and Torres Strait Islander Commercial Development Corporation (CDC).

## Responsible Minister

For the year under review, the responsible Minister was the Minister for Immigration Multicultural and Indigenous Affairs. Since 1 July 2004, the responsible Minister is the Minister for Employment and Workplace Relations. The Minister has the responsibility for appointing the IBA Board of Directors (section 157), but is not empowered to direct IBA in relation to any of its activities except as expressly provided for in the ATSIC Act (section 151) or under the *Commonwealth Authorities and Companies Act* (the CAC Act).

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

## Functions and Powers of Indigenous Business Australia

### Functions

Section 147 of the ATSIC Act provides as follows:

IBA has the following functions:

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

## Powers

Section 152 of the ATsIC Act provides:

- (1) Subject to section 153 and Division 8, IBA has power to do all things that are necessary or convenient to be done for or in connection with the performance of its functions.
- (2) The powers of IBA under subsection (1) include, but are not limited to, the following:
  - to enter into contracts;
  - to invest money of IBA;
  - to appoint agents and attorneys, and act as an agent for other persons;
  - to form, and participate in the formation of, companies;
  - to subscribe for and purchase shares in, and debentures and other securities of, companies;
  - to enter into partnerships;
  - to participate in joint ventures and arrangements for the sharing of profits;
  - to accept gifts, grants, bequests and devises made to it;
  - to act as trustee of money and other property vested in it on trust; and
  - to charge for the provision of services by it.

## Business Principles

When engaging in commercial activities IBA is required to act in accordance with sound business principles (section 148(1)).

## Limits on Guaranteeing

Section 153 of the ATsIC Act allows the IBA Board to provide guarantees, subject to financial limitations as determined by the Treasurer. The guarantees made by IBA as at the reporting date do not exceed the limits determined by the Treasurer.

## Limits on Borrowings

Section 183 of the ATsIC Act limits borrowing only for the purpose of meeting a temporary deficit in the money of IBA and is subject to limits as determined by the Treasurer.

## Application of other legislation

### **Commonwealth Authorities and Companies Act 1997**

IBA is also subject to the provisions of the CAC Act. The legislation sets out reporting and accountability rules similar to those imposed for a reporting entity under the Corporations law. The CAC Act also deals with other matters

relating to Commonwealth authorities, such as banking and investment and the conduct of officers.

Directors and staff can also be held personally accountable for their conduct. Penalty provisions for directors and staff are similar to the provisions set out in the Australian Corporations Legislation, including the application of the Criminal Code.

### Other Federal, State and Territory Legislation

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

- company's conduct;
- industrial relations;
- taxation;
- trade practices;
- equal opportunities;
- anti-discrimination;
- occupational health and safety; and
- environment.

### Privacy Legislation

Privacy protection is also an important issue, which can limit the amount of information on which IBA can report. Under Section 191 of the AT SIC Act, IBA cannot divulge information concerning the affairs of another party where that information was obtained by IBA in the performance of its functions. The requirements of the Privacy Act and the *Privacy Amendment (Private Sector) Act 2000*, limit the level of detail it can report on in respect of individual investments.

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

## Outcomes for 2003-2004

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### Introduction

All Commonwealth funded agencies report against outputs and outcomes. As IBA is not on annual appropriation, it is more appropriate, and consistent with previous reports, to report against its Corporate Plan.

Section 149 (1) of the *Aboriginal and Torres Strait Islander Commission Act 1989* requires IBA to update its Corporate Plan to ensure that the plan remains current. The Corporate Plan must set out a statement of IBA's objectives and outline the strategies and policies that the Board intends to adopt in order to achieve those objectives.

### IBA's Corporate Plan 2002-2005

IBA's Corporate Plan 2002-2005 was tabled in both Houses of Parliament on 20 August 2002. The goals of IBA in the plan can be categorised under the following broad headings:

- Balanced investment portfolio;
- Client relations and professionalism;
- Inter agency and industry co-operation; and
- Good corporate citizen.

The direction set out in its goals reflect IBA's long term objective to:

Seek greater economic self-sufficiency and well being for Indigenous Australians through strong Indigenous business presence in mainstream economic activities; and

Be the leading national Indigenous investment organisation, which facilitates both Indigenous and non-Indigenous groups to jointly develop commercial activities, which have the capacity to provide a long-term commercial return and enhanced opportunities for economic self-sufficiency.

In meeting its objectives IBA also faces a number of challenges. These are outlined in the Corporate Plan. The goals, together with outcomes achieved during the year under review, are detailed below.

## GOAL ONE – Balanced Investment Portfolio

To hold a balanced investment portfolio that provides appropriate risk management and performs in accordance with industry standards, while increasing Indigenous participation at all levels in the businesses in which we are involved.

### Geographical Balance

Significant emphasis has been placed on finding investments in geographical locations and industries in which IBA is under represented. This has proven to be difficult, but remains an ongoing priority. Some headway has been made in Victoria and South Australia. It is worth noting that while Tasmania is not represented, IBA was bought out of three investments it had in the state by its Indigenous partner, Tasmanian Investment Corporation (TIC) in 2001. These investments have enhanced the economic position of TIC.

	2002-2003	2003-2004
New South Wales	3	4
Victoria	1	1
Queensland	6	7
South Australia	1	1
Western Australia	8	8
Tasmania	0	0
Northern Territory	6	6
Australian Capital Territory	1	1
National	0	1
Total	26	29

### Industry Diversification

IBA has maintained a diverse spread of investments across industry sectors. Tourism and property make up a considerable percentage of the portfolio and each play an important part in the strategy of IBA. Tourism is a “good fit” for IBA in its quest to source investments that can help Indigenous groups in remote locations both at an investment level and through increased employment and training opportunities. Property is proving to be another important tool in aiding Indigenous groups to become economically self sufficient as it provides reliable cash flows and is looked upon favourably by traditional lending institutions for security if a group wishes to underpin additional investments in their region. During 2003-2004, new investments were taken up in the Aquaculture, Forestry and Fishing Sector, Finance and Insurance Sector, Accommodation, Cafes and Restaurant Sector and the Construction Sector.

Sector, Finance and Insurance Sector, Accommodation, Cafes and Restaurant Sector and the Construction Sector.

Industry Sector	2002-2003	2003-2004
Agriculture, Forestry and Fishing	0	1
Mining	3	3
Construction	4	4
Accommodation, Cafes and Restaurants	6	7
Transport and Storage	2	2
Finance and Insurance	0	1
Property and Business Services	8	8
Cultural and Recreational Services	1	1
Personal and Other Services	2	2
Total	26	29

### Location and Industry Sector of Investment Proposals

Many proposals overlap financial years and thus may be assessed in one year and settled in the next. During this financial year 56 proposals were received and assessed. The details are as follows:-

Proposals	Number
Approved and Settled	2
Approved and Not Settled	1
Noted	1
Declined	26
Still Being Assessed	26
Total	56

As previously stated, IBA has the difficult task of trying to diversify across sectors and geographically, while at the same time responding to all Indigenous groups who believe they have an economic opportunity in their region.

Proposals by Industry	Number
Agriculture, Forestry and Fishing	9
Mining	8
Manufacturing	6
Accommodation, Cafes and Restaurants	10
Transport and Storage	3
Finance and Insurance	2
Property and Business Services	15
Cultural and Recreational Services	2
Personal and Other Services	1
Total	56

Proposals by State	Number
Queensland	21
New South Wales	11
Australian Capital Territory	1
Victoria	2
Tasmania	0
South Australia	4
Western Australia	12
Northern Territory	5
Total	56

## GOAL TWO – Client Relations and Professionalism

To develop and maintain our professional expertise, in the areas of commercial activities and Indigenous issues.

IBA continues to place a high emphasis on staff development through internal and external courses and education. Some of the external study undertaken by staff for the year included:

- Continuation of the Certified Practicing Accountants (CPA) Programme;
- CPA training on changes to the International Accounting Standards;
- Further studies in the Bachelor of Accounting at the University of South Australia;
- Completion of the Australian Institute of Company Directors course (1 staff member);
- Commencement of the Master of Business Administration at the University of Canberra;
- Further studies in Diploma of Business Accounting by two staff members with an expected completion during 04/05;
- Property Fundamentals Professional Development through the Property Council of Australia;
- Extensive computer software courses undertaken by several staff members including intermediate and advanced Excel, Attaché and Access; and
- St John's Ambulance - First Aid Level 2 Refresher Course.



IBA representatives attended numerous conferences including:

- Australian Indigenous Tourism Conference Perth (run by WAITOC - Western Australia Indigenous Tourism Operators Committee);
- Cultural Conference (Tourism Council Australia);
- Australian Tourism Export Council ATEC Symposium (ATEC);
- National Eco Tourism Conference;
- ATE Melbourne (Australian Tourism Exchange) Seller / Trade Show;
- National SEGRA Conference;
- Aboriginal Business Development and Law Conference (Canada);
- Maori Businesses and Fishing Procedures (New Zealand); and
- InterContinental Hotel Group (managers of 2 Gagudji properties) Conference (China)

In addition to proactively encouraging staff development, IBA has in place a charter defining accepted standards of behaviour and the adoption of best practice within the work place. As part of this process, there are formal procedures for complaints and a complaint handling process. There were no complaints received during the year ending 2004.

### GOAL THREE – Inter Agency and Industry Cooperation

To develop our relationships with government agencies, the business sector and Indigenous agencies and groups for the purpose of increasing opportunities to facilitate improvements in the economic self-sufficiency of Indigenous peoples.

Business Development has worked closely with both ATSIC and ATSIS during the year. This has included working on prospective joint venture projects as well as ATSIC/ATSIS owned projects. The Business Development Section represented IBA at fishing, mining, tourism and property workshops and forums. These workshops were run by National Native Title Tribunal, Department of Industry, Tourism and Resources, various land councils, tourism bodies etc.

The Foreign Minister, The Hon. Alexander Downer visited Kakadu National Park as host to Heads of Mission from 48 countries. Whilst in the Park the party stayed at the Gagudju Crocodile Holiday Inn and attended a formal dinner serviced by the Hotel's 20 Indigenous trainees. The party also took a cruise on another of IBA's investments Yellow Water Cruises.

IBA continued to provide support to its Indigenous partners. This included such things as maintaining regular contact, providing briefing at pre and post

board meetings, assisting at the board level, attending community meetings and providing advice on the reinvestment opportunities of distributions.

Noteworthy events during the year included:

- The Premier of New South Wales, Mr. Bob Carr spoke at the official presentation of the Hunter Economic Zone (HEZ) ecological constraints mapping project and officially opened the business estate;
- The Mayor of Cessnock and other councillors attended the road naming ceremony of the arterial road to entrance of the HEZ business estate;
- Queensland Bulk Haulage conducted an Indigenous art competition for the painting of one of its trucks. Senator Ron Boswell and the Mayor of Cloncurry spoke at the launch of the unveiling of the truck featuring the winning art work;
- To increase and/or maintain profile within both industry and the Indigenous agencies the staff of IBA attended a number of national, state and regional conferences;
- The Gagudju Crocodile Holiday Inn Hotel hosted the Northern Territory Tourist Commission's Brolga Awards for Tourism Excellence;
- The Gagudju Crocodile Hotel also hosted a 4 day Indigenous Governance Conference attended by some 200 people from the Territory Government and community organisations;
- Travel shows Get Away and The Great Outdoors did television segments on Yellow Water Cruises and Monkey Mia Dolphin Resort;
- Two of IBA's staff, at the invitation of the InterContinental Hotel Group, attended its Asia Pacific Leadership Conference in Beijing China;
- IBA prepared and submitted a formal response to the Northern Territory Tourist Commission draft "Northern Territory Indigenous Tourism Strategy";
- Tjapuaki Aboriginal Cultural Park was the venue selected for the launch of the Federal Government's Indigenous Tourism Business Program by the Hon Joe Hockey, Minister for Small Business and Tourism; and
- The Hon Clare Martin and a number of senior Government officials visited Kings Canyon Resort as a precursor to the announcing of the sealing of the Mereenie Loop road.

The Hon Alana MacTiernan MLA officiated at the opening of the Monkey Mia Dolphin Lodge a new beachside back-pager facility located at the Monkey Mia Dolphin Resort.

## GOAL FOUR – Good Corporate Citizen

To maintain and improve upon our current high standard of corporate governance in the administration of our capital asset and in our daily conduct.

