



Australian Government
Indigenous Business Australia

The background features three large, overlapping circles. The top-left circle is dark grey and contains the Australian Government logo and name. The middle circle is a light blue-grey and contains a repeating pattern of white dots arranged in concentric circles. The bottom-right circle is a dark teal and contains the main title and subtitle. The circles overlap a landscape image of a sunset or sunrise over water.

INDIGENOUS BUSINESS AUSTRALIA

.....
ANNUAL REPORT
2010-11

CREATING STRONGER FINANCIAL FUTURES WITH INDIGENOUS AUSTRALIANS

IBA AT A GLANCE

Economic independence for Indigenous Australians is at the heart of IBA's vision, programs and people.

OUR VISION IS FOR A NATION IN WHICH THE FIRST AUSTRALIANS ARE ECONOMICALLY INDEPENDENT AND AN INTEGRAL PART OF THE ECONOMY

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

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

WE ARE ACCOUNTABLE

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



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

OUR ENABLING LEGISLATION

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

OUR ROLE

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

OUR WORKFORCE

Our workforce numbers 227 and over one-fifth identify as being of Aboriginal or Torres Strait Islander descent.

OUR VALUES

We strive to be professional, outcome-focused, collaborative, responsive, proactive, realistic and respectful.



Australian Government
Indigenous Business Australia

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IBA respects Indigenous cultures and has taken all reasonable steps to ensure that the contents of this publication do not offend Aboriginal and Torres Strait Islander peoples.

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2010–11 TIMELINE OF KEY EVENTS

Note: Only the months where key activities occurred are shown.

JULY 2010

- Hosted our third annual breakfast event in Melbourne during NAIDOC Week 2010; with a high percentage of attendees from the private sector representing these organisations' ever-growing commitment and willingness to support Indigenous economic development.
- Moved to our own premises in Perth.

SEPTEMBER 2010

- Held our first (non-pilot) *Into Business*[™] workshop in Brisbane.
- The Senate Select Committee on Regional and Remote Indigenous Communities noted in its final report tabled in Parliament that IBA's work should remain paramount in any national approach to Indigenous enterprise and employment options.

DECEMBER 2010

- Sold our investment in an aquaculture licence to an Indigenous operator, which will now have the opportunity to scale and further enhance its existing business model.
- Signed off, at Board level, on a renewed Reconciliation Action Plan (RAP), which focuses on encouraging the private sector to do business with Indigenous Australians.
- The Australian National Audit Office tabled a report on the HOIL Program (see page 56).

FEBRUARY 2011

- Welcomed Chris Fry as the new IBA Chief Executive Officer.
- Hosted an evening in Canberra to formally acknowledge successful IBA Scholarship Fund recipients.
- Received the Australian Government's Statement of Expectations for IBA from the Hon. Jenny Macklin, MP, Minister for FaHCSIA.

MAY 2011

- Brought together all of IBA's home lending managers in Adelaide to a conference called Past, Present and Future, to discuss the year and the future of the Home Ownership Program.

AUGUST 2010

- Farewelled Mr Bob Blair, after his 11 years of service on the IBA Board as a Director and then Deputy Chair.

NOVEMBER 2010

- Joined the rapidly growing corporate and government membership of the Australian Indigenous Minority Supply Council (AIMSC), which provides an opportunity for certified, majority Indigenous-owned, controlled and managed businesses to win more work and contracts directly with corporate and government agencies.

JANUARY 2011

- Initiated a strategic economic development initiatives program, which is designed to better target Indigenous commercial engagement through innovative and strategic projects.

MARCH 2011

- Responded to the Minister for FaHCSIA's Statement of Expectations with a Statement of Intent.

JUNE 2011

- Signed a memorandum of understanding with Tourism Australia, regarding the jointly developed Indigenous Tourism Champions Program, which assists select Indigenous tourism operators to promote their businesses overseas.
- The printed version of the IBA 2009–10 Annual Report earned a Silver Award from the Australian Reporting Awards, and the online version was nominated as a finalist for the Special Award.
- Moved to our own premises in Melbourne.

2010–11 HIGHLIGHTS

PROVIDED 228 MORE HOME LOANS

than would otherwise have been possible, thanks to the Australian Government's agreement to transfer \$56 million in unused Home Ownership on Indigenous Land (HOIL) Program funds to the Home Ownership Program (HOP).

DECREASED THE NUMBER OF

ELIGIBLE APPLICANTS WAITING

to be invited to participate in the popular HOP, from 1,069 at the end of 2009–10 to 662 at 2010–11. Read more about how IBA achieved this on page 38.

ENABLED 1,653

INDIGENOUS AUSTRALIANS

to buy their own home—or to live with someone who had done so—by issuing 606 new HOP loans.

389 INDIGENOUS JOBS

created or supported through the Equity and Investments Program and the Business Development and Assistance Program.

Received Board approval to invest in

FOUR NEW JOINT VENTURES

that all include high levels of Indigenous ownership and other economic and social returns.

ASSISTED 91%

of business loan customers to remain in business after their first 12 months, compared to 84 per cent of other business owners across Australia.¹

See page 60 for more details.

¹ Australian Bureau of Statistics Report 8165.0 – Counts of Australian Businesses, including Entries and Exits, June 2007 to June 2009.

PROVIDED FINANCIAL ASSISTANCE THROUGH THE IBA SCHOLARSHIP FUND

to 10 Indigenous Australians, to assist them to gain tertiary qualifications in business, finance or commerce as mature-age students. See page 89 for more information.

Held 266 *Into Business*[™] workshops attended by 1,421 INDIGENOUS ENTREPRENEURS

to help them decide whether going into business was right for them.



Australian Government
Indigenous Business Australia

29 September 2011

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

Dear Minister

On behalf of the Board of Indigenous Business Australia, I am pleased to submit our annual report for the financial year ended 30 June 2011. The report is presented in accordance with section 9 of the *Commonwealth Authorities and Companies Act 1997* (CAC Act) and section 189 of the *Aboriginal and Torres Strait Islander Act 2005*.

Under section 9 of the CAC Act, the directors of IBA are responsible for producing an annual report that includes a report of operations prepared in accordance with the Commonwealth Authorities and Companies (Report of Operations) Orders 2008.

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

This annual report and the audited financial statements were approved in accordance with a resolution of IBA's directors on 13 September 2011. I commend this report to you as a record of our achievements and compliance.

Dr Dawn Casey PSM FAHA
Chair, Indigenous Business Australia



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CHAIR'S REVIEW

A MESSAGE FROM DR DAWN CASEY



There was increased support for Indigenous economic policy during 2010–11, beginning with the Australian Government's announcement of the Indigenous Opportunities Policy. From 1 July 2011, major government projects in regions with high Indigenous populations are required to plan for Indigenous training, employment and supply. The Department of Finance and Deregulation also announced changes to government procurement practices that will enable Indigenous suppliers to be awarded contracts outside tender processes in certain circumstances. In addition, IBA joined the rapidly growing membership of the Australian Indigenous Minority Supply Council (AIMSC), an organisation that provides a direct business-to-business purchasing link between corporate Australia, government and Indigenous-owned businesses.

In my view, these changes will give Indigenous businesses the confidence and support they need to grow and prosper in the highly competitive and challenging corporate and government sectors.

STRATEGIC DIRECTION

The Board has worked with stakeholders to more clearly define IBA's strategic direction and focus in the context of the collaborative efforts now being made to enhance Indigenous economic development across the private and government sectors. The Minister for the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA), the Hon. Jenny Macklin, MP, issued the Government's Statement of Expectations for IBA in February 2011. I provided the Minister with IBA's Statement of Intent in March 2011.

These documents clearly identify IBA's focus as providing the best possible delivery of its core business and home ownership programs to enhance Indigenous Australians' economic participation. At the same time, we must be responsive to particular identified priorities, such as helping native title groups derive economic benefits from their agreements, and fostering employment, education and training benefits through our activities. These priorities and others identified to improve our service delivery are reflected in the revised IBA Strategic Plan 2011–13, which was approved by the Board in early 2011.

The Board's efforts this year included strategic oversight of work to improve the customer experience for its Business Development and Assistance Program, particularly the introduction of the highly regarded *Into Business*[™] workshops this year (see page 64). Through initiatives such as this, I believe IBA is living up to its mandate to provide responsive services which enable Indigenous Australians to participate in and contribute to the Australian economy.

During the year, the Board approved a new investment strategy that more clearly articulates the criteria and parameters for new investments with potential partners. A key focus is developing and strengthening relationships with key Indigenous organisations so that investments can be pursued in a more strategic and targeted manner. I would like to acknowledge the importance of IBA's sound governance practices in helping the organisation achieve these outcomes.

IBA has also significantly reformed its governance arrangements in line with Australian Government expectations and to ensure it meets its legislative obligations and satisfies external scrutiny.

During the year, IBA instigated an independent whistleblower disclosure and protection scheme, established the Chief Executive Officer's (General Manager's) Instructions and related procedures across all its business operations, and reviewed business continuity arrangements following the floods and cyclones in early 2011. Further details of IBA's compliance activities can found in the Corporate Governance section on page 79.

ACKNOWLEDGEMENTS

This year the Board welcomed IBA's new Chief Executive Officer, Mr Chris Fry, and farewelled Mr Bruce Gemmell, who occupied the CEO position for nearly a year. The Board acknowledges Mr Gemmell's valuable contribution to IBA in that period.

In 2010, the Board also said farewell to longstanding Deputy Chair, Mr Bob Blair. A Board member since 1998, Mr Blair's life experience, leadership and vision for the Dreamtime Cultural Centre in Rockhampton helped him make significant contributions to IBA over the past 12 years.

I also take this opportunity to thank the Hon. Jenny Macklin, MP, Board members, IBA Executive Management Team and staff members for their work throughout the year, and for their continued commitment to IBA's vision and contribution to the achievements you will see throughout this report.

OUTLOOK

Over the year, IBA made steady progress in controlling its costs in the face of declining returns from several revenue streams. The outlook for 2011–12 is more positive, and our financial position should continue to strengthen.

While the broader economic outlook for Australia is a little uncertain at this time, I believe the potential for growth in the Indigenous business sector is relatively strong. Through the combination of IBA's own services and products, and wider government policy improvements, it is a good time for Indigenous Australians to maximise their economic potential.

OUTCOME AND PROGRAM PERFORMANCE SUMMARY

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

Total price¹: \$167.4m

Total appropriation: \$38.5m

EQUITY AND INVESTMENTS PROGRAM	TARGETS	RESULTS
Total price	\$75.6m	\$69.9m
Appropriation: Will not receive government funding, but will cover its operating expenses through prudent management of the investment portfolio.		
Objective: Provides partnership opportunities to assist Indigenous Australians to achieve economic independence through direct investment and participation in commercial and joint venture business enterprises. For performance details see page 14.		
Return on investment	8%	8% ●
Indigenous co-investors in investments	5	4 ▲
Profit distribution to Indigenous partners	3%	3% ▲
Increase in Indigenous jobs created or supported by the investment portfolio	3%	19% ▲

HOME OWNERSHIP PROGRAM	TARGETS	RESULTS
Total price	\$56.7m	\$57.6m
Appropriation	\$7.6m	\$7.6m
Objective: Provides an affordable entry into home ownership for Indigenous Australians, particularly those on lower incomes and first home buyers who have difficulty obtaining home loan finance from mainstream commercial lenders. For performance details see page 38.		
Loans to applicants who have an adjusted combined gross annual income of not more than 125% of IBA's Income Amount ²	75%	89% ▲
Loans to applicants who are first home buyers	80%	94% ▲
New loans	530	606 ▲
Aggregate loans in the portfolio	3,550	3,685 ▲

IBA is not directly appropriated as it is a CAC Act body. Appropriations are made to the portfolio department (an FMA Agency) at FaHCSIA, which are then paid to IBA and are considered 'departmental' for all purposes. In this way, the Australian Government funds IBA to achieve an agreed outcome of improved wealth acquisition to support the economic independence of Aboriginal and Torres Straight Islander peoples through a series of programs and associated performance indicators, as specified in its annual Portfolio Budget Statements. The outcome and performance summary (and in detail throughout the rest of this report) reports on IBA's performance against the targets set out in the revised Portfolio Budget Statements 2010–11.

¹ Total price is appropriations plus total revenue from other sources, including interest income and dividends.

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

▲ Indicates an improved result in 2010–11 compared to 2009–10.

▼ Indicates a lower result in 2010–11 compared to 2009–10.

● Indicates no change.

HOME OWNERSHIP ON INDIGENOUS LAND PROGRAM	TARGETS ³	RESULTS
Total price	\$9.5m	\$10.2m
Appropriation	\$7.4m	\$7.4m
Objective: Provides incentives and affordable loans aimed at making home ownership a realistic choice for Indigenous Australians living on community titled land. For performance details see page 55.		
New communities actively participating in the program	12	9 ▲
New loans	40	1 ▼
Aggregate loans in the portfolio	70	16 ▲

BUSINESS DEVELOPMENT AND ASSISTANCE PROGRAM	TARGETS	RESULTS
Total price	\$32.9m	\$29.7m
Appropriation	\$23.4m	\$23.4m
Objective: Provides affordable business loans and other support to Indigenous Australians to assist them to successfully enter into business and improve their prospects for long-term success. For performance details see page 60.		
Loan accounts moved from active status because they have been successfully paid out	70%	77% ▲
Loan customers still in business 12 months after commencing business	80%	91% ▲
Loan customers still in business two years after commencing business	70%	81% ▲
Loan customers still in business three years after commencing business	55%	72% ▲
New loans approved	70	71 ▼
Businesses or prospective businesses provided with business advice or support	450	529 ▼
Economic Development Initiatives undertaken	40	30 ▼
Jobs created or supported through loan funding	200	171 ▲
Active loans in the portfolio	320	289 ▼

³ During the 2010–11 reporting period, in response to limited opportunities for new loans and a report by the Australian National Audit Office, IBA and FaHCSIA started reviewing the HOIL Program's strategic direction.

CHIEF EXECUTIVE OFFICER'S REVIEW

A MESSAGE FROM CHRIS FRY



Although I have only been with IBA for a relatively short period of time, I already feel immensely proud in my role and have enjoyed every moment of my first few months. IBA has undergone considerable changes in recent years. The work improving systems and processes to enhance customer service, as well as strategic reviews of our products and direction, have provided a smooth transition for me. I would like to acknowledge Bruce Gemmell for his leadership as acting CEO from April 2010 until my appointment in February 2011.

In the daily work of administering our programs, it is sometimes easy to overlook the vital contribution we can make to people's lives. One of the joys of being at IBA is hearing the inspiring stories of the many Indigenous Australians we have helped to achieve success, such as those published in our *Inspire*

magazine. It is vital we do not lose sight of this goal as we go about our work.

IBA's committed Board members and employees believe in their work and are open to hearing from customers and stakeholders who have praise as well as ideas on where improvements could be made.

A YEAR OF MODEST SURPLUS

I am happy to report a modest surplus of over \$6 million this year, which can be attributed to relatively steady interest rates (the write-down discount value of the loan portfolio was not as great as might have been expected if interest rates had risen), reduced provision for bad debts, and write-ups of the value of some investments. IBA also implemented a strategy to restrain costs, particularly in



IBA's free *Inspire* magazine, issued twice a year, shares customer success stories to inspire others.

employee and supplier expenses, and grant expenditure. Overall, the year has affirmed IBA's sound financial position and compares favourably to the 2009–10 bottom-line deficit of \$56.5 million, which was due to several one-off or extraordinary items as reported in last year's annual report (the Chief Financial Officer's review provides a more detailed discussion of our financial performance, starting on page 106).

RECORD YEAR FOR THE HOME OWNERSHIP PROGRAM (HOP)

As part of the Australian Government's Budget in May 2010, \$56 million of accumulated capital in the Home Ownership on Indigenous Land Program was made available to the Home Ownership Program, boosting the amount of home lending available in 2010–11.

As a result, in 2010–11 IBA provided 606 home loans, the second highest number in IBA's history. The additional capital enabled us to provide 228 more home loans, substantially reducing the housing loan waiting list for Indigenous applicants.

A NEW STAKEHOLDER ENGAGEMENT STRATEGY

IBA recognises the need to quickly respond to our customers and stakeholders, and to communicate our role effectively to them. To achieve this, we are developing a new stakeholder engagement strategy, which will be completed over the next few months. The strategy will help underpin our Corporate and Strategic Plans by measuring feedback on the performance of IBA from relevant stakeholder groups (read more about our collaborative work with stakeholders on page 92).

ENSURING ACCOUNTABILITY

IBA continues to focus on achieving better practice in corporate governance. In keeping with this, we are making improvements to existing IBA subsidiary governance and reporting arrangements (see page 80).

ENHANCING ORGANISATIONAL MANAGEMENT

Work is continuing to develop a replacement enterprise agreement (the existing agreement has a nominal expiry date of 31 December 2011) between IBA and its employees, as well as a new performance management system with clearer accountabilities and behavioural statements. I firmly believe an organisation's full potential can be achieved through the collective talents of its staff—but only if those talents can be effectively harnessed. This work is due to be completed in the near future (see page 104 for more details).

MAKING OPERATIONAL IMPROVEMENTS

An internal review of the Business Development and Assistance Program in 2010 found that IBA needed to address a range of issues to improve the program's effectiveness (see page 60). In September 2010, IBA commenced a comprehensive project with targeted resourcing to address these findings. We have made significant progress to date, including improving the policy and procedures used to administer the program; updating product design; enhancing support for customers; and upgrading systems and reporting processes. Improvements will continue into 2012 when the program's major review phase will be completed.

I have been truly impressed by our staff members' commitment to achieving outcomes for our customers and I thank them all for their efforts. Our people's dedication was particularly evident following the devastating floods and cyclones in Queensland and the Northern Territory in the early part of 2011. Staff members spent many hours calling and offering loan repayment assistance to affected customers. Putting the customer front and centre of our business is critical to IBA achieving its objectives, and is something I will continue to reinforce as we finalise current change processes.

RESEARCH PROGRAMS

IBA is involved in two exciting new studies aimed at improving the success of Indigenous businesses. The first is 'Understanding Indigenous Business', a three-year longitudinal research project involving many of IBA's customers who have started a business over the past 18 months. The second is a project we are jointly funding with the Australian Research Council, entitled 'Determining the Factors Influencing the Success of Private and

Community-owned Indigenous Businesses across Remote, Regional and Urban Australia'.

The aim of these two studies is to better understand the experience of being in business, and factors contributing to the success or otherwise of businesses that are owned and run by Indigenous Australians. I look forward to sharing the results of these studies.

OUTLOOK

IBA's strategies and operations have been reviewed by the Executive Management Team and the Board, to find opportunities to improve service delivery. I feel we have a great platform on which to lift IBA to the next level of performance.

In the coming year, IBA will seek to expand its support for Indigenous business development through its business support activities, such as the *Into Business*TM workshops (see page 64). We are aiming to deliver more business loans, and to help Indigenous businesses capitalise on new procurement opportunities, to promote growth in the sector. With our Indigenous partners, we will strive to optimise the economic and social benefits that flow from new and existing investments as we continue with our acquisitions.

We will also be working with the Australian Government to finalise the Indigenous Economic Development Strategy and the review of Indigenous home ownership options, looking for new ways in which we can contribute to increasing the opportunities for Indigenous Australians in business and home ownership.

Finally, I have great confidence in IBA's capacity to reach new heights in terms of its contribution to promoting Indigenous economic independence. I look forward to working with the Board, Executive Management Team, staff members and stakeholders has been very encouraging, and I look forward to an exciting time for all of us as we strive to achieve our goals.

EQUITY AND INVESTMENTS PROGRAM

PART 02



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EQUITY AND INVESTMENTS PROGRAM

The objective of the Equity and Investments Program is to identify, develop and participate in investment opportunities that promote self-management, self-sufficiency and economic independence for Indigenous Australians. IBA's investment activities contribute to the accumulation of a substantial asset base and promote Indigenous engagement through employment and enterprise.

IBA enables its Indigenous partners to participate in the mainstream economy by operating a profitable and sustainable investment portfolio. As the program's operating expenses are funded through prudent management of its investment portfolio, and not through annual Australian Government appropriations, investments are selected on their capacity to deliver commercial returns.

PERFORMANCE

The 2010–11 financial year returned strong financial results coupled with capital value increases. The market continued to experience

the fluctuations of a two-speed economy, with the Western Australian-based commercial properties and contract mining services increasing in value as the mining boom fuelled financial performance. The balance of the investment portfolio consolidated following the 2009–10 financial year as the various markets recovered from the impact of the global financial crisis. The year presented an opportunity to refine operations, enhance investment value and deliver a profitable and sustainable investment portfolio to help IBA's Indigenous partners take part in the mainstream economy. Operational results reflected strong improvement when compared with previous years.

IBA further strengthened relationships with its Indigenous and non-Indigenous partners. Extensive capital was committed to Indigenous training and employment programs, through individual investments and with strong support from private sector capability partners. The program created or supported 264 jobs (an increase of 19 per cent compared to 2009–10) for Indigenous Australians (see Table 1 below).

Table 1: Equity and Investments Program performance summary, measured against the IBA Portfolio Budget Statements 2010–11

Targets		Results
Return on investment	8%	8%
Investments in Indigenous co-investors	5	4 (2 additional acquisitions were approved by the Board but did not proceed to settlement)
Profit distribution to Indigenous partners	3%	3%
Increase in Indigenous jobs created or supported by the investment portfolio	3%	19%

INVESTMENT STRATEGY

The Finance and Investment Committee was established 18 months ago to review all investment proposals from incubation to final completion and provide constructive governance and advice prior to endorsing for Board consideration. The committee reviews the operational and financial performance of the organisation, and reviews and endorses the annual valuations for consideration by the Board. The committee charter is revised annually and reviewed by the Board prior to ratification. For membership details of the Finance and Investment Committee see page 82.

The IBA Board ratified a revised investment strategy in 2010, which considers the current market conditions and the five-year outlook.

The strategy paper establishes a fundamental framework on which IBA can strategically invest to benefit Indigenous Australians.

First and foremost, the investment strategy concentrates on ways to manage and maintain the overall economic health of the portfolio, such as maintaining an equity-to-debt ratio ceiling of 80:20 and ensuring no single sector makes up more than 40 per cent of the portfolio.

The strategy also incorporates improved reporting and governance processes, including

Board approval for all future proposals valued at \$1 million or more.

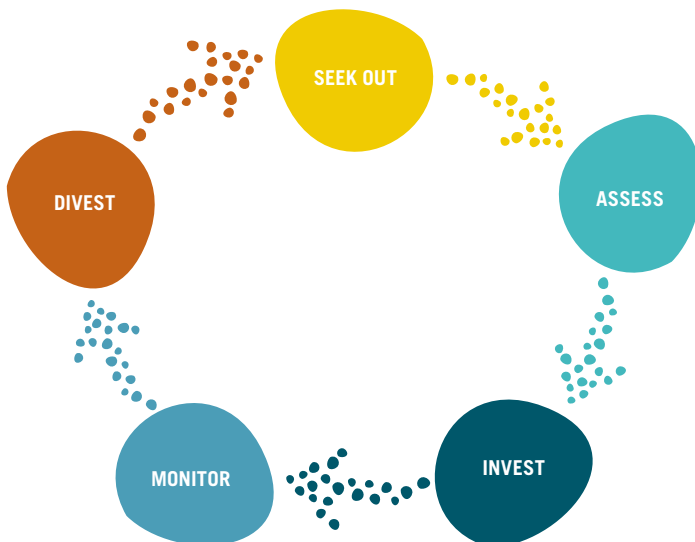
In the next five years, IBA will spend up to \$40 million, putting forward five to 10 investment proposals to the Board for consideration each year.

Preferred models of investment:

To maximise commercial returns, IBA's preferred investment business model is a joint venture, company, partnership or unit trust arrangement with Indigenous partners and private sector capability partners. The private sector partners can provide equity and/or management services.

IBA makes conservative assumptions in its financial assessment and focuses on risk identification and mitigation from inception through to divestment. This approach ensures risks associated with the investment can be mitigated and accommodated in the broader investment portfolio. Investments are made after rigorous financial, legal and technical due diligence, and where the key market criteria can be achieved. The success of the investment is subject to market drivers and a sound capability management solution being identified at inception, with clearly defined investment objectives and a divestment strategy. Figure 1 below illustrates the investment life cycle.

Figure 1: Portfolio management investment life cycle



Capability transfer and ongoing support:

IBA selects investments on the basis that they can produce a sustainable benefit for one or more Indigenous groups, organisations or corporations. It is expected that Indigenous partners will take an active role on the Board of the investment, and IBA will assist Indigenous partners to obtain the advice and develop the skills required to fulfil this role.

IBA provides mentoring and governance support through members of the active portfolio management team. It also engages a network of trusted advisors who provide financial, business and governance support to Indigenous partners. In addition, IBA ensures industry knowledge is transferred to the Indigenous partner and that the partner has a sound understanding of the requirements of managing the investment.

Indigenous employment, training and support:

During 2010–11, IBA's Equity and Investments Program created or supported 729 full-time equivalent jobs, of which 264 were held by Indigenous Australians (a 19 per cent increase on 2009–10 Indigenous employment figures). The majority of employment opportunities were from the mining and mine services, and the tourism and hotel accommodation sectors.

The Gagudju Lodge Cooina and Gagudju Crocodile Holiday Inn supported an Indigenous employment training program in 2010–11, enabling 15 Indigenous participants to graduate with a Certificate II qualification in sectors such as hospitality, tourism and administration. All 15 participants have direct links to the local Kakadu region. The program provides graduates with the opportunity to be employed by the properties in which they trained. Many of the graduates have broadened their life and career opportunities after completing the course.

Through its investment in Ngarda Civil & Mining, IBA continued to support the Yarrle training academy in 2010–11. The academy is championed by BHP Billiton and provides local Indigenous Australians with accredited licences, certificates and training to enter specialised areas of the mining sector.

Capital base: IBA's investment capital base continues to grow, with the 2010–11 financial

year yielding a positive increase of \$10.4 million in consolidated capital value. IBA achieved this result by applying conservative commercial assumptions when considering new investment proposals and balancing the preferred portfolio allocation in a consistent schedule.

IBA maintains solid commercial returns and employs strategies to ensure capital growth for all investors by:

- maintaining a balanced portfolio by geographical and industry sector
- assessing potential opportunities to ensure a net return for owners
- making sure investments meet the minimum rate hurdle
- applying rigorous due diligence
- continually reviewing financial performance
- taking into account regular variations and market assessments.

Monitoring portfolio performance:

IBA actively manages its investment portfolio through rigorous internal assessment and external governance. Each investment incorporates a commercial structure that aims to balance IBA's accountability obligations.

IBA ensures sound governance for each investment and the total portfolio by conducting:

- detailed reviews of monthly management accounts and preparing monthly shareholder reports
- annual internal or external valuations
- quarterly financial and operational performance presentations for the Executive Management Team
- annual external audits and risk management assessments
- portfolio reviews and divestment considerations in accordance with the endorsed investment strategy.

INVESTMENT ACTIVITIES

The number of enquiries for joint venture investments dropped by almost half, from 123 in 2009–10 to 66 in 2010–11. This was a direct result of IBA's new investment strategy, adopted in September 2010, which more clearly articulated its criteria and parameters

for new investments to potential partners. Additionally, IBA focused on developing and strengthening relationships with key Indigenous organisations so investments can be pursued in a more strategic and targeted manner.

The largest number of investment and business enquiries received were in the rental, hiring and real estate services sector, followed by accommodation and food services, then mining (see Table 2 below). The majority of potential Indigenous partners view these sectors as commercially sound, yielding stable returns with solid capital growth.

Unfortunately, not all enquiries fit IBA's investment strategy, meet commercial viability requirements or provide an opportunity

for Indigenous participation in the form of ownership and employment. Even when a viable investment opportunity is identified, at times a mutually acceptable agreement cannot be reached.

Acquisitions: IBA has focused on acquiring joint ventures that have higher levels of Indigenous ownership and/or a higher potential to provide meaningful employment opportunities. Recent acquisitions are in locations with significant Indigenous populations and can potentially drive local employment and commercial skills development, maximising the social and economic benefits that will flow through to local communities.

Table 2: Investment enquiries by industrial classification¹ sector, five years to 2010–11

Industrial classification	2006–07	2007–08	2008–09	2009–10	2010–11
Accommodation and food services	23	15	27	17	15
Administrative and support services	0	0	0	0	0
Agriculture, forestry and fishing	5	8	13	7	6
Arts and recreation services	4	3	2	5	0
Construction	2	5	7	9	0
Education and training	1	1	1	1	3
Electricity, gas, water and waste services	3	2	7	6	3
Financial and insurance services	0	0	0	0	0
Healthcare and social assistance	0	1	2	1	2
Information, media and telecommunications	0	0	0	0	0
Manufacturing	1	3	6	3	0
Mining	8	7	12	11	10
Other services	2	7	5	10	0
Professional, scientific and technical services	0	0	0	0	0
Public administration and safety	0	0	0	0	0
Rental, hiring and real estate services	30	20	72	35	24
Retail trade	4	3	8	12	2
Transport, postal and warehousing	4	3	4	6	1
Wholesale trade	0	0	0	0	0
Total	87	78	166	123	66

¹As per the Australian and New Zealand Standard Industrial Classification (ANZSIC).



BUILDING WEALTH

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In October 2010, Yarnteen Limited, an IBA partner in the Scarborough House property investment (see page 25), purchased a share in another IBA property, the Port Botany Transfer Station (PBTS) in Sydney.

The word 'yarnteen' means 'all' or 'everybody' in the Awabakal language, which is spoken by the traditional owners of the Newcastle area.

The company's key objective is 'to provide Indigenous Australians with training and employment opportunities to provide relief from unemployment'.

To help meet this objective, Yarnteen has an Equity Investment Strategy in place. The strategy aims to increase Yarnteen's asset base to a size that will enable it to invest in major enterprises and strengthen its economic sustainability. PBTS joins Scarborough House in Yarnteen's equity investment portfolio.

Veolia Environmental Services will continue to operate the PBTS. Veolia has nearly 40 years experience in Australia, implementing innovative, effective and sustainable waste solutions.

Visit www.yarnteen.com.au and www.veoliaes.com.au to find out more.



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Scarborough House (left) and the Port Botany Transfer Station (above).

During 2010–11, the IBA Board approved the acquisition of six new joint ventures. Four investments will settle in 2012; however, the remaining two will not proceed as IBA and its Indigenous partners were not able to agree on settlement terms (see Table 3).

Divestments: In 2010–11, IBA sold its 100 per cent interest in the Indigenous Fishing Trust mud crab licence and divested its 10 per cent share in the Moonamang Joint Venture (see Table 3).

Equity changes: IBA's ultimate goal is to sell down its equity to its Indigenous partners so that in time they totally own or control the asset. For reporting purposes, partial divestments precede equity changes.

INVESTMENT PORTFOLIO PROFILE

As at 30 June 2011, IBA's investment portfolio had a total book value of \$188.4 million. The portfolio is diversified by location, accessibility classification (remote, regional or metropolitan) and asset cluster. Each investment is classified into one of the following asset clusters: commercial property, manufacturing, mining and mine services, primary industries, retail, tourism, and hotel accommodation (see Figure 2 on page 22).