IBA faces constant challenges in its endeavour to adopt best practice principles found in private sector investment houses while trying to deliver economic outcomes for Indigenous groups. IBA is often faced with the situation that it is the “last port of call” for many potential projects in areas that may have little scope for alternate investments. Therefore, in addition to prudent due diligence, there is a need for lateral thinking to aid potential joint ventures. IBA has found several ways of doing business where mainstream institutions would not have seen a way forward. The staff of IBA play an integral role in the process and need varied skills. In addition to substantial commercial acumen, there is a great need for a social awareness and issues relating to Indigenous culture.

### Operational and Financial Results

As noted in the highlights for 2003-04, the financial year produced results heavily influenced by a number of significant but non-recurring transactions. While these transactions added significantly to IBA’s financial position, they should not be seen as setting a new financial performance benchmark for the corporation.

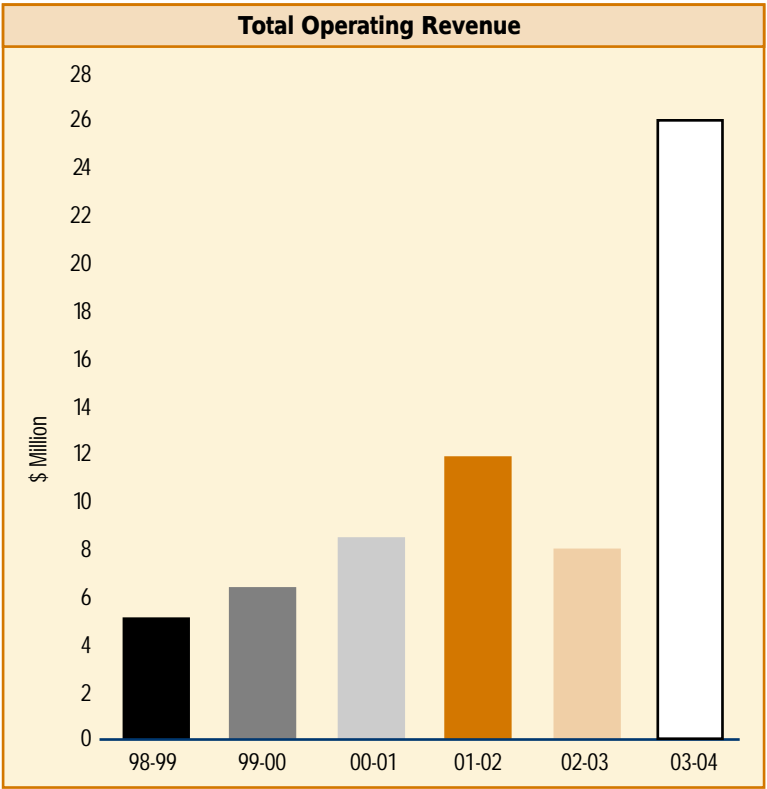
These non-recurring transactions included:

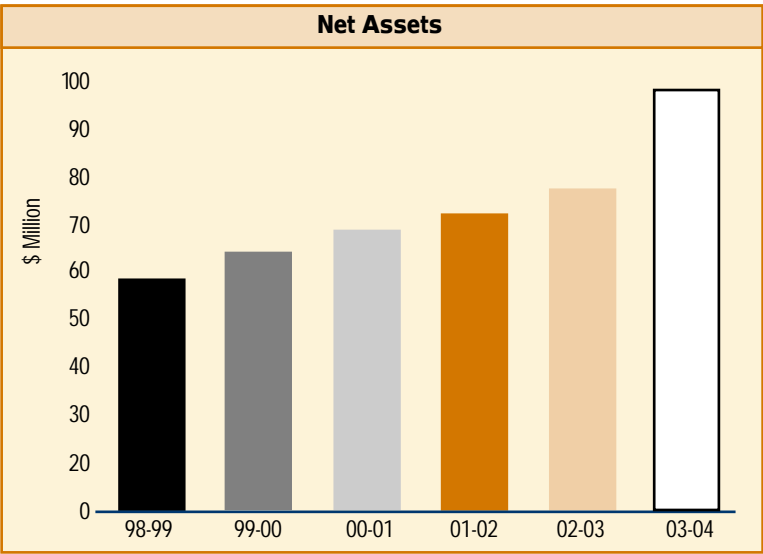
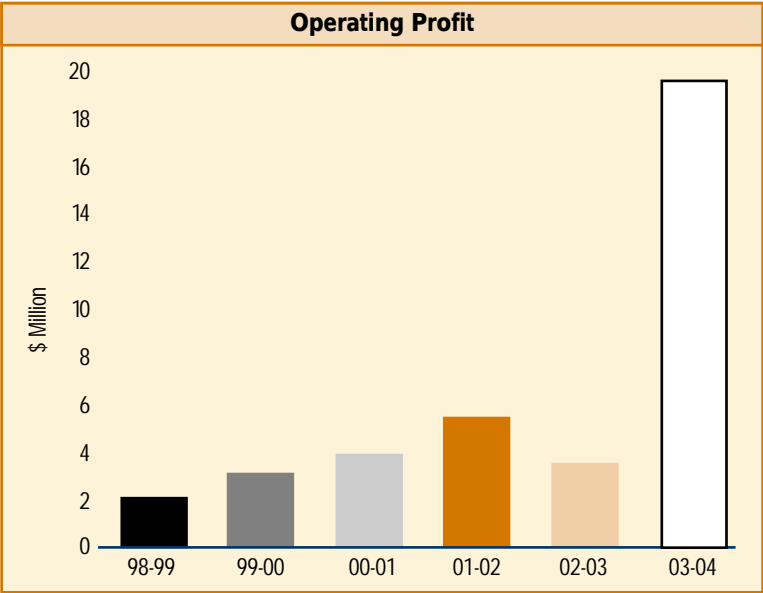
- With the co-operation of ATSIC, IBA assumed ownership and control over a business entity which had high debt levels – this business was then restructured and underpinned by IBA to reestablish its commercial viability. IBA is required to value that business as at 30 June 2004 and report that value as income.
- IBA and ATSIC agreed to establish a fishing trust to acquire fishing quota and licenses. Each organisation is to contribute to the trust. As IBA is the trustee of the trust, it was agreed that the ATSIC contribution would be transferred to the trust and under the control of IBA. That transaction is shown as IBA income.
- IBA had proposed to sell part of its equity (or equivalent) in a number of investments to local Indigenous groups. IBA itself was not in a position to lend the necessary funds for the acquisitions as IBA was seeking to free up funds from the sales to develop economic opportunities elsewhere involving other Indigenous groups. ATSIC agreed to support those

communities and transferred funds to IBA to finance the sell down of equity. Those transactions also appear in the 2003-04 financial statements as income.

In respect of ongoing IBA activities, IBA produced a year of solid growth. In particular tourism based investments showed a steady financial improvement from the previous year. Operational mining investments were adversely affected by exchange rates and operational issues and did not achieve budget. Most other investments achieved forecast outcomes. IBA's own internal running costs were kept below budget.

The following tables provide an overview of IBA's financial position. The detailed financial reports provided elsewhere in the annual report also show outcomes on consolidation of all entities.





### **Capital Base**

**IBA's capital base as at 30 June 2004 was \$98 million (2003: \$76.22m). IBA's investments are spread across a number of industries and are varied in structure. IBA's asset base is comprised of:**

- floating rate notes and customised securities;
- equity in 22 joint venture and associated entities throughout Australia including tourism, accommodation, mining, transport and contracting;
- six wholly owned commercial properties located in the Australian Capital Territory, Northern Territory, South Australia, Queensland and Western Australia;
- a wholly owned insurance brokerage;
- loans to Indigenous partners;
- property development investments; and
- the balance under cash management.

### **Operational Performance Review**

#### **Management**

The management team is responsible for the overall direction of IBA's day to day activities as well as being responsible to the Board for the delivery of Board policies, implementation of Board decisions, and for compliance with various statutes. The IBA staffing structure is small and is comprised of the management team, company secretary and three specialised units.

During the year, major machinery of government decisions were announced including the amendment of legislation to transfer additional functions to IBA. The management team undertook significant inter-agency and inter-government negotiations and discussions as well as preparing and presenting major submissions, both to the Board, the Minister and Parliamentary Committees.

Individual members of the management team continued to lead negotiations and discussions with state government agencies and State Ministers on an inter-government cooperative approach to Indigenous involvement in the fishing industry. In line with IBA's risk management plan one member of the management team continued as a director on those joint ventures which have potentially significant exposure for IBA.

#### **Business Development Section**

The Business Development Section's role is to identify and assess new business proposals as well as analyse and assess the expansion of existing investments through equity calls, loan applications or requests for guarantees. The section

is staffed by three qualified analysts with a diverse range of experience.

Staff maintain and improve their knowledge of existing and emerging business trends by attending various business seminars and training courses.

When an application is received at IBA, a preliminary assessment is undertaken to determine the merit of the proposal. This may include a discussion with the Board of Directors to determine the appropriateness of investment in a particular industry for IBA.

Proposals are then assessed against investment policies and procedures approved by the Board. The overriding factor is commercial viability, including past financial history, future financial projections, business plans and market analysis. Risk, the level of security and the level and nature of Indigenous involvement is also considered. IBA does not receive recurrent funding and hence is reliant upon the performance of its investments to cover operational costs as well as to provide funding for further investments.

IBA's reputation is closely linked to business success. As such, it is heavily reliant upon the assessment processes carried out by the Business Development Section, which in turn is complemented by the ongoing management of the investments by the Business Participation Section.

The majority of the business analysis is done in-house. Outside consultants are used if the information required falls outside of the skill sets of the Business Development Managers or if particularly industry specific information is required.

Once a proposal is approved by the Board, work begins on negotiating and developing appropriate holding structures, organising finance and licensing as well as joint venture agreements.

The Business Development Section has also continued its focus on Community Service Obligations. This has included assessing proposals that IBA would not consider as investments on behalf of Indigenous clients, representing IBA at various workshops and forums, introducing Indigenous groups to potential joint venture partners and assisting in the sell down or partial sell down of IBA assets to Indigenous partners. As part of IBA's community service obligation the Business Development Unit undertook a number of projects. These included:

- a review of a property investment on behalf of a major Land Council;
- provided funding advice for a small Indigenous manufacturing business;
- provided advice on best use of vacant land for an Aboriginal Corporation;

- assisted an Aboriginal group on the Gold Coast of Queensland with negotiations on a business proposal involving State Government and a private property developer; and
- reviewed a proposal for a cultural centre in World Heritage Area.

## Business Participation Section

### Overview

2003-04 saw three new investments added to the portfolios of investments managed by the Business Participation Section.

Centrum Insurance Brokers Pty Ltd was acquired by IBA in September 2003 from ATSIC. Centrum comprises two brokerages;

- Newman Cameron in Brisbane and;
- Northern Insurance Brokers in Townsville.

IBA owns 100% of Centrum which in turn owns 100% of Newman Cameron and 51% of Northern Insurance Brokers. The business originally included a brokerage in Perth with an office in Kalgoorlie. The Kalgoorlie office was closed and the Perth brokerage sold.

Hunter Employment Zone or HEZ as it is commonly referred to, is a large Industrial Park that is being developed near Newcastle in New South Wales. IBA is a 7.4% shareholder with Westpac being one of the other main shareholders.

Mungo Lodge was acquired by IBA in October 2003. The Lodge is situated 105 kilometres north of Mildura and is located within three kilometres of Mungo National Park. The Park holds significant cultural relevance as it is the discovery site of the oldest human remains dating back some 40,000 years. The Lodge has 16 cabins, two self contained units, restaurant, bar and landing strip.

The year in question saw a number of factors affecting the performance of the various portfolios. The mining portfolio benefited from the rise in commodity price for iron ore and the resulting increased mining activity in the Pilbara region of Western Australia. The portfolio also benefited from Ngarda being able to fill a niche, as a solution to those clients who were seeking greater Indigenous involvement in their mining activities.

The property portfolio saw vacancy rates rise in the Port Hedland region whilst at the same time vacancy rate in the West Perth area decreased. In particular 50 Colin Street benefited from the stronger demand for office accommodation in the West Perth area. At 30 June the building was 100% tenanted as opposed to being 78.5% tenanted on purchase in 2002.



In November 2003, the Federal Government announced as part of its Tourism White Paper initiatives, an additional \$235 million in spending on tourism over the next 4 years. The Government also announced that of the total amount an immediate injection of \$14.5 million was to be used on international and domestic marketing programmes in the first quarter of 2004. In addition to the Federal funding, the Northern Territory Government also announced a \$27.5 million funding boost for tourism. Funding will be provided over the next three years with \$7.5 million in 2003-04; \$10 million in 2004-05 and \$10 million in 2005-06. The benefit from these funding commitments should be realised in the forthcoming years. The properties within the tourism portfolio began to see an increase in occupancy numbers and forward bookings during the final quarter of the financial year.