Table 3: Proposals considered by the IBA Board, 2010–11

Status	No.	Investment type	Proposal type
Approved and settled	3	Moonamang Joint Venture, Western Australia	Divestment
		Mud crab licence, Northern Territory	Divestment
		Port Botany Transfer Station, New South Wales	Partial divestment
Approved but not yet settled	7	Milbi Constructions in Queensland is an existing Indigenous-owned construction company	Acquisition
		Minjerribah Camping in Queensland is taking over the camping businesses on North Stradbroke Island (previously run by Redland City Council) in partnership with the local Indigenous community	Acquisition
		Tiwi Islands Forestry Project in the Northern Territory is an existing Indigenous-owned forestry enterprise	Acquisition
		Cicada Lodge, a boutique accommodation facility in the Northern Territory, is being developed in partnership with the local Indigenous community	Acquisition
		Tjapukai, Queensland	Further investment
		Wildman Wilderness Lodge, Northern Territory	Further investment
		CPS Building, South Australia	Partial divestment
Approved but not proceeding	2	Tuckerbox Kununurra, Western Australia	Acquisition
		Nambucca Heads Retail Project, New South Wales	Acquisition
Not approved	0		
Total	12		

Table 4: IBA investment portfolio by asset cluster, value, percentage and number of total, as at 30 June 2011

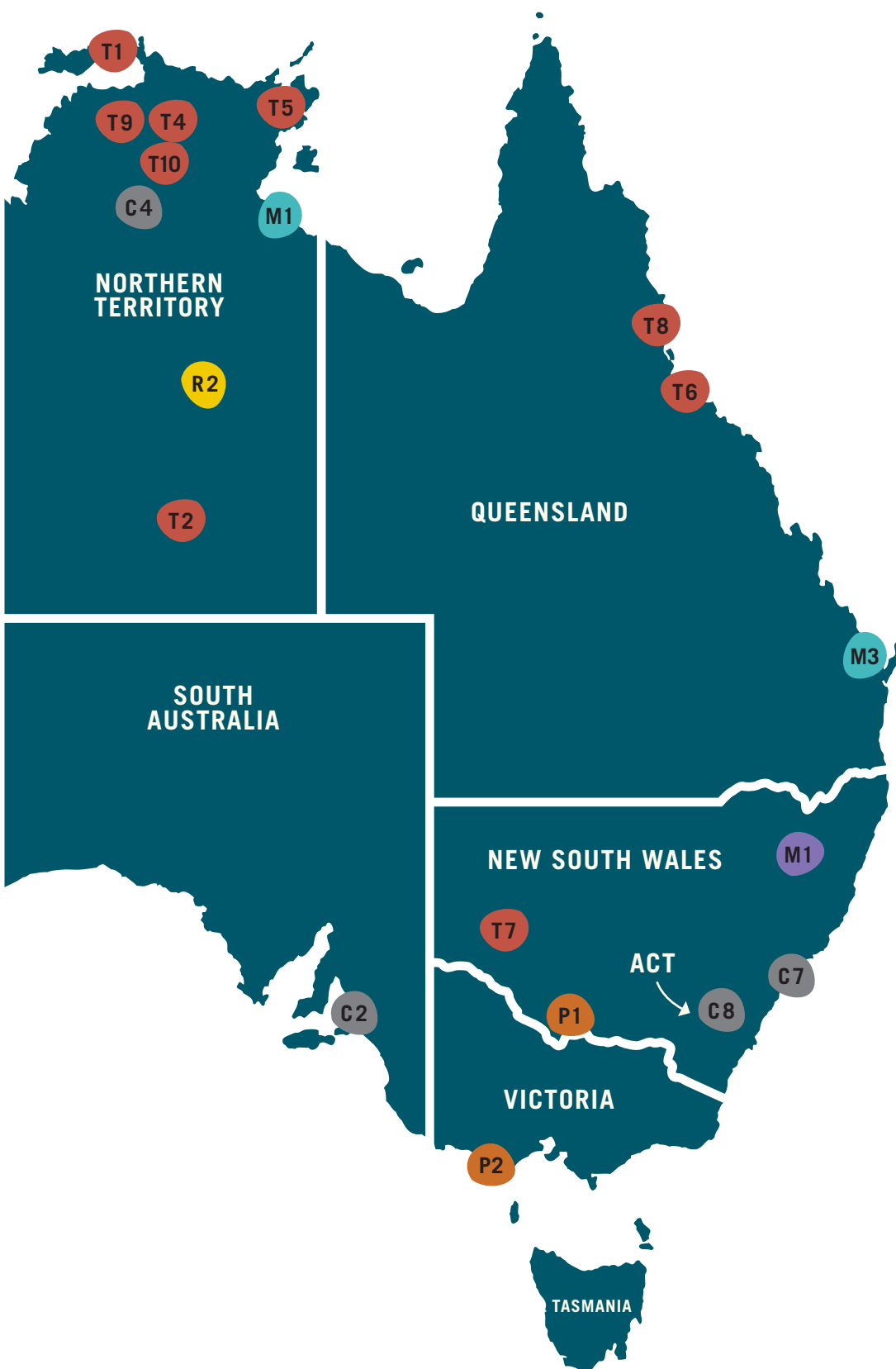
Asset cluster	Total investment value (\$m)	Total portfolio value (%)	Total in portfolio (No.)
Commercial property	92,779,320	49.3	8
Manufacturing	3,600,000	1.9	1
Mining and mine services	15,438,418	8.2	3
Primary industries	1,975,000	1.0	2
Retail	2,390,000	1.3	2
Tourism and hotel accommodation	72,181,262	38.3	10
Total	188,364,000	100	26

Table 5: IBA investment portfolio by metropolitan, regional and remote areas, as at 30 June 2011

Area	Total investment (\$m)	Total investment (%)	Total in investment (No.)
Metropolitan	112	60	6
Regional	28	15	10
Remote	48	25	10
Total	188	100	26

Figure 2: Principal investment sites by asset cluster and location, as at 30 June 2011





COMMERCIAL PROPERTY

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

1. COMMONWEALTH CENTRE

3 Brand Street, South Hedland, WA

IBA purchased the Commonwealth Centre in South Hedland in 2000 as part of a strategy to invest in remote areas of Australia. The building accommodates the regional Indigenous Coordination Centre, the local Centrelink office and various local Indigenous organisations. In 2009, IBA sold 50 per cent of its interest in this investment to a local South Hedland Indigenous organisation.



2. CPS BUILDING

44 Waymouth Street, Adelaide, SA

The CPS Building is a modern office building in Adelaide's core office precinct. It was built in 1988, and IBA acquired the property in June 2003. The building is subject to a long-term leaseback to CPS Credit Union and provides a reliable income to IBA. IBA is still in negotiations with local Indigenous groups to co-invest in the building.



3. GOLDFIELDS BUILDING

50 Colin Street, West Perth, WA

IBA, together with the Perth Noongar Foundation and the Noongar Country Economic Foundation, purchased the Goldfields Building in West Perth in November 2002. The building is a landmark in West Perth, with local native plants and a sculpture that reflects the building's Indigenous heritage.



4. GOVERNMENT CENTRE

First Street, Katherine, NT

Centrally located within the township of Katherine, approximately 300 kilometres south of Darwin, the Government Centre is a commercial property with ground-floor and upper-level office accommodation. IBA purchased the building in June 2000 as part of its strategy to increase the geographical spread of its investments. Improvements to the car park will commence in 2011. IBA continued to negotiate with two local Indigenous groups that have expressed interest in co-investing in the building.





5. HOMESTEAD CENTRE

Corner of Throssell and Tonkin Streets,
South Hedland, WA

IBA purchased the Homestead Centre—a retail and office complex in South Hedland—in March 1993, in association with the Port Hedland Regional Aboriginal Corporation. The Homestead Centre, which is operated as a body corporate, caters for 13 tenancies over 1,441 square metres. The building occupies a prime position in central South Hedland opposite the main shopping centre.



6. IBA BUILDING

39–43 Boulder Road, Kalgoorlie, WA

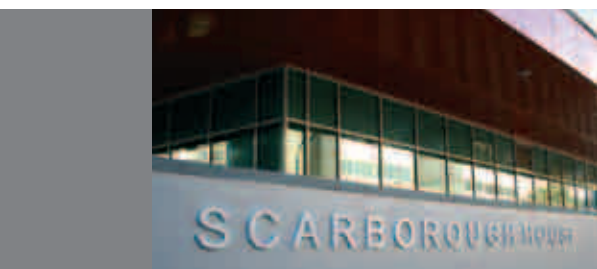
The IBA Building in Kalgoorlie was only partially complete when IBA acquired it in 2003 from the administrator of the Goldfields Medical Fund. In early 2004, the building was completed to meet the standards for Australian Government tenants. The local Indigenous Coordination Centre operates from the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



7. PORT BOTANY TRANSFER STATION

Lot 21 Military Road, Matraville, NSW

The acquisition of the Port Botany Transfer Station provided IBA with a presence in New South Wales and gave Indigenous groups an opportunity to participate in a local investment. The property is leased and used as a transfer station for non-decomposing waste. In October 2010, IBA sold down part of this investment to a New South Wales-based Indigenous group (see page 20).



8. SCARBOROUGH HOUSE

Atlantic Street, Woden, ACT

Scarborough House is a vibrant commercial building in the busy town centre of Woden in the Australian Capital Territory. It is renowned for its eye-catching design and has maintained its NABERS energy rating of 4.5 stars. The building comprises 14 storeys of office space and a café. The asset benefits IBA's Indigenous partners by providing them with an

opportunity to invest in a large, attractive capital asset with relatively low levels of equity and risk exposure (see page 19).

MANUFACTURING

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

9. INVERELL MANUFACTURING PLANT

Swanbrook Road, Inverell, NSW

The factory produced stock feeds and pet foods for almost 20 years prior to IBA's acquisition in 2009 as part of a joint venture with Ridley Agriproducts. It is now successfully producing commercial aquafeed and packaging small animal feed products. The acquisition of this asset has generated five employment opportunities for job-ready Indigenous Australians and supported two trainees in the manufacturing and engineering fields. Since opening in late 2009, the factory has refined its operations and enhanced production levels. The business is exploring various expansion options in the animal agriproduct sector.



MINING AND MINE SERVICES

The insatiable demand for Australia's mineral and energy commodities by the world's developing nations has led to an unprecedented level of capital investment and business activity in the mining sector. A benefit of the commodities boom is that the majority of Australia's mining activity is located in remote regions, where some of the nation's most disadvantaged Indigenous Australians live. This creates many unique opportunities for IBA to help Indigenous Australians generate individual wealth and participate in the Australian economy.

10. CARPENTARIA SHIPPING SERVICES PTY LTD

MRM Loading Facility,
Port of Bing Bong, NT

Carpentaria Shipping Services (CSS) is a joint venture between P&O Maritime Pty Ltd, Mawa Riinbi Pty Ltd and IBA, providing bulk cargo handling services for Xstrata's McArthur River Mine in the Northern Territory. CSS owns and operates a 79.95-metre, 3,250-tonne cargo capacity self-discharging bulk carrier called the M.V. Aburri, which transports zinc and lead concentrate from the Port of Bing Bong in the Gulf of Carpentaria, to foreign vessels moored approximately 30 kilometres offshore. CSS employs 24 people and recently successfully negotiated a five-year extension for its charter agreement to service the McArthur River Mine.

Mawa Riinbi Pty Ltd, which represents the four Indigenous language groups in the Borroloola region, has used profit distributions from the joint venture to purchase some of IBA's equity, and to help finance its acquisition of the local Borroloola convenience store.





11. NGARDA CIVIL & MINING PTY LTD

Perth Head Office: 185 Great Eastern Highway, Belmont, WA
Port Hedland Office: 4 Kangan Way, Wedgefield, WA
www.ngarda.com.au

Ngarda Civil & Mining Pty Ltd (Ngarda) is a joint venture between Leighton Contractors Pty Ltd, the Ngarda

Ngarli Yarndu Foundation and IBA. The company provides mining services in the Pilbara region of Western Australia to clients such as BHP Billiton, Woodside Petroleum and Rio Tinto. Headquartered in Belmont, Perth, with a regional office in Port Hedland, the company also provides civil services such as laying fibre optic cable for telecommunications provider Visionstream and building road infrastructure for the Government of Western Australia.

While pursuing a commercial rate of return on investment for its shareholders, Ngarda targets a minimum Indigenous employment ratio of 50 per cent. The company, in partnership with BHP Billiton, also established and operates the Purarrka Indigenous Mining Academy at BHP Billiton's Yarrie Mine. The academy conducts a 13-week entry-level mining industry training program for Indigenous job seekers wanting to gain employment within the industry. The program, which also enhances trainee numeracy and literacy, recruits from areas in Western Australia such as Bidjydanga, Goodabinya, Nullagine, Onslow, Punmu, Roebourne, Warralong and Yandeyarra.



12. ANDERLEIGH ENTERPRISES

270 Sorensen Road, Gunalda, Qld

Anderleigh Enterprises is a partnership between Anderleigh Quarry Pty Ltd and IBA. Anderleigh Quarry is a 54-hectare parcel of land at Gunalda, 34 kilometres north of Gympie on the Bruce Highway.

Anderleigh Enterprises began operating a sandstone quarry in July 2010. The company has applied for a development approval to enable it to increase extraction from 5,000 tonnes to 250,000 tonnes of sandstone per annum.

PRIMARY INDUSTRIES

The primary industries sector, like the mining sector, gives IBA an opportunity to help remotely located Indigenous Australians take advantage of training, employment and wealth-generating opportunities. Although factors such as increased rainfall and historically high commodity prices have improved industry conditions, many challenges still exist for the nation's agricultural producers. For example, the high Australian dollar has offset high global food prices, while increased rainfall patterns resulted in large crop failures for many agricultural producers in the eastern states. This highlights how commercial farming operations require considerable managerial expertise and financial support to remain commercially viable in a competitive marketplace.

13. CUMMERAGUNGA FARM

Barmah, NSW

Cummeragunga is a place rich in Aboriginal history. In 1939, it was the site of the first ever mass strike of Aboriginal people in Australia, when more than 150 residents of Cummeragunga Station left the reserve in protest at poor conditions and treatment. (Read more about the rich Indigenous history of this farm on page 35). Located across the Murray River from the Victorian township of Barmah, Cummeragunga Farm is a 398-hectare property, comprising productive agricultural land with a 667-megalitre general security water entitlement. Located within the traditional lands of the Yorta Yorta people, IBA acquired the farm in 2005 for the long-term benefit of the local Indigenous community. By working with the community, IBA is negotiating selling back the farm. Subject to final terms being agreed, the farm will be owned by the traditional custodians, ensuring the long-term preservation and cultivation of the country, supported by economic initiatives.



14. INDIGENOUS FISHING TRUST

Port Fairy, Vic

In late 2004, IBA established the Indigenous Fishing Trust (IFT) to acquire fishing licences and quotas, to encourage Indigenous participation in the commercial fishing industry.

IFT purchased an abalone licence, allowing the commercial harvesting of black and green-lip abalone within the western Victorian fishing zone. Unfortunately, during early 2006, an unforeseen abalone virus outbreak in Victorian waters decimated natural abalone stocks. This adversely affected the licence's commercial viability, and to this day natural abalone stocks in the region have not returned to pre-virus levels.

In 2010–11, IFT divested its mud crab licence to a Northern Territory-based Indigenous operator.



RETAIL

The focus of the retail portfolio is acquiring retail businesses in regional and remote areas where a high concentration of Indigenous Australians live. Indigenous ownership of retail stores creates opportunities for Indigenous participation, employment and control over product range and supply. IBA works with its Indigenous partners to actively support and sustain the performance of these businesses. IBA is seeking further opportunities in regional and rural centres where commercial rates of return can support Indigenous ownership.



15. LEONORA SUPERMARKET AND HARDWARE

75 Tower Street, Leonora, NT

IBA acquired Leonora Supermarket and Hardware in September 2007. The township of Leonora, 230 kilometres north of Kalgoorlie, supports a population of 1,500 people. The Leonora Shire has a population of 4,190 and is the service centre for the mining, exploration and pastoral industries in the area.

The supermarket services the broader Indigenous community by offering a wide range of affordable fresh produce and packaging community deliveries. The supermarket also operates a lottery outlet and newsagency, and sells a range of hardware items. The business is self-managed and has engaged the services of Regional Merchandising Solutions to provide operational support and expertise.



16. TENNANT FOOD BARN

48 Paterson Street, Tennant Creek, NT

In November 2008, IBA and Julalikari Council Aboriginal Corporation acquired the Tennant Food Barn. Julalikari represents 16 Indigenous groups in Tennant Creek and the surrounding Barkly Shire, and actively promotes the local Indigenous community through a wide variety of projects, including arts, tourism and conservation initiatives. The business

grew significantly during 2010–11 and will be undergoing refurbishment over the next two to three years. Outback Stores Pty Ltd has been appointed to manage the Tennant Food Barn until 2013.

TOURISM AND HOTEL ACCOMMODATION

Because it is largely driven by discretionary spending, the tourism and hotel accommodation sector is extremely sensitive to external factors, particularly the economics of its source markets. In 2010–11, this sector performed well. All Boards and management teams of the various assets are working to improve financial performance to maximise returns on assets for future years.

17. CAPE DON EXPERIENCE

Cobourg Peninsula, Arnhem Land, NT
www.capedon.com.au

In March 2007, IBA and the Djuldjurd Aboriginal Corporation purchased Cape Don Experience and entered into a 10-year lease agreement, which includes paying royalties to the Cobourg Peninsula's traditional owner groups. The business ceased trading at the end of 2010 and IBA is currently negotiating with the Djuldjurd Aboriginal Corporation to exit the investment, but continues to make royalty payments as per the terms of the agreement.



18. CHIFLEY ALICE SPRINGS RESORT

Stott Terrace, Alice Springs, NT
www.chifleyhotels.com.au

Formerly owned by the Voyages Group, the 139-room Chifley Alice Springs Resort was acquired by IBA in November 2009 in partnership with Centrecorp Aboriginal Development Corporation and the Sitzler Family. Only a short stroll from the centre of Alice Springs, the resort is a popular choice for business and leisure travellers.



19. FITZROY RIVER LODGE

Great Northern Highway, Fitzroy Crossing, WA
www.fitzroyriverlodge.com.au

The Fitzroy River Lodge was established in 1989. IBA invested in the business in July 2001, with industry partners and Leedal Pty Ltd (which represents local Indigenous groups). The lodge is built in the style of a pastoral homestead, and includes 20 hectares of land fronting the Fitzroy River. The lodge forms an integral part of Leedal's growth strategy. The investment also contributes to education programs for children and supports local sporting and community events.





20. GAGUDJU CROCODILE HOLIDAY INN

Flinders Street, Jabiru, NT
www.gagudju-dreaming.com

The Gagudju Crocodile Holiday Inn at Jabiru, a two-and-a-half-hour drive from Darwin, is the only four-star accommodation within the World Heritage-listed Kakadu National Park. The hotel's unique architecture—it is designed in the shape

of a crocodile—attracts significant worldwide interest. IBA, in a joint venture with the Gagudju Association (which represents the 10 local clan groups), owns the hotel and outsources its management to the InterContinental Hotels Group. The hotel has 100 guest rooms, a restaurant, a swimming pool and an art gallery.



21. GAGUDJU LODGE COOINDA

Cooinda, Jim Jim, NT
www.gagudjulodgecooinda.com.au

Gagudju Lodge Cooinda is located in the southern part of Kakadu National Park and operates the highly successful Yellow Water Cruises. Cooinda also offers gorge and waterfall tours and operates the Warradjan Cultural Centre. Cooinda offers a range of accommodation options from three-and-a-half-

star lodge rooms to unpowered camping sites. The traditional owners have an active interest in the business and offer great support to management. The active involvement of traditional owners in this property is reflected in their high share of equity. Both Gagudju properties support an Indigenous employment program (see page 16).



22. HOLIDAY INN TOWNSVILLE

334 Flinders Street, Townsville, Qld
www.holidayinn.com

In June 2008, IBA acquired the 199-room Holiday Inn Townsville, which is managed by InterContinental Hotels Group. IBA has structured the investment to enable Indigenous participation at an ownership level and to leverage supplier, employment and training opportunities. Several Indigenous Australians who

participated in a trainee program at the hotel gained full-time employment in hotel management. IBA also works with the local community to provide more than 60 beds for a youth hostel, and is in discussion with several Indigenous groups to partner in this investment.

23. MUNGO LODGE

Mungo National Park, NSW
www.mungolodge.com.au

Mungo Lodge, a 17-room outback accommodation facility, was purchased in October 2003. It is adjacent to Mungo National Park, within the Willandra Lakes. The region was granted World Heritage listing in 1981 in recognition of its Indigenous heritage, archaeological value and natural landscape. The IBA Board's decision to purchase this asset was motivated by a desire to preserve this significant cultural heritage site and foster Indigenous tourism.



24. TJAPUKAI ABORIGINAL CULTURAL PARK

Western Arterial Road, Caravonica, Qld
www.tjapukai.com.au

Tjapukai Aboriginal Cultural Park allows visitors to experience many facets of Tjapukai culture, and to gain a greater understanding of the Tjapukai way of life and traditional practices. Tjapukai is one of the largest private employers of Aboriginal and Torres Strait Islander peoples (numbering between 45 and 60 employees). Tjapukai has won several state and national industry awards. It was inducted into the Queensland Tourism Awards Hall of Fame in 2000, and in 2004 was named Australia's best tourist attraction by the Australian Tourism Export Council. IBA is exploring potential development opportunities to enhance and revitalise this business.



25. MEDINA GRAND DARWIN WATERFRONT AND VIBE HOTEL DARWIN

7 Kitchener Drive, Darwin, NT
www.medina.com.au
www.vibehotels.com

In December 2009, IBA and the Larrakia Development Corporation (LDC) entered into a partnership with the Toga Group to purchase and operate the Medina Grand and Vibe Hotels on the Darwin waterfront. The joint venture is expected to generate ongoing revenue, training and employment opportunities for the local Indigenous community. In keeping with IBA's investment strategy, LDC will gradually use surplus income from the hotels and other sources to acquire a larger share of IBA's stake in the hotels.





26. WILDMAN WILDERNESS LODGE

Wildman Road, Mary River
National Park, NT

www.wildmanwildernesslodge.com.au

In December 2006, IBA acquired Wildman Wilderness Resort, located in the Mary River National Park (south of Darwin). In November 2009, IBA purchased Wrotham Park Lodge, a five-star resort 400 kilometres inland from Cairns, dismantled the

entire resort infrastructure and relocated it to Wildman in the Northern Territory. Wildman Wilderness Resort opened in April 2011 following the redevelopment of the site, and now provides employment opportunities for the local Indigenous community. IBA is passionate about the success of the huge recycling venture and is proud of the resort's serious green agenda; its environmental best-practice technology, including solar power, water and sewage treatment; and its light carbon footprint.



CULTIVATING HOPE ON CUMMERAGUNGA FARM

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In 2005, IBA acquired Cummeragunga Farm, a place rich in Aboriginal history located near the Barmah Township in the Southern Riverina district of New South Wales.

The farm offers an idyllic location for an agricultural-based employment and skills training initiative, the Back on Track Program, which currently has eight young Indigenous male participants.

The Njernda Aboriginal Corporation (Njernda) and the Ulunja Aboriginal Corporation (Ulunja) run the program. Njernda (based in Echuca) provides a number of welfare-based health, housing, childcare and family services programs and currently employs 85 Indigenous Australians. Ulunja is a 100 per cent Indigenous-owned business based on the Murray River in Barmah that operates a wood harvesting business employing four Indigenous Australians.

Ulunja has formed a commercial joint venture with Stable Industries Pty Ltd to cultivate wheat, barley and canola crops on Cummeragunga Farm. Stable Industries is a highly successful 100 per cent Indigenous-owned and managed agricultural business employing 18 people, of which 80 per cent are Indigenous Australians. The joint venture will provide a unique opportunity to transfer agricultural skills and knowledge from Stable Industries to Ulunja. Stable Industries will also provide further industry-based employment and training opportunities for Back on Track participants.

With IBA's assistance, Ulunja has also established a commercial fencing business, which was awarded approximately 15 kilometres of external boundary line fencing work on Cummeragunga Farm.

Cummeragunga Station was established in 1881, on 1,800 acres of land near the Murray River. The original residents established a thriving farm, producing wheat, wool and dairy products. In 1915, the New South Wales Protection Board took greater control of Cummeragunga and its residents. The farm's management committee was disbanded and all the funds raised from the farm went to the Protection Board.

By the 1930s conditions had drastically deteriorated. There were not enough rations and residents were forced to share blankets and live in 'rag huts'. Many suffered from tuberculosis and whooping cough.

In 1939, fed up with the conditions and treatment, more than 150 residents left the reserve in protest. The Cummeragunga walk-off was the first ever mass strike of Aboriginal people in Australia.

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(Left to right in front row) Merv Nicholson (Ulunja), Norman Stewart (Ulunja), George Kaleja (Njernda); (back row) Back on Track participants.

SUBSIDIARIES AND TRUSTS

IBA creates investment vehicles that maximise financial returns for both IBA and its Indigenous partners. Prudent structuring—including that of subsidiaries and trusts in which IBA is a majority shareholder or has a controlling interest—helps IBA ensure asset security and serve the best interests of relevant shareholders. See IBA's list of subsidiaries and trusts in Appendix C, on page 175.

INDIGENOUS ECONOMIC DEVELOPMENT TRUST

The Indigenous Economic Development (IED) Trust was established in September 2007 through an agreement between the Australian Government and IBA. The IED Trust assists FaHCSIA with its national Community Development Employment Projects (CDEP) policy reforms.

Under the agreement, assets previously funded through grants from the Australian Government and assets owned by other state or territory agencies can be transferred to the IED Trust. The IED Trust manages these assets and gives priority to Indigenous individuals or organisations when leasing them.

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

ASSET LEASING TRUST

The Asset Leasing Trust (ALT) was established in February 2010 to work with and support the leasing objectives of the IED Trust.

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

Lease agreements are available for a range of assets, including vehicles, plant, equipment and machinery, and are tailored to client requirements. Lease terms can be created for periods from one month to multiple years. For the year ending 30 June 2011, the ALT leased 29 vehicles to various Indigenous organisations located around the country.

OUTLOOK

With world economies still recovering from the global financial crisis, and local financial institutions continuing to be reserved when financing new deals, IBA is strategically poised to leverage its strong liquidity position to secure new investments for 2012.

IBA will target a return on investment of 9 per cent for the total portfolio in 2011–12 as well as partnering with another five Indigenous co-investors.

The 2011–12 financial year will be one of intense activity as IBA completes a number of transactions approved in 2010–11. These projects are expected to settle in the first half of the next financial year. The new project pipeline is strong and strategic alliances are bringing forward positive investment opportunities. Negotiations are continuing with several Indigenous partners regarding sell-downs on current investments, which are expected to occur during 2012. In addition to acquisition activities and divestment to our Indigenous partners, the Equity and Investments Program is preparing for major project and capital works on some existing investments.

HOME OWNERSHIP PROGRAMS

PART 03



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HOME OWNERSHIP PROGRAM

IBA's home ownership programs provide targeted home loan products to Indigenous first home buyers, creating an entry point to home ownership for those who might otherwise have trouble securing finance for their first homes.

The 2006 Census found just 36 per cent of Indigenous Australians owned or were buying their own home, compared to 71 per cent of other Australians. IBA's home ownership programs contribute to closing this home ownership gap.

IBA offers a range of home loan products to address affordability issues and other barriers faced by Indigenous Australians, such as lower savings and low incomes relative to increasing house prices; credit impairment; and/or little experience with loan repayments.

IBA's Home Ownership Program (HOP) was established in 1975. This financial year, HOP achieved a significant milestone, exceeding \$1.5 billion in home loan approvals. The total number of loans approved during the program's 36 years now exceeds 14,700.

PERFORMANCE

IBA exceeded the key performance indicators for HOP for 2010–11 (see Table 6), further consolidating the exceptional results achieved in the previous two years. The percentage of loans to applicants who have an adjusted combined gross income of not more than 125 per cent of the IBA Income Amount increased from 83 per cent in 2007–08 to 89 per cent in 2010–11. The percentage of loans to first home buyers rose from 86 per cent to 94 per cent in the same years.

HOP LOAN TERMS AND CONDITIONS

HOP is targeted at first home buyers who, due to income and other affordability factors, would not generally qualify for housing loans elsewhere. The typical HOP customer is a couple in their early 30s, with two dependants, on an annual income of \$60,000, who will purchase a house for \$300,000 in a non-metropolitan area.

IBA maintains a waiting list of applicants who meet the general eligibility requirements for the program and would most likely qualify for an IBA home loan. Applicants are invited to apply for a home loan based on need and length of time on the waiting list.

Assessment criteria: IBA housing loans are determined by the lending criteria outlined in Table 7.

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

Deposit and loan amounts: The majority of IBA's home loan customers have small deposits and as a consequence need to borrow a substantial portion of their home purchase. In 2010–11, customers borrowed, on average, 94 per cent of the funds required to purchase their home.

Table 6: Home Ownership Program performance summary, measured against the IBA Portfolio Budget Statements 2010–11

Targets		Results
HOP loans to applicants who have an adjusted combined gross annual income of not more than 125% of IBA's Income Amount	75%	89%
HOP loans to applicants who are first home buyers	80%	94%
New HOP loans	530	606 approved
Aggregate loans in the HOP portfolio	3,550	3,685 active loans

Table 7: Home Ownership Program lending criteria

Criterion	Details
Loan purpose	The loan must be used for purchasing, constructing or renovating standard owner-occupied dwellings, or purchasing residential land on which to build a home. Loans for other housing-related purposes may be available in certain circumstances.
Income limits ²	Up to 100% of the IBA Income Amount ¹ —the applicant can borrow 100% of the home purchase price from IBA (less the IBA deposit or equity requirement). Over 100% and up to 125% of the IBA Income Amount—the applicant can borrow up to 60% of the home purchase price from IBA (less the IBA deposit or equity requirement). Over 125% and up to 150% of the IBA Income Amount—the applicant can borrow up to 45% of the home purchase price from IBA (less the IBA deposit or equity requirement). Up to 225% of the IBA Income Amount—the applicant can borrow up to 20% of the home purchase price from IBA (less the IBA deposit or equity requirement).
Purchase price limits	IBA has purchase price limit zones in place to ensure loans are only used to buy homes that are adequate for a customer's needs.
Deposit	The deposit is a minimum of \$3,000 or 5% of the purchase price, whichever is less, depending on individual circumstances (the First Home Owner Grant may be used to meet deposit requirements).
Interest rates	Interest rates generally commence at 4.5%, gradually increasing until they reach the IBA Home Loan Rate, which is currently capped at the Reserve Bank of Australia's cash rate plus a margin of 1%.
Loan terms	Loans can be held for up to 32 years, depending on the borrower's ability to meet loan repayments. In certain circumstances, the loan term may be extended up to 45 years.

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

² Notwithstanding these limits, there is a general requirement that customers are not able to obtain the required home loan amount or part thereof from a mainstream lender.

Figure 3: New loans approved by commencing interest rate, 2010–11

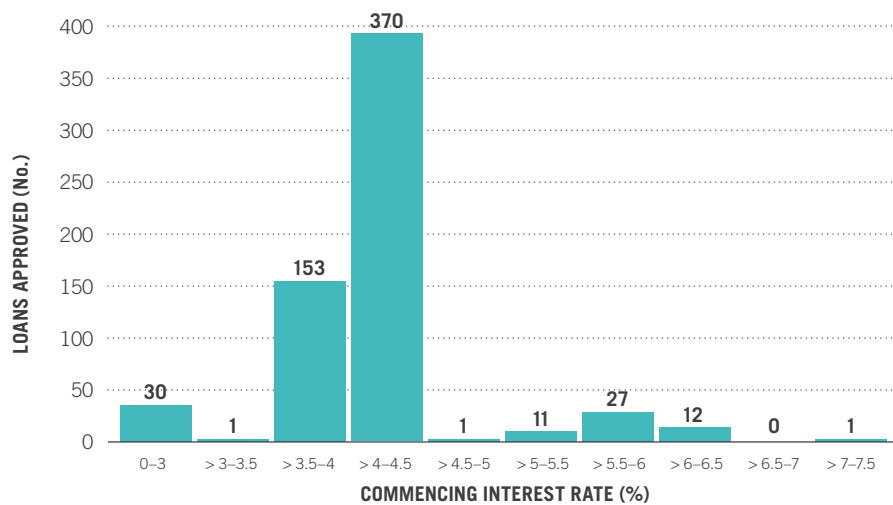
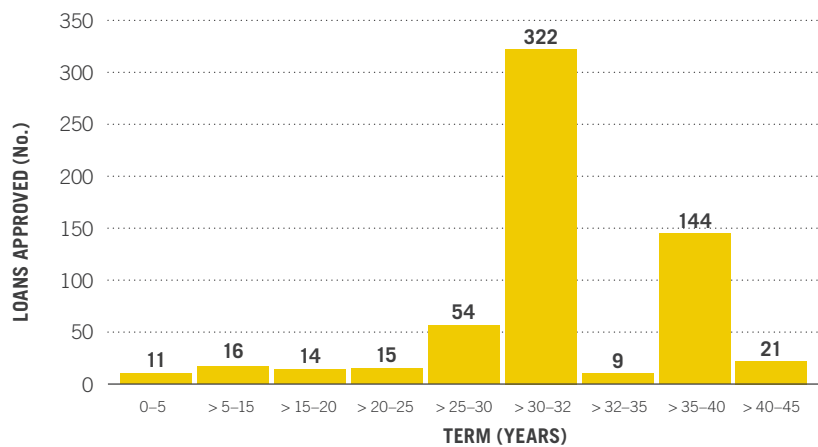


Figure 4: New loans approved by loan term, 2010–11



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

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

Interest rates: IBA offers a range of commencing interest rates dependent on the individual customer circumstances. The majority of customers (60 per cent in 2010–11) receive loans at a starting interest rate of 4.5 per cent. The interest rate is held for a minimum period of 12 months and then increases by 0.5 per cent on 1 January each year until it reaches the IBA Home Loan Rate (5.75 per cent as at 30 June 2011).

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

Loans for other housing-related purposes start at the IBA Home Loan Rate. Customers on very low incomes may have a starting interest rate as low as 3 per cent.

Figure 3 shows the distribution of loan approvals by commencing interest rates.

Following the Reserve Bank's decision to lift the cash rate by 0.25 per cent on 3 November 2010, the IBA Home Loan Rate increased from 5.5 per cent to 5.75 per cent. This was the IBA's only general rate change during the year.

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

Figure 4 shows the distribution of loan approvals for different loan terms.

HOP LENDING OPERATIONS

The level of HOP lending that IBA can undertake each year is dependent on the revenue it receives from borrowers' repayments, as loans are repaid or discharged early, or from additional capital injections to fund more loans.

Funding: Revenue from loan repayments and discharges totalled \$85.8 million in 2010–11, comprising \$50.9 million from loan repayments and \$34.9 million from discharges. A further \$1.7 million was received from bank interest on funds held by IBA. Revenue from standard loan repayments has grown steadily, while revenue from loan payouts has declined.

This year, HOP received an additional funding boost through the temporary transfer of \$56 million in unused funds from the Home Ownership on Indigenous Land (HOIL) Program. The transferred capital will be returned when demand for the HOIL Program increases. This capital injection enabled 228 additional HOP loans to be approved during the year.