### Significant Events in Investments

The financial year saw a number of activities and developments happening within the investment portfolios.

Within the tourism portfolio the Gagudju Crocodile Holiday Inn (Hotel) which is situated in Kakadu National Park conducted its 5<sup>th</sup> Indigenous Employment Programme (IEP). This year's programme consisted of 24 trainees undertaking a Certificate 2 in Hospitality and Guiding. The programme was facilitated by Charles Darwin University. At the completion of the 13 week programme, which included theory and practical components, nine graduate trainees accepted full time positions at the Hotel with a further eight graduate trainees accepting positions at the Gagudju Lodge Cooida (Lodge). In addition to the 17 graduate trainees who accepted full time positions, two graduate trainees were placed as apprentice chefs within the properties. Feedback from the trainees has been very positive with one trainee stating "they understood the needs of each individual and made sure they personally knew each trainee's strengths and weaknesses and worked to improve their skill. This was an excellent approach as it gained the trust and respect from each trainee".

The Hotel also hosted two important events, the 2003 Northern Territory Brolga Awards for Tourism Excellence and the Indigenous Governance Conference. It was the first time that the Brolga awards had been held outside of Darwin or Alice Springs and was considered a successful night with 330 people in attendance. The Indigenous Governance Conference was held during November and over 200 individuals from both government and community organisations attended the three day event.

The Foreign Minister, the Hon, Alexander Downer also hosted a two day incentive for the Heads of Mission from 48 countries. The party visited a

number of popular attractions within the Kakadu National Park with a formal dinner being held at the Hotel in which 20 of the IEP trainees serviced the function.

The year also saw the Gagudju Lodge Coolinda purchase Gorge and Waterfall Tours, a small tour company operating within Kakadu National Park. The acquisition of the tour company is part of a longer term strategy to establish a number of small eco tours operating out of the Lodge. It was also pleasing to see the Lodge win the Northern Territory's Australian Hotel Association award for "Local Community Services". The Lodge has trailed a numbers of Indigenous employment initiatives over the last couple of years and the award is recognition of those initiatives. As a result of the Northern Territory win, the Lodge has been invited to put forward a submission for the National Awards.

Another pleasing award win within the tourism portfolio was Tjapukai Aboriginal Cultural Park (Tjapukai) being named "Australia's Best Tourist Attraction" by the Australian Tourism Export Council in its Excellence Awards for 2004. The award is recognition by Australia's Inbound Tour Operators for Product Excellence.

During the year in question Tjapukai continued with its excellent record of Indigenous employment with approximately 85 Indigenous employees being employed in different facets of the business.

Other pleasing award wins were in the mining and construction portfolios where Ngarda Civil and Mining won the Large-Business Category in the Prime Minister's Award for Excellence in "Community Business Participation" and the Hunter Economic Zone (HEZ) won a number of awards for its Ecological Constraints Mapping Exercise. The Prime Ministers Award was in recognition of Ngarda's success in business and Indigenous employment. HEZ's Ecological Constraints Mapping Exercise was undertaken to determine what flora and fauna was located in the area in which the large scale business estate is to be developed. Awards received were for 2003 Lower Hunter Business Excellence Award for "Environmental Excellence", the Surveyors Institute of NSW 2003 Excellence Award for "Environmental Excellence" and the Surveyors Institute of NSW 2003 "Sir Thomas Mitchell Award" (overall winner – Grand Champion).

Ngarda Civil and Mining also continued with its outstanding record of Indigenous employment with over 100 of its 118 employees being Indigenous. This is an outstanding result considering the business operates in the remote Pilbara region of Western Australia where there are many barriers to education and as a consequence employment.

Within the tourism portfolio a number of investments under went development or completed enhancements of their properties. The Fitzroy River Lodge added an additional ten lodge rooms to satisfy the coach market and also added two river view luxury suites. Monkey Mia Dolphin Resort opened its new \$3 million dollar Dolphin Lodge beachfront units and backpacker facility. The new facility of 24 beachside units and 150 bed backpacker quarters plus a new 80 seat conference facility allows the Resort greater scope for targeting additional markets.

In November 2003 a new Photo Voltaic Solar Plant was opened and commenced operations at Kings Canyon Resort. The project was a joint initiative between the NT Power and Water Authority and Kings Canyon Resort. The plant is the largest solar operation of its kind within the southern hemisphere and has further enhanced the eco tourism profile of the resort.

Mungo Lodge undertook soft refurbishments such as replacing bedding and linen as well as painting the lodge rooms. The Lodge also completed a number of capital works which included installing a new \$80,000 kitchen, replacing all the hot water units and heaters, in addition to undertaking tasks such as replacing flooring and constructing post railing to ensure compliance with occupational health and safety regulations. Relationships were also established with the local, regional and state tourism bodies, National Parks and Wildlife Services and dialogue commenced with the Three Traditional Tribal groups.

The Gagudju Crocodile Holiday Inn completed soft refurbishments to twenty of its 110 rooms. In February 2004, the Gagudju Lodge Cooida opened its newly completed 20 meter billabong shaped swimming pool with rock features, water fall and ablution blocks. The Lodge also formed and sealed its car-park and the caravan ring road. Capital works totalled \$1.4 million.

A mining contractor for the Foxleigh Joint Venture went into administration forcing the Foxleigh Joint Venture to take up self mining. This created a number of challenges including labour and equipment issues.

### Staffing and Continuous Improvement

Two new staff members joined the Business Participation Unit this year. Trudi Ridge who has a strong background in tourism joined IBA in September 2003 coming from the Department of Industry, Tourism and Resources Tourism Division. Belinda Fuller joined the Unit in May 2004 after transferring from IBA's finance section.

In a commitment to continuous improvement two staff members attended a four day conference in Beijing China at the invitation of the InterContinental Hotel Group, managers of the Gagudju Lodge Cooina and Gagudju Crocodile Holiday Inn. In addition one staff member completed the Institute of Company Directors Course whilst another commenced studies for a Masters of Business Administration.

### Company Secretary

The Company Secretary is responsible for:

- compliance management and reporting for IBA and its subsidiaries;
- maintenance of corporate records;
- management of IBA's risk management and fraud control programme;
- management of internal audit;
- independent reviews of IBA's investments in accordance with a cyclical programme as approved by the board;
- secretarial support to the Audit Committee;
- development and coordination of IBA's public relations strategy including publications and website; and
- divestments.

### Achievements for the year

#### Reviews

During the year there was a review of an investment as well as a full review of two sections of IBA. The reviews made a number of recommendations which are in the process of being implemented and should enhance profitability and further refine the due diligence process.

#### Internal Audit

As part of the ongoing role of the secretarial unit, support was provided by the section with regard to the Internal Audit plan and the Audit committee and management of the internal auditors.

#### Corporate Services

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

- provision of policy advice to the IBA Board and senior management on a range of financial, accounting and taxation matters;
- the preparation and analysis of a range of financial information for the Board and senior management, the Department of Finance and

Administration, and the Parliament through the responsible portfolio Minister;

- preparation of periodical management accounting reports and annual statutory reports for IBA and its subsidiaries; and
- day to day management of financial activities for IBA and its subsidiaries.

Corporate Services is also responsible for;

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

At 30 June 2004, this section comprised three full-time staff members.

### Management of Human Resources

IBA has consolidated on the staff changes from the previous reporting period, with two new hiring's and a movement of one staff member from Corporate Services to Business Participation and one from Business Development to the Company Secretary role. These changes have given an opportunity to existing staff to grow and expand their skill base, whilst also assisting IBA to develop a multi skilled and diverse workforce, that is being both developed from within and supplemented from outside recruitment as needed.

As at 30 June 2004, IBA had 15 (2003:15) full-time staff members and no part-time staff members (2003:1). Of the 15 staff, 33% (2003: 33%) were Indigenous and 46% (2003: 40%) were female.

### Terms and Conditions

The Board of IBA determines the terms and conditions of employment of its staff. The skills that are required by staff to meet the objectives of IBA and the principles of engagement are similar to that of the private sector. Having such a small complement of staff, all are engaged under individual Australian Workplace Agreements.

### Performance Management

A Board approved performance management system is in place, which entitles non-executive staff, subject to satisfactory performance, to be eligible to receive

up to 15% of salary package as performance remuneration. There are three key performance criteria staff is assessed against. These are corporate performance, section performance and individual performance with each performance criterion being equally weighted.

### Continual Professional Development

IBA gives high priority to the continual professional development of staff. In line with this priority IBA has adopted flexible operational hours from 7.00 am to 7.00 pm to enable staff to undertake external studies at reasonable hours in the morning or evenings.

## Description of Investments

### Introduction

IBA maintains a diverse portfolio of investments, which underpins IBA's objectives to:

- meet its recurrent operational costs;
- invest in businesses which perform in accordance with industry standards;
- build upon its capital base; and
- encourage and facilitate Aboriginal and Torres Strait Islander participation in commercial projects and enterprises.

A description of each investment and any highlights for the investment during the year are provided. The following table depicts the investment structure in place as at 30 June 2004.

### Investment Structures

Primary Investment Vehicle and IBA equity level	Secondary Investment Vehicle and IBA equity level	Investment and IBA equity level
Bowen Basin Holdings Pty Ltd (100%) as non-trading trustee for BBI Foxleigh Trust (100%)	▶ Bowen Basin Investments Pty Ltd (100%) as non-trading trustee for Bowen Basin Investment Trust (100%)	▶ Foxleigh Joint Venture (16.4%)
IBA Coal Holdings Pty Ltd (100%) as non-trading trustee of Brigalow Holding Trust (100%)	▶ IBA Coal Investments Pty Ltd (100%) as non-trading trustee of Brigalow Joint Venture Participation Trust (100%)	▶ Eastern Coal Joint Venture (16.4%)
Diatomaceous Earth Holdings Pty Ltd (100%) as non-trading trustee for Diatomaceous Earth Holdings Trust (100%)	▶ Diatomaceous Earth Investments Pty Ltd (100%) as non-trading trustee for Diatomaceous Earth Investment Trust (100%)	▶ Australian Diatomaceous Earth Joint Venture (20%)
		▶ Property Investment Vehicle No.1 Pty Ltd (14.5%) Boulderstone Hornibrook
		▶ Ngarda Civil and Mining Pty Ltd (25%)
Gagudju Lodge Cooida Trust (70%)	▶	▶ Gagudju Lodge Cooida (70%)
Gagudju Crocodile Hotel Trust (70%)	▶	▶ Gagudju Crocodile Holiday Inn (70%)
Kings Canyon Watarrka Trust (17.2%)	▶	▶ Kings Canyon Resort (17.2%)
Monkey Mia Holdings Pty Ltd (54%) as non trading trustee of Monkey Mia Holding Trust (54%)	▶	▶ Monkey Mia Dolphin Resort Assets (50%)

Primary Investment Vehicle and IBA equity level	Secondary Investment Vehicle and IBA equity level	Investment and IBA equity level
Monkey Mia Enterprises Pty Ltd (54%)	▶	▶ Monkey Mia Dolphin Resort (50%)
Fit zroy Inn Investments Pty Ltd (100%)	▶	▶ Fit zroy Crossing Inn (42.86%)
Fit zroy Lodge Investments Pty Ltd (100%)	▶	▶ Fit zroy River Lodge (42.86%)
CDC Nominees (QBH) Pty Ltd (100%) as non-trading trustee for QBH Participation Trust (100%)	▶	▶ Queensland Bulk Haulage Pty Ltd (25%)
CDC Nominees (McArthur River Shipping) Pty Ltd (100%) as non-trading trustee for Carpentaria Shipping Trust (100%)	▶	▶ Carpentaria Shipping Services Pty Ltd (18.31%)
Port Hedland Investment Trust (70%)	▶	▶ Homestead Centre (100%)
IBA Property Investment Pty Ltd (100%) as non-trading trustee of IBA Property Investment Participation Trust (100%)	▶	▶ South Hedland Commonwealth Centre (100%)
	▶	▶ Katherine NT Government Centre (100%)
	▶	▶ Schmider Engineering, Sumner Park, Brisbane (100%)
National Indigenous Participation Trust (100%)	▶ National Indigenous Property Trust (100%)	▶ CPS Building, Adelaide (100%)
	▶	▶ Goldfields Medical Centre, Kalgoorlie (100%)
Noongar Property Holdings Pty Ltd as non-trading trustee of Noongar Property Holdings Trust (66.25%)	▶	▶ Goldfields Building 50 Colin Street, West Perth (100%)
Mitchell Street Investments Pty Ltd as trustee of Mitchell Street Investment Trust (100%)	▶ IBA as trustee of Mitchell Street Development Trust (100%)	▶ Mitchell Street Land and Buildings (50%)
Scarborough Holding Trust (100%)	▶	▶ Scarborough House (100%)
CDC Nominees (TCTP) Pty Ltd as non-trading trustee to TCTP Participation Trust (100%)	▶	▶ Tjapukai Aboriginal Cultural Park (19.93%)
CDC Nominees (South East Sydney) Pty Ltd (100%) as non-trading trustee of SES Participation Trust (100%)	▶	▶ Port Botany Transfer Station Pty Ltd (50%)
		▶ HEZ Trust (7.4%)
		▶ Mungo Lodge Business Pty Ltd (100%)
		▶ Centrum Insurance Pty Ltd (100%)
		▶ Western Linen Industries Pty Ltd trading as Egans Central Laundry (50%)



## Indigenous Fishing Trust

In 2002, in response to a discussion paper on rights to water, IBA proposed to ATSIC a co-operative approach to jointly fund an Indigenous Fishing Trust.