Figure 5 shows the loan approvals achieved as a result of capital injections and revenue raised from loan repayments and discharges over the past 10 years.

Capital injections in previous years were from the Australian Government (\$20 million in 2004–05 and 2005–06) and IBA (\$20 million in 2006–07 and \$25 million in 2007–08).

Loan approvals: IBA approved 606 new HOP-funded housing loans in 2010–11, with a total value of \$143 million. This sets a new record in terms of the total amount lent in one year and is the second time in the program's history that approvals exceeded 600 for a year (the last time was in 1987–88, at a time when housing prices and loan funding requirements were much lower than they are today).

Figure 6 shows the number of loans and the total value of approvals over the past 10 years.

Lending this year enabled 1,653 Indigenous Australians to enjoy the social and economic benefits of home ownership. The increased lending greatly reduced the number of applicants on IBA's waiting list and the waiting period for customers wishing to apply for a HOP home loan.



HOME SWEET HOME

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In 1991, Colin and Patricia Mitchell obtained a home loan through the Aboriginal and Torres Strait Islander Commission (previous administrators of the Home Ownership Program) and agreed to spend the next 28 years repaying it. To ensure they could make their home loan repayments, the couple sold the car they had bought under a hire-purchase arrangement a few years earlier.

For the next 20 years, Colin and Patricia drove a 1974 Valiant. The couple's four children were not happy about the car, especially as they became older and started to care about such things. But the number one priority for the Mitchells was always their home loan commitments.

'Our philosophy was to pay early, pay a bit more ... it all adds up,' says Colin.

Last year, the couple realised exactly how much their sacrifices had added up, when IBA advised them that their last home loan repayment would be in 2010 instead of 2019. In November 2010, they became outright owners of their home.

Colin and Patricia believe the reward of owning their home outweighs the struggles they faced along the way. 'It feels so good to own our home after many years of keeping to a strict budget, which didn't allow for going out much,' says Patricia.

For 15 years after the house was purchased, Patricia provided home-based childcare to supplement the family income, which made a big difference to the couple's ability to meet their home loan repayments. The opportunity to raise their four children in a home of their own provided the family with much-needed stability.

The couple say their decision to purchase a home requiring minimal maintenance, in an area less likely to flood (despite living in a flood-prone town), has also paid off. Over the past 20 years, they have kept the home well maintained and avoided any major renovations. The dwelling is clad in HardiPlank and the original paint job is still in good condition.

After paying off their home loan, the couple now have some breathing space to consider their options—which may include internal renovations—before they retire.

.....

Colin and Patricia Mitchell at their family home, which they now own outright.

The number of eligible applicants on the waiting list fell by 38 per cent, from 1,069 as at 30 June 2010 to 662 as at 30 June 2011.

Split Loans: IBA continued to promote its Split Loan product, which encourages and assists customers to obtain all or part of their home loan from an external funding source. In 2010–11, 152 loans (25 per cent of the total number of loans approved) were funded under a Split Loan arrangement.

Customers approved under a Split Loan obtained on average 50 per cent of their loan funds from an external financier. This effectively shifted \$27 million in home loan funding from IBA to the private sector.

IBA's Split Loan product has reduced average loan funding costs (that is, the average IBA loan amount) from \$258,210 when it was introduced in 2008–09 to \$244,644 in 2010–11 (2009–10: \$244,300).

Figure 7 shows this reduction in the context of historical average loan amounts during the preceding 10-year period. It should be noted that a proportion of the decrease in average loan amounts can be attributed to the general downturn in house sale prices in many regional areas where IBA customers purchase homes, especially in non-metropolitan areas in New South Wales, Queensland and Western Australia. This made loans more affordable for many customers.

Loans for other housing-related purposes: IBA offers eligible customers loans for other housing-related purposes in certain circumstances, for example, to fund modest renovations or essential repairs. In 2010–11, IBA approved 16 such loans totalling \$2.8 million.

CUSTOMER SERVICE

IBA's exposure to risk is necessarily greater than other lending institutions by virtue of its legislative objectives and target market. These risks are carefully managed through focused loan management practices over the course of the loan. IBA has dedicated home lending staff located throughout Australia to develop and maintain supportive relationships with its home loan customers. These staff members provide IBA customers with a high level of ongoing loan management and home ownership support.

Geographical distribution: IBA's lending staff are strategically located in Service Delivery Units (SDUs) to meet lending requirements.

Where necessary, IBA can adjust processing workloads between SDUs to ensure uniform customer service levels. Table 8 shows the distribution of home loan approvals across geographical areas.

IBA strives to provide effective and responsive service that meets customer needs from the first point of contact to completion of the relationship. IBA's customer service is underpinned by a strong commitment to continually improving relevant staff skills and knowledge.

In 2010–11, staff learning and development activities focused on expanding lending managers' knowledge of recent developments in the financial services industry, and increasing their ability to maintain a high standard of professional customer service.

The natural disasters that occurred in Australia in the early part of 2011 had a minor impact on IBA customers. Most notable were the floods in central Queensland (including Rockhampton and South East Queensland) and Cyclone Yasi, which crossed the Queensland coast between Townsville and Cairns.

A small number of IBA borrowers suffered property damage as a result of the flooding and Cyclone Yasi. Deferred or reduced payment arrangements were offered and/or implemented for all affected borrowers, including two borrowers whose insurance policies did not include cover for flood damage.

During the year, IBA assisted more than 500 customers experiencing financial hardship. IBA provided a variety of assistance including deferring or negotiating loan repayments; temporarily reducing interest rates; capitalising loan arrears in certain situations; and extending loan terms. Rescheduled housing loan repayments were approved for 252 customers throughout the year.

Figure 5: Funding and approvals, 10 years to 2010–11

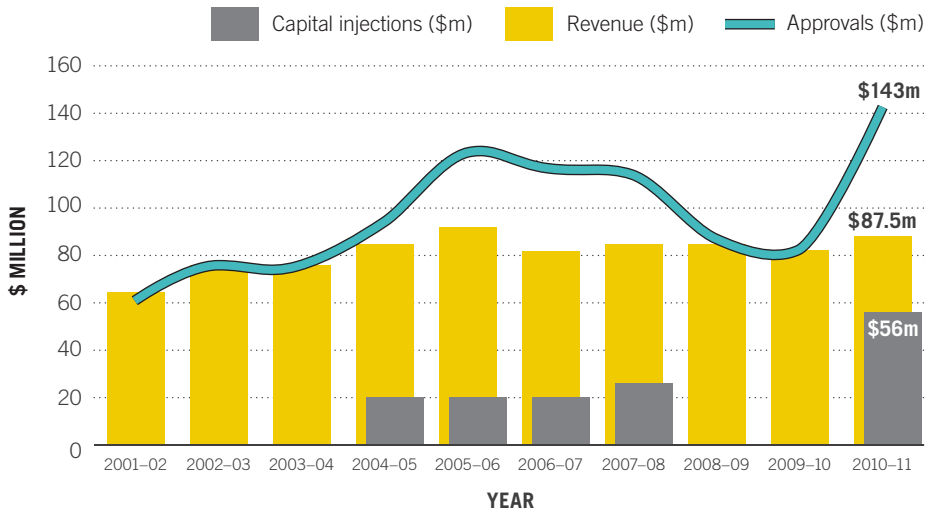


Figure 6: Number and value of loans approved, 10 years to 2010–11

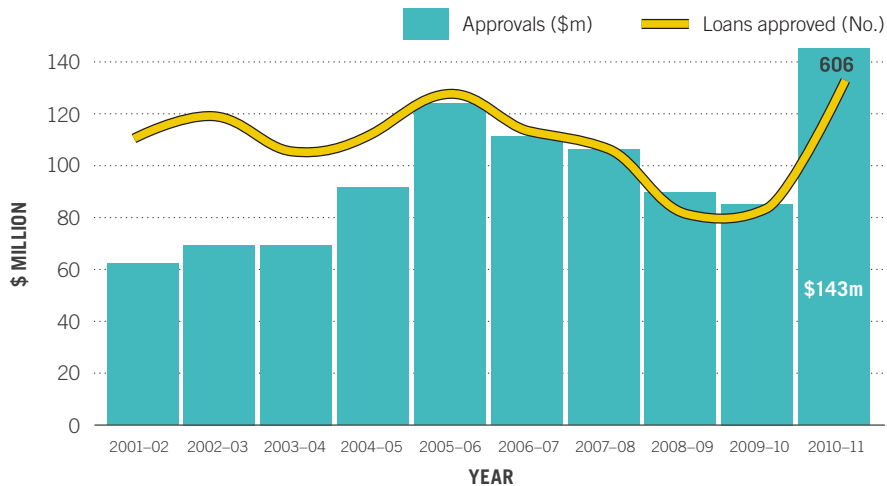
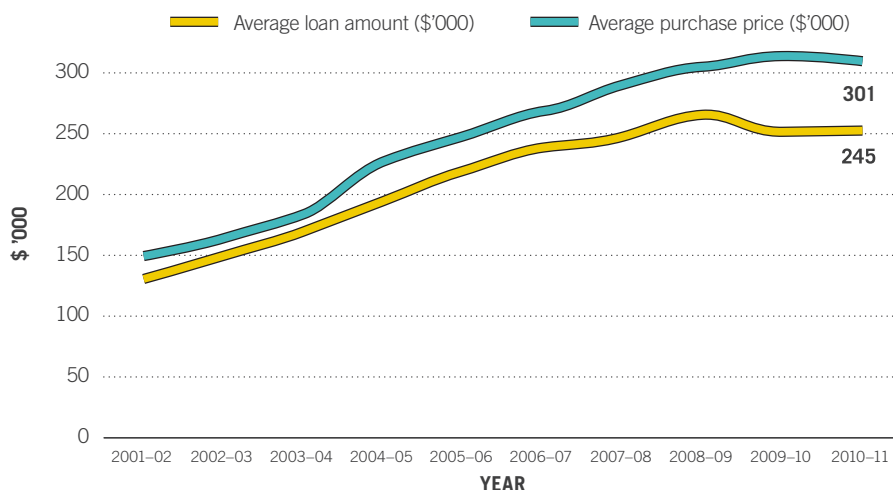


Figure 7: Average loan amount, 10 years to 2010–11



Home ownership perceptions

In 2010–11, IBA commissioned the consulting firm Urbis to assess the net cost to government of providing housing through HOP. The Urbis research found that the net cost of HOP was lower than the net cost of public housing and that, overall, significant savings could be made if home ownership was made available to Indigenous Australians currently in public housing who could afford a home loan through HOP.

The Urbis assessment was conservative, as the scope of the research was limited to the program's cost-effectiveness rather than its broader benefits and real value. Even within this context, the report indicated that HOP was delivering an excellent service and complemented other forms of government housing assistance.

The Council of Australian Governments' report *Overcoming Indigenous Disadvantage: Key Indicators 2009* described home ownership as an important indicator of wealth and saving, providing a secure asset base that contributed to financial stability and against which people could borrow.

A home can be passed from one generation to another, providing security of tenure that is not always available with rental housing. Home ownership also allows households to build or modify a dwelling to suit their particular needs.

The *Overcoming Indigenous Disadvantage* report also indicated that the increase in Indigenous home ownership reflected similar increases in employment and income; and that Aboriginal and Torres Strait Islander peoples were sharing in Australia's general prosperity.

HOP PORTFOLIO MANAGEMENT

In addition to ensuring funds are targeted at applicants who are most in need, IBA must manage the inherent lending risks associated with its lending portfolio. This function has two objectives: preserving HOP's asset base, which provides the source of funds for future lending; and helping customers retain ownership of their homes. The following sections highlight some of the characteristics of IBA's home loan portfolio and its portfolio management practices.

Loan portfolio balances: As at 30 June 2011, IBA's home loan portfolio comprised 3,685 loans with a current balance of \$673 million. During the year, the portfolio grew by a net amount of \$94 million. Interest charged to loans during the year amounted to \$31.8 million.

Figure 8 shows the growth in the portfolio value over the past 10 years. The decline in the number of loans compared to increases in the value of the portfolio reflects higher loan funding requirements for new loans added

to the portfolio. The reversal of this trend in 2010–11 is a result of a high proportion of Split Loans being added to the portfolio.

The value of the portfolio after accounting adjustments for recognising assets at their fair value was \$450 million.

Geographical distribution: The geographical distribution of IBA's home loan portfolio shows a marked variation from that of mainstream lenders. This is consistent with Australian Census data, which shows that a greater proportion of Indigenous Australians live in non-metropolitan areas.

Figure 9 highlights the predominance of IBA's home loans in non-metropolitan areas.

Loan-to-valuation ratio (LVR): The LVR of loans in the HOP portfolio, when compared with Standard & Poor's Australian RMBS Performance Watch Report (March 2011) benchmark, shows that 68 per cent of IBA's current home loan portfolio has an LVR of 75 per cent or more, whereas the mainstream lending market has only 33 per cent (see Figure 10).

Table 8: Approvals by SDU, 2010–11

Location of SDU	Loans approved (No.)	Loans approved (total value, \$m)
Adelaide	13	3.499
Alice Springs	15	5.511
Brisbane	78	18.041
Broome	9	2.471
Canberra	15	3.752
Cairns	29	6.354
Coffs Harbour	81	20.095
Darwin	29	10.433
Hobart	18	3.151
Melbourne	57	11.978
Perth	37	10.943
Rockhampton	41	9.044
Sydney	49	11.968
Tamworth	21	3.808
Townsville	35	7.025
Wagga Wagga	79	14.670
Total	606	142.743

Note: Amounts for the total value of loans approved have been rounded, and the total value is the rounded sum of the unrounded amounts. SDUs are not necessarily an automatic match geographically. For example, Adelaide handles all South Australian matters. Canberra handles the Australian Capital Territory and immediate surrounding areas like Jerrabomberra and Queanbeyan, which are in New South Wales.

Qualified lending managers

Eighteen lending managers continued their professional development by undertaking the nationally recognised Certificate IV in Financial Services. The qualification covers promoting customer service, communicating and negotiating, managing customer loans and compliance, processing applications for credit and settling applications for finance, among other topics. The course is recognised by the Australian Securities and Investments Commission (ASIC) as fulfilling the requirements for responsible managers of Australian financial services licensees. Gaining this qualification forms an important part of IBA's commitment to adopting best practice components of the *National Consumer Credit Protection Act 2009*.



Lending managers (left to right) David Hawkins, Paul Kotsiras, Craig McDowell and Rose Sergeant are presented with their Certificate IV in Financial Services by CEO Chris Fry (centre).

Arrears management: Reportable arrears (which is the amount due on loans two or more instalments in arrears) was 0.08 per cent of the value of the housing loan portfolio as at 30 June 2011.

Figure 11 shows the reportable arrears trend over the past 10 years. The increase in arrears in the IBA loan portfolio in the current and previous year is consistent with increases in mortgage payment arrears experienced by major lenders.

The IBA reportable arrears rate is on par with arrears levels on loans provided to low-income families by state and territory housing agencies, as reported by the Australian Institute of Health and Welfare in its report *Home Purchase Assistance 2007–08*, which were also reported to be 0.08 per cent of the portfolio value.

In 2010–11, IBA sold 19 houses under its mortgagee-in-possession powers for a net loss of \$691,000. This loss reflected depressed markets in the rural areas where the sales occurred. Before exercising its mortgagor powers, IBA worked extensively with each borrower to ensure they were given every possible opportunity to retain their homes. IBA is pursuing repayment arrangements to recover its losses.

IBA has a higher proportion of loans that are 30–60 days past due but is closer to industry standards for loans that are more than 60 days late, as shown in Figure 12.

Figure 8: Loan portfolio, value and number of loans, 10 years to 2010–11

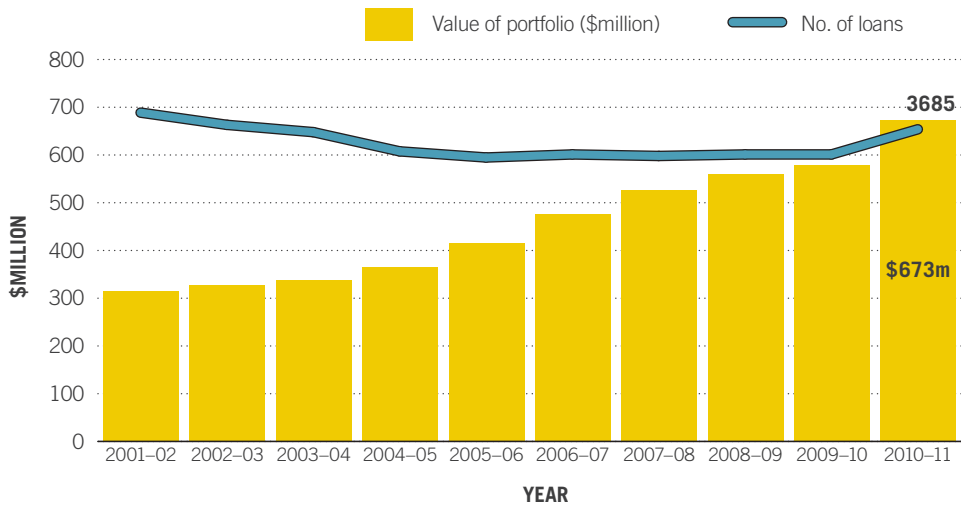
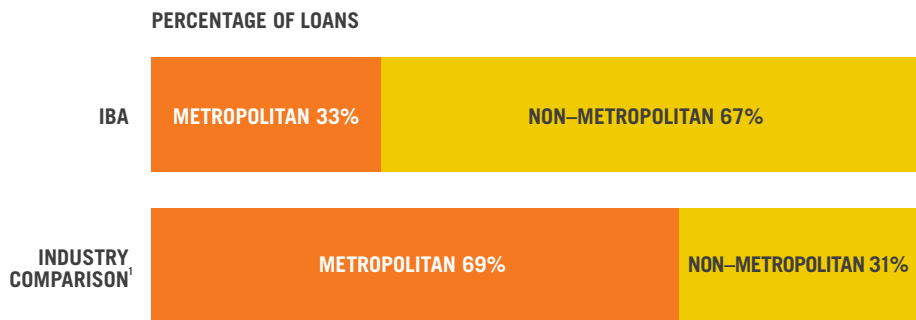
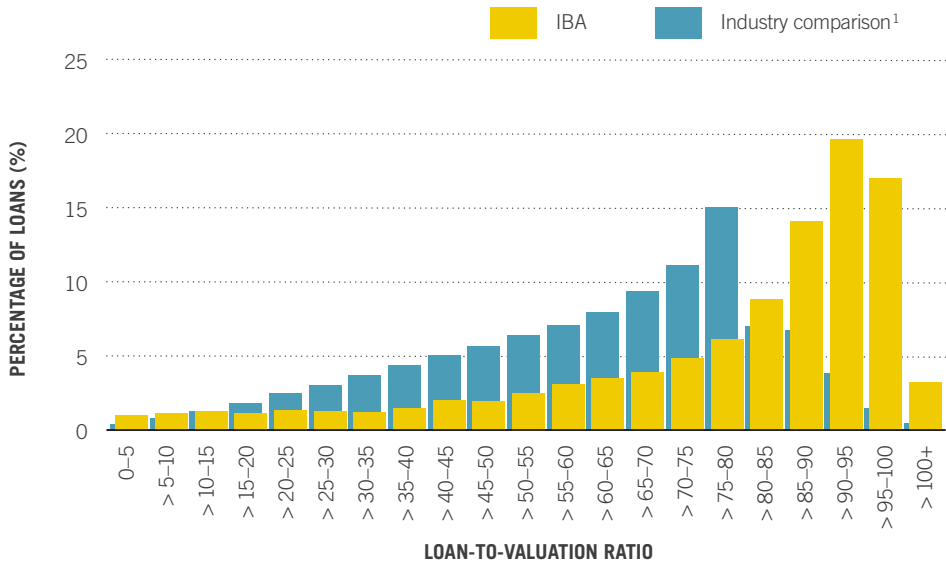


Figure 9: Portfolio comparison, IBA and other lenders, by geographical distribution



¹ Industry comparison is sourced from the Australian simple average for residential mortgage-backed securities in Standard & Poor's RMBS Performance Watch Report, March 2011. Inner-metropolitan and metropolitan have been combined.

Figure 10: Loan-to-valuation ratio, IBA loan portfolio and mainstream lenders



¹ Industry comparison is sourced from the Australian simple average for residential mortgage-backed securities in Standard & Poor's RMBS Performance Watch Report, March 2011.

Figure 11: Arrears, 10 years to 2010-11

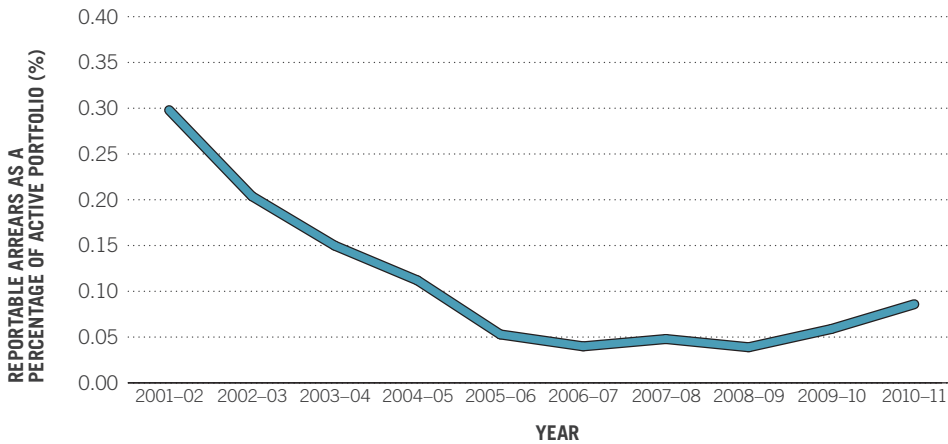
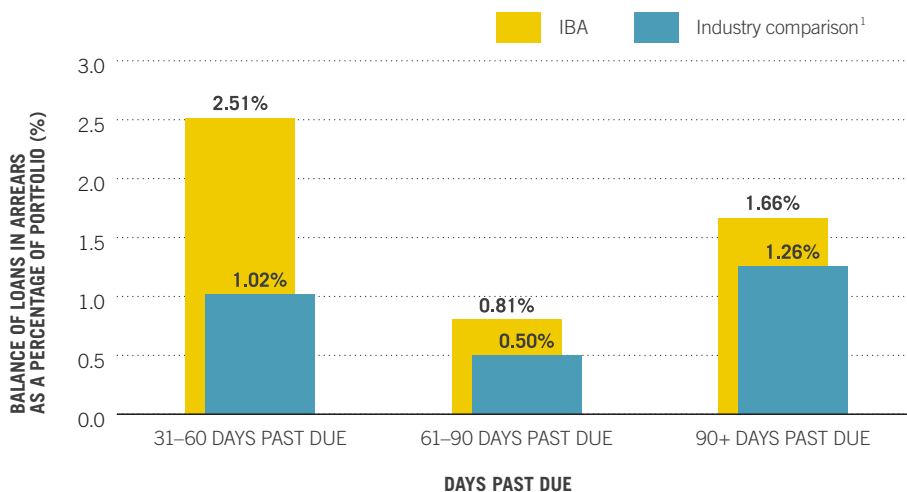
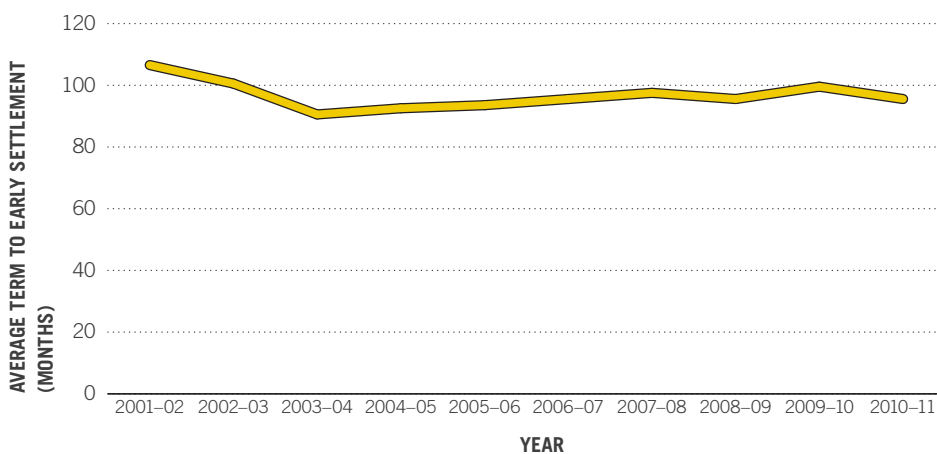


Figure 12: Arrears loan balances comparison, IBA and mainstream lenders



¹ Industry comparison is sourced from the Australian simple average for residential mortgage-backed securities in Standard & Poor's RMBS Performance Watch Report, March 2011.

Figure 13: Average term of loans discharged, 10 years to 2010-11





A HOME OF HER OWN

At 27, Ellen was a single mother with four children under 10 years of age, living week to week, with very little work experience. In 2010, Ellen was selected for a painting apprenticeship with Queensland state government employer QBuild and, with secure employment, was better placed to talk to IBA about the possibility of a home loan.

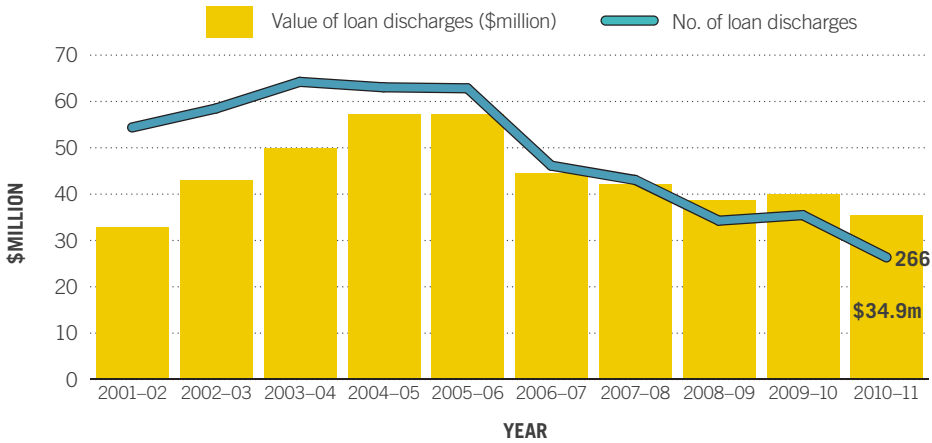
In 2011, Ellen's dream of owning her own home became a reality when IBA approved her housing loan application. 'The responsibility of repaying such a big loan is huge, but knowing it will be paid off one day and my children will have something towards their future is worth it,' Ellen says.

'Never in my wildest dreams did I think this was going to happen to me. I was a full-time mum for nine years, then I had an apprenticeship with QBuild as a painter, and now I am going to buy my first home with the help of IBA.

'All the odds were against me when I became a single mum, but thanks to the support of my family and friends, and assistance from IBA, I've made it and will continue to make it.'

Ellen with her children (clockwise from bottom right) Patrice, N'Edeen, La-Tesha and Wrench.

Figure 14: Loan discharges, value and number, 10 years to 2010–11



Loan discharges: Although IBA home loan terms are typically 32 years, the vast majority of home loan customers will discharge their loan early. The timing of loan discharges is generally driven by individual customer circumstances, including changes in family situation and housing needs, and/or changes in employment and financial situation.

The average life of early discharged home loans is eight years. Figure 13 shows the average term of loans discharged within each year over the past 10 years.

Loan discharges represent an important source of income that can be applied towards new lending. In 2010–11, IBA received \$34.9 million in revenue from early settlement of loans. This represents 40 per cent of the general revenue available to fund new loans (excluding capital from the HOIL Program transfer). Figure 14 highlights the revenue received from early loan discharges over the last 10 years.

OUTLOOK

In 2011–12, IBA and FaHCSIA will continue to work towards maximising the Australian Government's investment in Indigenous home ownership outcomes. IBA will also continue to:

- work with major mainstream lenders to promote and encourage Split Loans, and thus help more Indigenous Australians into home ownership
- respond to the challenges of working with existing customers experiencing hardship, to help them retain ownership of their homes wherever possible.

In addition to providing an immediate boost to funding, the extra \$56 million transferred from the HOIL Program to HOP in 2010–11 will increase future revenue from loan repayments. IBA expects to provide 400 new HOP housing loans in 2011–12.

HOME OWNERSHIP ON INDIGENOUS LAND PROGRAM

In 2007–08, IBA commenced lending operations for the Home Ownership on Indigenous Land (HOIL) Program. The HOIL Program aims to make home ownership a possibility for Indigenous Australians who can afford to repay a home loan and want to buy a home on Indigenous land.

The creation of home ownership opportunities through the HOIL Program relies on the availability and issue of individual land leases, a provision dependent on complex land tenure and administration processes that have taken longer than envisaged when the program was established. State governments (or in the case of the Northern Territory—the Australian Government) are responsible for making these changes which vary across each jurisdiction. These can include legislative changes, resolution of native title issues, cadastral surveys, town plans and other land management processes.

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

All these factors widen the gap between Indigenous and non-Indigenous rates of home ownership.

The HOIL Program provides a flexible package of concessional loans and grants to Indigenous Australians on community-titled land, to help them purchase an existing dwelling or build a new house.

The HOIL Program provides:

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

Implementing the HOIL Program includes assistance from FaHCSIA in the form of good renters discount (GRD) funding, home ownership education and matched savings grants. GRD funding provides eligible applicants who have a good rental history with a contribution to the purchase price of a community home.

PERFORMANCE

The limited availability of suitable land tenure and administration arrangements, which are prerequisites for lending on community-titled land, impacted IBA meeting the targets set out in the Portfolio Budget Statements 2010–11.

IBA had planned to have 12 new communities actively participating in the HOIL Program, 40 new HOIL Program loans and 70 aggregate



loans in the HOIL Program. However, delays in finalising land leasing arrangements impacted on IBA achieving these targets and resulted in nine communities participating in the program, one new loan and a total of 16 aggregate loans in the program's portfolio. All loans approved to date are for families living in the Tiwi Islands.

IBA's ability to meet these targets was dependent on a number of jurisdictions across Australia having appropriate land tenure and administration arrangements in place to allow long-term leasing for residential purposes. No new lease sites emerged in any jurisdiction during 2010–11, despite concerted efforts made in several regions. In Queensland, legislative reforms and land administration systems progressed, giving good prospects for new lending opportunities in the state for the next financial year and beyond.

Issues limiting the HOIL Program's success were documented in the Australian National Audit Office's report published in 2010 (see Program Progress on this page).

These limitations reduced the HOIL Program's lending activity, prompting the Australian Government to authorise the temporary transfer of \$56 million in unused capital funds from the HOIL Program to the HOP, to provide Indigenous Australians with home loans. The transferred capital will be returned when demand for the HOIL Program increases.

PROGRAM PROGRESS

Delays in enacting the necessary and complex land tenure reforms and associated operational frameworks meant that the HOIL Program was rolled out much more slowly than originally anticipated.

The Australian National Audit Office conducted a performance audit of the program in 2010 as part of its scheduled audit program. The audit's objective was to assess the administrative effectiveness of FaHCSIA and IBA in managing the program.

The report concluded that increasing the level of home ownership on community-titled land has been a significant challenge for IBA and FaHCSIA. The two agencies face a range of barriers that affect their ability to provide loans and home ownership incentives to Indigenous Australians on community-titled land. These barriers restricted the number of potential customers, which consequently affected the number of loans assessed, and the agencies' ability to deliver financial incentives and training packages to Indigenous Australians.

The audit found that IBA had undertaken considerable groundwork and the program was being soundly administered.

IBA believes the report presents a balanced view of the HOIL Program's implementation.

The report recognised the challenges encountered in establishing the program, including the slow pace of land tenure and land administration reforms in states and territories.

The report contained only one recommendation: that IBA and FaHCSIA clarify the program's strategic direction and develop alternative strategies to help overcome barriers to progress and deliver the program more efficiently.

IBA has been working closely with FaHCSIA to review the program's strategic directions and develop an improved delivery strategy.

Northern Territory: Township leases are in place for the communities of Nguu in the Tiwi Islands, Angurugu and Umbakumba on Groote Eylandt, and Milyakburra on Bickerton Island. IBA continues to promote the HOIL Program in these communities.

To better support customers at the local level, IBA is trialling the use of a community-based organisation as a liaison between IBA and local community members in Angurugu, Milyakburra and Umbakumba. This arrangement supplements IBA's promotion of home ownership and provides a local point of contact for obtaining information about the HOIL Program.

Regulatory problems resulted in delays to new house constructions and existing home renovations, affecting some HOIL Program customers in Nguu. Although IBA has no contractual ability to deal directly with builders in these matters, it worked closely with the affected customers and their advisors to resolve any issues and expedite the building work.

Due to the building problems HOIL Program customers experienced, IBA has now put in place additional support mechanisms to ensure customers have access to:

- additional legal services to help them understand and manage their building-related contractual rights and obligations
- IBA-funded building project managers to achieve agreed construction outcomes.

Construction disputes are not uncommon in the building industry, as there is no way of guaranteeing the capacity or willingness of a private builder to meet their obligations. The risk is higher in remote communities due to the limited choice of builders and reduced competition.