The concept proposed was a further refinement on developments in New Zealand. New Zealand is a world leader in establishing industry controls over the fishing resources and as a result of rights under the Treaty of Waitangi, significant fishing quota is now held by Maori.

In Australia, a system of individual transferable quotas involve setting a total allowable catch, and licenses have progressively been established for a given fish stock.

IBA therefore proposed that:

Firstly, given that Individual Transferable Quotas (ITQs) are limited, IBA believes there would be value in acquiring and holding ITQs for future generations of Indigenous Australians wishing to enter the fishing industry. In essence, this approach reserves access to a limited resource for future generations – and a resource which is expected to be significantly more costly in future years.

Secondly, a number of Indigenous groups are currently seeking to enter the fishing industry. The establishment cost, including acquisition of ITQs, can be prohibitive. Financial exposure is greater than it needs to be, particularly if the acquisition is debt funded. IBA believes that there may be merit in IBA acquiring the ITQ in these cases and leasing it to the Indigenous business thus reducing their direct financial exposure. If the venture is successful, the business can progressively acquire the ITQ on normal commercial terms once it has cleared other normal commercial debts. If the venture fails or stalls, IBA would still hold the ITQ and could lease it to another party – Indigenous or non-Indigenous.

Thirdly, consistent with IBA's legislative requirement to grow its capital base, we believe that "trading" in ITQs could be commercially attractive. The information we have at present suggested that the annual leasing of quota attracts a 10% return. It is also expected that over time, ITQs would have a measurable capital gain in value. ITQs held by IBA would be available for leasing and sale to Indigenous groups.

As a result of this submission, the ATSIC Board and the IBA Board both agreed to contribute \$5m each to an Indigenous Fishing Trust. While originally, the Trust was to be jointly managed, ATSIC decided that its contribution would be transferred to IBA subject to IBA putting those funds into the Trust and IBA progressively matching that contribution.

During the latter part of 2003-04, IBA devoted considerable time to researching various species in order to maximise the effectiveness of the initial quota purchases. It is expected that the first purchases will take place in early 2004-05.

### Foxleigh Coal

IBA's decision to join a new coal-mine venture in Queensland's Bowen Basin launched at the time IBA's largest investment and was first time it has bought into the front line of a mining operation. The Foxleigh



mine began operations in late 1999 with the first shipments occurring in early 2000. To date it has mined over ten million run of mine tonnes of PCI-type coal, destined for export to the steel mills of Korea, Japan and elsewhere.

The mine – along with another mine site 2km away called Cockatoo Creek, due to begin operations in November 2004 – is budgeted to produce 3.1 million tonnes of coal a year, with annual sales of \$181 million.

IBA is continuing its negotiations with an Indigenous group, the Central Queensland Indigenous Foundation, to sell down IBA's income stream from the mine. The group, which was formed from the local ATSIC regional council to represent the broader interests of the region's Indigenous people, will also set aside a portion of the income for the traditional owners.

IBA's usual system for bringing Aboriginal groups on board is to help them buy direct equity in its ventures. But in the case of Foxleigh, the project is too complex for an Indigenous group to meet a range of exposures such as environmental guarantees, rail guarantees, loan guarantees for new equipment and other capital outlays. In buying a share of the income stream instead, the Indigenous foundation will get the benefits of the mine's profits (and proceeds if IBA's share is sold) but be protected from exposure to significant loans and guarantees.

IBA was invited into the coal venture by its partner, CAML, a group of four Queenslanders with diverse backgrounds in the mining industry. CAML approached IBA in 1998, looking for ways to raise the money it needed and aware also of the untapped Aboriginal employment pool at the Aboriginal community of Woorabinda (population 1100, unemployment rate 47 per cent), some 200km away.

The potential for Indigenous jobs was one of the primary reasons IBA bought in, initially with a \$4 million investment for a 13 per cent stake in 1998 (lifted to 16.4 per cent in 1999).

In July 2004, the mine had between 20 and 30 Indigenous workers among its 230 staff on site (another 15 in Brisbane). The number of Aboriginal workers is high compared with other mines and considering the skilled nature of the work force. They are earning significant wages reflecting conditions of service in the black coal industry.

IBA hopes the Foxleigh venture will provide a role model for other mining companies, many of which employ high-cost fly-in, fly-out workers. Given that many mines have a life of 20 of 30 years, IBA believes it is well worth the effort to train Indigenous people in nearby communities as their future workforce.

The Foxleigh mine was originally set up to operate under contract, but when its contractor, Northwest Earthmoving, went into receivership in late 2003, the decision was made to shift to self-mining. The decision has brought significant capital costs and disruption to the business, but will mean greater control and certainty over future operations.

With the shift to self-mining, the business has bought \$35 million of equipment, and in 2004-05 is building a \$50 million "wash plant" for coal processing on site, and rail infrastructure so coal can be railed out.

Foxleigh is a joint venture in which CAML Resources and the related Lake Lindsay Investments hold the majority 63 per cent share. ICRA Foxleigh (a subsidiary of Japanese trading house Itochu) holds 20.6 per cent, and IBA 16.4 per cent.

The mine is about 12km from Middelmount (population 2100) in the Bowen Basin – Queensland's biggest coal-mining site and home to at least 20 mines. CAML began exploring the mine's potential in 1997, and the project proceeded at speed, with just 15 months from the pre-feasibility study to the first coal being dug.

The venture holds mining leases for the Foxleigh site – a 35-year lease covering 2500ha; and for Cockatoo Creek – a 22-year lease about one-third the size, and granted in August 2004. It also holds two large exploration leases. The mine sites have been assessed as having significant coal reserves, giving a further mine life of about 15 years.

To date, more than two million tonnes have been mined a year, and, in the absence of a processing plant on site, hauled 26km to the German Creek Mine, where the coal is washed and processed under contract. Processing at

German Creek is scheduled to end in December 2005, with Foxleigh's new on-site processing plant due to be ready by September that year.

From German Creek, the coal is railed 270km to the port at Dalrymple Bay, south of Mackay. It is exported for use in steel mills, chiefly in Korea and Japan. The low ash content of Foxleigh coal makes it well suited to the "pulverised coal injection" (PCI) process used in steel mills.

For IBA, becoming a mine owner has changed the way the mining industry views the agency, to the point that more opportunities are likely to come its way. IBA will remain selective and conservative, however, about the kinds of ventures it enters, and will avoid high-risk resources where prices can be volatile.

### Eastern Coal

During 2000-01, through a nominee structure, IBA invested in a further coal project in Queensland's Bowen Basin. The joint venture owned four exploration leases and the joint venture members have the same parent entities as Foxleigh and on the same percentage basis.



During 2000-01 the joint venture undertook a range of drilling programmes which continued into 2002-03. The exploration drilling programme confirmed the level of coal expected. However, due to lack of essential transport infrastructure in the area, the partners of the venture made a strategic decision to place the project on hold and to monitor other coal mining developments in the surrounding area.

IBA's 16.4% equity is held through IBA Coal Holdings Pty Ltd as the non trading trustee of Brigalow Holding Trust, which in turn owns IBA Coal Investments Pty Ltd as non trading trustee for Brigalow Joint Venture Participation Trust.

During 2003-04, the Eastern Coal Joint Venture was approached to enter an option deed in respect of the possible sales of its interest in the coal leases and the intellectual property attached to the drilling outcomes. With the agreement of all joint venture partners, the option deed was entered into and a due diligence is being undertaken by the prospective purchaser.

## Australian Diatomaceous Earth Joint Venture

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



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

IBA and its joint-venture partner hope to create a domestic industry that could meet Australia's needs for the foreseeable future. The project has significant potential, but it also requires major capital outlay to build the processing plant, and, with a feasibility study completed in late 2003, the joint venture is now turning its mind to the challenge of commercialising the product.

Diatomaceous earth is a chalk-like sedimentary rock formed from under-water plant life that has built up for millions of years on the ocean floor.

Existing commercial deposits were formed in saltwater, and have characteristically shattered structures. They must be heated to more than 600°C to bind the shattered "diatoms" together – a process that creates a carcinogen (cryptobolite), recognised as such by the World Health Organisation and potentially creating occupational health and safety issues.

This provides a point of difference with the Australian proposal – which would use freshwater diatomaceous earth that does not need to be heated (the diatoms have retained their form and do not need rebinding, like those from saltwater), and thus in its natural form does not create a health issue.

While freshwater diatomaceous earth does not have to be re-bound (or "calcined"); it does have to be processed to remove clay. The joint venture, formed in May 2002, has been able to prove up (and patent) the technology as an efficient and economic processing technique.

The deposits are located about four hours drive south of Cairns and three hours north of Townsville. If the current venture succeeds, it could not only meet Australia's needs, but also potentially tap into significant markets in Southeast Asia, which uses about 200,000 tonnes of diatomite a year.

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

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

The largest existing domestic users are Australia's breweries, which have expressed an interest in the joint venture's product, subject to trials of a significant quantity – more than the joint venture can produce without building a large, and expensive, pilot plant.

Accordingly, in 2003-04 the joint venture began looking at other markets for diatomaceous earth that would allow it to build up capital to pursue the filtration project.

One of those markets is agriculture, where diatomaceous earth is being promoted for its ability to enhance soluble silica exchange. Research indicates that this characteristic will contribute to a significant reduction in the quantities of phosphate fertilisers required by certain plantations and crops. This has the potential to solve environmental challenges facing the likes of fruit growers in far north Queensland under pressure to reduce run-off into the Great Barrier Reef, and Hunter Valley coal miners significantly behind in their rehabilitation programme.

### Property Investment Vehicle No.1

Baulderstone Hornibrook founded Property Vehicle Investment No 1 (PIV) in late 1999. PIV targets a return of 20 per cent on investments and secures its investments by providing a mezzanine debt facility ranking behind the senior lender. At inception, IBA subscribed for 15 shares giving it 15% of the company.

Baulderstone Hornibrook is one of Australia's leading construction and infrastructure companies, responsible for a wide range of property developments, roads, bridges, rail projects and other infrastructure works throughout Australia and the Asia Pacific.

In view of the scale of employment opportunities created by the construction company, IBA has utilised the investment opportunity to promote the implementation of an Indigenous employment and training strategy within Baulderstone.

The performance of the venture to date has been impacted by the availability of senior debt funding at higher levels and lower interest rates. This has reduced

the need for mezzanine funding by developers and accordingly, the number of investment opportunities.

In 2003-04, shareholders voted unanimously in favour of a resolution to cancel uncalled capital, and a final distribution is anticipated in 2004-05 upon completion of the venture's remaining projects.

IBA's objective for investing in this venture was to maximize yields from cash on hand and to negotiate an employment strategy with one of the larger employers in the construction industry.

### Hunter Economic Zone (HEZ) Trust

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

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

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

The development has strong support from local, state and commonwealth governments.

The area is ideally located close to road, rail and port infrastructure. This has been reinforced by the NSW State Government's announcement that it wishes to upgrade the Port of Newcastle to take the pressure off Port Botany (Sydney) and the Federal Government's announcement that the F3 freeway is to be upgraded along with other arterial roads in the Newcastle area. There is also access to water, gas and electricity in sufficient quantities to attract manufacturers. The Hunter Valley and Newcastle also has a skilled, available work force following the recent closure of BHP Steel.

The project is at an early stage and has yet to generate returns to its investors but there are approximately 20 interested purchasers with three of these considered to be close to signing. The land has recently been revalued and is now worth approximately double what it was 12 months ago. This will increase again as sales are generated. An experienced estate management and development team has been contracted to manage the completion and sale of the estate.

While the project does not currently have an Indigenous partner, Mindaribba Aboriginal Land Council owns 200ha adjoining the HEZ land. One of the major objectives in participating in the venture was to have a presence in the area and provide support for the Land Council if it decides to develop its adjoining land. They are currently investigating an offer from Hardie Holdings to develop its land along with the HEZ land. This offer would allow Mindaribba to have a long term income stream as well as profit from sales if they desire.

The local community will benefit from improved infrastructure and local employment being generated. The small local communities around the site are supportive of the venture because it will generate jobs for the young people who often have to leave the towns to find employment and those who have been unable to find suitable employment since the closure of BHP Steel. The employment will be a mixture of skilled, semi-skilled and unskilled positions.

An award winning Ecological Constraints Mapping exercise has been undertaken to determine exactly what flora and fauna are in the area and to minimize the effect of the development on the flora and fauna particularly those species at risk. This is currently with the NSW Department of Environment and Conservation for final sign off which will allow for expedited Development Application approvals.

During the year HEZ won the 2003 Lower Hunter Business Excellence Award for Environmental Excellence, Surveyors Institute of NSW 2003 Excellence Award for Environmental Excellence, Surveyors Institute of NSW 2003 Sir Thomas Mitchell Award (Overall winner – Grand Champion)

### Ngarda Civil and Mining

Ngarda Civil and Mining is a contract-mining business based in Port Hedland, in the Pilbara. The region, 1100km north of Perth, is sparsely populated (just 42,000 live here, 12% of whom are



Aboriginal) and overwhelmingly dominated by the iron-ore, gas and oil industries.

As at 30 June 2004, over 100 of Ngarda Civil and Mining's 118 staff were Aboriginal, an employment ratio not seen elsewhere in the mining sector and one that few, if any, commercial ventures competing in the open market would match.



It targets an Aboriginal employment ratio of more than 85% – a big challenge for a business in the remote Pilbara region of Western Australia, where many Aboriginal people face significant barriers to education, and where, for some, English is a second language.

Another powerful demonstration of the venture's success is the up-skilling of Indigenous employees, with many going on to further their new careers with other mining companies, in particular the large mining houses that dominate the Pilbara. Whilst this can be problematic for Ngarda, which has to replace this turnover from a pool of generally untrained inexperienced operators, it is a dilemma the company is happy to have. Ngarda is dealing with it by focusing on being the employer of choice to the Indigenous population. While Indigenous operators may be able to move on to other employers after acquiring valuable skills with Ngarda, the majority will choose to remain in an organisation that is understanding of cultural issues.

Ngarda Civil and Mining is 50% owned by Aboriginal interests and 50% by well-established contracting firm Henry Walker Eltin.

It creates a new model for Aboriginal relationships with the mining industry, an industry that has channelled no shortage of royalties into Aboriginal communities but has had very limited success providing jobs, and has delivered few solid economic opportunities to Indigenous people.

Ngarda Civil and Mining gives Indigenous people a way into the industry – by linking with the expertise of Henry Walker Eltin. Ngarda is also building the capabilities of local communities; with long term benefits such as reducing the need for employing costly fly-in, fly-out workers from elsewhere.

Conversely, it meets a need with clients – a vehicle through which they can live up to their commitment to Aboriginal communities, while at the same time having an assurance that quality and performance standards can be met, again, through the involvement of an industry expert.

Henry Walker Eltin is a publicly listed company, with 5200 staff and revenue of \$1.1 billion to \$1.2 billion. It services clients in Australia and internationally, providing a wide range of mining and civil engineering services.

It has 50% of Ngarda Civil and Mining. IBA and the Ngarda Ngarli Yarndu Foundation, a foundation drawn from the ATSIC regional council of the same name, have 25% each.

Ngarda Civil and Mining was established in 2001, arising from IBA's relationship with Henry Walker Eltin. IBA was a substantial shareholder in Henry Walter

Eltin at the time, and its current chairman, Joseph Elu, was also on the Henry Walker Eltin board.

In 2003-04, Ngarda was awarded three major contracts for a combined value of \$25 million per annum, taking it through till 2006. In 2003-04 it paid over \$8.2 million in wages to Indigenous employees.

The contracts are:

- A three-year contract, awarded in December 2002, supplying and operating mobile plant at BHP Billiton's Finucane Island processing and shipping facility for iron-ore at Port Hedland.
- Supplying and operating mobile plant at BHP Billiton's hot briquette iron (HBI) plant at Port Hedland, a three-year contract awarded in February 2003.
- Removing waste and transporting iron ore for Rio Tinto at its Robe River Mine, at Pannawonica, a contract awarded in June 2003 and extending over 3yrs.

The contracts give Ngarda Civil and Mining a solid base on which to build its reputation and bid for more work, with negotiations underway in mid 2004 for two other contracts. The outlook is positive, given the important niche in Aboriginal-mining industry relations that the joint venture fills, the boom in the iron-ore industry, and the significant mining investments being made in the Pilbara region.

The outcomes generated by Ngarda for Indigenous Australians have been significant. There have been considerable employment and training opportunities at all levels, from unskilled labourers through to involvement at the Board level. In addition to the income generated by the employees, it has helped to reduce drug taking in the area with a large increase in people passing medical tests that are mandatory to obtain employment in mining and associated industries.

Ngarda Civil & Mining has taken out the prestigious Prime Minister's Award for Community Business Partnerships in the large business category. The award, which was presented at a gala national presentation dinner in Sydney, recognised the significant employment and training outcomes achieved in the company's Pilbara base. Ngarda has an employment policy that commits to employing at least 85% Indigenous personnel with a target of 100%. This award follows on from the recent Corporate Leaders for Indigenous Employment Awards held in Canberra, at which the company was a finalist.

### Mitchell Street

IBA and the Pikos Group formed a Joint Venture in 2003 to purchase two adjoining blocks of land in Mitchell Street, Darwin. The Globetrotters Backpackers is situated on one of the blocks whilst the other contains a house which is currently leased to two small businesses.

Mitchell Street is right in the heart of Darwin's restaurant and accommodation area and is considered to be a growth area in Darwin. The tourism industry in the Northern Territory had slumped in recent years with the collapse of Ansett, slowing of the international economy and the current political unrest throughout the world. It has, however, started to improve slightly.

Before commencing any development IBA commissioned a study as to the best use of the land in the medium to long term. However IBA had not had the opportunity to make a decision on the findings prior an offer to purchase both blocks being received.

The land is currently under contract with settlement expected early in the new financial year.

### Monkey Mia Dolphin Resort

Monkey Mia Dolphin Resort is located on the Peron Peninsula, a unique section of World Heritage listed coastline only 27kms from the town site of Denham and some 850kms north of Perth. The resort is



north facing and sheltered from the prevailing breeze. This unique resort offers a wide variety of accommodation, facilities and activities to satisfy the need of all travellers.

The resort is 50% Indigenous owned with IBA holding 27% and Yadgalah, the local Indigenous group, owning 23%. Yadgalah acquired its 23% equity share via a five year loan through ATSIC. To date the business has generated sufficient cash flow to satisfy loan repayments.

For the Yadgalah people the investment offers a direct involvement in a world renowned and high profile resort. Yadgalah representatives have equal voting rights at the executive level and a direct involvement in the Resort's future direction.

Since acquisition of the resort, Yadgalah leaders have represented the resort and their community at several state and national tourism trade shows including Indigenous conferences.

Their development and understanding of the tourism industry is greatly broadened with many Indigenous communities looking up to the Yadgalah group for their active involvement in such a resort.

During the 2003/2004 financial year, Monkey Mia employed five local Indigenous employees in a variety of roles.

The resort has a swimming pool, hot tub, beach volleyball, tennis court, kayak and glass bottom boat hire, sight seeing cruises, miles of deserted pristine beaches, snorkeling, power scuba dive hire and fishing. Guests can dine in the fully licensed Boughshed Restaurant that is open 7 days a week for breakfast, lunch and dinner. The Peron Café is open every day for casual dining and takeaway. Other facilities include conference and function facilities, 1 hour photo lab, mini mart and guest laundry.

The partnership also owns the Shark Bay Airport located 15kms from the Resort. Regional aviation company "Skippers" service the route with four scheduled flights per week.

Shark Bay gained its World Heritage listing in 1991 for its abundance of sea grass beds, the Stromatolites of Hamelin Pool, Shell Beach and the environment supporting a significant habitat for rare and endangered wildlife species including the world's largest dugong population. Of the 144 Natural World Heritage sites, Shark Bay is one of only 16 that satisfy all four natural criteria.

Monkey Mia is famous both domestically and internationally for its dolphin visitation. The dolphins have visited the beach for over 40 years. Monkey Mia dolphins are wild, native to the area, visit of their own accord and with up to three controlled feeds per day – they are regarded as the most reliable, frequently visiting dolphins in the world.

This reliability attracts researchers from all around the globe, resulting in the Monkey Mia dolphins being the most comprehensive researched wild dolphins in the world.

## Mungo Lodge Business Pty Ltd

Mungo Lodge is an accommodation complex that was purchased in October 2003.

The Lodge is located adjacent to Mungo National Park and is found in the



Willandra Lakes World Heritage Region of New South Wales. Mungo National Park lies 110 kilometres north-east of Mildura (Victoria) and is 150 kilometres north-west of Balranald in the far south west of New South Wales.

An outback destination, the World Heritage listing was granted to the NSW National Park in 1981 in recognition of its Aboriginal heritage, archaeological values and the natural landscape.

Mungo Lodge facilities currently include:

- 16 motel (en-suite) style units.
- 2 self-contained units.
- Licensed a la carte restaurant and bar (pool table and lounge area).
- All weather airstrip (S 33 44.7 E 143 00.1 270 feet).
- Tour desk (scenic flights and ground tours of Mungo National Park can be arranged).

Since purchase, significant refurbishment of the lodge complex has been undertaken to ensure that the facility is consistent with AAA Tourism ratings. Mungo Lodge business has employed both Aboriginal and non-Aboriginal staff to further progress the refurbishment and have employed local residents to work in the lodge business as resident relief managers, housekeepers and wait staff.

Mungo Lodge Business has developed strong working relationships with the "Willandra World Heritage Area Three Traditional Tribal Groups Elders Council Aboriginal Corporation (TTG's)" which consists of the Muthi Mutthi, Barkindji and Ngayampa people. Within this working relationship, the New South Wales National Parks and Wildlife Services (NSW NPWS) also maintain a very strong working relationship with Mungo Lodge.

Mungo Lodge business will continue to refurbish and upgrade the complex with an intention to further expand the accommodation potential. In partnership with the NSW NPWS and the three traditional tribal groups, Mungo Lodge will

further develop the tourism opportunities in the region (tourism ventures, camping grounds, and interpretative touring of the region).

### The Fitzroy River Lodge

The Lodge was completed in May 1989 and is situated on the bank of the Fitzroy River on 20ha of land. The Lodge was designed to capture the style of a pastoral homestead.



The Lodge features an outstanding restaurant, bistro, dining room, lounge bar and cocktail bar. Guest facilities include a swimming pool, barbecue facilities, tennis and volleyball courts and guest laundry. There are also coin operated internet computers located in reception.

Indigenous Business Australia and Leedal representing the local aboriginal groups own 85% of the Lodge. The 85% ownership is split 50/50. Leedal has two representatives on the board of directors. Both directors are active in their participation and contribution at the Board level.

At the time of acquisition Leedal expressed their intent to eventually buy out IBA. A gradual buy out plan is being developed with this expected to commence from July 2005.

The Lodge relies heavily on the coach market. The Lodge is located on the Great Northern Highway and is a necessary stopover for tourists travelling across the country. The closest town is Derby – 206km away.

Seasonality is a critical factor in operating the Lodge. During the wet in January and February the river can rise 13 meters above the old concrete river crossing and has an estimated water flow of 30,000 cubic meters per second.

The business operates a wet and dry season programme which means the Board has placed a strong emphasis on risk management. Due to the isolated nature of the lodge, a back up water supply, power generation and logistic management remain a key focus for management and directors.