In addition, buildings constructed on community-titled land in the Northern Territory are not subject to the same mandatory building compliance and occupation certifications required by local councils in populated centres such as Darwin and Alice Springs.

Residents in other communities in the Northern Territory, where the land tenure arrangements do not provide the same level of security as township leases, have expressed their interest in home ownership. IBA is working with the relevant stakeholders to maintain this interest.

Queensland: IBA and FaHCSIA are working with Queensland government agencies and local Indigenous councils to finalise the necessary and complex frameworks, systems and processes required to facilitate home ownership in Deed of Grant in Trust (DOGIT) communities. Before Indigenous councils can establish a land-leasing scheme, they need to develop town plans that comply with relevant regulations. This, together with satisfying Native Title requirements, is required of most Queensland communities engaging in home ownership. Developing town plans includes determining town boundaries and land-use requirements, checking infrastructure, organising subdivisions, surveying, and negotiating Indigenous Land Use Agreements.

IBA and FaHCSIA continue to work with the Queensland Department of Communities and other stakeholders, including the Cape York Welfare Reform Group, to establish the support mechanisms for sustainable home ownership in Queensland communities.

At Mapoon in Far North Queensland, IBA—in conjunction with World Vision Australia and the Mapoon Shire Council—has provided funding to establish practical community-based systems that facilitate home ownership. The project has helped identify and resolve implementation issues with broader application to remote communities.

Current loan performance: As at 30 June 2011, the HOIL Program portfolio comprised 13 active loans, valued at \$2.1 million. For the 2010–11 financial year, IBA received \$132,187 in loan repayments. There were no reportable arrears.

OUTLOOK

IBA will continue working with FaHCSIA to finalise implementation of the HOIL Program strategies. These include prioritising a number of Queensland communities for specific actions, and establishing performance targets for future years. IBA will allocate additional resources towards working with state agencies and community organisations to finalise land administration arrangements, remove remaining barriers and establish appropriate support arrangements.

In line with the recommendation from the Australian National Audit Office's performance audit of the HOIL Program, IBA and FaHCSIA are reviewing the program's strategic direction and developing a project plan that includes key actions and timelines for optimising the current program and administrative arrangements. The revised strategies will draw on the success of HOP and the lessons learned to date from the HOIL Program. IBA will continue to pursue innovative means of rolling out the program and ensuring the best use of its funds.

IBA will continue to work with state and territory governments as they roll out their leasing reforms and land administration systems. Following detailed consideration of the land tenure reform progress with the relevant authorities, IBA and FaHCSIA will formulate processes to optimise program operations and set appropriate targets in the future.

Of equal importance, IBA will continue to work with communities and individuals interested in local home ownership opportunities to make informed home ownership choices at the right time, including managing the long-term financial commitment of a mortgage.

BUSINESS DEVELOPMENT AND ASSISTANCE PROGRAM

PART 04



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BUSINESS DEVELOPMENT AND ASSISTANCE PROGRAM

The Business Development and Assistance Program assists Indigenous Australians aspiring to enter into business to make an informed decision about whether they are sufficiently prepared to do so and, if they proceed, to help them develop and manage commercially viable businesses.

The program's objective is to ensure the long-term viability of Indigenous businesses. IBA achieves this by giving customers the essential information they need to plan their business and obtain business loans; and by providing access to professional guidance to assist new business owners to successfully enter into and remain in business. IBA assists existing businesses to grow or improve aspects of their management or performance to improve their prospect of long-term success.

PERFORMANCE

The 2010–11 financial year posed several challenges for some IBA customers, including natural disasters in Queensland and Victoria. IBA is pleased to report that by providing hardship relief, it helped these affected customers avoid business closure.

IBA is aware that years in business is often an indication of success, so it measures some of the Business Development and Assistance Program's performance in this way. As at 30 June 2011, the IBA business loan customer survival rates showed 91 per cent of customers are still in business after the first 12 months and 81 per cent after the first 24 months, compared to national business statistics of 84 per cent and 73 per cent respectively¹ (see Table 10).

¹ Australian Bureau of Statistics Report 8165.0 – Counts of Australian Businesses, including Entries and Exits, June 2007 to June 2009.

IBA is also aware that customers who successfully repay a loan are more likely to have improved their net worth and surplus income positions. These customers would also benefit from establishing a positive credit rating.

IBA's business development activities have resulted in 788 prospective entrepreneurs attending *Into Business*TM workshops (see page 64). IBA also provided 285 prospective entrepreneurs with business support before they entered into business. There were 102 customers who applied for a business loan in 2010–11. Of these applicants, IBA referred seven to other agencies or financiers, provided business support to 244 existing Indigenous-owned businesses, and supported three Indigenous customers to successfully refinance loans with a total value of \$319,500 with mainstream financiers.

STRATEGY

Business development is a key element of economic development. In the 2006 Australian Census, 5.5 per cent of employed Indigenous Australians indicated that they own a business, compared to 16.4 per cent of employed non-Indigenous Australians. Indigenous participation in business ownership has more than doubled since 1991, according to Census data (from 3,232 in 1991 to 6,599 in 2006).

During 2010–11, IBA established a strengthened risk management regime, which defined a credit risk tolerance for the Business Development and Assistance Program, and introduced a more rigorous and comprehensive policy for reviewing loan management and business support compliance...

Following an internal review, IBA comprehensively reformed and updated the ...
(continued on page 64)

Table 10: Business Development and Assistance Program performance summary, measured against the IBA Portfolio Budget Statements, 2010–11

Targets		Results
Loan accounts moved from active status because they have been successfully paid out	70%	77%
Loan customers still in business 12 months after commencing business (Australian average 84%) ¹	80%	91%
Loan customers still in business two years after commencing business (Australian average 73%) ¹	70%	81%
Loan customers still in business three years after commencing business (Australian average not available)	55%	72%
New loans approved	70	Of the 71 loans approved: 24 loans were used to establish a new business 38 loans were used to purchase an existing business 9 loans were used to consolidate or expand existing businesses.
Businesses or prospective businesses provided with business advice or support	450	529
Economic Development Initiatives ² undertaken	40	30 IBA consolidated several workshop initiatives into the <i>Into Business</i> TM workshop series, which reduced the number of initiatives required over 2010–11 (see page 64 for more details).
Jobs created or supported through loan funding	200	171, including 125 jobs for Indigenous Australians. The reduced number of loans approved in 2010–11 affected the number of jobs created or supported (see page 60 for more details).
Active loans in the portfolio	320	289 The number of loans approved in 2010–11 was affected by the release of the <i>Into Business</i> TM workshop initiative, which delayed the receipt of applications, and a larger than anticipated number of loans awaiting funding as at 30 June 2011 (see pages 64 and 69 for more details).

¹ Australian Bureau of Statistics Report 8165.0 – Counts of Australian Businesses, including Entries and Exits, June 2007 to June 2009.

² Economic development initiatives (EDIs) identify and promote small business opportunities within an industry, community or geographical location.



MAKING BUSINESS DREAMS A REALITY

.....

Kym Wiley, the owner of Coyote K9's, a mobile dog-washing service, was working on increasing her client base when she heard about IBA's *Into Business*™ workshops. 'I was getting my business built up but was at a point where I didn't know where to go, or what my next steps were,' Kym says.

By attending the workshops, Kym has become more confident and excited about being in business, and understands she is ultimately responsible for the success of Coyote K9's.

'I know that whatever I put into my business is what I'm going to get out of it ... And I love it,' Kym adds. 'I love the business, I love the dogs, I love being out and about and not stuck in an office. The possibilities are endless—it's about how much I want to put into it.

'If I was happy working every day going out washing dogs, having a fairly good income, I could stop at that. But I want to build it, make it bigger ... My children love dogs and animals as well, so there's the possibility of getting them involved in this, and leaving something for their future.'

.....

Kym Wiley, owner of Coyote K9's, with her dogs Xena and Nelly.

Table 11: Business Development and Assistance Program activity and expenditure summary, five years to 2010–11

Activity	2006–07	2007–08	2008–09	2009–10	2010–11
Enquiries received (No.)	1,653	1,707	1,785	1,841	2,029
Business loans approved (No.)	103	102	74	81	71
Business loan expenditure (millions)	\$23.9	\$14.0	\$12.8	\$13.8	\$10.1
Business support approved (No.)	678	1051	648	661	593
Business support expenditure (millions)	\$6.6	\$5.7	\$7.8	\$6.4	\$5.6
EDIs undertaken (No.)	46	46	56	75	30
EDI expenditure (millions)	\$1.2	\$1.2	\$2.0	\$1.7	\$1.7

(continued from page 60)

program, including product design, policy, operating procedures, program delivery, systems, reporting and operational capability.

The introduction of a new product—the *Into Business*TM workshops—resulted in a reduced business loan expenditure in 2010–11. This was partly due to many prospective applicants needing to complete workshops before progressing to the loan application stage. Lending is expected to return to previous levels as participants complete the workshops.

INTO BUSINESSTM WORKSHOPS

During 2010–11, IBA successfully launched its *Into Business*TM workshop series. The free workshops were introduced as a strategic initiative to:

- improve customers' understanding of general business principles and preparedness for starting a business
- increase customer involvement in researching and assessing the commercial viability of their business idea
- help customers make a more informed decision about whether business ownership is right for them
- better prepare customers for working with a business consultant to develop their business plans.

The workshops assist Indigenous entrepreneurs to better understand the rewards and risks of starting and running a business. Each series consists of three one-day workshops that are offered across Australia, including in regional and remote areas. The second and third workshops aim to assist participants to develop their business idea or plan. Participants can complete each workshop at their own pace.

In 2010–11, IBA held 266 workshops with a total of 1,421 attendees (see Table 12).

Table 12: *Into Business*TM workshop attendance, 2010–11

Workshop	No. of workshops	No. of attendees
A	113	788
B	87	406
C	66	227
Total	266	1,421

Feedback to date indicates that more than 91 per cent of participants rated the workshops as meeting or exceeding their expectations.

The *Into Business*TM workshops have delivered additional cost efficiencies as business support is targeted to those with advanced planning for business and those already in business. The workshops are funded through the Economic Development Initiative (EDI) budget (see page 75 for more details on EDIs).

BUSINESS SUPPORT

The Business Development and Assistance Program provides support to assist customers to determine the viability of a business proposal, access business management training, and obtain mentoring in business management while in business. Business support is delivered by a panel of consultants and helps customers become competent business owner-operators. Customers who attend *Into Business*™ workshops before starting to work with a business consultant are likely to be better prepared for this next step.

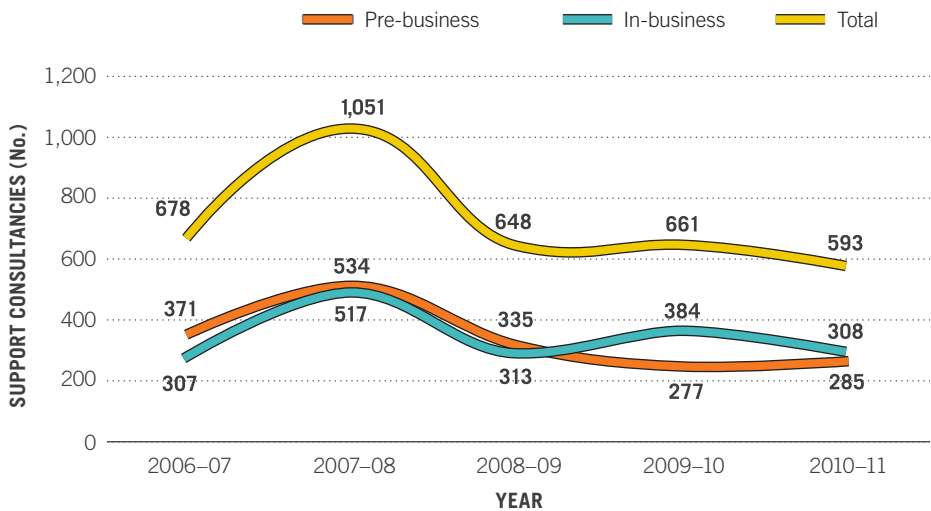
Pre-business support involves giving Indigenous entrepreneurs access to

a consultant to help them formalise or further develop a business plan. The consultant may also help them prepare an application for a business loan with IBA or another financier.

In-business support is provided to existing Indigenous business owners who require assistance with financial planning and management, marketing, business procedure development, website development, industry expertise, succession planning, and retirement or exit strategies, among other matters.

Figure 15 identifies the number of business support consultancies conducted during the five-year period to 30 June 2011.

Figure 15: New business support by type, five years to 2010–11





KEEPING INDIGENOUS BUSINESS HEALTHY

.....

The Bawrunga Aboriginal Medical Service (BAMS) was established in 1999 in Bowraville, New South Wales to deliver primary health care to the local community. BAMS delivers vital general practitioner (GP) services to more than 13,500 Indigenous and non-Indigenous patients.

BAMS is 100 per cent Indigenous community-owned and operated. It employs 33 staff members (13 of whom are Indigenous), and eight contracted GPs. The service has three clinics on the mid-north coast of NSW (Macksville, Nambucca Heads and Toormina), three clinics in the NSW western region (Dubbo, Gilgandra and Gulargambone) and one clinic in Blacktown, NSW.

IBA, through the Business Development and Assistance Program, has assisted BAMS to create a self-sustainable business model that has allowed BAMS to continue to expand its affordable, accessible and high-quality health and medical services in rural and remote areas, and to promote reconciliation and unity.

.....

The BAMS clinic at Nambucca Heads.

Mainstream finance: Where appropriate, IBA helps its customers meet the lending criteria of a mainstream bank or finance company. In these situations, IBA may assist by providing business support to meet the application requirements, such as preparing a business plan or cash flow forecast. In 2010–11, IBA assisted 22 customers to access approximately \$5 million in mainstream finance. IBA can continue to provide mainstream finance customers with business support during the life of their business.

In addition to this support, a partnership between IBA and National Australia Bank (NAB) enables Indigenous entrepreneurs to apply for concessional loans of up to \$20,000 under the bank's award-winning Indigenous Entrepreneur Microenterprise Program. IBA provides ongoing mentoring and business support for these NAB customers.

BUSINESS LOANS

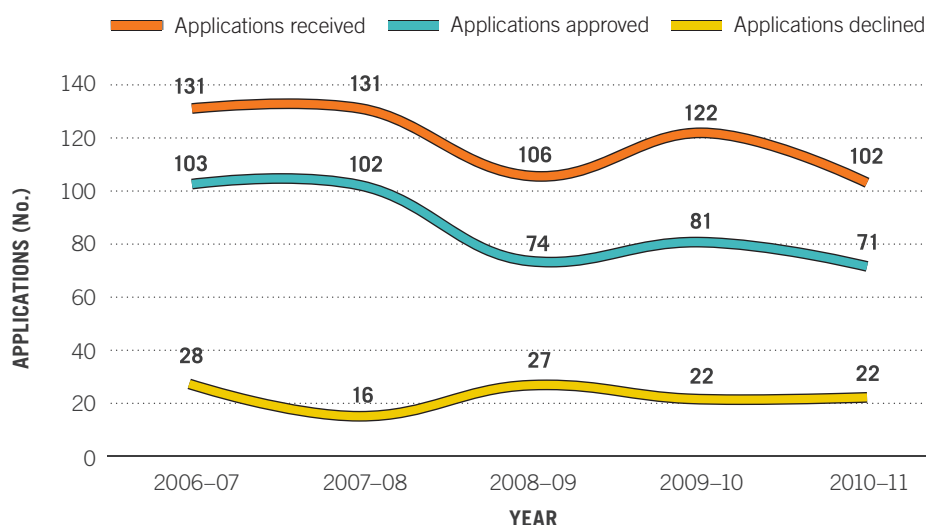
IBA's lending policies are based on years of experience operating in the unique lending environment of Australian Indigenous affairs. During 2010–11, the IBA Board reviewed past loan performance, and determined risk tolerances and guidelines to help lending staff make quality lending decisions that address the delicate balance between commercial viability and applicants' economic opportunities.

The main prerequisites for having an IBA business loan approved are that the business has a minimum 50 per cent Indigenous ownership and is assessed as commercially viable, and the proprietors and managers have demonstrated that they are sufficiently skilled and ready to operate the business successfully.

Figure 16 displays the trends associated with business loan applications for the five years to 2010–11. Implementing the *Into Business™* workshops delayed many customer applications by two to three months and consequently affected application levels in 2010–11.

In 2011–12, IBA expects the number of applications to return to the levels seen in previous years.

Figure 16: Business loans key activities statistical summary, five years to 2010–11



New lending: During 2010–11, IBA settled 54 new business loans—including 23 for new businesses—with a total value of \$10.1 million.

Support for borrowers: Business Development and Assistance Program staff members are based in 13 regional offices around Australia. A national Freecall™ telephone service connects customers with their nearest business lending manager, and additional information and contact options can be found at www.iba.gov.au.

IBA provided hardship relief to customers affected by the natural disasters in Victoria and Queensland in early 2011, mainly by deferring loan repayments or agreeing to short-term additional concessions on interest rates. As at 30 June 2011, all IBA customers affected by these natural disasters had kept their businesses operating.

PORTFOLIO MANAGEMENT

The Business Development and Assistance Program operates at the higher end of the commercial risk spectrum, as loans are generally to businesses that would not meet a commercial bank's lending criteria. IBA aims to mitigate this risk through the concessional nature of the business loans and by providing intensive business support and customer care.

Like most prudent financial organisations, IBA monitors trends in key aspects within the portfolio, including:

- profile: the number and value of loans, by location and industry
- arrears: the number and value of repayments on overdue loans
- loss salvage: the number and value of defaulted loans and loans for which a payout has been demanded (including selling the security)
- write-offs: the number and value of loans where debt recovery is unlikely and the debt has been written off
- doubtful debt provisions: the conservatively estimated loss on loans that may occur during the next financial year.

Profile: As at 30 June 2011, the loan portfolio comprised 326 loans with a discharge balance of \$53.9 million. Figures 17 and 18 segment the portfolio by number and value of loans per state or territory.

The geographical profile of the portfolio is consistent with prior years and reflects other key Indigenous statistical data such as self-employment and population distribution.

IBA endeavours to service Indigenous business owners in all areas within Australia, except those covered by the Torres Strait Regional Authority. Table 13 identifies the diversity of customers' locations in the portfolio and identifies IBA's reach into more remote areas of Australia.



Business Development and Assistance customers, Aaron and Claire Hills, own a successful automotive business in Sydney.



FIT FOR BUSINESS

After several years with the Fernwood Group as a membership consultant and certified fitness trainer, Wendy Brookman turned her attention to the possibility of owning a club in the gym franchise.

Wendy—who was Fernwood’s national Salesperson of the Year in 2002, 2003 and 2004—and her husband Alan felt ready to take on the challenge of owning a business, hoping to create greater autonomy and financial independence for their young family.

Unfortunately, their first attempts to secure mainstream finance in 2005 were declined due to a lack of equity. However, after hearing about IBA through family, Wendy made a phone call that she says changed their lives.

‘I’ll never forget the day,’ she says. ‘Beth from IBA answered, and she was just as excited as I was. IBA wanted to know about me and what the business was, and they understood how badly we wanted it.’

IBA put Wendy and Alan in touch with a business consultant. ‘That’s the thing with IBA: they’re thorough,’ says Wendy. ‘They showed me things that sometimes new business owners don’t want to see. But you need to see them, not as a deterrent but as things you have to take on board, changes you need to make if you want to be successful. But there were times I thought, ‘Man, why are you talking to me about this, why would you do that to me?’

After speaking with the consultant, Wendy and Alan revised their business plan and applied to IBA for business finance. IBA negotiated with the Fernwood Group to create a tripartite agreement to meet all the parties’ needs.

The loan was approved in December 2009 and Wendy and Alan became the owners of Fernwood Canberra City Health Club. ‘That was one of my happiest times—Neville from IBA rang up and told me. He was so excited, saying ‘We’re so happy for you, so happy to be a part of it’. I was so unprofessional and said ‘I could kiss your face off!’

Energetic entrepreneur Wendy Brookman at her Fernwood Canberra City Health Club.

Figure 17: New business loans by state or territory, number and value, 2010–11

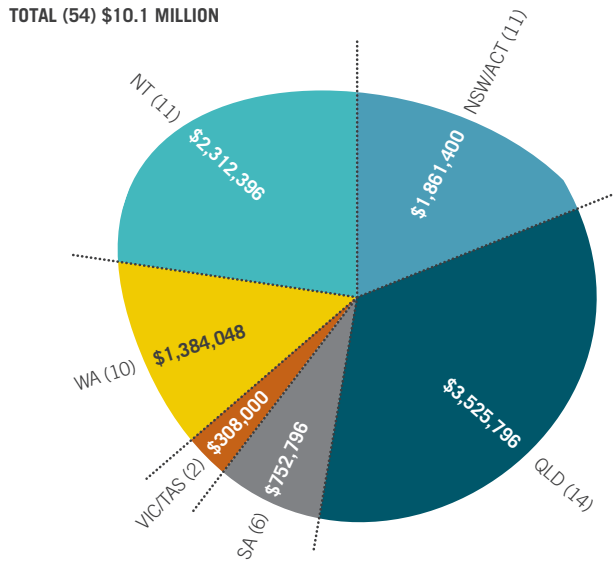


Figure 18: Business loan portfolio by state or territory, as at 30 June 2011

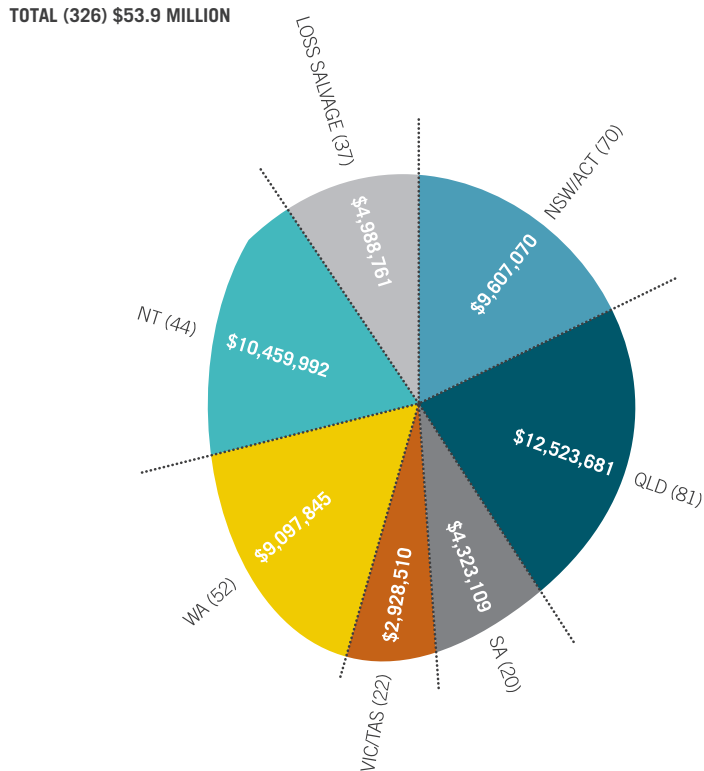
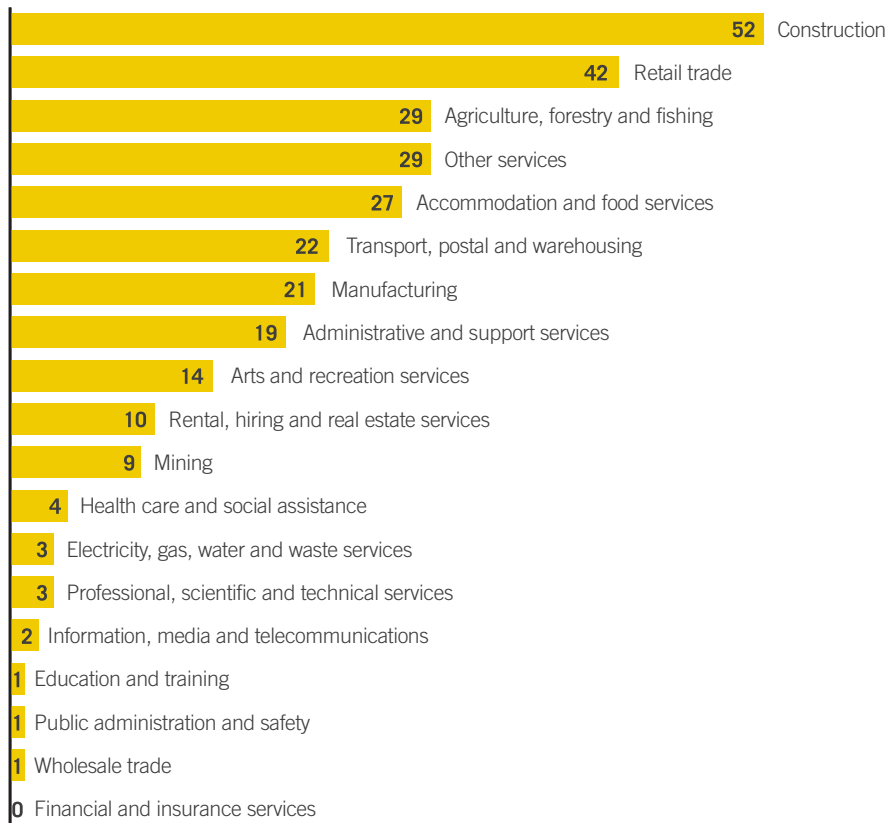


Table 13: Business loan portfolio by state or territory, as at 30 June 2011

State	Metropolitan	Regional	Remote	Total
NSW	17	38	12	67
ACT	3	0	0	3
Qld	18	35	28	81
SA	4	11	5	20
Vic	7	9	1	17
Tas	0	3	2	5
WA	9	10	33	52
NT	1	10	33	44
Total loans, no. and %	59 (20%)	116 (41%)	114 (39%)	289

Figure 19 identifies the number of active business loans within each Australian and New Zealand Standard Industrial Classification (ANZSIC) industry sector. The IBA portfolio is well diversified and balanced across all major industry sectors.

Figure 19: Business loan portfolio by industrial classification¹, as at 30 June 2011

¹ As per the Australian and New Zealand Standard Industrial Classification (ANZSIC).

Arrears: Figure 20 identifies the discharge balance of reportable arrears loans as a percentage of the active loan portfolio balance over the five-year period to 2010–11.

Reportable arrears are defined as those past their due date by two instalments (typically 60 days) or more. Non-reportable arrears are defined as loans that are less than two instalments past their due date.

IBA is pleased to report that as at 30 June 2011, 62 loans in the portfolio are ahead of scheduled repayments by more than one instalment. There were 48 loans with reportable arrears as at 30 June 2011 (with a discharge balance of \$10.2 million) compared to 53 loans as at 30 June 2010 (with a discharge balance of \$13.9 million).

Loss salvage: As at 30 June 2011, there were 37 loans in loss salvage, with a total discharge balance of nearly \$5 million. As at 30 June 2010, the number of loans was higher (44) but at a lesser value (\$2.2 million).

Write-offs: During 2010–11, 25 loans were written off, totalling \$3.9 million. Recoveries of \$13,637 were made on nine loans that were written off in previous years.

Doubtful debts provisions: As at 30 June 2011, the doubtful debts provisions were \$13.6 million. This represents a decrease of \$0.6 million from 30 June 2010.

Figure 20: Business loan portfolio reportable arrears, as at 30 June, five years to 2010–11

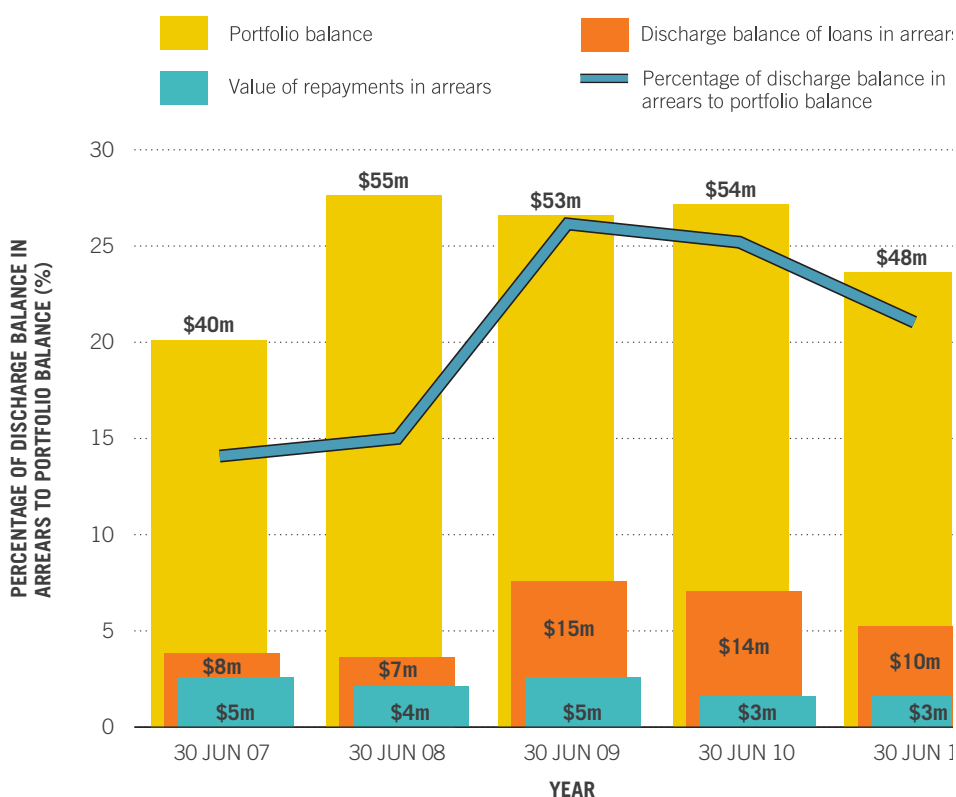
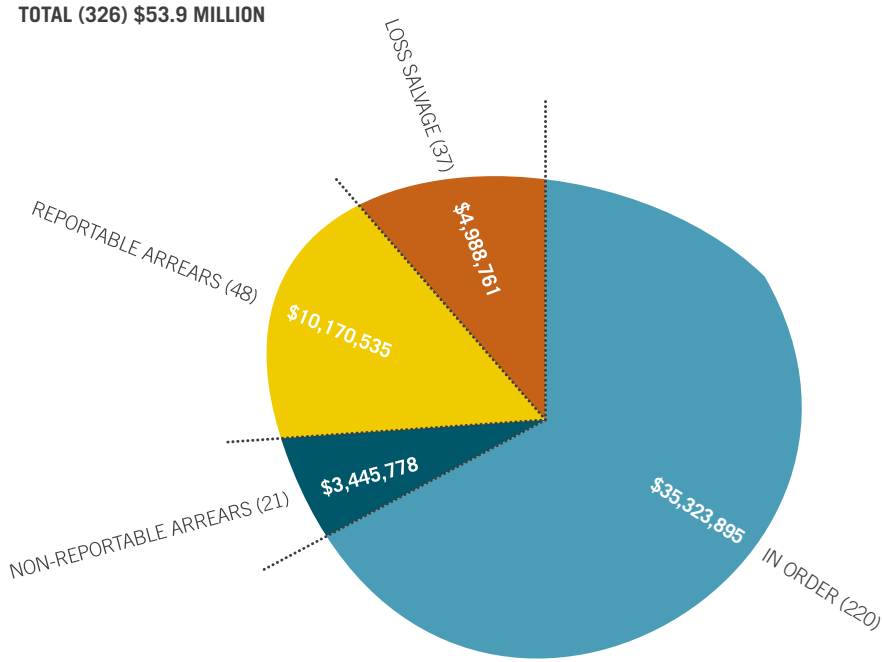


Figure 21: Business loan portfolio by loan status, as at 30 June 2011



ECONOMIC DEVELOPMENT INITIATIVES

IBA's Economic Development Initiatives (EDIs) support Indigenous economic and business development by funding projects that:

- build business skills
- encourage the pursuit of research into economic opportunities
- help overcome barriers to entry into business
- provide access to relevant information and assistance.

EDIs are intended to support multiple beneficiaries, whereas business support is delivered to a specific customer or business. For example, customers who are not fully prepared for self-employment can be referred to an *Into Business*™ workshop that is funded by an EDI. As the customer's preparedness develops, they may then be eligible to receive one-on-one business support to complete their planning and establish their business.

Thirty EDIs were undertaken in 2010–11, with a total funding commitment of \$1.7 million over various terms. Table 14 outlines some significant EDIs undertaken in 2010–11.