With a three and a half star rating by the RAC, accommodation facilities include 48 hotel rooms, two fully self-contained units, and two river view luxury suites, 30 safari lodges with private facilities, 110 caravan bays and extensive camping areas with powered and un-powered sites. Ten of the hotel rooms and the two river view luxury suites were completed in the 2003/04 financial year.

All hotel rooms are fully air-conditioned and serviced daily. Every room has a private telephone, colour television (with free in-house movies) refrigerator, tea and coffee facilities, an ensuite bathroom, hair dryer and ironing facilities.

Room service is available to all rooms and a valet laundry service is also provided. The Lodge has undercover parking for guests and handicapped patrons are catered for.

The two river view suites are surrounded by natural bushland and wildlife and overlook the Fitzroy River. Both rooms include a spa bath, private balconies with BBQ facilities, stereo system, television and DVD player complete with a private library of latest releases.

The safari lodges come complete with solid floors, a shaded timber deck and insect screens, evaporative water coolers, ensuite bathrooms, a wardrobe, refrigerator and tea and coffee facilities.

The Lodge supports 110 caravan bays, both powered and non powered camp sites, large shaded areas, sealed roads plus wood-fired barbeques with nearby tables and benches. There are also common ablution block with shower facilities and communal laundries.

There are also shelters for coaches and safari camping groups.

A progressive room upgrade programme is scheduled to commence during the 2004/05 financial with five to seven rooms expected to be completed.

The venture has produced significant outcomes for the local Indigenous group with two representatives on the Board of directors and an additional two Indigenous people employed on a full time basis. The business also provides regular distributions to its shareholders.

### The Crossing Inn

The historic Crossing Inn sits on its original site on the bank of the Fitzroy River. Established in 1897 it is now over a hundred years old and is the oldest established hotel in the Kimberley region.

The Inn is 85% Indigenous owned with IBA holding 42.5% and Leedal the local Indigenous group owning the other 42.5%. At the time of acquisition IBA and Leedal were concerned about potential social ramifications should the Inn be owned and operated by a more conventional hotel operator. Consequently IBA and Leedal purchased their



equity share from the then existing owners and retained their services as manager. The existing owners had implemented the strongest self imposed restrictions within the Kimberley prior to the change of ownership and the current board and management continue to support the same policy.

Recognition of the self imposed restrictions is supported by the Director of Liquor Licensing who uses the Crossing Inn as a model for remote hotels within WA.

The Crossing Inn management also works closely with the police as part of the local liquor accord. This involves serving only mid-strength and light beer on football match days and coordinating selling times and quantities during special events.

Management believes IBA has brought business expertise plus invaluable experience and depth in running businesses in which Indigenous people have a stake. Management cites the work and training programmes at the Inn, introduced with the benefit of IBA's experience as an example of this.

IBA's involvement has also allowed the Aboriginal groups to retain their share in the Inn and acquire an equity holding in the Fitzroy River Lodge.

Leedal is made up of eight family clans from within the wider region of Fitzroy. Leedal also own the local supermarket, post office, petrol station and a caravan park.

The Inn has twenty six comfortable single, double and family suites available. All rooms come with air conditioning, a refrigerator, tea & coffee facilities, ensuite bathrooms and nine superior rooms also have balconies overlooking the Fitzroy River.

A restaurant is available serving breakfast and dinner on a daily basis.

The Inn also has extensive camping areas with both powered and un-powered sites positioned on the banks of the Fitzroy River. The campground also has an ablution block and laundry facilities with several wood-fired barbeques available for guests.

The Inn has established a children's trust with five cents from every can sold being allocated to the trust account. Currently the trust is funding fifteen scholarships for local Fitzroy students to attend private schools based in Perth.

In conjunction with the Children's trust, allocated rebates match the Inns contribution of five cents. This allocation is preserved in a can account. The can account is used to sponsor local events, purchase computers for after school activities and fund trips for local children.



Inspired by the success of the local High school winning the 2000 Olympic Art Competition, the Crossing Inn sponsored and challenged the local youth to do paintings for the outside walls of the 100 year hotel. The results were amazing – outstanding in both artistic merit and local content. As a result, the walls of this popular and historic hotel are now a tourist attraction in their own right, and are a wonderful museum of local heritage, culture and art.

### Kings Canyon Resort

Kings Canyon Resort is located in a loop off the main highway running between Uluru and Alice Springs. The eco designed resort is just seven kilometres from the Watarrka National Park, home of the magical sandstone formation that is Kings Canyon.



The resort was opened in 1991 and offers a variety of accommodation and facilities that caters to all tastes and budgets.

Designed to blend in with the environment, this single story construction offers guests 36 deluxe spa rooms, 96 range view rooms, 36 budget lodge rooms and a camping ground. Other services include two swimming pools, outdoor barbeque, mini-supermarket, souvenir shop, petrol station, laundry, tennis courts, and sunset viewing platform and conference facilities for up to 30.

Deluxe spa rooms include a private spa overlooking the rock escarpment, ensuite bathrooms, air-conditioning, mini bar, in-house movies, tea and coffee facilities and direct dial telephone.

The resort attracts international and domestic tourists from abroad to experience the award winning Sounds of Firelight. The dinner encompasses a table for two set in a wilderness setting under a canopy of the Southern Night sky. Light is provided from the moon and flickering glow emanating from the crackling fire.

While soaking up the atmosphere, a culinary experience is served using local produce set around six courses and matched with some of Australia's finest wines.

The dinner operates every night subject to weather and is limited to no more than six couples per night.

Images of Sounds of Firelight are featured across a broad range of industry brochures selling both the destination and exclusive dining experience.

Indigenous Business Australia holds 17.23% equity in the resort with the local Aboriginal groups sharing 36.58%. The balance is owned by the Management Company, Voyages Hotels and Resorts. The Board of the venture is made up of representatives of the shareholders with the Chairperson being David Ross. David is also Chairperson of Centrecorp, a director of the Central Land Council and sits on the board of a number of successful Alice Springs based businesses that represent Indigenous interests.

The resort generates its own power via on site generators and through the largest Photo Voltaic solar site in Australia. This was a joint initiative between the resort and the Northern Territory Power and Water Authority. The solar plant was commissioned in November 2003.

In keeping with the environment friendly nature of the resort, all sewerage is treated in purpose build swales and ponds then disbursed into a green woodlot.

Kings Canyon is truly an environmental wonderland with over 100,000 visitors coming to the area in 2003. When exploring Kings Canyon, visitors to this breathtaking destination will experience the amazing rock formation called the Lost City. At the foot of the Canyon lies the Garden of Eden, an oasis offering swimming and lush gardens and an abundance of feathery cycad ferns.

The rim walk takes visitors across sandstone and rocky crags that have battled the elements for more than 300 million years. Along the way evidence of ancient marine fossils etched into the rock show incredible environmental changes that have taken place over time.

For those who find the walk little challenging, helicopter flights give visitor's a bird's eye view of the ancient formation and put into perspective the enormous and majestic landscape that is called Kings Canyon.

### Gagudju Crocodile Holiday Inn

The Gagudju Crocodile Holiday Inn (Hotel) is a unique hotel situated in the heart of the World Heritage Listed Kakadu National Park. The Hotel is designed in the shape of a Crocodile. The crocodile's

body houses 110 hotel rooms that overlook a central courtyard with a recreation area of natural streams, billabongs and the shaded swimming pool.



The design of the Hotel was chosen by the Gagudju Association because "Ginga" the giant crocodile, is of great cultural significance to the Gagudju people.

Hotel facilities include a 300 guest dining room, art gallery, gift shop, conference facilities and private function rooms.

World-renowned Indigenous artists from Kakadu and Arnhem Land are well represented in the Hotel's extensive art gallery.

All guest rooms feature courtyard views, air-conditioning, remote controlled television, free in house movies, mini bar, room service, tea & coffee facilities, hairdryer, ensuite bathrooms and STD/IDD telephones.

The Hotel is managed by the InterContinental Hotels Group. World wide the corporation owns and manages 3,520 hotels with 152 in the Asia Pacific region.

Ownership of the Hotel is shared between Indigenous Business Australia (70%) and the Gagudju Association (30%).

During the 2003/04 financial year the Hotel conducted its fifth Indigenous Employment Programme (IEP). The programme commenced with 24 students under the tutorage of Charles Darwin University with 21 trainees graduating with a Certificate 2 in Hospitality & Tour Guiding.

Of the graduates, nine trainees are employed in full time positions at the hotel. One trainee also commenced as an apprentice chef with the hotel. Two students from the previous course are engaged in full time positions at the hotel also.

In November 2003 the Hotel hosted the Northern Territory Brölga awards for tourism excellence. The function was held in the Escarpment Restaurant with 330 guests in attendance. Ben Dark from Channel Nine's Getaway Travel programme hosted the event that was officially opened by traditional Mirrar dancers. The night showcased the abilities of the Hotel in organizing such a special event.

Traditional Owners from the Northern and Southern parts of the park attended the function with IBA representatives.

Foreign Minister, the Hon. Alexander Downer hosted a two day conference for Heads of Mission from 48 countries at the Hotel during May 2004. The conference involved a formal dinner, luncheons and a barbeque event with local dance and music with service being provided by the IEP students.

### The Gagudju Lodge Cooinda

The Gagudju Lodge Cooinda (Cooinda) is located 56kms south of Jabiru and is situated beneath a canopy of trees nestled beside the wetlands of Yellow Water Billabong in Kakadu National Park. Kakadu is one of the few



World Heritage Listed areas to be listed for both cultural and native heritage.

Cooinda offers 48 air-conditioned Lodge Rooms, 24 twin share swags in outback quarters, 80 powered campsites, 300 un-powered campsites, two restaurants, two swimming pools, petrol station, general store, airport and tour desk.

Cooinda is owned by Indigenous Business Australia (70%) and the Gagudju Association (30%). Traditional owners represent the Gagudju Associations interest at the board. In February 2004 a new 20 meter billabong shaped swimming pool complete with rock features, waterfall, ablutions and tropical lush gardens was opened to lodge guests. The following month sealing of the internal ring road and car park was completed.

Both the above projects could not have been possible without the support and input of the Indigenous directors.

Located less than one kilometre by road or a 15 minute walk is the Warradjan Cultural Centre. Warradjan means turtle in Bininj language and the centre is shaped like a turtle. The Aboriginal Traditional land owners (Bininj) from Murumburr, Mirrar Gun-djeihmi, Badmardi, Bunitj, Girrimbitjba, Manilakarr, Wargol and other clans have combined to create an exciting and memorable exhibit. Through the displays, stories and exhibitions, tourists can gain a greater understanding of the Bininj and their country, Kakadu.

After being immersed by the rich culture content, visitors can journey through the extensive art gallery and browse at the local craft and artefacts that are available for sale.

Eight trainees from the 2004 Indigenous Employment Programme secured fulltime employment at the Lodge. In addition, another trainee commenced employment as an apprentice chef.

Cooinda is home to Yellow Water Cruises and Gorge and Waterfall tours.

## Queensland Bulk Haulage

Trucking firm Queensland Bulk Haulage was set up in April 1998 to bid for work from one of the state's remote mines – the Ernest Henry copper and gold mine near Cloncurry, a town of about 3500 people in Queensland's northwest.



The trucking company, a joint venture in which local Indigenous people have a 25% stake, has four trucks, which operate seven days a week, 24 hours a day, hauling copper concentrate about 160km on purpose-built road trains from the mine near Cloncurry to a smelter at Mount Isa.

The company has 18 staff, four of whom are Aboriginal – employed as truck drivers and maintenance staff. Unfortunately, all trucks operated by Queensland Bulk Haulage require a multi-combination heavy vehicle license, which requires licenses for smaller classes of vehicles as a prerequisite. This places a barrier to entry for local Aboriginals who do not already possess the relevant license. In 2003-04, 337,000 tonne of concentrate was trucked.

The company is a joint venture with Mitchell Corp, a large family-owned trucking firm operating in Queensland and Western Australia. Mitchell Corp owns half of Queensland Bulk Haulage – and manages the business – and IBA and the Koutha Aboriginal Development Corporation have 25% each.

The venture began when the new Ernest Henry copper and gold mine was looking for ways to create economic opportunities and jobs for Aboriginal people in the area.

The mine is named after an early prospector and now owned by Swiss-based X-Strata which has two copper mines in Australia, and additional copper operations in Argentina and Germany.

As the mine was being established, local Aboriginal groups got together to form the Koutha Aboriginal Development Corporation to take advantage of such opportunities.

In 2003-04 the company sponsored an art competition within the local Aboriginal community with one of the road trains being used as a canvas for the finalist's work. The competition attracted a high level of interest and many outstanding entries. The newly painted road train has helped to lift the profile within the community of the joint venture and of the winning artists. Operationally

and financially, Queensland Bulk Haulage is performing satisfactorily, in view of the tight margins in the transport industry.

### Carpentaria Shipping Services

For the Indigenous population of Borrooloola in the Gulf of Carpentaria, in Australia's far north, Carpentaria Shipping Services has opened up business opportunities impossible to contemplate 15 years ago.



Carpentaria Shipping Services is a joint venture between Mawa Riinbi (32%, representing the four language groups in the Borrooloola region), IBA (18%) and P&O Maritime (50%). Since commencing operations, MAWA has utilised profit distributions to progressively purchase IBA equity, starting at 25% and steadily increasing its stake to the current position.

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

When Carpentaria Shipping was set up a decade ago, Mawa received a grant from ATSIIC, enabling it to buy its stake outright (25% initially), and to benefit from day one from profits flowing back into the community.

Carpentaria Shipping Services has been a profitable investment with a strong cash flow and this has provided an opportunity for MAWA to address a series of socio-economic needs in what is a very traditional Aboriginal community with few skills and economic opportunities. MAWA has bought school lunches for the children, funded sporting groups to attend tournaments, helped with medical emergencies and paid for funerals. At the same time the organisation has retained the capacity to grow in the future. It has also reinvested some of the funds by acquiring additional equity in the project and by purchasing heavy equipment to lease to the mine operators.

It is now looking at other ways to help secure its long-term future by investing its distributions from Carpentaria Shipping Services.

The majority of Carpentaria Shipping employees are skilled trades people with only limited scope for employing general purpose hands and casuals. Nevertheless, the company gives preference to and actively encourages the

local Indigenous community to apply for these positions. Moreover, opportunities are made available to all staff to undertake further training towards skilled positions. The requirement to be on hand for the duration of shipping, which can at times require lengthy periods at sea, can be a disincentive to potential employees not accustomed to such working environments.

In June 2004, there was one Indigenous general-purpose hand among the 21 full-time staff, plus two casuals, with plans to set up a formal trainee scheme. The company shipped 292,000 tonnes during 2003-04.

For IBA, Carpentaria Shipping Services is one of its earliest investments and, of late, one of its best performing transport businesses. It was conceived in 1992 – when the joint-venture partners had to start by building the \$15 million MV Aburri, a self-loading, self-discharging bulk carrier – and it began a 15-year contract with the McArthur River Mine in 1995.

As a single-contract business, Carpentaria is dependent on the fortunes and decisions of the mine, with limited opportunities to diversify, given its obligation to maintain vessel availability at all times.

The mine's original owner, MIM Holdings, was taken over in late 2003 by the Swiss-based X-Strata.

The new owners are undertaking a feasibility study into a mine expansion, which is expected to reduce production costs and ensure the mine's long-term viability. Leading into the financial year, the mine had experienced depressed zinc prices and an appreciating Australian dollar, both factors having a negative impact on the project's economics. The second half of 2003-04 has seen a recovery in commodity prices, with prices above 40c a pound, and a partial retrace of gains in the Australian-US exchange rate.

While it is as yet unclear how Carpentaria Shipping Services would fit into the new scenario, the joint venture is not anticipating any impact on its contract until at least 2007.

MAWA has one Indigenous representative on the Board who has received considerable mentoring support from IBA and other Board members.

### Centum Insurance Brokers Pty Ltd

IBA acquired Centrum Insurance Brokers Pty Ltd (Centrum) in September 2003 from ATSIC who had funded the original purchase. Centrum currently comprises two brokerages – Newman Cameron in



Brisbane and Northern Insurance Brokers in Townsville. IBA owns 100% of Centrum which owns 100% of Newman Cameron and 51% of Northern Insurance Brokers. Centrum owned 100% of Brookman Porter in Perth but this was sold in late 2004. The Head Office of Centrum is based in Brisbane.

The first six months of trading for Centrum was spent on consolidating the businesses which had been without proper direction for several years. This consolidation included the selling of Brookman Porter and the development of a strategic direction for the company.

Centrum is now in the process of setting up an Indigenous insurance facility which will enable Indigenous groups such as land councils, CDEP's and housing companies to obtain insurance at competitive prices and without the overly stringent conditions that some insurance companies have forced upon them in the past. Centrum is also investigating the traditional rating of the above organisations for Worker's Compensation purposes. These organisations have been classed in the same bracket as local governments and have thus often paid far higher premiums than those that should have applied. The results of this analysis will help all Indigenous organisations, not just those that use Centrum Insurance Brokers.

The insurance brokerage industry is achieving increased income due to the large increases in premium experienced in Australia in recent years. Some of the insurance business, however, has been harder to place so the brokerages are working harder for their income. Brokerages are also facing increasing competition from financiers such as Banks that have their own insurance arms. The Banks have traditionally concentrated on domestic and household insurance but have now moved into commercial insurance.

IBA will be supporting a scholarship programme from the profits of Centrum. This will be used to support a number of Indigenous undergraduates throughout Australia who wish to undertake business and finance related university courses.



### Scarborough House Trust

Scarborough House is located in Woden in the ACT. It is a 15 story office complex that IBA purchased from the Commonwealth Government in 2001. The building had been vacant for several years having originally being purpose built for the Patents Office.

Scarborough House is currently being refurbished by Baulderstone Hornibrook Pty Ltd. The refurbishment comprises a total reconstruction of the building including the façade and an increase in the floor plates on the Northern and Western aspects. The

building will increase from a Net Lettable area of approximately 11,000m<sup>2</sup> to approximately 16,430m<sup>2</sup>. The project is being managed on IBA's behalf by Wilde and Woollard Quantity Surveyors.

The building has been totally redesigned and will look like a brand new building on completion. It will contain A grade office accommodation and a new ceremonial entrance. The building will also have a SEDA four star energy rating.

Scarborough House has been virtually fully let to a government tenant and the construction and integrated fitout is scheduled to be completed by 1 July 2005. The lease is for ten years with a five year option. The building will also house a separately tenanted coffee shop on the ground floor. The coffee shop will be offered to lease by tender once the building has neared completion.

The refurbishment and upgrade of Scarborough House has strong support from the ACT Government as it fits with the Governments planned upgrade to the Woden Town Centre.

During the year ATSIC made a contribution of \$5 million to the project. Future income from this \$5 million equity position is to be used by IBA to lend to other Indigenous groups to acquire equity in other large assets.

There is currently one Indigenous partner in the Trust with two others indicating that they will invest. There has been interest expressed by at least two further organisations. All of the Indigenous unit holders have invested as they believe it will compliment their longer term economic strategies, especially those located in remote areas where investment is limited and usually of a high risk.



### IBA Building Kalgoorlie

IBA purchased this building in 2003 in a semi-completed state from the Administrator of the Goldfields Medical Fund. The building was designed to a very high standard but was unfinished. IBA contracted GHD Pty Ltd to manage the project and Duwal Pty



Ltd to complete the building. It was completed to Commonwealth Government tenant standard in early 2004. There is now a government tenant on a ten year lease occupying the whole building.

The building is two storeys, with 660.5m<sup>2</sup> on the ground floor and 200m<sup>2</sup> on the first floor. The land component is 2,718m<sup>2</sup>. The building has office facilities on the ground floor and conference, office and library facilities on the upper floor. There is off street and security parking for 41 cars. The building will be used as an Indigenous Coordination Centre.

### Sumner Park Brisbane

IBA acquired this investment in June 2003. The property is located approximately 14 kilometres south west of the Brisbane CBD, in the Sumner Industrial Estate, which is a small secondary industrial precinct.



The location is considered to be good for industrial purposes.

The property is currently used for steel fabrication purposes. Infrastructure consists of a semi modern office/warehouse building comprising three attached buildings of various ages and heights. The smaller warehouse and attached enclosed annex were constructed in 1980 with the larger warehouse constructed in 1996. The office component is two storeys and is situated on the western side of the building.

Externally, the site comprises a concrete driveway and a hardstand area, concrete building slab suitable for future development, on-site parking and aluminium boundary fencing.

The building and workshop have a total net lettable area of approximately 1,572m<sup>2</sup>. The total size of the site is 8,542m<sup>2</sup>.

This property is fully leased to the previous owner/occupier. The lease term is for seven years with the option to buy back after five years. A sub-lease agreement with a third party tenant commenced in January 2004.

IBA purchased this property from an Aboriginal business which was seeking to improve its balance sheet.

### CPS Building

This investment is a modern office building situated in the core office precinct as designated by the Property Council of Australia within the City of Adelaide. It was constructed in 1988 and incorporates a ground floor and 12 upper levels. The net lettable area of the improvements under the current tenancy configuration is 7,195.5 m<sup>2</sup>.



This property was offered by Exclusive Private Treaty to IBA and was purchased in June 2003. The building was sold to IBA subject to a long term leaseback to CPS Credit Union who occupy a total area of 3,096m<sup>2</sup> over six floors which comprises of approximately 43% of the total net lettable area of the building.

The property is fully leased to five individual tenants subject to various lease agreements and is ideally situated adjacent to a council car park.

During the 2003/2004 financial year, the safety and security systems within the building were upgraded.

IBA entered this investment as it had been approached by three SA ATSIC Regional Councils to locate an investment in which all three could participate. IBA is continuing to work with the parties to identify ways they can achieve their goals.

### Commonwealth Centre South Hedland

This property was acquired by IBA in 2000. The building has two levels at the rear and a single level at the front. It was constructed in 1980 as a single storey building and was extended to a second storey in 1987.



The building is constructed on a concrete slab and consists of sandstone coloured brick walls and a metal deck roof, which is supported by timber

eaves. It has a net lettable area of 2,139.4m<sup>2</sup> and is situated on approximately 6,384m<sup>2</sup> of land.

The main front entrance provides access to one of the larger tenancies. Vehicle parking is provided on the south, east and west sides of the building. A group of 3 garages are located at the rear of the property. Reticulated garden areas surround the building.

In 2002 IBA donated an 18 metre free standing tower to the Port Hedland Volunteer Sea Rescue Group (Inc) which was greatly appreciated. This tower was no longer being used at the Commonwealth Centre and the Port Hedland Volunteer Sea Rescue Group (Inc) required a suitable free standing tower that could have antennas installed on it as well as direction find equipment for distress beacons.

In 2001 two tenancies undertook a major refurbishment and during 2003, the building was also updated by a refurbishment. This refurbishment included the external painting of the fascia and eaves, painting of the internal common areas, and extensive landscaping.

Currently this investment is wholly owned by IBA but there are negotiations with local groups to participate in the venture.

### Goldfields Building West Perth

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



The equity interests of the parties were determined by the initial capital contributions. Over time the surpluses generated will be applied to a gradual buyout of IBA's interest in the joint venture. Indigenous Business Australia holds 66.25%, Perth Noongar Foundation holds 21.25% and Country Noongar Economic Foundation holds 12.5%.

The building is a modern office development over 5 levels including 93 undercover car bays. The building is generally considered to be a landmark building in the West Perth locality and consists of an undercover car park, a mezzanine ground floor with lobby and three upper levels of office accommodation. It was constructed in 1990 and has a net lettable area of 4,147.8m<sup>2</sup>.

The external elevations of the building consist of charcoal-grey granite stone panels and reflective vision glass. The building presents itself well to the street and the internal finishes are considered to range from above standard in the entry foyer and lobby areas to a good standard for the central core spaces.

During the 2003/2004 financial year, showers were installed for use by the tenants and the security system was upgraded to include reed switches, motion sensors and CCTV.

West Perth office market continues to show signs of improvement. The major advantage of West Perth is the greater supply of parking spaces at a fraction of the cost of parking in the CBD. Also, the cost effective occupancy costs versus the CBD has seen the relocation of a number of large tenants to West Perth. Currently, there is less than 9,000sqm of "A" grade space available in West Perth.

At the time the building was purchased the occupancy rate was 78.5%, as at 30 June 2004 occupancy rate was 100%.

Karen Jacobs, Perth Noongar Foundation spokeswoman, says none of that would have been possible without an agency like IBA, which had the financial know-how, the industry experience and the ability to raise the money.

"If you are wanting to build the portfolio to benefit the community in the long run, you have to invest quite a bit," she says. "It's very difficult for Aboriginal organisations to invest the capital they need too. You just don't have the money, full stop."

"You need to start somewhere, because, of course, you can't do anything without asset wealth. What we're trying to create, from a small organisation, which is what we are, is the asset wealth to benefit the whole community."