Table 14: Significant Economic Development Initiatives, 2010–11

EDI	Type of initiative	Results
Indigenous Tourism Champions Program	Industry-specific national project	Thirty-one Indigenous tourism operators were supported and mentored so they could offer world-class tourism experiences to their customers. Participants received support to attend trade events specific to their industry, to further their skills development.
V3 e-commerce enabling	Industry-specific to tourism, Phases 2 and 3	Stage 2 completed, with 47 operators now e-commerce enabled. Stage 3 continues this project, providing ongoing e-commerce support to tourism operators.
Indigenous Communities in Business	Regional project in Maningrida, Phase 1	Researched the need, desire and opportunities for business development.
Indigenous Communities in Business	Regional project in Maningrida, Phase 2	Provided mentoring and networking assistance to help develop potential micro-businesses.
Indigenous Communities in Business	Regional project in northern NSW, Phase 1 Jun–Nov 2011	Provided support to develop micro-business opportunities.
Ngukurr	Community feasibility study	The community identified several potential business ideas that could be developed in the future.
Leedal	Community business development	An Indigenous community business group has developed its skills to the stage where it is able to manage—and help other community members manage—viable businesses.
Mine scoping study	Industry scoping study	Investigated opportunities for Indigenous-owned businesses to participate in the mining industry in the Kimberley Region. Several opportunities have been identified in communities in East Kimberley and West Kimberley.
Northern Territory tourism accreditation training	Industry-specific initiative	This project has been ongoing since 2009 and is due to end in December 2011. As at 30 June 2011, 21 tourism operators had received accreditation, exceeding the original estimate of 12.
<i>Into Business</i> TM workshops	National skills development project	IBA held 266 workshops around Australia, and several participants went on to receive business support. The workshops provide basic information and training about how to manage a business, allowing participants to make an informed decision about whether they are sufficiently prepared to go into business.
Workshops and trade events	Business skills and development	Four customers attended industry-specific workshops and events. The events were identified as successful and beneficial to the specific participating businesses.

OUTLOOK

After a year of loan portfolio consolidation and reform, IBA proposes to undertake significant promotional activity regarding its products and services in 2011–12, through targeted media and presentations at relevant Indigenous forums.

In 2011–12, IBA also plans to enhance the effectiveness of the Business Development and Assistance Program by completing a number of program reform activities that began in 2010–11. This includes upgrading loan systems and employee learning and development following a skills audit undertaken in the first half of 2011.

The coming year will also mark the first full year that IBA has offered the *Into Business*[™] workshops. A comprehensive evaluation of the effectiveness of the workshops will occur in the second half of the year.



Yvonne Webb and Cherrie Sherman at an *Into Business™* workshop in Darwin.

CORPORATE GOVERNANCE

PART 05



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MANAGEMENT AND ACCOUNTABILITY

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

CORPORATE AND STRATEGIC PLANS

The *Aboriginal and Torres Strait Islander Act 2005* (ATSI Act) requires the Board to prepare a Corporate Plan that sets out a statement of IBA's objectives, and outlines the strategies and policies the Board intends to adopt to achieve those objectives. This plan must specifically refer to the Board's intentions regarding investments, loans, guarantees and other financial aspects of its operations. IBA is required to review the plan regularly.

IBA's Corporate Plan 2008–13 was developed by the Board in July 2008 through a process of planning and discussion. IBA's Strategic Plan 2011–13 (a revision of its Strategic Plan 2008–13) sits under the Corporate Plan, and guides the development of Branch Business Plans. The Strategic Plan describes how the Corporate Plan will be implemented.

MINISTERIAL DIRECTIONS AND GENERAL POLICIES OF GOVERNMENT

The Hon. Jenny Macklin, MP, Minister for Families, Housing, Community Services and Indigenous Affairs (FaHCSIA), was the responsible Minister for the 2010–11 reporting period. She made no directions to IBA under section 151 of the ATSI Act, which empowers

the Minister to make directions with which IBA must comply.

Previous ministers exempted IBA from the requirement to comply with general government policies regarding Australian Government property ownership, cost recovery, foreign exchange risk management, and the National Code of Practice for the Construction Industry.

Although exempted from complying with some aspects of foreign exchange risk management, IBA is required to report any foreign exchange exposures, gains and losses to the Department of Finance and Deregulation. IBA must also comply with guidelines on making appointments to, and setting remuneration for, public offices established under legislation.

During 2010–11, IBA was exempted, by regulation, from complying with most aspects of the National Consumer Credit Code.

STATEMENT OF EXPECTATIONS AND STATEMENT OF INTENT

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

THE IBA BOARD

The IBA Board is appointed by the Minister. It comprises Indigenous and non-Indigenous members with extensive and varied business expertise (see page 82). The full Board consists of a Chair a Deputy Chair and seven Directors. A vacant Director's position was filled in July 2011 (see page 87). The ATSI Act requires that the Chair and a majority of the Board are Indigenous Australians. As at 30 June 2011, 63 per cent of the Board identified as being of Aboriginal or Torres Strait Islander descent. Women made up 75 per cent of the Board's membership, comparing favourably to the 12.8 per cent¹ of women on ASX 200 (Australian Securities Exchange 200) boards.

The role of the IBA Board: In general, the IBA Board is responsible for:

- setting the strategic direction for IBA and identifying its strategic opportunities and risks, as per the ATSI Act
- preparing and reviewing IBA's Corporate Plan for consideration by the Minister
- appointing the Chief Executive Officer (General Manager) and evaluating the performance of the CEO (GM) in carrying out his or her delegated duties, responsibilities and authorities
- approving and reviewing IBA's Budget and input into the FaHCSIA Portfolio Budget Statements and Board policies
- monitoring and reviewing IBA's performance against objectives, and reviewing Board and Board Committee performance
- preparing IBA's Annual Report and annual compliance report, which asserts IBA's compliance with the *Commonwealth Authorities and Companies Act 1997* (CAC Act) and related regulations and orders.

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

¹ Source: www.companydirectors.com.au/Director-resource-Centre/Governance-and-Director-Issue/board-Diversity/Statistics.

Consistent with longstanding government practice, the Board consults with the Minister in relation to the appointment of the CEO (GM). The Minister also consults IBA about Board appointees whenever there is—or is expected to be—a vacancy, as required by section 158 of the ATSI Act.

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

The Board implements these governance principles to:

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

The IBA Board held six meetings in 2010–11.

All Board members are non-executive directors. The composition of the Board and membership details for each director are listed on page 82.

Board development and review:

New Board members undertake a formal induction into their role, including a meeting with the Chair and CEO (GM). They are given a Director's Induction Manual that includes the Board Governance Charter.

Directors are required to pursue their own development and continuously update their knowledge to attain and maintain the levels of competence demanded of them. Directors are, with the assistance of IBA, expected to undertake ongoing professional development that is relevant, required and commensurate with IBA's needs.

During 2010–11, two directors completed the Australian Institute of Company Directors (AICD) course.

A Board performance review will be completed in early 2011–12.

IBA Board and Committees membership and meeting attendance, 2010–11



DAWN CASEY

PSM FAHA

Chair of the Board

First appointed 29 June 2009 to 28 June 2014

Board 6[6]

Dr Dawn Casey is Director of the Museum of Applied Arts and Sciences, which manages the Powerhouse Museum and the Sydney Observatory.

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

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

Dawn has received many awards for her achievements.



IAN TRUST

Deputy Chair of the Board (from 1 Dec 2010) and Finance and Investment Committee member

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

Board 5[6]
Finance and Investment Committee 4[5]

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

Ian was Chair of the Aboriginal and Torres Strait Islander Commission (ATSIC) Wunan (Kununurra Region) Regional Council for nine years, and Zone Commissioner for the Kimberley for two years. He was also instrumental in establishing the Wunan Foundation and Kimberley Group Training Company (now Kimberly Group Training Incorporated) in the East Kimberley.

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



LEAH ARMSTRONG

Board Director

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

Board 4[6]

Leah Armstrong was the Executive Director of Yarnteen Ltd, a not-for-profit Indigenous organisation based in New South Wales. For 17 years, Leah worked to ensure Yarnteen was an effective commercial organisation with strong governance, strategic direction and financial accountability. She brings to the Board valuable knowledge of the issues that Indigenous communities face when undergoing economic development.

Leah's other directorships and committee appointments include CEO of Reconciliation Australia; director of the Australian Indigenous Minority Supplier Council; and member of the National Policy Commission on Indigenous Housing. She is also a board member of the Jobs Australia Foundation and the Hunter Region Sports Venue Authority.



VALERIE COOMS

BA (Hons)

Board Director and Finance and Investment Committee member

First appointed 16 June 2010 to 16 June 2013

Board 5[6]
Finance and Investment Committee 3[5]

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

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

Only one Board meeting and one Audit and Risk Committee meeting were scheduled between 1 July 2010 and the 31 August 2010, when the Deputy Chair, Bob Blair's membership concluded. Bob attended one Board meeting and did not attend the Audit and Risk Committee meeting in 2010–11.



JENNY BODDINGTON

MA (Hons), MAICD

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

First appointed 19 March 2001

Reappointed 16 June 2010
to 16 June 2012

Board 6[6]

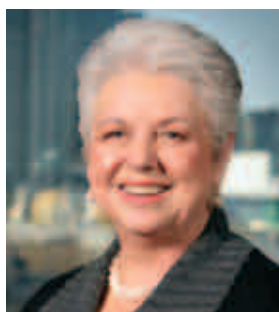
Finance and Investment
Committee 4[5]

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

As the Head of Risk and Operations at QBE Lenders' Mortgage Insurance Limited (QBE LMI), Jenny is responsible for credit policy, underwriting, claims and technology. QBE LMI is one of the leading providers of mortgage insurance to the lending industry in Australia, New Zealand and Asia and has played a major role in assisting home ownership over the past 40 years. She also holds various private board directorships.

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

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



JUDY HARDY

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

First appointed 9 August 2004

Reappointed 1 September 2011
to 31 August 2014

Board 5[6]

Audit and Risk
Committee 6[6]

Judy Hardy brings to the Board her knowledge of policy development, strategic planning, marketing, community consultation and small business development.

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

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

Judy is also a director of the Aboriginal Foundation of South Australia, and is committed to a partnership approach to Indigenous economic development.



GAIL REYNOLDS-ADAMSON

MAICD

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

First appointed 10 May 2006

Reappointed 1 September
2011 to 31 August 2014

Board 5[6]

Audit and Risk
Committee 4[6]

Gail Reynolds-Adamson is an owner and director of Kepa Kurl Enterprises Pty Ltd, a locally owned Aboriginal tourism company based in Esperance, Western Australia. Kepa Kurl operates two tour companies and an Indigenous art gallery and gift shop. Gail also manages and operates a successful consultancy business, providing services to mining companies and numerous government departments. She is a board member for Indigenous Community Volunteers.



PETER THOMAS

BC, FCA

**Board Director and
Finance and Investment
Committee Chair**

First appointed
24 September 2007

Reappointed 5 October
2010 to 4 October 2013

Board 5[6]

Finance and Investment
Committee 5[5]

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

Based in Sydney, Peter is a director of TFG International, a consulting and advisory firm offering high-level strategic advice to the public and private sectors.

Peter has a Bachelor of Commerce degree and is a Fellow of the Institute of Chartered Accountants. He was a partner at one of Australia's four largest accounting firms for almost 25 years.

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

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

Visit www.iba.gov.au to read a more detailed profile of each board member.

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

Remuneration: IBA's directors are entitled to remuneration and allowances in accordance with Remuneration Tribunal determinations.

Details of directors' remuneration and interests are set out in notes 14 to 16 of the financial statements (pages 152–155).

Access to information and outside advice: Directors have access to all information necessary (including previous agenda papers) to help them perform their duties.

Directors can obtain independent professional advice if they believe it is necessary to fulfil their due diligence responsibilities, subject to making a request to—and obtaining the prior authorisation of—the Chair. Where the Chair wishes to obtain independent advice, she is required to make a request to—and obtain the prior authorisation of—two other directors.

Indemnity and insurance: IBA indemnifies current and former directors and staff members against any liability or costs incurred in connection with any claim brought against them as a result of—or in connection with—their appointment to any office or position in IBA or a related entity. IBA holds directors' and officers' liability insurance cover through Comcover, the Australian Government's self-managed fund. As part of its annual insurance renewal process, IBA reviewed its insurance coverage in 2010–11 to ensure it remained appropriate for its operations.

During the year, no indemnity-related claims were made, and IBA knows of no circumstances likely to lead to such claims being made.

The cost of directors' and officers' indemnity insurance for 2010–11 was \$9,254. This compares to \$12,049 for 2009–10.

COMMITTEES

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

Audit and Risk Committee: The IBA Board established the Audit and Risk Committee in compliance with section 32 of the CAC Act. It provides independent assurance and assistance to the Board regarding IBA's risk control and compliance framework, and its external accountability responsibilities. For membership details, see page 82.

Jenny Morison was appointed on 11 May 2008 as a member of the Audit and Risk Committee and became its Chair on 4 May 2010. Jenny is an independent member of a number of Australian Government audit committees and is a Chartered Accountant with 30 years of broad experience in accounting and commerce. Her career has included audit, taxation, management consulting and corporate and government advisory work. She attended all six IBA Audit and Risk Committee meetings held during 2010–11.

Finance and Investment Committee:

The Finance and Investment Committee was established to provide assurance and assistance to the Board regarding IBA's financial performance and investment decision making. For membership details, see page 82.

INTERNAL GOVERNANCE ARRANGEMENTS

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

Executive Committee—the key internal governance committee for information sharing and decision making.

Information Management Consultative Committee—was abolished in 2010–11 and responsibility for IT governance was transferred to the Executive Management Team.

Internal management committees—IBA has the following internal management committees to support the CEO (GM) in the daily administration of IBA:

- **Occupational Health and Safety Committee**—develops and promotes initiatives to protect the health and safety of employees, contractors and visitors
- **Workplace Consultative Committee**—a forum for employee representatives and management to discuss matters that have a broad impact on the effective functioning of IBA
- **Scholarships Committee**—oversees and manages the IBA Scholarship Fund (see page 89), and selects scholarship recipients. The committee conducts an annual review of the IBA Scholarship Fund operation, and application and selection processes. Committee members include the IBA Board and representatives from IBA's Executive Management Team.

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

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

The Comcover Risk Management Benchmarking Program has recognised the ongoing positive impact of IBA's risk management strategies and activities by

rating IBA 7.8 out of 10 for risk management performance, which is consistent with last year's results.

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

The Audit and Risk Committee reviews the fraud control plan every two years. In 2010–11, the committee developed an updated 2010–12 fraud control plan. An independent whistleblower disclosure and protection scheme was also implemented so IBA employees can report any suspected wrongdoing within the organisation. In addition, the committee reviewed the Anti-Money Laundering and Counter-Terrorism Financing Compliance Program.

Compliance assurance: IBA has a control framework that consists of:

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

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

During the year, IBA reviewed its procurement practices to better align them with government and IBA strategies, which included adopting processes to increase opportunities for Indigenous Australians to compete for IBA work.

IBA has monitored and made necessary changes to its control environment as a result of legislative changes. These have included changes

to Freedom of Information (FOI) legislation, including the Information Publication Scheme and imminent changes to personal property securities.

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

Audit: The Auditor-General (also referred to as the Australian National Audit Office) is IBA's external auditor. The audit of IBA's financial statements is conducted in accordance with an audit strategy as agreed to by the Auditor-General and IBA. The Auditor-General also completed a performance audit of the Home Ownership on Indigenous Land Program in 2010–11.

RSM Bird Cameron is responsible for implementing IBA's internal audit program, which aims to provide assurance that key risks are being managed effectively and efficiently, including compliance with regulatory requirements and policies. During the year, internal audits were conducted on the CAC Compliance Report, IBA delegations, management of the Equity and Investments Program, Information Technology Security, and Protective Security. The Audit and Risk Committee is responsible for reviewing both internal and external audit reports and for monitoring the implementation of audit recommendations.

EXTERNAL SCRUTINY

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

Parliamentary and ministerial oversight:

IBA is a statutory authority of the Australian Government and a part of the FaHCSIA portfolio. As such, it is accountable to the Australian Parliament and the Minister for FaHCSIA. Information about the FaHCSIA portfolio can be found at www.fahcsia.gov.au.

Information about IBA—including details of its role and how it approaches this role—can be found on the inside front cover of this report and online at www.iba.gov.au.

Freedom of information: The *Freedom of Information Act 1982* provides the Australian community with access to information held by the Australian Government, by requiring agencies to publish information and providing a right of access to documents.

The *Freedom of Information Amendment (Reform) Act 2010* (FOI Act) came into effect on 1 November 2010. The new legislation created the Office of the Australian Information Commissioner and introduced the Information Publication Scheme (IPS), which aims to foster the proactive release of government information. In compliance with the IPS requirements, IBA has published an Information Publication Plan on its website, which details how it intends to implement and comply with the IPS. Further information about the IPS is available at www.oaic.gov.au/foi-portal.

Under the former FOI Act, IBA must publish a statement setting out IBA's role, functions, structure, and the documents held by IBA that are available for public inspection and how to access those documents.

IBA's Board, Chief Executive Officer (General Manager) and delegates may exercise decision-making powers under the following Acts, or parts thereof:

- *Aboriginal and Torres Strait Islander Act 2005*
- *Commonwealth Authorities and Companies Act 1997*.

Members of the public can make representations in writing to IBA about a range of policies, the administration of IBA, and any other matters related to the organisation. IBA provides:

- a Freecall™ phone line, email address and information on the IBA website
- timely information to customers to give them the opportunity to raise any concerns
- opportunities for stakeholder engagement
- instructions in its service charter on how to make complaints.

Documents in the categories listed below are held by IBA as paper records or on optical audio or digital media:

- briefs, submissions and reports
- administration documents from areas such as human resources, finance, property management and resource management
- documents relating to the provision of IBA-specific services, including individual case files and papers
- separate records of Board and management meetings, such as agendas and minutes
- general correspondence and associated categories of documents according to subject matter
- ministerial, interdepartmental and general correspondence
- internal administration papers
- IBA policy documents and procedures
- copies of instruments of delegations, contracts and deeds
- requests for external advice and copies of notes and advice given
- briefing papers prepared for ministers
- answers to parliamentary questions
- training material
- FOI request files and papers dealing with consideration of those requests, including financial reports, expenditure estimates and expenditure reports.

Requests for access to documents must be made in writing and include an address in Australia to which notices and documents can be sent. FOI applications are subject to administrative charges. IBA provides applicants with an estimate of the administrative charges for each request. In certain circumstances—such as financial hardship or if the release of the document in question is in the general public interest—these charges may be waived under section 30A of the FOI Act.

Requests for access to documents under the FOI Act should be sent to Indigenous Business Australia, PO Box 38, Woden ACT 2606.

If applicants are dissatisfied with a decision made under the FOI Act, they may apply for an internal review of the decision. Administrative charges may apply.

A table summarising the list of FOI activities for 2010–11 is available in Appendix E on page 177.

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

Judicial decisions and reviews by external bodies: There were no judicial decisions or decisions of administrative tribunals that had a significant effect on IBA's operations during 2010–11. The Commonwealth Ombudsman received no complaints regarding IBA.

OTHER STATUTORY REQUIREMENTS

The following additional statutory reporting requirements are detailed in the CAC (Report of Operations) Orders 2008 and other legislation.

Developments and significant events:

IBA has notified the Minister of significant events as required under section 15 of the CAC Act. These events relate to the Equity and Investments Program, and are listed in Appendix B on page 174.

There have been no developments since 30 June 2011 that have significantly affected or may significantly affect IBA's operations in future financial years, the results of those operations in future years, or the authority's state of affairs in future financial years.

The Minister appointed Mr Jason Eades as a new director to the IBA Board for a period of three years commencing 19 July 2011.

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

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

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

IBA's initiatives, policies and programs contribute to Indigenous social inclusion in Australia. Examples are documented throughout this report. In addition, IBA sets its own social inclusion deliverables within its Reconciliation Action Plan.

ENVIRONMENTAL PERFORMANCE AND ECOLOGICALLY SUSTAINABLE DEVELOPMENT

Section 516A of the *Environmental Protection and Biodiversity Conservation Act 1999* (EPBC Act) requires Australian Government organisations—including authorities such as IBA—to include in their annual report a section detailing their environmental performance and their contribution to ecologically sustainable development (ESD). In doing this, IBA is committed to the principles of ESD as detailed in section 3A of the EPBC Act. See Appendix D on page 176 for more information on IBA's ESD activities.

SUPPORTING TERTIARY STUDY FOR MATURE-AGE STUDENTS

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In February 2011, 10 new and two current IBA Scholarship Fund recipients were formally acknowledged at an awards evening in Canberra.

The IBA Scholarship Fund supports mature-age Indigenous Australians who are looking to gain skills in business, finance and commerce. The fund provides financial support to acknowledge the personal and financial sacrifices that mature-age students must often make in advancing their life and career goals.

IBA looks for applicants who will use their qualifications towards financial and economic development within their community. IBA Scholarships will be offered annually as approved by the IBA Scholarship Committee.



IBA Scholarship Fund recipients with Dr Dawn Casey, Chair of IBA (eighth from left), and Dr Jeff Harmer, former Secretary of FaHCSIA (sixth from left), at the awards dinner in Canberra.



Wildman Wilderness Lodge—trees at sunset (image courtesy of Anthology).

OUR ORGANISATION

PART 06



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STAKEHOLDERS

IBA values the contribution of its stakeholders and is always seeking ways to better engage various groups. It continues to strengthen and develop its relationship with key stakeholders across all states and territories. IBA State Coordinators, currently based in Brisbane, Darwin, Perth and Sydney, work closely with Indigenous businesses, peak bodies, private enterprises and governments to identify, coordinate and assist with commercial opportunities for Indigenous Australians.

By taking a strategic approach to stakeholder relationships, IBA can ensure financial and business resources are used effectively; support is directed to the people and communities that require the most assistance; and the needs of Indigenous Australians are considered when policy changes are proposed.

IBA's stakeholders are vital in assisting IBA to realise its vision of a nation where Indigenous Australians are financially self-sufficient and an integral part of the economy. These stakeholders include past, current and potential customers; Indigenous groups and spokespeople; industry partners; government agencies; and IBA's staff members and Board.

GOVERNMENT

In 2010–11, IBA contributed submissions to a number of Australian Government strategy plans, papers and committees, aimed at furthering Indigenous economic development. In making these submissions, IBA draws on its vast experience assisting Indigenous Australians to buy their own homes and participate in or own a business or joint venture investment.



A portrait of Bonita Mabo, 'Bonita Queen of Land Rights', was unveiled by director of the Agricultural Arts Residency Kenmore, Jessie Mabo-Smith (left), and IBA Deputy CEO Kaely Woods (right), at the opening of the Gregory S Fergusson exhibition at the Artists Shed gallery in Queanbeyan, New South Wales (see Appendix F, page 178).

As the administrator of the enduring and successful Home Ownership Program (HOP), IBA used its intimate knowledge of the program to argue the case for increased funding in its submission to the Australian Government's Indigenous Home Ownership Issues Paper in December 2010. Following public feedback on the paper, IBA is working with the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) on future policy options for increasing Indigenous home ownership.

Also in December 2010, IBA provided a submission to the Australian Government's draft Indigenous Economic Development Strategy and Action Plan. IBA continues to work closely with the Australian Government to shape the plan, in particular, the options for increasing Indigenous home ownership, and facilitating access to capital and support for sustainable Indigenous businesses.

In August 2010, IBA provided a submission to the Senate Select Committee on Regional and Remote Indigenous Communities, on the lessons it has learned about effective service delivery through the implementation of its programs. The committee noted in its final report tabled in Parliament that IBA's work should remain prominent in any national approach to Indigenous employment and enterprise options.

CUSTOMERS

In 2010, IBA organised workshop discussions with customers, key advisors, researchers and Indigenous business peak bodies to consider ways IBA could improve its business lending and support services. Also in 2010, IBA commenced the Understanding Indigenous Business study of recent business loan customers. The first round of interviews conducted in late 2010 provided valuable feedback about IBA's products and services. The results of both these processes have been considered by IBA in its internal review of business lending products.

INDUSTRY PARTNERS

IBA works closely with the private sector on joint venture projects and investments that directly benefit Indigenous Australians. The assistance and support of these partners is critical in establishing economic sustainability for the Indigenous community.

Along with other corporate and government organisations, IBA joined the Australian Indigenous Minority Supplier Council (AIMSC) as a member in November 2010. The Australian Government also introduced further changes to its procurement guidelines to stimulate demand in the private sector for goods and services provided by Indigenous businesses. IBA can assist Indigenous businesses to take advantage of these new opportunities and this will remain a focus over the coming year.

In 2010–11, IBA continued to collaborate with the Australian banking sector to explore ways in which banks could be more accessible to Indigenous Australians. IBA, jointly with other financiers, provided home lending to 152 customers who accessed its Split Loan product. Additionally, IBA's partnership with National Australia Bank (NAB) resulted in four Indigenous businesses receiving microfinance loans of up to \$20,000. IBA will continue to grow these partnerships to provide Indigenous Australians with greater access to mainstream financial services.

PEOPLE MANAGEMENT

IBA relies on the capabilities and commitment of its staff members to achieve its purpose of assisting Indigenous Australians to improve their economic self-sufficiency. IBA is proud of, and values, the diversity of skills, experience and perspectives of employees who provide commercial products and services to Indigenous Australians within an Australian Government service delivery framework.

WORKFORCE PROFILE

IBA's workforce operates across all states and territories to serve its geographically spread customer base. As at 30 June 2011, IBA had 227 employees—a decrease of 4 per cent, largely due to the cessation of the constructions business unit (see Table 15).

Table 15: Employees, by classification and location, as at 30 June 2011

Classification	ACT	NSW	NT	Qld	SA	Tas	Vic	WA	Total
Chief Executive Officer (GM)	1	0	0	0	0	0	0	0	1
Deputy Chief Executive Officer	2	0	0	0	0	0	0	0	2
Assistant General Manager ¹	8	0	0	0	0	0	0	0	8
IBA Level 7	20	3	1	3	0	0	0	2	29
IBA Level 6	24	4	0	2	0	0	1	0	31
IBA Level 5	27	6	2	13	3	0	2	4	57
IBA Level 4	16	7	5	10	3	1	1	7	50
IBA Level 3	13	7	2	7	1	1	2	1	34
IBA Level 2	6	0	0	2	1	0	0	0	9
IBA Level 1	2	1	0	0	0	0	0	0	3
Cadet	0	0	0	3	0	0	0	0	3
Total	119	28	10	40	8	2	6	14	227²

¹ Includes the Chief Financial Officer and General Counsel positions.

² Includes one casual and nine part-time positions, equates to a full-time equivalent of 224.

WORKPLACE DIVERSITY

IBA promotes equal employment opportunities and strives to ensure reasonable workplace adjustments are made to accommodate employees with a disability or injury. Of the total workforce of 227, the average age was 43 and women made up 55 per cent (125 people) as at 30 June 2011 (see Table 16).

IBA encourages and embraces the diversity of its workforce. As an Australian Government statutory authority responsible for delivering outcomes targeting Indigenous Australians, IBA recognise the value and contribution Aboriginal and Torres Strait Islander staff members bring to the workplace.

Table 16: Employees by classification and gender, as at 30 June 2011

Classification	Male	Female
Chief Executive Officer (GM)	1	0
Deputy Chief Executive Officer	0	2
Assistant General Manager ¹	6	2
IBA Level 7	19	10
IBA Level 6	19	12
IBA Level 5	26	31
IBA Level 4	16	34
IBA Level 3	12	22
IBA Level 2	3	6
IBA Level 1	0	3
Cadet	0	3
Total	102	125

¹ Includes the Chief Financial Officer and General Counsel positions.

Aboriginal and Torres Strait Islander staff members: IBA uses its Indigenous Employment Strategy and Reconciliation Action Plan as a framework for employing, training and advancing its Indigenous staff members.

In 2010–11, IBA maintained its Indigenous staff representation levels. The 22 per cent of staff members who identify as being of Aboriginal or Torres Strait Islander descent compares favourably to the Australian Government Public Service Department average of 2.1 per cent.

Indigenous Australians are encouraged to apply for positions, which IBA advertises internally, via the regional and Indigenous press, and through its website and personal networks. IBA uses employment recruitment agencies to assist with more specialised positions.

IBA also offers entry-level opportunities for young Indigenous Australians by participating in the Australian Public Service Commission's bulk exercises for cadets and graduates.

During the 2010–11 financial year, three IBA cadets completed their degrees and were offered graduate positions within the organisation. Two accepted alternative employment offers and the third is currently employed in IBA's legal area. IBA is also hosting Indigenous trainees in Cairns and Townsville while they complete their Certificates of Business.

Staff members have the ability to take up to one day per year to participate in or attend local NAIDOC Week activities.

Given the nature and purpose of IBA's work, all new staff members attend cultural awareness training delivered by an Indigenous-owned provider.

SUPPORTING STAFF

IBA carries out staff surveys every two years to obtain staff members' views and opinions on a range of workplace topics. IBA uses this feedback to improve business processes and customer outcomes, and to make improvements to policy and employment terms and conditions. IBA also engages regularly with employees through a variety of forums such as the Workforce Consultative Committee, team meetings, and regular regional office visits from the CEO (GM) and his management team.

Workplace Consultative Committee:

Staff members are encouraged to raise suggestions and concerns about their workplace conditions with their managers and representatives on IBA's Workplace Consultative Committee. The committee met three times during the year, and worked with management to review IBA's Performance and Development System and improve the means by which IBA recognises its employees.

Performance Management System:

IBA undertook an extensive consultative process to determine the factors causing staff dissatisfaction with the Performance Management System. With the assistance of external experts, a working group comprising managers and staff members is now developing a new system to monitor and recognise performance.

Learning and development: Through individual training and development plans, staff members are encouraged to undertake relevant courses to enhance their existing knowledge and skills, and prepare themselves for higher level roles and changing customer and service delivery needs. IBA provides training to support middle-level managers' management and leadership skills, including how to assess staff performance and provide constructive feedback.

IBA takes its duty of care seriously and engages frequently with staff members on matters that may impact their health and wellbeing. In addition to annual Occupational Health and Safety (OH&S) manager training, IBA trialled a pilot program—the Prevention of Workplace Bullying Workshop—to raise awareness of the issue of bullying and harassment in workplaces (see Table 17). The pilot program will undergo further evaluation before full implementation.

IBA staff members also attended external courses that were identified as either essential or desirable training in their learning and development plans.

An example is IBA's approach to the introduction of the *National Consumer Credit Protection Act 2009* (NCCP Act). While IBA is exempt from many of the provisions of the NCCP Act, lending managers are supported to undertake and maintain a minimum Certificate IV in Financial Services or equivalent qualification.

Staff recognition: IBA uses a range of formal and informal mechanisms to recognise and reward staff members who have made a valuable contribution to the organisation. The CEO awards announced during NAIDOC Week are one such formal mechanism, where the Executive Management Team nominates and formally recognises staff contributions.

Informal morning teas are often held to celebrate project outcomes, personal milestones and team achievements.

Collective Agreement: IBA's existing Collective Agreement with staff members has a notional expiry date of 31 December 2011. All staff members were given the opportunity to provide preliminary feedback to management on how the current agreement may not be meeting their needs. Negotiations for a new Enterprise Agreement commenced in August 2011.

Senior executive service arrangements: Staff members at the senior executive service (SES) level are not employed under the existing IBA Collective Agreement. A separate review of SES terms, conditions and employment instruments will be conducted in 2011–12.

Employee superannuation: All staff members have a choice of superannuation funds. The Public Sector Superannuation accumulation plan is the default fund for eligible new employees. The majority of new employees choose to join this fund; however, some staff members choose to remain in their previous employer's scheme or to have their contributions directed to their own self-managed fund. Regardless of their choice, all IBA employees receive a minimum 15.4 per cent superannuation contribution rather than the mandatory 9 per cent.

OCCUPATIONAL HEALTH AND SAFETY

IBA has a duty of care to provide a workplace where staff members are free from risks to their health and safety. Staff are additionally encouraged to engage in activities that can enhance their wellbeing.

Global Corporate Challenge: For the third year running, IBA sponsored staff members to participate in the Global Corporate Challenge (GCC), a simple and effective health and wellbeing program that encourages people to increase their daily physical activity.

Each staff member receives a website login and pedometer to measure their daily steps, which they enter into a personal account over 16 weeks.

Participants receive regular motivational emails and are encouraged to form teams of seven individuals and engage in a healthy competition with other IBA teams. In 2010–11, 35 per cent of employees participated in the GCC.

Employee assistance program:

Employees and their families are encouraged to use IBA's free counselling service for help with personal and work-related matters. As well as face-to-face consultations, the service offers 24/7 telephone counselling; an online information and support resource; and access to legal, financial and specialist advice.

Workers compensation: Comcare's revision of the 2010–11 premium rate has seen IBA's premium rate increase from 0.42 per cent to 0.47 per cent of the 2010–11 payroll. This premium rate compares favourably with the 1.2 per cent premium average rate for all agencies. IBA has engaged experienced rehabilitation providers to work with injured staff members to help them re-join the workforce when their conditions improve.

Comcare investigations: Comcare did not conduct any investigations into workplace safety at IBA during the 2010–11 financial year.

Improvement notices: IBA was not issued with any workplace safety improvement notices during 2010–11.

Incident/hazard reports: There were 16 incident/hazard reports lodged in 2010–11, four of which resulted in Comcare workers compensation claims.

ORGANISATIONAL STRUCTURE

IBA is a statutory body and is subject to the provisions of the *Commonwealth Authorities and Companies Act 1997* (CAC Act) in relation to reporting and accountability, banking and investment, and conduct of officers. At the operational level, three of IBA's branches operate as business branches responsible for delivering IBA's four programs, and its other branches have enabling or supporting functions.