She says once Noongar has bought out IBA and built up other investments, probably within 15 years, the group will start helping its own people into business, and with scholarships and sponsorships.

The foundation envisages being able to offer grant and loan funding and business expertise, effectively becoming its community's "economic arm, replacing government assistance".

The Noongar nation covers the southwest of Western Australia. The two Noongar foundations were formed out of the ATSIC Regional Council, in 2002.

### Homestead Centre South Hedland

In March 1993, IBA in association with the Port Hedland Regional Aboriginal Corporation (PHRAC), purchased this retail and office complex located in South Hedland, Western Australia.



The local Aboriginal participation was arranged through a combination of vendor finance and a loan provided through IBA. The loan has since been paid and this investment continues to provide an income to the joint venture. PHRAC will eventually redeem IBA's share of equity in this venture and have outright ownership of the property.

The Homestead Centre represents an opportunity for the local Aboriginal people to establish an economic base from which to derive an income stream and allow for further investments in other commercial opportunities.

The Homestead Centre is operated as a body corporate and caters for 13 tenancies over 1,441m<sup>2</sup>. Australia Post own one tenancy.

At present, the equity share in this joint venture is IBA 70% and PHRAC 30%. The investment has been affected by the general downturn in the South Hedland economy, but continues to provide an income to the joint venture. As at 30 June 2004, the occupancy factor was 72.6%.

PHRAC administrator Ron Attwood says the office block is a passive investment, designed to help the corporation build the asset base it needs to enter other businesses in the area and secure an economic base for its people.

He stresses the importance to local Aboriginal people of owning businesses that can provide independence, an income stream and jobs. But he says when the corporation bought its stake the building, more than a decade ago, it was swimming against the tide – with most groups focused on short-term mining royalties, tourist money and welfare income.

The corporation insisted that income from the office block must not be spent, but must remain in the business – originally paying off the purchase loan and now being put aside for further investment. Instead of money coming through Aboriginal sources, like ATSIC, it is coming from the private – and largely non-Aboriginal – commercial rental market.

"This is a passive investment for us. If we don't own companies and employ our people were going to have nothing in the future," he says.

### Katherine Government Centre

This property is a commercial office building with two levels of office accommodation, centrally located within the township of Katherine, approximately 300 kilometres south of Darwin.

The building was constructed in 1988 and is a reinforced concrete superstructure with double glass windows. The air conditioning system was extensively upgraded in 2003 to maintain an acceptable environment for the tenants given the tropical climate within that area. Internally the building is characterised by suspended acoustic tiled ceilings.

IBA purchased this investment in June 2000. The building has a total net lettable area of 4,547m<sup>2</sup> and is fully leased to the Northern Territory Government on a long term arrangement. The property also comprises of 123 car bays of which 18 are covered.

Discussions are currently in progress with a local Indigenous group for a partial buy-out of this investment. Negotiations are underway with the Northern Territory Government to extend the already long-term lease further as to assist with the funding for the Indigenous group.

### Tjapukai Aboriginal Cultural Park

Tjapukai Dance Theatre was the first Aboriginal tourist attraction in Australia. Born of a need to portray Aboriginal culture with dignity and pride, the operation opened in a Kuranda basement in 1987, and today it holds the Guinness Book of Records entry as being the longest running show in Australia.



Tjapukai has been a national and international tourism success from the start with its popularity leading to an expansion of business activities and size in 1996 when it moved to its current location, a 10 hectare property at Caravonica, ten minutes north of Cairns city.

It is a true partnership between the Djabugay and Yirrgandyji people, Indigenous Business Australia, the Chapman Group and Freeman Productions. The land occupied by the park is owned by the Aboriginal people.

The attraction boasts seven separate arenas allowing visitors to experience every facet of the Tjapukai people's culture, and interact and learn more about the Tjapukai way of life and traditional practices. These include a history theatre which explores the 'culture clash' of Tropical North Queensland's black and

white Australians, the creation theatre where Aboriginal performers combine innovative holographic images to tell the wondrous legends of the Storywaters, the origins of the Tjapukai, and the Dance theatre and interactive cultural village where dance and music comes alive and there are demonstrations of boomerangs, didgeridoos and bush tucker.

The Tjapukai Aboriginal Cultural Park operation also includes an extensive retail outlet and food and beverage components with a 250 seat restaurant.

Tjapukai is one of the largest private employers of Aboriginal people in Australia. During 2003-04 it employed approximately 100 staff, of which 85% were Aboriginal. The benefits of self determination and cultural pride brought about by such valuable deployment of human resources are felt throughout the entire community.

The Tjapukai Board consists of three local Aboriginal directors as nominated by their respective communities.

One of the directors, Warren Clements has been working at the park for the past 13 years and is now Performance Manager and also became a director on the Board during 2004.

Tjapukai has not only offered Warren a solid and stimulating job but the chance to train as a company director and he says it has also taught him more about his own culture.

"When I started, it was an opportunity to stand in front of people and show off. There was very little awareness of Indigenous culture in the country 15 years ago. But as the years got on, I started getting involved in issues politically," he says.

"It has helped me personally to get in touch with my identity. Thirteen years later, I've found I'm very passionate about my identity and personal background"

Warren says the park strives for authenticity – with new programmes all approved by the committee of elders of the Djabugay and Yirrgandyji clans, and he believes that without that cultural honesty, the park would not survive.

Tjapukai has won several state and national industry awards including being inducted into the Australian Tourism Commission Hall of Fame and in 2004 being named Australia's best tourist attraction by the Australian Tourism Export Council.



### Western Linen Industries

This venture is a commercial laundry and linen service in Colac, a small town in Victoria, en route to the coast.

Trading as Egans Central Laundry, it launders linen for hotels, restaurants



and the like along the Great Ocean Road, a boom holiday area that is one of Victoria's major tourist destinations. The business also services industrial clients (uniforms and overalls) and the healthcare industry, (hospices and aged care centres).

The investment was made as part of a strategic move, together with an existing joint venture partner, to build a portfolio of commercial laundry assets in regional centres in order to realise synergies of scale. As commercial laundries are labour intensive, such businesses offer opportunities to develop employment outcomes for local Indigenous communities. To further enhance the Indigenous outcomes, IBA actively sought potential Indigenous partners to whom it could sell down half of its holding.

Egans Central Laundry offered an opportunity to acquire an established operation with a solid customer base and apply a disciplined management approach to grow the business. Following acquisition of Egans Central Laundry, which took place in January 2000, the shareholders have invested significant capital to upgrade plant and equipment and thereby improve operational efficiency.

The participation of Indigenous interests has been facilitated on a number of fronts. As part of the acquisition negotiations, IBA supported successful efforts by two nearby Aboriginal communities, Framlingham and Wathaurong Aboriginal Cooperative, to access an ATSIC grant and acquire the premises used by Egan's. The two communities have benefited significantly through the rental income derived and in August 2002, they joined the business by acquiring half of IBA's share (25 per cent) at cost. IBA retain 25% of the venture, whilst industry partner Hallie Brae has 50 per cent.

Unfortunately, the expected job take up has not eventuated, with very few Aboriginal families living in Colac, and Geelong – the nearest town with a substantial Aboriginal population being 80km away. As a result, there are no Aboriginal employees among the 16 permanent and 23 casual staff. Nevertheless, the communities do extract the material benefit of commercial experienced gained through participation at the director level in running the business.

Improved operational measures have lifted productivity and lowered costs, allowing the business to operate profitably.

The commercial-laundry industry has seen consolidation, with big players such as Spotless and AlSCO acquiring significant numbers of smaller businesses.

### Port Botany Transfer Station

Port Botany Transfer Station operates a waste transfer facility in Matraville, Sydney. The facility commenced operations in September 1997 and is licensed to handle non-putrescible waste, primarily servicing the CBD and the eastern and southern suburbs of Sydney.



In this business, IBA is partnering with leading waste services organisation, Collex Pty Limited. Both have a 50% stake in the venture, which employs seven staff with two Indigenous employees. In 2003-04, the operation processed 118,000 tonnes of waste.

The waste transfer industry is currently very competitive, due to a general downturn in demand for waste collection in the Sydney metropolitan area. This requires active involvement on the part of the manager to ensure that clients are not lost due to price undercutting, and wherever possible, new clients are targeted with competitive contract prices. Exacerbating the situation, the EPA has adopted a zero tolerance approach to food waste contained within putrescible waste loads.

The manager has taken measures to counteract the negative trend in throughput, including the employment of a dedicated sales and marketing manager.

The planned introduction of a shredder in the 2004-05 will lower operating costs by more efficiently compacting and transferring waste.

Originally, IBA was looking to sell down equity in Port Botany Transfer Station to the La Perouse community. Over time IBA came to the view that this was not going to be achievable due to local circumstances. It was then proposed to down sell to a foundation established by the local ATSIC regional council. This approach was supported by the regional council which has subsequently established a structure for that purpose. ATSIC has made available to IBA the necessary funds to support an equity take up.

## Corporate Governance

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

### Board Membership and Remuneration

The Minister appoints all of the nine board members (including the Chairman and Deputy Chair). All Directors on the Board are non-executive Directors.

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

### Audit Committee

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

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

The committee also provides a forum for communication between the internal and external auditors, including the Office of Evaluation and Audit. The members of the Audit Committee as at 30 June 2004 comprised of three of IBA's non-executive Directors, namely:

### Directors

Mr Bob Blair (Chairman);

Ms Jenny Boddington;

Mr Joe Procter.

The Audit Committee is provided with support from the Deputy General Manager and Company Secretary.

During the year, the Audit Committee met on two occasions

Matters considered by the Audit Committee during the year, included:

- consideration of IBA's accounting policies in relation to its investments and property, plant and equipment; and
- examination and recommendations of the carrying values for the financial year ended 30 June 2003.

### **Internal Audit Programme**

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

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

### **Remuneration Committee**

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

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

The members of the committee comprise:

Mr Joseph Elu (Chairman)

Ms Leah Armstrong

Mr Bob Blair

### **Risk Management**

As part of IBA's adherence to best practice policy, a high emphasis is placed on the implementation and subsequent monitoring of a risk management plan. During 2003-2004 IBA continued to monitor areas of risk in accordance

with its risk management plan. All matters relating to Risk Management are reported to the Audit Committee at each meeting.

### Financial Reporting

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

### Indemnities and Insurance Premiums

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

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

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

The cost of directors and indemnity insurance for 2003-2004 was \$78,494.

### Ethical Standards and Environment

#### Service Charter

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

- Formal applications received will be acknowledged within two working days of receipt;
- IBA officers will be contactable during normal business hours to discuss proposals;
- The officer handling the proposal will contact the client by telephone or in writing, should additional information be required;

- IBA will provide a high level of professional service;
- Every effort will be made to process proposals as quickly as possible;
- Where a proposal does not meet IBA guidelines, applicants can expect to receive advice to that effect normally within 30 days;
- Where a proposal meets guidelines and receives interim support, the proposal will be subject to a full independent due diligence assessment and will ultimately be submitted to the IBA Board for consideration. As a result, successful proposals might take some months to process from date of receipt to approval;
- Information provided by applicants will be treated as commercial-in-confidence, and that information will not be disclosed to any other party without the applicants' prior agreement;
- IBA will undertake to produce timely and informative publications about its work and funding guidelines;
- Publications will be made available within five working days to those seeking the information;
- Staff of IBA will provide courteous and accurate advice on the role of IBA and processes for making submissions to anyone making telephone enquires; and
- Clients of IBA can reasonably expect IBA to be open and transparent in its decision making, refer clients to other organisations where appropriate, and welcome client feedback.

### **Complaints Handling Mechanism**

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

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

During the year ended 30 June 2004 no formal complaints were lodged with IBA.

## Code of Conduct

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

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

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

## Commonwealth Authorities and Companies Act – Compliance Statement

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

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

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

During the year ended 30 June 2004, three companies were formed to facilitate the investments approved by the Board. All of the companies formed are non-trading trustees of the respective investment trusts.

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

IBA entered into two new trusts during the financial year. One trust being involved in the fishing industry and the other being a property development in NSW.

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

No judicial decisions or reviews by outside bodies affecting IBA occurred in 2003-04. Settlement on a successful action by Gordon River Cruises (as reported in the 1998-99 Annual Report) is yet to occur.

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

During the period under review, IBA undertook the re-badging of its logo as part of a general direction of the Commonwealth Government. There were no other directions or notifications continuing from previous years.



Audit Report and Financials to begin here.

No way of knowing how many pages to be inserted.