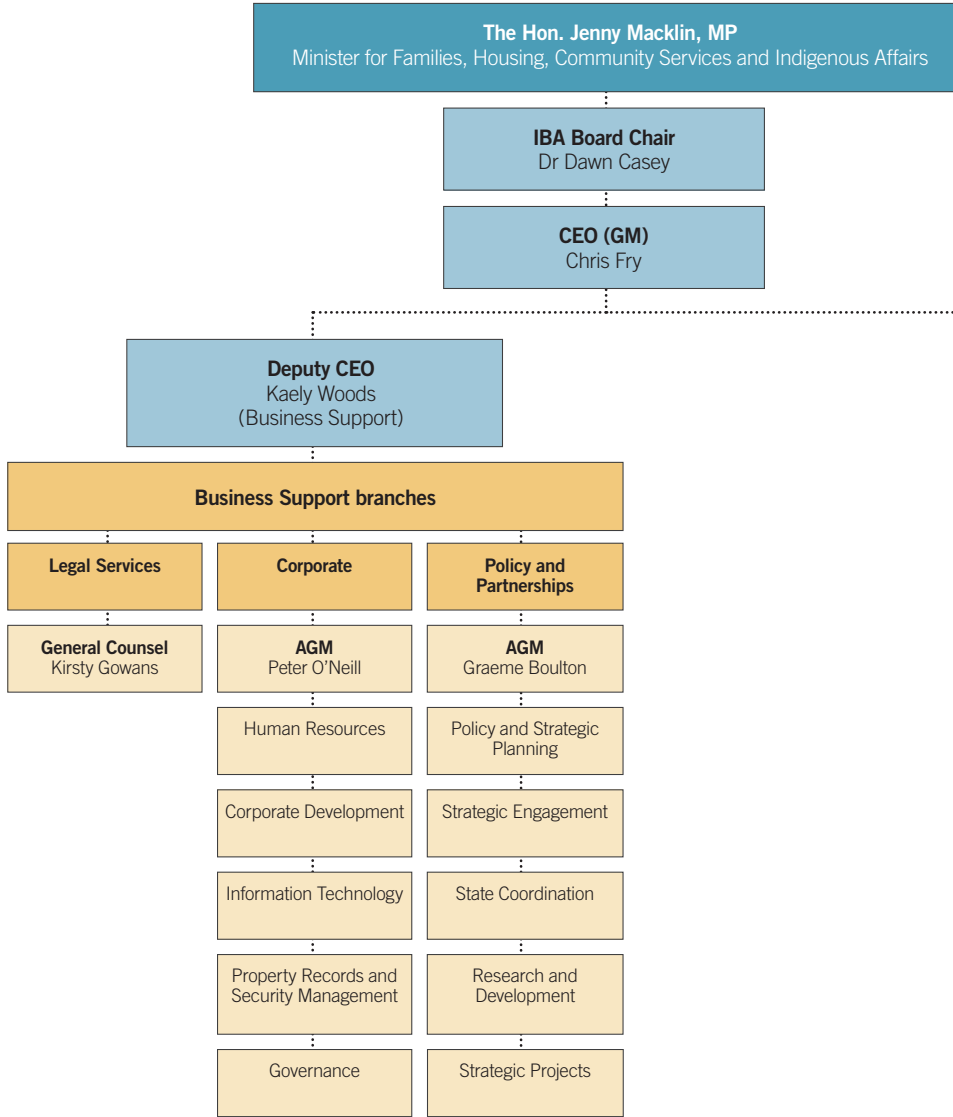
The three business branches correspond to program areas for the purposes of performance reporting:

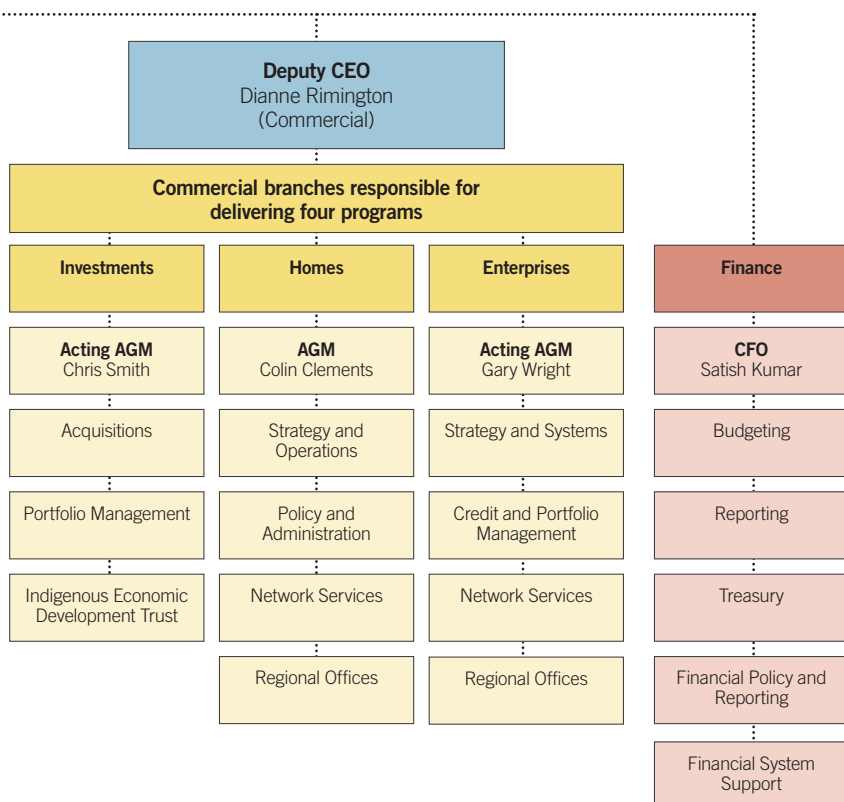
- **Investments** delivers the Equity and Investments Program (see page 14)
- **Homes** delivers the Home Ownership Program (see page 38) and the Home Ownership on Indigenous Land Program (see page 55)
- **Enterprises** delivers the Business Development and Assistance Program (see page 60).

Table 17: Staff attendance at in-house training courses, 2010–11

Training courses	Staff attendance (No.)
Induction training—offered on two occasions	31
Cultural Awareness Workshop—offered on two occasions	35
Assessing Performance and Giving Feedback manager training—offered on two occasions	17
Prevention of Workplace Bullying Workshop (pilot program)	12
OH&S Manager Training—offered annually	10

Figure 22: Organisational structure, as at 30 June 2011







(Back row, left to right): Peter O'Neill, Gary Wright, Colin Clements, Kirsty Gowans, Graeme Boulton.
(Front row, left to right): Chris Fry, Kaely Woods, Dianne Rimington, Satish Kumar.

EXECUTIVE MANAGEMENT TEAM PROFILES

Chris Fry B.AG.Econ, M. APP. Fin, F Fin, MAICD **Chief Executive Officer (General Manager)**

Chris Fry, former National Manager of the National Australia Bank's Agribusiness Wealth Planning team, joined IBA in February 2011 after an extensive history with the bank, working in various roles in Melbourne, Armidale, Corowa, Wagga Wagga and Deniliquin. Chris has a longstanding interest and involvement in Indigenous affairs. He is Chair of the Indigenous Land Corporation's Mossman Gorge Development Steering Committee and an inaugural Board member of the Indigenous Tourism Leadership Group. He also had a five-week secondment to the Miriwung Gajerrong Corporation in Kununurra.

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

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

KAELY WOODS B.Ec, GAICD

Deputy Chief Executive Officer—Business Support

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

Dianne Rimington B.Comm, FCPA, MAICD

Deputy Chief Executive Officer—Commercial

Dianne joined IBA in May 2010, bringing with her 28 years of experience in the public sector. This included roles in executive and corporate management, financial management, economic analysis, policy advice and development, program delivery and audit, with an emphasis on the transport, health and education sectors. Dianne oversees the three business branches of IBA—Investments, Homes and Enterprises—that are responsible for delivering IBA's four programs.

Chris Smith GAICD

Assistant General Manager (acting)—Investments

Chris joined IBA in 2002, bringing extensive experience in facilities and contract management. Chris has a strong background in contract management and corporate administration, having held senior positions with the Spotless Group prior to joining IBA. Chris is head of the Investments team, which provides commercial and strategic investment opportunities for Indigenous groups through joint venture models that enable direct investment participation.

Satish Kumar CA, CPA

Chief Financial Officer

Satish joined IBA in 2007 and has more than 25 years of financial management and consulting experience in the retail and investment banking industries. He is responsible for ensuring IBA's budgeting and financial controls comply with the Australian Government's financial framework. Satish heads up the Finance team, which is responsible for budgeting, financial reporting and management accounting for IBA's program delivery areas, subsidiaries and associate investment entities.

Peter O'Neill MBA, MAICD

Assistant General Manager—Corporate

Peter joined IBA in 2005, bringing experience from roles with CRS Australia in strategic management and business strategies. He also brings with him the experience gained from 20 years of service with the Royal Australian Air Force in numerous roles ranging from engineering, technical training and leadership development to personnel management and business process improvement. As the head of the Corporate branch, Peter oversees IBA's communications, media and marketing, governance reporting, ministerial liaison, human resources, information and communications technology, as well as records, property and security management.

Colin Clements GAICD

Assistant General Manager—Homes

Colin has more than 15 years of experience in the public sector, primarily with Indigenous home ownership programs and initiatives. Prior to joining the public sector, he held senior management positions in the commercial banking sector. Colin heads the Homes branch, which facilitates Indigenous Australians' participation in home ownership by providing tailored home loans and other assistance measures through the Home Ownership Program and Home Ownership on Indigenous Land Program.

Gary Wright

Assistant General Manager (acting)—Enterprises

Gary joined IBA in 2006 and has over 36 years of experience in the public sector, primarily in program management and policy development. Gary became head of the Enterprises branch in December 2010. The branch provides a range of assistance to Indigenous customers including loan finance to acquire, establish or grow their business, and *Into Business*TM workshops. It also offers support to businesses before and after their loans are approved through a panel of business consultants and business development initiatives.

Graeme Boulton BAppSc, GradDipEd, GradDipPsych

Assistant General Manager—Policy and Partnerships

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

Kirsty Gowans BA, LLB

Assistant General Manager—Legal Services

Kirsty joined IBA in 2008, with over 10 years experience working in Indigenous affairs. Since 1995, she has held positions in the Aboriginal Complaints Unit, the NSW Ombudsman's Office, the Race Discrimination and Human Rights Unit, the Human Rights and Equal Opportunity Commission, the North Australian Aboriginal Legal Service, the Northern Land Council, and FaHCSIA. In addition to her law degree, Kirsty's qualifications include graduate diplomas in Legal Practice and Aboriginal and Torres Strait Islander Studies. As the head of Legal Services, she is responsible for providing legal support and services to IBA, and plays a key role in overseeing IBA's governance, compliance and legal risk management.

Paul Howorth: joined IBA in 2010 to oversee its constructions services; departed 17 May 2011 as these activities came to a close.

Simon Barker: previously Assistant General Manager—Enterprises; ceased his employment on 3 December 2010.

Val Price-Beck: has taken leave to work with the Indigenous Business Council of Australia from 16 May 2011.

COMMUNITY INVOLVEMENT

Community involvement is increasingly a part of the way IBA does business, with strong links to local engagement and employee development. Relationships are critical to IBA achieving its vision, and IBA's Reconciliation Action Plan commits to convening, participating in or sponsoring major Aboriginal and Torres Strait Islander conferences, events and awards that promote Indigenous economic development.

IBA's Collective Agreement enables staff members to participate in a range of voluntary activities, by providing leave and other support when the staff member is:

- participating in Defence Force Reservist activities
- representing Australia in a major international sporting event
- participating as a member of a volunteer emergency service
- participating in NAIDOC Week activities.

Staff members who were personally affected by the Queensland floods and Cyclone Yasi in the early months of 2011 were granted other leave in recognition of those extraordinary circumstances.

Sleeping rough for a good cause

Every year, the St Vincent de Paul Society (Vinnies) invites business leaders to sleep rough for one night and experience firsthand what more than 100,000 homeless Australians do every night. On 16 June 2011, nearly 1,000 CEOs from around Australia packed their winter woollies for the sleepout.

IBA's CEO Chris Fry was one of them. He joined more than 150 business leaders at the National Museum, Canberra's sleepout venue. Although the overnight temperature dropped to zero degrees, this was not considered too cold by Canberra's standards.

Chris said it was a humbling experience and something he looks forward to being a part of again.

The event raised more than \$4 million nationally and continues to receive donations, which will help Vinnies continue to provide services to the homeless across Australia.



IBA CEO Chris Fry prepares for the cold night ahead.



Left to right: Dr Alf Bamblett, CEO of Victorian Aboriginal Community Services Limited; the Hon. Jenny Macklin, MP, Minister for FaHCSIA; and Dr Dawn Casey, IBA Chair, at the business breakfast held in Melbourne on 9 July 2010.

Sponsorship: As a mechanism to support Indigenous economic development directly and indirectly, IBA uses sponsorship opportunities to promote and build brand recognition, and convey positive messages about its programs. Sponsorship also plays a key role in fostering and enhancing relations with Indigenous communities, by providing opportunities to connect with and demonstrate IBA's commitment to Indigenous concerns. In 2010–11, IBA sponsored eight major conferences, events and awards (see Appendix F on page 178).

NAIDOC Week: Running for a week in July and one of the key events IBA supports, NAIDOC (National Aborigines and Islanders Day Observance Committee) Week celebrates the history, culture and achievements of Aboriginal and Torres Strait Islander peoples.

Since 2008, IBA has hosted its own business breakfast in whichever city is hosting the national NAIDOC ball. Now a signature event for IBA, the business breakfast has established its own slot in a week of events, providing a forum for IBA to deliver key messages and network with its stakeholders. The strong private sector representation positively signifies the willingness of major corporate organisations to support Indigenous economic development.

On 9 July 2010, IBA's third business breakfast was held in Melbourne and featured key speakers IBA Chair Dr Dawn Casey; the Hon. Jenny Macklin, MP, Minister for FaHCSIA; and Indigenous designer Alison Page. At the time of preparing this annual report, IBA had recently held its fourth breakfast event in Sydney.

OUTLOOK

A significant focus for 2011–12 is developing an Enterprise Agreement with staff members to cover their new employment terms and conditions. IBA is seeking to build an agreement with staff that is fair, affordable and competitive with other employers.

Other projects of equal significance are the development and implementation of a new performance and recognition system and behavioural framework. Staff members indicated through survey and other consultations that the current system required significant changes. IBA has been working with external experts to develop, in consultation with employees, a behaviour-based system that details clear accountabilities and performance standards for all staff. An internal working group will help implement this new behavioural system in 2011–12.

A new Indigenous Employment Strategy will also be developed over the coming year, to attract and retain Indigenous staff members. The strategy will be developed by a working group of Indigenous staff members, supported by external Indigenous specialist employment consultants.

In 2011–12, IBA will develop a comprehensive Stakeholder Engagement Strategy to measure feedback from relevant stakeholder groups about IBA and its performance. The strategy will be important in ensuring IBA continues to respond to and meet the needs of its customers.

FINANCIAL PERFORMANCE

PART 07

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INDIGENOUS BUSINESS AUSTRALIA

FINANCIAL PERFORMANCE SUMMARY

Most of IBA's asset portfolio is composed of home and business loans, and investments in properties, trade and tourism operations. As a lending and investment organisation, IBA is significantly impacted by movements in interest rates throughout the year. The Reserve Bank of Australia cash rate was comparatively stable during the 2010–11 financial year with just one increase of 0.25 per cent in November 2010. This interest rate stability reduced volatility in asset valuations and facilitated IBA's return to an operating surplus during the year.

FINANCIAL RESULTS

IBA's investments include 37 subsidiary and eight associate entities, with businesses spread across the tourism, mining, retail and investment property sectors. IBA's financial statements are presented on a consolidated basis together with those of its subsidiaries.

IBA's consolidated operating results have returned a surplus of \$6.8 million compared to the previous year's deficit of \$56.5 million. Total income increased marginally from \$171 million in 2009–10 to \$174 million in 2010–11. This is largely due to a \$5.3 million increase in the value of the property portfolio, and a \$7.8 million increase in interest income, offset by a decrease of \$7.4 million in goods and services income from the divestment of subsidiaries in the previous year.

Total expenses dropped sharply, from \$227 million in 2009–10 to \$167 million in 2010–11. The key reasons for this reduction in expenses were:

- a decrease of \$14 million in loan valuation discount expense due to the comparatively stable interest rates in 2010–11
- a decrease of \$25 million in supplier and employee expenses due to the divestment of subsidiaries
- an extraordinary expense of \$21.6 million in 2009–10, arising from losses on investment divestment activities.

As at 30 June 2011, IBA's total assets were valued at \$1.016 billion, an increase of \$49 million compared to the previous year.

As at the same date, net assets were valued at \$983.6 million compared to \$932.2 million in the previous year. The increase in asset value was mainly driven by an increase in new home loans of \$45 million and an increase of \$5 million in the value of the investment portfolio.

Figure 23 shows the growth in consolidated net assets over the past five years and Figure 24 shows the composition of IBA's total assets in 2010–11.

Figure 23: Net asset growth, as at 30 June 2011

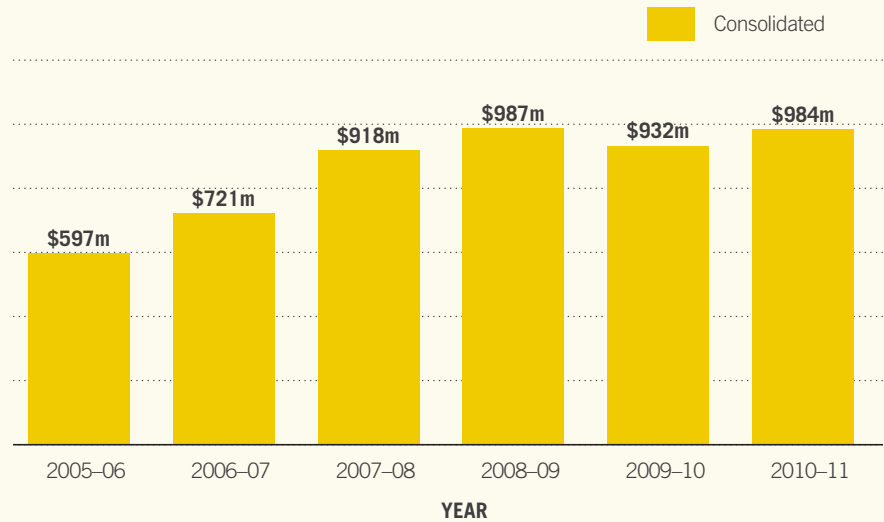
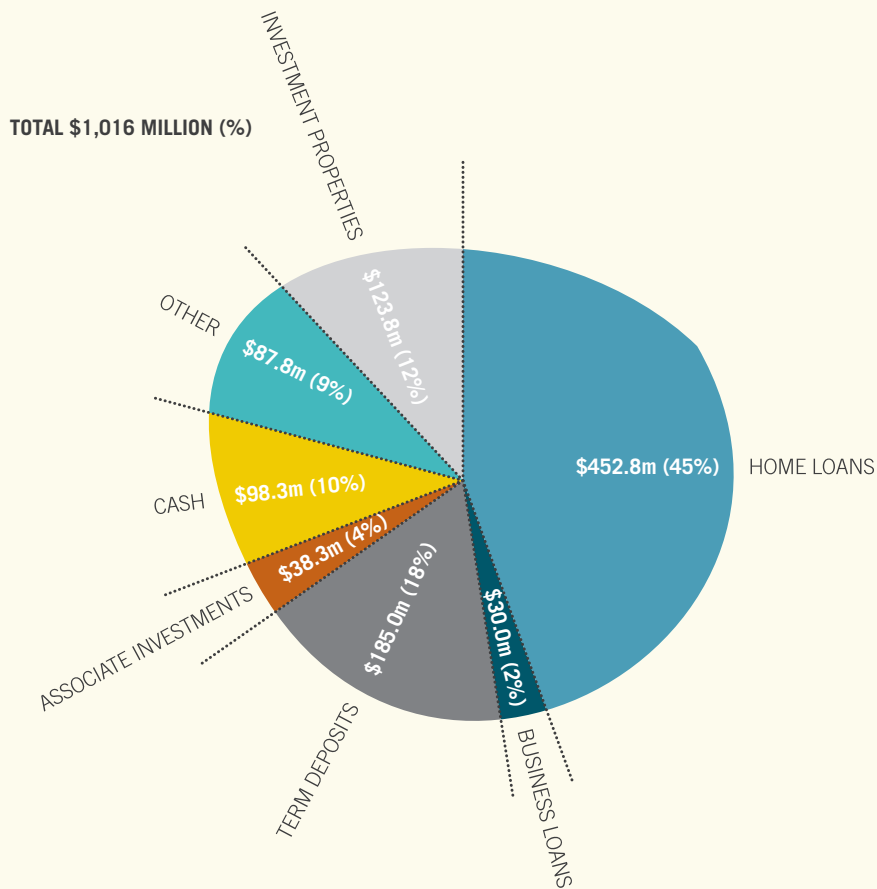


Figure 24: Consolidated total assets, as at 30 June 2011



FUNDING

IBA's consolidated income base is a mix of departmental receipts from the Australian Government and self-generated revenue. In 2010–11, IBA received \$38.4 million in departmental receipts and \$135.8 million in self-generated revenue. The self-generated revenue is largely from interest earnings on

the loans portfolio, rental receipts, and sale of goods and services within IBA's subsidiary investments. IBA also received a \$33.2 million equity infusion from the Australian Government to fund its lending operations. See Figure 25 below for a detailed composition of consolidated income and Figure 26 for the consolidated expenses for the 2010–11 financial year.

Figure 25: Consolidated income 2010–11

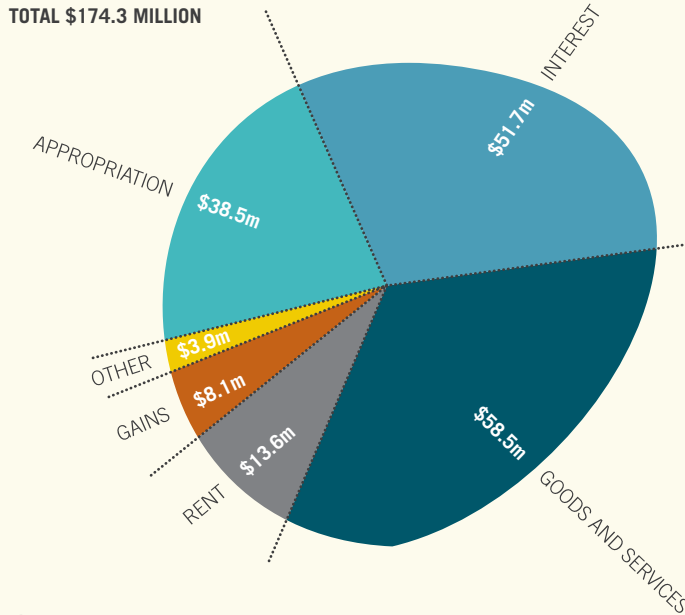
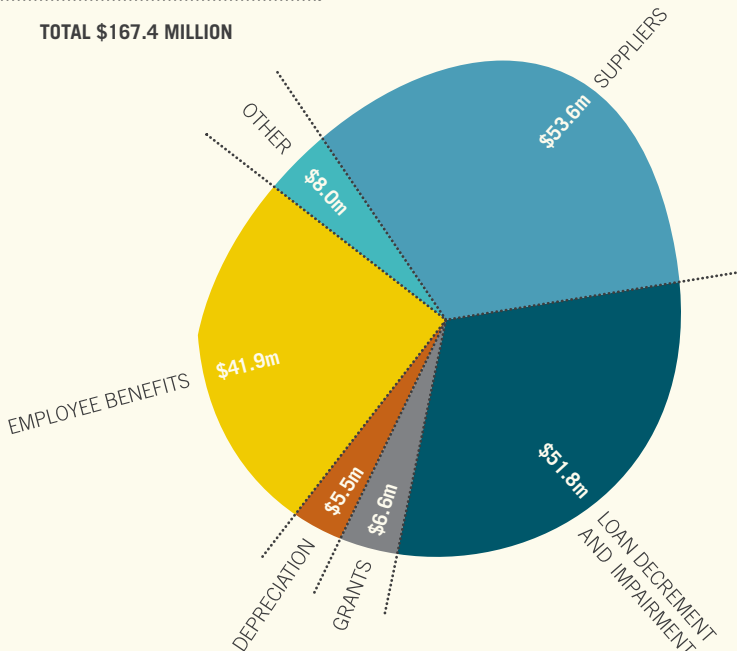


Figure 26: Consolidated expenses 2010–11



LEGAL AND FINANCIAL FRAMEWORK

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

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

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

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

OUTLOOK

IBA expects its lending and investment operations to remain stable in 2011–12; however, any volatility in interest rates would impact IBA's asset valuations and operating results. IBA initiated a process of cost rationalisation and reduction during 2010–11, which will reduce operating costs in the coming years. IBA also expects to continue investing in financial and loan application systems during 2011–12, to significantly improve information and cost management. IBA's net asset base is expected to continue its gradual growth and cross the billion-dollar mark by 30 June 2012. Total consolidated revenue is budgeted at \$168.9 million, including departmental receipts of \$38.9 million from the Australian Government.



INDEPENDENT AUDITOR'S REPORT

To the Minister for Families, Housing, Community Services and Indigenous Affairs

I have audited the accompanying financial statements of Indigenous Business Australia and the consolidated entity for the year ended 30 June 2011, which comprise: the Statement by the Directors, Chief Executive Officer and Chief Financial Officer of IBA; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; Schedule of Asset Additions; and Notes comprising a Summary of Significant Accounting Policies and other explanatory information. The consolidated entity comprises Indigenous Business Australia and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Independence

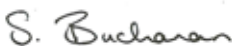
In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Opinion

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

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the consolidated entity's financial position as at 30 June 2011 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office



Serena Buchanan
Audit Principal

Delegate of the Auditor-General

Canberra
14 September 2011



Australian Government
Indigenous Business Australia

**STATEMENT BY THE DIRECTORS, CHIEF EXECUTIVE OFFICER AND
CHIEF FINANCIAL OFFICER OF IBA**

In our opinion, the attached financial statements for the year ended 30 June 2011 are based on properly maintained financial records and give a true and fair view of matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*.

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

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

Dr Dawn Casey
Chair
13 September 2011

Ian Trust
Deputy Chair
13 September 2011

Chris Fry
CEO
13 September 2011

Satish Kumar
CFO
13 September 2011



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*Calls to 1800 numbers from your home phone are free. Calls from public and mobile phones may be timed and charged at a higher rate.

STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2011

		Consolidated	
		2011	2010
	Notes	\$'000	\$'000
EXPENSES			
Employee benefits	3A	41,930	49,244
Supplier expenses	3B	53,571	70,841
Grants	3C	6,579	9,205
Depreciation and amortisation	3D	5,540	5,063
Finance costs	3E	1,077	1,451
Write-down and impairment of assets	3F	54,497	69,499
Losses from asset sales	3G	202	21,667
Other expenses	3H	3,444	99
Total expenses		166,840	227,069
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Sale of goods and rendering of services	4A	58,535	65,944
Interest	4B	51,671	43,856
Dividends	4C	20	20
Rental income	4D	13,605	11,843
Other revenue	4E	2,293	5,756
Total own-source revenue		126,124	127,419
Gains			
Sale of assets	4F	23	846
Other	4G	8,131	1,194
Total gains		8,154	2,040
Total own-source income		134,278	129,459
Net cost of services			
		32,562	97,610
Revenue from Government	4H	38,458	38,840
Share of surplus of associates using the equity method	4I	1,543	2,586
Surplus (Deficit) before income tax on continuing operations		7,439	(56,184)
Income tax expense	5	600	322
Surplus (Deficit) after income tax on continuing operations		6,839	(56,506)
Surplus attributable to non-controlling interests		3,441	2,706
Surplus (Deficit) attributable to the Australian Government		3,398	(59,212)
OTHER COMPREHENSIVE INCOME			
Changes in asset revaluation reserves		10,616	5,163
Total other comprehensive income before income tax†		10,616	5,163
Income tax expense—other comprehensive income		—	—
Total other comprehensive income after income tax		10,616	5,163
Total comprehensive income/(loss)		17,455	(51,343)
Total comprehensive income attributable to non-controlling interests		3,450	4,386
Total comprehensive income/(loss) attributable to the Australian Government		14,005	(55,729)

† Details of reclassification adjustments relating to items of other comprehensive income are disclosed in Note 6.
The above statement should be read in conjunction with the accompanying notes.

BALANCE SHEET as at 30 June 2011

		Consolidated	
	2011	2010	1 July 2009
Notes	\$'000	\$'000	\$'000
ASSETS			
Financial assets			
Cash and cash equivalents	7A 98,314	120,175	129,339
Trade, loans and other receivables	7B 492,699	449,553	478,812
Investments accounted for using the equity method	7C, 7D 38,355	27,382	23,137
Other investments	7E 185,242	178,199	240,378
Deferred tax assets	7F 1,271	250	902
Total financial assets	815,881	775,559	872,568
Non-financial assets			
Land and buildings	8A, 8C 50,873	45,254	42,669
Property, plant and equipment	8B, 8C 16,791	16,463	15,094
Investment property	8D 123,772	120,430	103,319
Intangibles	8E, 8F 5,768	6,471	9,753
Inventories	8G 2,115	1,896	2,108
Other	8H 830	1,260	1,373
Total non-financial assets	200,149	191,774	174,316
Total assets	1,016,030	967,333	1,046,884
LIABILITIES			
Payables			
Suppliers	9A 5,388	6,339	8,545
Tax liabilities	9B 51	34	143
Other	9C 5,424	7,385	33,347
Total payables	10,863	13,758	42,035
Interest bearing liabilities			
Loans	10 11,938	12,147	7,419
Total interest bearing liabilities	11,938	12,147	7,419
Provisions			
Employee provisions	11A 5,774	5,140	5,623
Other	11B 3,862	4,070	4,397
Total provisions	9,636	9,210	10,020
Total liabilities	32,437	35,115	59,474
Net assets	983,593	932,218	987,410
EQUITY			
Parent entity interest			
Contributed equity	751,844	718,800	725,504
Reserves	24,453	12,670	8,155
Retained earnings	180,464	178,241	238,433
Total parent entity interest	956,761	909,711	972,092
Attributed to non-controlling interests			
Contributed equity	16,980	14,462	10,896
Reserves	6,302	5,714	3,526
Retained earnings	3,550	2,331	896
Total non-controlling interests	26,832	22,507	15,318
Total equity	983,593	932,218	987,410

The above statement should be read in conjunction with the accompanying notes.
Refer to Note 1.25 for changes to comparative information.

STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2011

Consolidated							
Retained earnings		Asset revaluation reserves		Contributed equity/capital		Total equity	
2011	2010	2011	2010	2011	2010	2011	2010
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance							
Balance carried forward from previous period							
180,573	244,830	18,384	6,231	733,262	736,400	932,218	987,461
Reclassification							
–	(5,450)	–	5,450	–	–	–	–
Adjusted opening balance							
180,573	239,380	18,384	11,681	733,262	736,400	932,218	987,461
Comprehensive income							
Other comprehensive income							
–	–	10,616	5,163	–	–	10,616	5,163
Surplus/(Deficit) for the period							
6,839	(56,506)	–	–	–	–	6,839	(56,506)
Total comprehensive income							
6,839	(56,506)	10,616	5,163	–	–	17,455	(51,343)
of which is:							
Attributable to the Australian Government							
3,398	(59,212)	10,607	3,482	–	–	14,005	(55,728)
Attributable to non-controlling interests							
3,441	2,706	9	1,680	–	–	3,450	4,386
Transactions with owners							
Distributions to owners							
Return on capital:							
Transfer							
(1,755)	(1,540)	1,755	1,540	–	(40,000)	–	(40,000)
Dividends							
(1,643)	(763)	–	–	–	–	(1,643)	(763)
Contributions by owners							
Equity injection							
–	–	–	–	33,170	33,170	33,170	33,170
Other (equity contribution from non-controlling interests)							
–	–	–	–	2,392	3,692	2,392	3,692
Sub-total transactions with owners							
(3,398)	(2,303)	1,755	1,540	35,562	(3,138)	33,919	(3,901)
Closing balance as at 30 June							
184,014	180,573	30,755	18,384	768,824	733,262	983,593	932,218
Less: non-controlling interests							
(3,550)	(2,331)	(6,302)	(5,714)	(16,980)	(14,462)	(26,832)	(22,507)
Closing balance attributable to the Australian Government							
180,464	178,242	24,453	12,670	751,844	718,800	956,761	909,711

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

Refer to Note 1.25 for changes to comparative information.

CASH FLOW STATEMENT

for the period ended 30 June 2011

	Consolidated	
	2011	2010
Notes	\$'000	\$'000
OPERATING ACTIVITIES		
Cash received		
Receipts from Government	38,458	38,840
Goods and services	63,629	45,177
Interest	48,436	40,327
Dividends	20	20
GST received	1,765	3,720
Other	15,905	19,447
Total cash received	168,213	147,531
Cash used		
Employees	41,296	49,727
Suppliers	59,640	94,994
GST paid	2,683	1,065
Borrowing costs	1,077	—
Other—grants	6,579	9,205
Total cash used	111,275	154,991
Net cash from (used by) operating activities	56,938	(7,460)
12		
INVESTING ACTIVITIES		
Cash received		
Proceeds from sales of property, plant and equipment	525	1,058
Investments	15,140	22,000
Other—repayment of loans	65,431	72,904
Total cash received	81,096	95,962
Cash used		
Purchase of property, plant and equipment	11,563	31,452
Purchase of other non-financial assets	132	89
Investments	22,000	2,990
Other—loans and advances	159,910	105,029
Total cash used	193,605	139,560
Net cash used by investing activities	(112,509)	(43,598)
FINANCING ACTIVITIES		
Cash received		
Contributed equity	35,562	36,862
Other—new borrowings	—	12,095
Total cash received	35,562	48,957
Cash used		
Repayment of borrowings	209	6,300
Dividends paid	1,643	763
Total cash used	1,852	7,063
Net cash from financing activities	33,710	41,894
Net decrease in cash held	(21,861)	(9,164)
Cash and cash equivalents at the beginning of the reporting period	120,175	129,339
Cash and cash equivalents at the end of the reporting period	98,314	120,175
7A		

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

SCHEDULE OF COMMITMENTS

as at 30 June 2011

BY TYPE

Commitments receivable

Lease rental income¹

Loans²

Total commitments receivable

Commitments payable

Capital commitments

Investments

Total capital commitments

Other commitments

Operating leases³

Loans²

Other⁴

Total other commitments

Net commitments by type

BY MATURITY

Commitments receivable

Operating lease income

One year or less

From one to five years

Over five years

Total operating lease income

Loan commitments receivable

One year or less

From one to five years

Over five years

Total loan commitments receivable

Commitments payable

Capital commitments

One year or less

Total capital commitments

Operating lease commitments

One year or less

From one to five years

Over five years

Total operating lease commitments

Loan commitments payable

One year or less

Total loan commitments payable

Other commitments

One year or less

From one to five years

Over five years

Total other commitments

Net commitments by maturity

Consolidated	
2011	2010
\$'000	\$'000
29,148	37,648
17,324	22,384
46,472	60,032
—	1,000
—	1,000
8,707	5,843
17,324	22,384
3,808	8,759
29,839	36,986
16,633	22,046
8,982	8,703
20,166	28,388
—	557
29,148	37,648
716	925
3,361	4,343
13,247	17,116
17,324	22,384
—	1,000
—	1,000
3,175	2,395
5,308	3,448
224	—
8,707	5,843
17,324	22,384
17,324	22,384
2,286	4,124
1,522	4,568
—	67
3,808	8,759
16,633	22,046

NB: Commitments are GST inclusive where relevant.

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

Nature of lease	General description of leasing arrangement
Leases for office accommodation	There are 10 commercial office accommodation leases across 5 buildings current at 30 June 2011, of which 1 ends by 30 June 2012. Initial lease terms range from 2 to 10 years (average 5 years) with renewal options ranging from 0 to 5 years (average 1 year). Lease terms remaining at 30 June 2011 range from 1 to 5 years (average 3 years). Lease payments are subject to annual fixed rental increases and/or indexed increases, some with market increases in the initial lease term as well as on exercising lease renewals.
Motor vehicle leasing	There are 15 equipment leases current at 30 June 2011, all of which expire on 30 June 2012. Lease terms range from 1.4 to 2.1 years (average 1.9 years).

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

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

Nature of lease	General description of leasing arrangement
Leases for office accommodation	There are 13 commercial office accommodation leases across 9 buildings current at 30 June 2011 of which 3 end by 30 June 2012. Initial lease terms range from 1 to 7 years (average 4.5 years) with renewal options ranging from 0 to 5 years (average 2 years). Lease terms remaining at 30 June 2011 range from 1 to 6 years (average 2 years). The majority of lease payments are subject to annual fixed rental increases, the balance being indexed increases or a combination of both. Market increases are usually applicable on exercising lease renewals.

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

SCHEDULE OF CONTINGENCIES

as at 30 June 2011

	Consolidated	
	2011	2010
	\$'000	\$'000
Contingent assets		
Claims for damages/costs	2,278	208
Total contingent assets	<u>2,278</u>	<u>208</u>
Contingent liabilities		
Indemnities	1,000	1,000
Claims for damages/costs	–	1,091
Total contingent liabilities	<u>1,000</u>	<u>2,091</u>
Net contingent assets (liabilities)	<u>1,278</u>	<u>(1,883)</u>

Details of each class of contingent liabilities and contingent assets listed above are disclosed in Note 13, along with information on significant remote contingencies and contingencies that cannot be quantified.

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

SCHEDULE OF ASSET ADDITIONS

for the period ended 30 June 2011

Consolidated

The following non-financial non-current assets were added in 2010–11:

	Buildings	Other property, plant & equipment	Investment properties	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Additions funded in the current year					
By purchase—other	2,771	10,114	–	406	13,291
Total funded additions funded in the current year	2,771	10,114	–	406	13,291

Additions recognised in 2010–11—to be funded in future years

Make good	–	–	–	–	–
Total future years/unfunded additions	–	–	–	–	–
Total additions	2,771	10,114	–	406	13,291

The following non-financial non-current assets were added in 2009–10:

	Buildings	Other property, plant & equipment	Investment properties	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Additions funded in the current year					
By purchase—other	9,655	6,833	24,983	–	41,471
Total funded additions funded in the current year	9,655	6,833	24,983	–	41,471

Additions recognised in 2009–10—to be funded in future years

Make good	195	–	–	–	195
Total future years/unfunded additions	195	–	–	–	195
Total additions	9,850	6,833	24,983	–	41,666

Note 1: Summary of Significant Accounting Policies

1.1 Objectives of Indigenous Business Australia

Indigenous Business Australia (IBA) is an Australian Government controlled entity, which was established on 5 March 1990, when the *Aboriginal and Torres Strait Islander Commission Act 1989* came into operation. On 23 March 2005, this Act was repealed and replaced by the *Aboriginal and Torres Strait Islander Act 2005* (the Act). IBA's purpose, set out in section 147 of the Act, is as follows:

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

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

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

1.2 Basis of preparation of the financial report

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

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

- The Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2010; and
- Any Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.3 Significant accounting judgements and estimates

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

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

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

1.4 Changes in Australian Accounting Standards**Adoption of new Australian Accounting Standard requirements**

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

- AASB 7 *Financial Instruments: Disclosures*
- AASB 118 *Revenue*
- AASB 128 *Investments in Associates*
- AASB 132 *Financial Instruments: Presentation*
- AASB 139 *Financial Instruments: Recognition and Measurement*.

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

Future Australian Accounting Standard requirements

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

- AASB 9 *Financial Instruments*
- AASB 101 *Presentation of Financial Statements*
- AASB 107 *Cash Flow Statements*
- AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- AASB 121 *Effects of Changes in Foreign Exchange Rates*
- AASB 124 *Related Party Disclosures*
- AASB 132 *Financial Instruments: Presentation*
- AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*
- AASB 139 *Financial Instruments: Recognition and Measurement*
- AASB 140 *Investment Property*
- AASB 1031 *Materiality*.

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

1.5 Revenue

Revenue from the sale of goods is recognised when:

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

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

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

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

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

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

Resources received free of charge

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

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

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

Revenues from Government

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

1.6 Gains

Resources received free of charge

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Sale of assets

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

1.7 Transactions with the Government as owner

Equity injections

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

Restructuring of administrative arrangements

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

1.8 Employee benefits

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

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

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

Leave

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

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

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

Separation and redundancy

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

Superannuation

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

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme. The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance and Deregulation as an administered item.

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

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

1.9 Leases

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

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

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

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

1.10 Borrowing costs

All borrowing costs are expensed as incurred.

1.11 Cash

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

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

1.12 Principles of consolidation

The consolidated financial statements are those of the economic entity, comprising IBA and all the entities it controls from time to time during the year and at balance date. These include trusts, where IBA is a beneficiary, and where IBA controls the trustee. The financial statements of the controlled entities are prepared for the period 1 July 2010 to 30 June 2011 using accounting policies consistent with those of IBA. The effects of transactions and balances between the entities, including any unrealised profits or losses, have been eliminated in full.

IBA's investment in associates and joint venture entities is accounted for using the equity method. Under this method, IBA's share of profits and losses of associates and joint ventures is recognised as revenue or expense in the income statement and its share of movements in reserves is recognised in reserves. Associates and joint ventures are those entities over which IBA exercises significant influence, but not control. The associated and joint venture entities are detailed in Notes 7C and 7D respectively.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.13 Financial risk management

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

- Credit risk: the possibility that a debtor or borrower will not repay or will delay repayment of all or part of a loan, causing a loss to IBA and the consolidated entity.
- Interest rate risk: a risk that the value of a financial asset such as home and business loans would fluctuate in terms of fair value or future cash flows as a result of changes in market rates of interest.
- Liquidity risk: a risk that the consolidated entity may not have or may not be able to raise the funds to meet the obligations associated with its financial liabilities. These risks are regularly monitored through a detailed internal management and Board reporting framework.

These risks are managed in the following ways:

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

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

1.14 Financial assets

IBA classifies financial assets in the following categories:

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

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

Effective interest method

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

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

Financial assets at fair value through profit or loss

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

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

Assets in this category are classified as current assets.

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

Available-for-sale financial assets

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

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

Where a reliable fair value cannot be established for unlisted investments in equity instruments, these instruments are valued at cost.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates and which the group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Categorisation of financial assets

IBA's financial assets have been categorised as follows:

- Cash and cash equivalents includes notes and coins held, and any deposits in bank accounts with an original maturity of three months or less that are readily convertible to known amounts of cash and are subject to insignificant risk.
- Business and home loan receivables have been categorised as financial assets at fair value through profit and loss.
- Investments in subsidiaries, associates, joint ventures and other business undertakings have been categorised available-for-sale assets.
- Deposits with banks with original maturity greater than three months have been categorised as held-to-maturity investments.
- Trade receivables, other receivables and other financial assets have been categorised under loans and receivables.

Valuation of financial assets

- Business and home loans are measured at fair value through profit and loss. These loans, issued at lower than market rates, are fair valued against market interest rates benchmarked on commercial bank rates. The quantum of interest rate differential determines the variance of the fair value from the face value of the loans.
- Investments in subsidiaries, associates, joint ventures and other business undertakings are valued based on market inputs. This is done annually through a directors' desktop valuation, supported by an external valuation once every three years. The methodology adopted in relation to valuation by

the directors of subsidiaries and associates uses techniques consistent with that of the most recent independent valuation.

Impairment of financial assets

- Financial assets held at amortised cost: A loan is impaired when there is objective evidence that events occurring since the loan was recognised have affected expected cash flows from the loan. Impairment is recognised as the difference between the carrying value of the loan and the discounted value of the management's best estimate of future cash repayments and proceeds from any security held (discounted at the loan's original effective interest rate). This loss is recognised in the statement of comprehensive income.
- Available-for-sale financial assets: If there is objective evidence that an impairment loss on available-for-sale financial assets has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the statement of comprehensive income.
- Financial asset held at cost: If there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the current market rate for similar assets.

1.15 Investments in associates

IBA's investment in its associates is accounted for using the equity method.

Under the equity method, investments in associates are carried in IBA's balance sheet at cost, as adjusted for post-acquisition changes in IBA's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment. After the application of the equity method, IBA determines whether it is necessary to recognise any impairment loss with respect to the net investment in associates.

1.16 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit and loss, or other financial liabilities.

Financial liabilities are recognised and derecognised upon trade date.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss does not incorporate any interest paid on the financial liability. IBA currently has no financial liabilities classified under this category.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods and services have been received, regardless of whether they have been invoiced.

IBA classifies all its financial liabilities under this category.

Interest bearing loans and borrowings

Loans are classified under other financial liabilities and the carrying value is calculated based on the balance yet to be repaid. Interest is expensed as it accrues.

1.17 Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the balance sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain; contingent liabilities are disclosed when the likelihood of settlement is better than remote.

1.18 Financial guarantee contracts

Financial guarantee contracts are accounted for in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. They are not treated as a contingent liability, as they are regarded as financial instruments outside the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

1.19 Acquisition of assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange, and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost or for nominal consideration are initially recognised as assets and revenue at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

1.20 Property, plant and equipment

Asset recognition threshold

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

Make good

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to make good provisions in property leases taken up by IBA where there exists an obligation to restore the property to its original condition. These costs are included in the value of IBA's leasehold improvements with a corresponding provision for make good recognised.

Revaluations

Fair values for each class of asset are determined as shown below.

Asset class	Fair value measured at
Land	Market selling price
Buildings excluding leasehold improvements	Market selling price
Leasehold improvements	Depreciated replacement cost
Property, plant and equipment	Market selling price
Investment property	Market selling price

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Following initial recognition at cost, property, plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends on the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on an asset class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised through profit and loss. Revaluation decrements for a class of assets are recognised directly through profit and loss except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation

Depreciable property, plant and equipment assets are written off to their estimated residual values over their estimated useful lives to IBA using the straight-line method of depreciation in all cases.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current or current and future reporting periods, as appropriate.

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

Asset class	2011	2010
Leasehold improvements	Lease term	Lease term
Plant and equipment	3 to 5 years	3 to 5 years

Impairment

All assets were assessed for impairment as at 30 June 2011. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if IBA was deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

1.21 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which is based on active market prices, adjusted if necessary for any difference in the nature, location or condition of the specific asset at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

Where an investment property is acquired at no cost or for a nominal cost, its cost is deemed to be its fair value as at the date of acquisition.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected

from its disposal. Any gain or loss on disposal of an investment property is recognised in profit or loss in the year of disposal.

1.22 Intangibles

IBA's intangibles comprise internally developed software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful life of IBA's software is three years (2009–10: three years).

All software assets were assessed for indications of impairment as at 30 June 2011.

1.23 Inventories

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

Inventories held for distribution are valued at cost, adjusted for any loss of service potential.

Costs incurred in bringing each item of inventory to its present location and condition are assigned as follows:

- Raw materials and stores: purchase cost on a first-in, first-out basis
- Finished goods and work in progress: cost of direct materials and labour plus attributable costs that are capable of being allocated on a reasonable basis.

Inventories acquired at no cost or for a nominal consideration are initially measured at current replacement cost at the date of acquisition.

1.24 Taxation

IBA is exempt from all forms of taxation except fringe benefits tax (FBT) and goods and services tax (GST).

Revenues, expenses, and assets and liabilities are recognised net of GST:

- except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO)
- except for receivables and payables.

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

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities, and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is credited to the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available, against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation, and the anticipation that

the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Competitive neutrality

IBA does not have any competitive neutrality obligations.

1.25 Comparative information

As at 1 July 2009, an amount of \$30.129 million classified as investment property related to assets owned by subsidiaries on operating leases to other subsidiaries of IBA. Under AASB 140.15, these properties are to be classified as land and buildings, not investment property. This amount of \$30.129 million has therefore been reclassified from investment property to land and buildings.

Under AASB 101.10(f), IBA is required to restate comparative information for the 2009–10 and 2008–09 financial years to reflect the above reclassification.

Valuation increments of the above properties amounting to \$5.450 million previously recognised in profit and loss (retained earnings) has now been reclassified to the asset revaluation reserve, under the provisions of AASB 116.39 and reflected in the statement of changes in equity.

A further amount of \$1.540 million has been transferred from retained earnings to the asset revaluation reserve during 2009–10, corresponding to redemption of A-class units in Scarborough House Investment Trust.

A summary of the restatement is provided below:

	30 June 2010			1 July 2009		
	As stated earlier	Adjustment	Restated	As stated earlier	Adjustment	Restated
Land and buildings	15,125	30,129	45,254	12,540	30,129	42,669
Investment property	150,559	(30,129)	120,430	133,448	(30,129)	103,319
Asset revaluation reserve	11,394	6,990	18,384			
Retained earnings	187,562	(6,990)	180,572			

Note 2: Events after the Reporting Period

There are no potential significant events that will affect the ongoing structure and financial activities of IBA after 30 June 2011.

Note 3: Expenses

Note 3A: Employee benefits

	Consolidated	
	2011	2010
	\$'000	\$'000
Wages and salaries	31,989	40,170
Superannuation:		
Defined contribution plans	1,679	1,678
Defined benefit plans	1,650	2,049
Leave and other entitlements	6,612	5,347
Total employee benefits	41,930	49,244

Note 3B: Supplier expenses

Goods and services		
Consultants	4,956	7,212
Contractors	1,108	8,334
IT expenses	2,740	3,799
Legal expenses	2,462	3,255
Office related expenses	3,673	4,014
Travel expenses	2,067	2,753
Other suppliers	32,567	33,990
Total goods and services	49,573	63,357

Goods and services are made up of:

Provision of goods—related entities	801	878
Provision of goods—external parties	35,262	38,677
Rendering of services—related entities	2,388	2,812
Rendering of services—external parties	11,122	20,990
Total goods and services	49,573	63,357

Other supplier expenses

Operating lease rentals—related entities:		
Minimum lease payments	1,172	2,418
Operating lease rentals—external entities:		
Minimum lease payments	2,622	4,808
Workers compensation expenses	204	258
Total other supplier expenses	3,998	7,484

Total supplier expenses

53,571	70,841
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Note 3C: Grants

Private sector:		
Other—business development grants	6,579	9,205
Total grants	6,579	9,205

Note 3D: Depreciation and amortisation

Depreciation:

Property, plant and equipment	2,684	1,974
Land and buildings	2,696	2,599
Total depreciation	5,380	4,573

Amortisation:

Intangibles	160	490
Total amortisation	160	490
Total depreciation and amortisation	5,540	5,063

Note 3: Expenses (continued)

	Consolidated	
	2011	2010
	\$'000	\$'000

Note 3E: Finance costs

Loans	1,077	1,451
Total finance costs	1,077	1,451

Note 3F: Write-down and impairment of assets

Asset write-downs and impairments from:

Impairment on investment properties	1,830	3,520
Impairment on loans	3,966	4,640
Valuation decrements on financial instruments	47,868	54,668
Other	832	6,671
Total write-down and impairment of assets	54,497	69,499

Note 3G: Losses from asset sales

Investments:

Proceeds from sale	1,225	43,773
Carrying value of assets sold	(1,401)	(65,251)

Land and buildings:

Proceeds from sale	–	573
Carrying value of assets sold	–	(761)

Plant and equipment:

Proceeds from asset sale	3	–
Carrying value of asset sold	(29)	–

Total losses from asset sales	202	21,667
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During 2010–11, loss on assets sales and transfer included:

- Sale of 10% share in Port Botany Transfer Station.

During 2009–10, loss on assets sales and transfer included:

- Outback Stores Pty Ltd was transferred to FaHCSIA at its net asset value of \$40 million.
- Huntlee Estate Indigenous Participation Trust No.1 and No.2 were wound up with \$10 million being written off.
- South Hedland Indigenous Property Trust sold 49% of its interest in the Brand Street property.

Note 3H: Other expenses

Change in fair value of investment properties

Other*	3,444	99
Total other expenses	3,444	99

* Other expenses for 2010–11 include payment of \$2.683 million to the ATO for the period April 2007 through to March 2011. This is a result of the ATO's review of GST processes and its assessment of the extent of creditable purpose for financial supply relating to IBA's loans and investment programs.

Note 4: Income

Own-source revenue

Consolidated	
2011	2010
\$'000	\$'000

Note 4A: Sale of goods and rendering of services

Provision of goods—related entities	1,736	13,652
Provision of goods—external parties	55,914	51,708
Rendering of services—external parties	885	584
Total sale of goods and rendering of services	58,535	65,944

Note 4B: Interest

Loans	35,701	28,345
Deposits	15,970	15,511
Total interest	51,671	43,856

Note 4C: Dividends

Associate companies	20	20
Total dividends	20	20

Note 4D: Rental income

Operating lease:		
Investment properties	13,605	11,843
Total rental income	13,605	11,843

Note 4E: Other revenue

Other non-operating income	2,293	5,756
Total other revenue	2,293	5,756

Note 4: Income (continued)**Gains****Note 4F: Sale of assets**

Investments:

Proceeds from sale

Consolidated	
2011	2010
\$'000	\$'000

Carrying value of assets sold

Property, plant and equipment:

Proceeds from sale

Carrying value of assets sold

Net gain from sale of assets

During 2010-11 proceeds from sale of assets included:

- Sale of plant and equipment by Kakadu Tourism (GLC) Pty Ltd.

During 2009-10 proceeds from sale of assets included:

- Sale of 25% share in Consolidated Manufacturing Enterprise and Swanbrook Road Holding Trust to Ridley AgriProduct Pty Ltd; and
- Sale of 18% of Gagudju Lodge Cooina Trust and Kakadu Tourism (GLC) Pty Ltd to the Gagudju Association.

Note 4G: Other gains

Change in fair value of investment properties

Change in fair value of property, plant and equipment

Change in fair value of financial instruments through profit and loss

Other

Total other gains**Revenue from Government****Note 4H: Revenue from Government**

Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA):

CAC Act body payment item

Total revenue from Government**Equity accounted profits of associates****Note 4I: Equity accounted profits of associates**

Associate companies

Total equity accounted profit

Note 5: Income Tax Expense

	Consolidated	
	2011	2010
	\$'000	\$'000
Income tax expense	600	322
Total income tax expense	600	322

Note 6: Other Comprehensive Income

	Consolidated	
	2011	2010
	\$'000	\$'000
The following amounts previously recognised in other comprehensive income have been reclassified to profit and loss.		
Huntlee Estate Indigenous Participation Trust No. 1	-	1,759
Huntlee Estate Indigenous Participation Trust No. 2	-	1,759
Total reclassification adjustments of other comprehensive income expensed to profit and loss	-	3,518

Note 7: Financial Assets

	Consolidated	
	2011	2010
	\$'000	\$'000
Note 7A: Cash and cash equivalents		
Cash on hand or on deposit	88,527	98,144
Cash on hand or on deposit—housing fund	9,787	22,031
Total cash and cash equivalents (current)	98,314	120,175
Note 7B: Trade, program loans and other receivables		
Goods and services		
Goods and services—related entities	4	49
Goods and services—external entities	8,680	10,902
Total receivables for goods and services	8,684	10,951
Reconciliation of movements of loans receivable		
Loans—New Housing Fund and Home Loan Capital		
At fair value—opening balance	405,397	428,089
Add: net loans movement at cost	95,938	26,869
Less: net movement on remeasurement at fair value through profit and loss	(47,868)	(49,248)
Less: impairment movement through profit and loss	(700)	(313)
At fair value—closing balance	452,767	405,397
Loans—Business Development and Assistance Program		
At fair value—opening balance	32,157	38,856
Add: net loans movement at cost	(933)	3,048
Add/(Less): net movement on remeasurement at fair value through profit and loss	2,085	(5,420)
Less: impairment movement through profit and loss	(3,266)	(4,327)
At fair value—closing balance	30,043	32,157
Total housing and business program loans and other receivables	482,810	437,554
Other receivables:		
Dividends	596	596
Other	608	452
Total other receivables	1,205	1,048
Total trade, program loans and other receivables	492,699	449,553
Receivables are represented by:		
No more than 12 months	14,059	14,864
More than 12 months	478,640	434,689
Total trade, program loans and other receivables	492,699	449,553

Note 7: Financial Assets (continued)

	Consolidated	
	2011	2010
	\$'000	\$'000
Receivables are aged as follows:		
Not overdue	430,366	390,434
Overdue by:		
0 to 30 days	26,747	21,827
31 to 60 days	13,527	13,092
61 to 90 days	4,225	3,352
More than 90 days	17,834	20,848
Total receivables	492,699	449,553

Reconciliation of movement in impairment allowance account

Loans—New Housing Fund and Home Loan Capital

Opening provision for impairment allowances as at 1 July	1,490	1,208
Provisions resolved	(450)	(200)
Provisions pertaining to loans written off	(61)	(34)
	979	974
New accounts	409	448
Change in provision for doubtful debts, for accounts existing as at 1 July	683	68
	1,092	516
Closing balance as at 30 June	2,071	1,490

Loans—Business Development and Assistance Program

Opening provision for impairment allowances as at 1 July	14,213	12,656
Provisions resolved	(3,535)	(654)
Provisions pertaining to loans written off	(2,062)	(4,985)
	8,616	7,017
New provisions	4,980	7,196
Closing balance as at 30 June	13,596	14,213

Total impairment allowance account

	15,667	15,703
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The impairment allowances are aged as follows

Not overdue	—	3,724
Overdue by:		
0 to 30 days	3,802	236
31 to 60 days	632	608
61 to 90 days	524	28
More than 90 days	10,709	11,107
Total impairment allowance account	15,667	15,703

Note 7: Financial Assets (continued)

	Consolidated	
	2011	2010
	\$'000	\$'000

Note 7C: Investments accounted for using the equity method

Investments in associates	38,355	27,382
Total equity accounted investments	38,355	27,382

Investments in associates expected to be recovered in:

More than 12 months	38,355	27,382
Total equity accounted investments	38,355	27,382

Summarised financial information of associates:

Balance sheet:

Assets	122,254	94,158
Liabilities	(72,770)	(62,331)
Net assets	49,484	31,827

Statement of comprehensive income:

Revenue	149,840	133,552
Expenses	142,324	125,240
Net surplus	7,516	8,312

Share of associates' net surplus:

Share of net surplus before tax	2,085	2,956
Income tax expense	(542)	(370)

Total share of associates' net surplus

1,543	2,586
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Interests in associates are valued using the equity method.

Note 7D: Interests in associates

Table A: Interests in associates

Interests are held in the following associated companies:

Associated company	Principal activities	Ownership interest		Voting power		Carrying amount of investment	
		2011	2010	2011	2010	2011	2010
		%	%	%	%	\$'000	\$'000
Alice Springs Resort Enterprises Pty Limited	Accommodation provider	45	45	45	45	706	781
Alice Springs Resort Holdings Trust	Accommodation provider	45	45	45	45	3,324	3,229
Carpentaria Shipping Services Pty Limited	Transportation	18	18	18	18	903	898
Fitzroy River Lodge Partnership	Accommodation provider	26	26	26	26	1,656	1,533
Monkey Mia Enterprises Pty Limited	Accommodation provider	–	–	–	–	–	7
Monkey Mia Holding Trust	Accommodation provider	–	–	–	–	–	1
	Civil engineering and mining services						
Ngarda Civil & Mining Pty Limited		25	25	25	25	14,150	5,485
Noongar Property Trust	Property	57	57	50	50	15,309	13,094
Marlba Maya Pty Limited	Property	70	70	50	50	–	(1)
Port Hedland Investment Trust	Property	70	70	50	50	2,307	2,355
						38,355	27,382

Interests in associates are valued using the equity method.

Note 7: Financial Assets (continued)

	Consolidated	
	2011	2010
	\$'000	\$'000

Note 7D: Interests in associates (continued)

Economic entity's share of associates:

Profit from ordinary activities before tax	2,085	2,956
Share of income tax expense	(542)	(370)
Net profit	1,543	2,586

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

Balance at beginning of financial year	27,382	23,137
Add:		
Additional investments during the year	547	3,923
Share of associated companies' profit from ordinary activities and after income tax	1,543	2,586
Fair value increment	10,500	74
Less:		
Dividend revenue from associated companies	(1,617)	(675)
Fair value decrement	—	(1,663)
Balance at end of financial year	38,355	27,382

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

Current assets	9,737	8,925
Non-current assets	33,039	23,169
Current liabilities	(8,987)	(7,601)
Non-current liabilities	(14,733)	(13,375)
Net assets	19,056	11,118

Interests in associates are valued using the equity method.

Note 7E: Other investments

Deposits	185,043	178,000
Other—interest in business undertakings	199	199
Total other investments	185,242	178,199

Investments expected to be recovered in:

No more than 12 months	185,043	178,000
More than 12 months	199	199
Total other investments	185,242	178,199

Note 7F: Deferred tax assets

Deferred tax assets	1,271	250
Total deferred tax assets	1,271	250

All deferred tax assets are non-current assets.

Note 8: Non-Financial Assets

	Consolidated		
	2011	2010	2009
	\$'000	\$'000	\$'000
Note 8A: Land and buildings			
Leasehold improvements			
Fair value	2,351	2,777	1,851
Accumulated depreciation	(1,460)	(1,041)	(660)
Total leasehold improvements	891	1,736	1,191
Land and buildings:			
Fair value	57,971	49,258	42,783
Accumulated depreciation	(7,989)	(5,740)	(1,305)
Total land and buildings	49,982	43,518	41,478
Total land and buildings	50,873	45,254	42,669

Land and buildings were valued during the year and no indicators of gains or impairment were found.

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

Refer to Note 1.25 for changes to comparative information.

Note 8B: Property, plant and equipment

Other property, plant and equipment:			
Gross carrying value (at fair value)	30,130	34,027	24,349
Accumulated depreciation	(13,339)	(17,564)	(9,255)
Total other property, plant and equipment	16,791	16,463	15,094

Property, plant and equipment were revalued during the year in accordance with the revaluation policy stated in Note 1.20. A revaluation increment of \$1.088 million (2010: decrement of \$1.088 million) for property, plant and equipment was included in the statement of comprehensive income.

Note 8: Non-Financial Assets (continued)

Note 8C: Reconciliation of the opening and closing balances of property, plant and equipment (PP&E)

	2011			2010		
	Land and buildings	Other PP&E	Total	Land and buildings	Other PP&E	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July						
Gross book value	52,035	27,150	79,185	44,634	24,349	68,983
Accumulated depreciation and impairment	(6,781)	(10,687)	(17,468)	(1,965)	(9,255)	(11,220)
Net book value as at 1 July	45,254	16,463	61,717	42,669	15,094	57,763
Additions:						
By purchase	2,771	3,371	6,142	9,655	6,833	16,488
Work in progress	–	6,743	6,743	–	–	–
From acquisition of entities or operations (including restructuring)	–	–	–	–	–	–
Revaluations and impairments through equity	–	–	–	(6)	2,421	2,415
Revaluation recognised in the operating result	–	1,088	1,088	–	–	–
Reclassification	5,896	(7,694)	(1,798)	(130)	221	91
Depreciation expense	(2,696)	(2,684)	(5,380)	(1,974)	(2,599)	(4,573)
Impairments recognised in the operating result	–	(771)	(771)	(2,842)	(1,088)	(3,930)
Other movements:						
Opening balance adjustment	498	284	782	–	–	–
Accumulated depreciation for entities acquired/disposed of during the year	–	–	–	–	2,254	2,254
Disposals:						
From disposal of entities or operations (including restructuring)	–	–	–	(1,357)	(6,673)	(8,030)
Other disposals	(850)	(10)	(860)	(761)	–	(761)
Net book value as at 30 June	50,873	16,790	67,663	45,254	16,463	61,717
Net book value as at 30 June represented by:						
Gross book value	60,321	30,130	90,452	52,035	27,150	79,185
Accumulated depreciation and impairment	(9,448)	(13,339)	(22,787)	(6,781)	(10,687)	(17,468)
	50,873	16,791	67,664	45,254	16,463	61,717

	2009		
	Land and buildings	Other PP&E	Total
	\$'000	\$'000	\$'000
As at 1 July			
Gross book value	31,822	13,208	45,030
Accumulated depreciation and impairment	(590)	(4,226)	(4,816)
Net book value as at 1 July	31,232	8,982	40,214
Additions:			
By purchase	8,597	12,206	20,803
Work in progress	3,836	–	3,836
From acquisition of entities or operations (including restructuring)	–	–	–
Revaluations and impairments through equity	1,012	(16)	996
Revaluation recognised in the operating result	–	–	–
Reclassification	–	–	–
Depreciation expense	(1,305)	(1,110)	(2,415)
Impairments recognised in the operating result	(70)	–	(70)
Other movements:			
Accumulated depreciation for entities acquired/disposed of during the year	–	(3,919)	(3,919)
Disposals:			
From disposal of entities or operations (including restructuring)	–	–	–
Other	(633)	(1,049)	(1,682)
Net book value as at 30 June	42,669	15,094	57,763
Net book value as at 30 June represented by:			
Gross book value	44,634	24,349	68,983
Accumulated depreciation and impairment	(1,965)	(9,255)	(11,220)
	42,669	15,094	57,763

Disaggregated additions information is disclosed in the schedule of asset additions.

Refer to Note 1.25 for changes to comparative information.

Note 8: Non-Financial Assets (continued)

		Consolidated	
	2011	2010	2009
	\$'000	\$'000	\$'000
Note 8D: Investment property			
As at 1 July opening balance			
Gross book value	120,429	103,319	115,665
Additions:			
By acquisition	–	24,983	–
Disposals	–	(4,432)	(1,163)
Net gain (loss) from fair value adjustments	2,445	(3,440)	(3,476)
Reclassification	897	–	103
Other movements:			
Transfer	–	–	(7,810)
Net book value 30 June	123,772	120,430	103,319

Refer to Note 1.25 for changes to comparative information.

Investment properties owned by IBA subsidiaries were revalued during the year in accordance with the revaluation policy stated in Note 1.21. The revaluation resulted in an increase in value of \$4.275 million (2010: increment of \$0.080 million) for four properties and a decrease in value of \$1.830 million (2010: decrement of \$3.520 million) for two properties. The changes in value are included in the statement of comprehensive income.

	Consolidated	
	2011	2010
	\$'000	\$'000
Note 8E: Intangibles		
Computer software at cost:		
Computer software purchased/developed	1,424	1,358
Total computer software	1,424	1,358
Accumulated amortisation	(1,325)	(1,165)
Computer software (net)	99	193
Other intangibles		
Fishing licence	6,372	6,622
Write down—fishing licence	(5,547)	(4,872)
Other	5,179	4,863
Accumulated amortisation	(335)	(335)
Accumulated impairment losses	–	–
Total other intangibles	5,669	6,278
Total intangibles (non-current)	5,768	6,471

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

Note 8: Non-Financial Assets (continued)

	Consolidated	
	2011	2010
	\$'000	\$'000

Note 8F: Reconciliation of the opening and closing balances of intangibles

As at 1 July

Gross book value	12,593	15,383
Accumulated depreciation/amortisation and impairment	(6,122)	(5,630)
Net book value as at 1 July	6,471	9,753

Additions:

By acquisition	406	—
Amortisation	(160)	(492)
Revaluation (impairments)	(675)	(2,774)
Disposals	(274)	(16)
Net book value as at 30 June	5,768	6,471

Net book value as at 30 June represented by:

Gross book value	12,725	12,593
Accumulated depreciation/amortisation and impairment—other	(6,957)	(6,122)
Net book value as at 30 June	5,768	6,471

Note 8G: Inventories

Inventories held for sale:

Raw materials	2,115	1,896
Total inventories held for sale	2,115	1,896
Inventories held for distribution	—	—
Total inventories	2,115	1,896

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

Note 8H: Other non-financial assets

Prepayments	830	1,260
Total other non-financial assets	830	1,260

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

Note 9: Payables

Note 9A: Suppliers

Trade creditors

Total supplier payables

Consolidated	
2011	2010
\$'000	\$'000
5,388	6,339
5,388	6,339

Supplier payables expected to be settled within 12 months:

Related entities

External parties

Total supplier payables

180	120
5,208	6,219
5,388	6,339

Settlement is usually made within 30 days.

Note 9B: Tax liabilities

Tax liabilities equivalent

Total tax liabilities

All deferred tax liabilities are non-current.

51	34
51	34

Note 9C: Other payables

Salaries and wages

Superannuation

Unearned income

GST payable to the ATO

Total other payables

1,755	1,968
71	59
2,908	4,669
690	689
5,424	7,385

Total other payables expected to be settled in:

No more than 12 months

Total other payables

5,424	7,385
5,424	7,385

Note 10: Interest Bearing Liabilities

	Consolidated	
	2011	2010
	\$'000	\$'000
Secured loan facility	11,938	12,147
Total loans	11,938	12,147
Maturity schedule for loans payable		
In one to five years	11,938	12,147
Total loans	11,938	12,147

As at 30 June 2011, \$11.938 million (30 June 2010:\$12.147 million) relates to amounts borrowed by the Larrakia Darwin Hotel Partnership against security of land and buildings.

Note 11: Provisions

	Consolidated	
	2011	2010
	\$'000	\$'000

Note 11A: Employee provisions

Leave	5,774	5,140
Total employee provisions	5,774	5,140

Employee provisions expected to be settled in:

No more than 12 months	3,787	3,291
More than 12 months	1,987	1,849
Total employee provisions	5,774	5,140

The classification of current employee provisions includes amounts for which there is no unconditional right to defer settlement by one year, so in the case of employee provisions the above classification does not represent the amount expected to be settled within one year of the reporting date.

Note 11B: Other provisions

Restoration obligations	716	901
Distribution	2,735	2,817
Other	411	352
Total other provisions	3,862	4,070

Other provisions expected to be settled in:

No more than 12 months	3,146	3,169
More than 12 months	716	901
Total other provisions	3,862	4,070

	Consolidated 2011			Consolidated 2010		
	Provisions for restoration	Distribution/ other provisions	Total	Provisions for restoration	Distribution/ other provisions	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount as at 1 July	901	3,169	4,070	706	3,694	4,400
Additional provisions made	–	3,411	3,411	195	5,904	6,099
Amounts used	(185)	(3,434)	(3,619)	–	(6,429)	(6,429)
Closing balance as at 30 June	716	3,146	3,862	901	3,169	4,070

IBA currently has 10 agreements for leasing premises with provisions requiring restoration of the premises to their original condition at the conclusion of the lease. IBA has made a provision of \$0.716 million to reflect the present value of this obligation.

Note 12: Cash Flow Reconciliation

	Consolidated	
	2011	2010
	\$'000	\$'000
Reconciliation of cash and cash equivalents as per the balance sheet to the cash flow statement		
Report cash and cash equivalents as per:		
Cash flow statement	98,314	120,175
Balance sheet	98,314	120,175
Difference	–	–
Reconciliation of net cost of services to net cash from operating activities		
Net cost of services	(32,562)	(97,609)
Add: revenue from Government	38,458	38,840
Less: income tax expense	(600)	(322)
Adjustments for non-cash items		
Depreciation/amortisation	5,540	5,064
Net write-down of non-financial assets	46,365	69,369
Net write-up of financial assets	–	(1,064)
Gain on disposal of assets	(179)	20,821
Changes in assets/liabilities		
(Increase)/decrease in net receivables	4,016	(22,552)
(Increase)/decrease in inventories	211	212
Increase/(decrease) in employee provisions	634	(483)
Increase/(decrease) in supplier payables	(1,873)	(23,014)
Increase/(decrease) in GST payable	(2,848)	3,720
Increase/(decrease) in other provisions	(207)	(333)
Increase/(decrease) in tax liabilities	(17)	(109)
Net cash from (used by) operating activities	56,938	(7,460)

Note 13: Contingent Liabilities and Assets

	Consolidated							
	Guarantees		Indemnities		Claims for damages or costs		Total	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Contingent assets								
Balance from previous period	–	–	–	–	208	820	208	820
New	–	–	–	–	2,270	–	2,270	–
Remeasurement	–	–	–	–	7	–	7	–
Assets recognised	–	–	–	–	–	–	–	–
Expired	–	–	–	–	(207)	(612)	(207)	(612)
Total contingent assets	–	–	–	–	2,278	208	2,278	208
Contingent liabilities								
Balance from previous period	–	1,685	1,000	1,000	1,090	1,560	2,090	4,245
New	–	–	–	–	–	8	–	8
Remeasurement	–	–	–	–	–	–	–	–
Liabilities recognised	–	–	–	–	–	–	–	–
Obligations expired	–	(1,685)	–	–	(1,090)	(478)	(1,090)	(2,163)
Total contingent liabilities	–	–	1,000	1,000	–	1,090	1,000	2,090
Net contingent assets (liabilities)							1,278	(1,882)

Quantifiable contingencies

Claims for damages/costs (contingent asset)

It is considered possible that IBA will succeed in a number of legal matters, although the cases are ongoing.

Guarantees and indemnities

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

IBA has a cross indemnity agreement with P&O Maritime Services, whereby IBA will warrant to meet up to one half of any liability (subject to a maximum of IBA's exposure, being \$1,000,000) arising from a total of \$5,000,000 performance guarantee provided by P&O Maritime Services to Mount Isa Mine.

Claims for damages/costs (contingent liability)

The amount represents an estimate of IBA's liability based on a number of legal matters that are currently ongoing.

Note 14: Directors' Remuneration

The number of non-executive directors included in these figures is shown below in the relevant remuneration bands:

Less than \$30,000
 \$30,000 to \$59,999
 \$60,000 to \$89,999
Total number of directors

Consolidated	
2011	2010
No.	No.
5	6
4	3
1	1
10	10
\$	\$
332,916	313,128

Total remuneration received or due and receivable by directors

Note 15: Related Party Disclosures

Loans to directors and director-related entities

Loans were made to the following director-related entities:

- The Wunan Foundation
- Ms Valerie Jane Cooms.

These loans were made under commercial terms and conditions. The directors involved took no part in the relevant decisions of the IBA Board.

Mr Ian Trust is the Chairperson of the Wunan Foundation. The Wunan Foundation has received two loans from the Business Development and Assistance Program (then under the Aboriginal and Torres Strait Islander Commission (ATSIC)) on 25 August 2000 for \$300,000 and on 24 April 2002 for \$250,000. The loan granted for \$300,000 on 25 August 2000 has now been fully paid out, while the loan for \$250,000 granted on 24 April 2002 has a current balance of \$73,987. The transactions between the Wunan Foundation and IBA are on a normal commercial arm's length basis.

Ms Valerie Jane Cooms received a loan from the Home Ownership Program on 30 August 2006. The transaction between Ms Cooms and IBA is on a normal commercial arm's length basis.

	2011 \$'000	2010 \$'000
Loans to director-related entities outstanding at year end	115	102
Loan repayments during the year	39	33
Interest revenue included in operating result from loans to directors and director-related entities	9	6

Note 16: Senior Executive Remuneration

	2011	2010
	\$	\$

Note 16A: Senior executive remuneration expenses for the reporting period

Executive remuneration

Short-term employee benefits

Salary and allowances	2,039,939	1,893,170
Annual leave accrued	22,224	10,251
Performance bonuses	145,095	125,628
Total short-term employee benefits	2,207,258	2,029,049

Post-employment benefits

Superannuation	309,718	211,618
Total post-employment benefits	309,718	211,618

Other long-term benefits

Long-service leave	53,212	57,089
Total other long-term benefits	53,212	57,089

Termination benefits

	40,431	384,989
Total executive remuneration	2,610,619	2,682,745

Notes

- Note 16A was prepared on an accrual basis, so the performance bonus expenses disclosed above differ from the cash bonus paid in Note 16B.
- Note 16A excludes acting arrangements and part-year service where remuneration expensed was less than \$150,000.

Note 16B: Average annual remuneration packages and bonus paid for substantive senior executives as at the end of the reporting period

As at 30 June 2011					
Fixed elements and bonus paid ¹	Senior executive No.	Fixed elements			Bonus paid ²
		Salary \$	Allowances \$	Total \$	
Total fixed remuneration:					
\$150,000 to \$179,999	1	144,565	25,612	170,177	1,918
\$180,000 to \$209,999	4	156,499	26,678	183,176	16,917
\$210,000 to \$239,999	2	201,894	27,579	229,473	9,728
\$240,000 to \$269,999	–	–	–	–	–
\$270,000 to \$299,999	1	277,520	–	277,520	–
Total	8				

As at 30 June 2010					
Fixed elements and bonus paid ¹	Senior executive No.	Fixed elements			Bonus paid ²
		Salary \$	Allowances \$	Total \$	
Total fixed remuneration:					
\$150,000 to \$179,999	5	149,121	24,465	173,586	13,586
\$180,000 to \$209,999	–	–	–	–	–
\$210,000 to \$239,999	2	192,281	25,247	217,527	10,389
\$240,000 to \$269,999	1	266,585	–	266,585	–
Total	8				

Notes

¹ Note 16B reports on substantive senior executives who are employed by the entity as at the end of the reporting period. Fixed elements are based on an average annualised salary and allowances excluding superannuation and bonus for each individual.

² Represents average actual bonuses paid during the reporting period. The bonus paid is excluded from the total calculation for the purpose of determining remuneration package bands. The bonus paid within a particular band may vary between financial years due to factors such as individuals commencing with or leaving the entity during the financial year.

Note 16: Senior Executive Remuneration (continued)

Variable elements:

With the exception of performance bonuses, variable elements are not included in the 'Fixed elements and bonus paid' table above. The following variable elements are available as part of senior executives' remuneration packages:

(a) Performance bonuses:

- Performance bonuses are based on the performance rating of each individual. The maximum bonus an individual can receive is 20 per cent of his/her base salary.

(b) On average senior executives are entitled to the following leave entitlements:

- Annual leave (AL): entitled to 20 days (2010:20 days) each full year worked (pro-rata for part-time senior executive service);
- Personal leave (PL): entitled to 18 days (2010:20 days) or part-time equivalent;
- Long service leave (LSL): in accordance with the *Long Service Leave (Commonwealth Employees) Act 1976*;

(c) Senior executives are members of one of the following superannuation funds:

- Commonwealth Superannuation Scheme (CSS): this scheme is closed to new members, and employer contributions currently average 21.4 per cent (2010:23.6 per cent) (including productivity component)
- Public Sector Superannuation Scheme (PSS): this scheme is closed to new members, with current employer contributions set at 18.9 per cent (2010:17.8 per cent) (including productivity component)
- Public Sector Superannuation Accumulation Plan (PSSap): the employer default fund, employer contribution is set at 15.4 per cent (2010:15.4 per cent), and the fund has been in operation since July 2005, and
- Other: this is usually for senior executives who have made their own superannuation arrangements (employer contributions are set at 15.4 per cent (2010:15.4 per cent)). These groups include employees who self-manage their superannuation.

Note 16C: Other highly paid staff

During the reporting period, there were two employees (2010:nil) whose salary plus performance bonus was \$150,000 or more. These employees did not have senior executive roles and are therefore not disclosed as senior executives in Note 16A and Note 16B.

Note 17: Remuneration of Auditors

The cost of financial audit services to IBA were:
Auditor-General

Consolidated	
2011	2010
\$'000	\$'000
433	306
433	306

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

Note 18: Financial Instruments

		Consolidated	
	Notes	2011	2010
		\$'000	\$'000
Note 18A: Categories of financial instruments			
Financial assets			
Held-to-maturity financial assets			
Term deposits	7F	185,043	178,000
		185,043	178,000
Loans and receivables financial assets			
Cash and cash equivalents	7A	98,314	120,175
Goods and services	7B	8,685	11,408
Dividend and other receivables	7B	583	591
		107,582	132,174
Fair value through profit and loss—designated			
Business and Home loans	7B	482,810	437,554
		482,810	437,554
Available-for-sale financial assets			
Business undertakings	7E	199	199
Associates	7C	38,355	27,382
		38,554	27,581
Carrying amount of financial assets		813,989	775,309
Financial liabilities			
Other financial liabilities—at amortised cost			
Trade creditors	9A	5,388	6,339
Other payables	9C	2,907	5,358
		8,295	11,697
Borrowings secured by a floating charge	10	11,938	12,147
		11,938	12,147
Carrying amount of financial liabilities		20,233	23,844

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

Note 18: Financial Instruments (continued)

	Consolidated	
	2011	2010
	\$'000	\$'000
Note 18B: Net income and expenses from financial assets		
Held-to-maturity		
Interest revenue	10,630	9,592
Net gain—held to maturity	10,630	9,592
Loans and receivables		
Interest revenue	5,339	5,919
Net gain—loans and receivables	5,339	5,919
Fair value through profit and loss		
Interest revenue	35,701	28,054
Changes in fair value	(46,113)	54,668
Net gain/(loss)—fair value through profit and loss	(10,412)	82,722
Available-for-sale		
Interest revenue	303	291
Dividend revenue	20	20
Equity accounted profit of associates	1,543	2,586
Gain/(loss) recognised in equity	10,616	5,163
Net gain/(loss) on disposal	202	(20,821)
Net gain/(loss)—available-for-sale	12,684	(12,761)
Net gain/(loss) from financial assets	18,241	85,472
Note 18C: Net income and expense from financial liabilities		
Financial liabilities-at amortised cost		
Interest expense	875	1,065
Net loss—financial liabilities—at amortised cost	875	1,065
Net loss from financial liabilities	875	1,065

Note 18: Financial Instruments (continued)

Note 18D: Fair value of financial instruments

Loan receivables designated at fair value through profit and loss

Changes in the fair value of loans designated at fair value through profit and loss, that arose due to credit risk (method used AASB7.9(i) or 9c(ii)).

	Consolidated	
	2011	2010
	\$'000	\$'000
Maximum exposure to credit risk	482,810	437,554
Fair value changes due to credit risk:		
During the period	30,065	39,456
Prior to the period	98,314	106,112
Cumulative change	128,379	145,568

- IBA Home and Business loans, issued at lower than market rates, are fair valued against market interest rates benchmarked on commercial bank rates. The interest rate differential against which the discount is applied is split into market discount and credit discount differentials. Movement in fair value is dependent on new loans settled, loans repaid and interest rate changes during the period. The credit risk impact measured below gives the fair value discount arising on the credit interest differential only.
- IBA has not utilised any instruments such as credit derivatives to mitigate its credit risk.

Fair value measurements categorised by fair value hierarchy

IBA uses the following techniques to measure the fair value of assets and liabilities.

- Trade receivables are valued at realisable value, which in the absence of impairment is the same as carrying value.
- Trade and other payables and provisions are valued at their carrying values adjusted for any impairment.
- Investments are assessed for fair value against market-related inputs every year with an external valuation performed once every three years.
- Loan receivables are fair valued against market-related benchmarks on an ongoing basis.

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

	Consolidated						
	Valuation technique 2011				Valuation technique 2010		
	Level 1 market values \$'000	Level 2 market inputs \$'000	Level 3 non- market inputs \$'000	Total \$'000	Level 1 market values \$'000	Level 2 market inputs \$'000	Level 3 non- market inputs \$'000 Total \$'000
Financial assets							
Designated at fair value through profit and loss							
Loan receivables—Home	—	452,767	—	452,767	—	405,397	— 405,397
Loan receivables—Business Development	—	30,042	—	30,042	—	32,157	— 32,157
Available-for-sale	—	—	—	—	—	—	—
Subsidiaries	—	—	—	—	—	—	—
Associates	—	38,355	—	38,355	—	27,382	— 27,382
Business undertakings	—	199	—	199	—	199	— 199
Total	—	521,363	—	521,363	—	465,135	— 465,135

Note 18: Financial Instruments (continued)

Note 18E: Credit risk—maximum exposure

IBA manages credit risk on its loans portfolio by undertaking background and credit checks prior to allowing a debtor relationship. In addition, IBA has policies and procedures that guide employees' debt recovery techniques. IBA also holds collateral against certain loans to mitigate against credit risk.

The following table illustrates IBA gross exposure to credit risk, excluding any collateral or credit enhancements.

	Consolidated	
	2011	2010
	\$'000	\$'000
Financial assets:		
Trade, other receivables and other financial assets	107,583	11,999
Loan receivables—Home	452,767	405,397
Loan receivables—Business Development	30,042	98,314
Investments accounted for using the equity method	38,355	27,382
Investments	185,242	178,199
Total	813,989	721,291

In relation to financial assets, deposits, trade receivables and investments are considered not past due and not impaired. The details of past due and impaired assets pertain to Home and Business loans only.

Impairment and ageing analysis of IBA's Home and Business Development loan receivables

	Consolidated			
	Not past due nor impaired	Not past due nor impaired	Past due or impaired	Past due or impaired
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Financial assets:				
Loan receivables—Home	403,808	365,979	50,562	42,427
Loan receivables—Business Development	23,875	26,209	22,970	23,658
Total	427,683	392,188	73,532	66,085

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

	Consolidated 2011				
	0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:					
Loan receivables—Home	25,697	11,361	3,491	5,718	46,267
Loan receivables—Business Development	616	466	13	2,128	3,223
Total	26,313	11,827	3,504	7,846	49,490

	Consolidated 2010				
	0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:					
Loan receivables—Home	20,589	10,883	3,160	4,582	39,214
Loan receivables—Business Development	1,002	1,601	164	3,636	6,403
Total	21,591	12,484	3,324	8,218	45,617

Loan receivables considered impaired

	Consolidated	
	2011	2010
	\$'000	\$'000
Financial assets:		
Loan receivables—Home	4,296	2,409
Loan receivables—Business Development	19,747	13,763
Total	24,043	16,172

Note 18: Financial Instruments (continued)

Note 18F: Liquidity risk

The financial liabilities of IBA are trade payables, other payables and secured loans. The exposure to liquidity risk is analysed with a maturity analysis of all liabilities.

	Consolidated 2011				
	On demand \$'000	Within 1 year \$'000	1 to 5 years \$'000	> 5 years \$'000	Total \$'000
Financial liabilities					
Trade creditors	–	5,388	–	–	5,388
Other payables	–	2,907	–	–	2,907
Borrowings secured by a floating charge	–	–	11,938	–	11,938
Total	–	8,295	11,938	–	20,233

	Consolidated 2010				
	On demand \$'000	Within 1 year \$'000	1 to 5 years \$'000	> 5 years \$'000	Total \$'000
Financial liabilities					
Trade creditors	–	6,339	–	–	6,339
Other payables	–	5,358	–	–	5,358
Borrowings secured by a floating charge	–	–	12,147	–	12,147
Total	–	11,697	12,147	–	23,844

Note 18G: Market risk

Interest rate risk refers to the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. IBA is exposed to interest rate risk primarily on its home and business loan receivables.

	2011			
	Change in risk variable %	Effect on income statement \$'000	Change in risk variable %	Effect on income statement \$'000
Financial assets: loan receivables				
+				
Interest rate risk	+0.875	(6,733)	-0.875	(413)

	2010			
	Change in risk variable %	Effect on income statement \$'000	Change in risk variable %	Effect on income statement \$'000
Financial assets: loan receivables				
Interest rate risk	+0.75	(3,311)	-0.75	(776)

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

IBA home and business loans, issued at lower than market rates, are fair valued against market interest rates benchmarked on commercial bank rates. The quantum of interest rate differential determines the variance of the fair value from the face value.

Note 18: Financial Instruments (continued)

Consolidated	
2011	2010
\$'000	\$'000

Note 18H: Assets pledged or held as collateral

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

Assets pledged as collateral

Financial liabilities

Borrowings secured by floating charge

Total assets held as collateral

11,938	12,148
11,938	12,148

The assets held as collateral comprise of the following:

- As at 30 June 2011, \$11.938 million (30 June 2010: \$12.147 million) pertains to the amount borrowed by the Larrakia Darwin Hotel Partnership against security of land and buildings.

In relation to IBA's gross credit risk, the following collateral is held against Home and Business loans.

2011	2010
\$'000	\$'000

Assets held as collateral

Non-financial assets

Loan receivables—Home

Loan receivables—Business Development

Total assets held as collateral

900,053	774,557
96,832	110,877
996,885	885,434

2011	2010
\$'000	\$'000

Note 18I: Concessional loan

Home loan

Face value

Less: unexpired discount

Less: provision

Carrying value

678,120	582,300
223,283	175,414
2,070	1,489
452,767	405,397

Business loan

Face value

Less: unexpired discount

Less: provision

Carrying value

53,917	58,732
10,277	12,363
13,597	14,212
30,043	32,157

Total concessional loans

482,810	437,554
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Note 19: Assets Held in Trust

	2011	2010
	\$'000	\$'000

Aboriginal and Torres Strait Islander Commission Funds

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

Opening balance	3,707	3,576
Interest receivable	170	131
Payments	(585)	–
Total amount as at 30 June	3,292	3,707

Downs Aboriginal and Islander Company Funds

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

Opening balance	288	278
Interest receivable	23	10
Total amount as at 30 June	311	288

Indigenous Economic Development Trust

The Indigenous Economic Development Trust was established in September 2007, with IBA as trustee, to assist FaHCSIA in managing assets formerly held under the Community Development Employment Projects (CDEP) program. The beneficiaries of the trust are the Aboriginal and Torres Strait Islander people of Australia.

Opening balance	291	154
Receipts	891	890
Interest receivable	11	6
Payments	(1,053)	(759)
Total amount as at 30 June	140	291
Total of assets held in trust	3,743	4,286

Moneys received are placed in separate bank accounts and are granted to parties in accordance with the trust agreement. The moneys held in these trusts are not available for any other purpose of IBA and are not recognised in the financial statements.

Note 20: Reporting of Outcomes

Net cost of outcome delivery

	Outcome 1		Total	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Expenses	167,440	227,391	167,440	227,391
Income from non-government sector				
Commercial revenue	135,821	132,045	135,821	132,045
Total other external income	135,821	132,045	135,821	132,045
Net cost of outcome delivery	31,619	95,346	31,619	95,346
Balance sheet				
Total assets	1,016,030	967,333	1,016,030	967,333
Total liabilities	32,437	35,115	32,437	35,115
Net assets	983,593	932,218	983,593	932,218
Statement of equity				
Retained earnings	184,014	180,573	184,014	180,573
Asset revaluation reserves	30,755	18,384	30,755	18,384
Contributed equity/capital	768,824	733,262	768,824	733,262
Total equity	983,593	932,218	983,593	932,218

As IBA has only one outcome, the above figures correspond to the statement of comprehensive income and the balance sheet.

Note 21: New Housing Fund

As per section 181A of the ATSI Act 2005, money held in the New Housing Fund may only be applied to make housing loans. Specific information on the housing fund's operations and its financial position, which has been included in the preceding statement and notes, is disclosed as follows:

New Housing Fund

Statement of comprehensive income for the year ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
EXPENSES			
Write-down of assets	21A	25,725	45,551
Other		700	318
Total expenses		26,425	45,869
LESS: OWN-SOURCE INCOME			
Revenue			
Interest	21B	29,021	23,448
Other		181	214
Total revenue		29,202	23,662
Gains			
Other		-	-
Total gains		-	-
Total income		29,202	23,662
Net cost of (contribution by) services		2,777	(22,207)

New Housing Fund

Balance sheet as at 30 June 2011

		2011 \$'000	2010 \$'000
ASSETS			
Financial assets			
Cash	21C	9,787	22,030
Receivables	21D	389,394	374,374
Total financial assets		399,181	396,404
Total assets		399,181	396,404
LIABILITIES			
Total liabilities		-	-
NET ASSETS			
		399,181	396,404
EQUITY			
Parent entity interest			
Capital		429,397	429,397
Accumulated deficit		(30,216)	(32,993)
Total parent entity interest		399,181	396,404
TOTAL EQUITY		399,181	396,404

Note 21: New Housing Fund (continued)
New Housing Fund
Cash flow statement
for the period ended 30 June 2011

	2011 \$'000	2010 \$'000
OPERATING ACTIVITIES		
Cash received		
Interest	29,021	23,448
Other	—	132
Total cash received	29,021	23,580
Cash used		
Other	85	—
Total cash used	85	—
Net cash from operating activities	28,936	23,580
	21E	
INVESTING ACTIVITIES		
Cash received		
Repayments of loans	49,712	56,628
Total cash received	49,712	56,628
Cash used		
Loans made	90,891	81,562
Total cash used	90,891	81,562
Net cash used in investing activities	(41,179)	(24,934)
Net decrease in cash held	(12,244)	(1,353)
Cash at beginning of reporting period	22,031	23,384
Cash at the end of the reporting period	9,787	22,031

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

Note 21: New Housing Fund (continued)

	2011	2010
	\$'000	\$'000

Note 21A: Write-down and impairment of assets

Valuation decrement

Total write-down of assets

25,725	45,551
25,725	45,551

Note 21B: Interest revenue

Interest on bank account

Interest on housing loans

Total interest revenue

983	467
28,038	22,981
29,021	23,448

Note 21C: Cash

Cash at bank and on hand

Cash at agents

Total cash

5,879	17,241
3,908	4,789
9,787	22,030

Note 21D: Receivables

Trade debtors

Other debtors

Total receivables

—	—
762	498
762	498

New Housing Fund only

At cost—opening balance

Add: net movement in loans cost

Less: net loss on remeasurement at fair value through profit or loss

Less: impairment movement through profit and loss

At fair value/cost closing balance

373,876	394,812
41,182	24,933
(25,725)	(45,551)
(700)	(318)

388,633	373,876
----------------	----------------

Current loans receivable

Non-current loans receivable

Total receivables

4,256	4,220
385,138	370,154
389,394	374,374

Note 21E: Cash flow reconciliation**Reconciliation of net surplus to net cash from operating activities****Net surplus**

Loans fair value adjustment

Changes in assets and liabilities

(Increase)/decrease in receivables

Net cash from operating activities

2,777	(22,207)
26,425	45,870
(265)	(83)
28,936	23,580

Note 22: Parent Entity—Indigenous Business Australia

	2011 \$'000	2010 \$'000
Note 22A: Statement of comprehensive income		
Surplus (Deficit) after income tax on continuing operations	1,309	(38,386)
Total comprehensive income/(loss)	14,443	(47,041)

Note 22B: Balance sheet

Current assets	309,135	328,553
Total assets	976,235	930,771
Current liabilities	8,519	10,773
Total liabilities	10,162	12,307
Net assets	966,073	918,464

Note 22C: Statement of equity

Retained earnings	191,203	189,898
Asset revaluation reserves	23,026	9,892
Contributed equity/capital	751,844	718,674
Total equity	966,073	918,464

With recent changes in the Finance Minister's Orders (FMOs), it is no longer mandatory for IBA to provide separate financial statements for IBA Corporation as a parent entity. As such, the parent entity amounts are provided as supplementary information (FMO 7.71G).

APPENDICES

PART 08

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APPENDIX A: CONSULTANTS

Section 178 of the *Aboriginal and Torres Strait Islander Act 2005* (ATSI Act) enables IBA to engage specialist consultancy services when skilled expertise is unavailable within IBA or when independent advice is required.

The terms and conditions on which consultants are engaged are determined by the Board in writing. IBA is not subject to the Commonwealth Procurement Guidelines and therefore engages its consultants in accordance with the requirements of an IBA CEO's (GM's) Instruction on procurement.

Consultants are distinguished from other contractors by the nature of the work they perform. A consultant is an individual, partnership or a corporation engaged to provide professional, independent and expert advice or services.

IBA does engage consultants on behalf of Business Development and Assistance

Program customers; however, these consultants render their services to the customer directly rather than to IBA. As such, these consultancy contracts fall outside of the standard consultant definition, and are excluded from this appendix.

During 2010–11, 112 new consultancy contracts were entered into involving a total actual expenditure of \$1,085,262. In addition, 137 ongoing consultancy contracts were active during 2010–11, involving total actual expenditure of \$1,141,166.

Section 189(2) of the ATSI Act requires IBA to include in each annual report particulars of consultants engaged under section 178. The table below draws on the terminology in the Australian Government Procurement Guidelines, and lists all consultant contracts entered into by IBA in 2010–11. All contract prices include GST.

Name of consultant	Description of services	Selection process ¹	Justification ²	Contract price (\$)
Absolute Access	IT services	Direct sourcing	B	1,403
APUS Business Solutions Pty Ltd	Professional services	Direct sourcing	B	61,498
Bowchung Pty Ltd	Professional services	Open tender	A	67,482
Braithwaite Steiner Pretty	HR services	Direct sourcing	B	79,629
C3 Business Solutions Pty Ltd	IT review	Select tender	A	125,176
Cantlie Recruitment Services Pty Ltd	HR services	Direct sourcing	B&C	36,528
Coffey Mining Pty Ltd	Project feasibility assessment	Select tender	B	18,888

Name of consultant	Description of services	Selection process ¹	Justification ²	Contract price (\$)
Colin Tidswell	Economic development consulting	Select tender	B	22,665
Cosmic Tech Solutions Pty Ltd	IT services	Direct sourcing	A	33,748
Creative Thinking Positive Solutions Pty Ltd	Business advice	Select tender	B&C	62,809
CreditWise Pty Ltd	Legal services	Direct sourcing	B	12,000
Dupont & Associates Pty Ltd	HR services	Direct sourcing	B	3,731
Ernst & Young	Business review	Select tender	B	36,823
Financial Management Trainer	Professional service	Select tender	B	9,998
Fire Cash Pty Ltd	Management services	Direct sourcing	B&C	27,558
Fitz Gerald Strategies	Business review	Direct sourcing	B&C	48,353
Glass House Mountains Ecolodge Pty Ltd	Professional services	Select tender	B	5,989
Groote Eylandt and Bickerton Island Enterprises	Professional services	Direct sourcing	B	26,000
Hamish Tweedy	Project management	Select tender	A	64,053
Harlequin Business and Training Consultants	Business support	Select tender	B	4,370
HBO+EMTB Interiors Pty Ltd	Office design	Select tender	B	30,689
HPA Projects Pty Ltd	Project management	Select tender	B&C	11,000
Hunt Tourism Services Pty Ltd	Project management	Direct sourcing	B	5,852
Interiors Australia Pty Ltd	Office Design	Select tender	B	52,596
Jayne Sunbird Enterprises Pty Ltd	Professional services	Panel	B	2,983
Jones Lang LaSalle (QLD) Pty Ltd	Business review	Select tender	B	32,472
Jones Lang LaSalle Hotels (NSW) Pty Ltd	Hotel management	Select tender	B	91,382
Jones Lang LaSalle Hotels Pty Ltd	Business review	Select tender	B	19,814
Kestrel Solutions Pty Ltd	Business research	Panel	B	4,229
KPMG	Professional services	Direct sourcing	B	22,924
Lawler Partners Pty Ltd	Business readiness	Panel	B	3,702
Leffler Simes Pty Ltd	Professional services	Select tender	B	3,850
LMG Property Pty Ltd	Project management	Select tender	B	46,090

Name of consultant	Description of services	Selection process ¹	Justification ²	Contract price (\$)
Management Solutions (Qld) Pty Ltd	Management services	Direct sourcing	B	162,608
Mapigan Pty Ltd	Business advice	Direct sourcing	B	14,229
Martin Smith	Business review	Direct sourcing	B	7,700
MAXNetWork Pty Ltd	Professional services	Direct sourcing	B	16,363
May Consulting Pty Ltd	Management services	Select tender	B&C	5,871
Morison Consulting Pty Ltd	Audit services	Direct sourcing	C	25,508
Napier & Blakeley Pty Ltd	Technical due diligence	Select tender	B	14,938
NBC Consultants	Project management	Direct Sourcing	C	50,623
Nowland Builders Pty Ltd	Project management	Direct sourcing	C	25,057
Oakebride Pty Ltd	Business review	Direct sourcing	A	20,998
Our Community Pty Ltd	Economic development consulting	Direct sourcing	B	7,795
Phillip Carmens	Business readiness	Panel	B	4,149
Pitney Bowes Software Pty Ltd	Economic development consulting	Select tender	B	9,350
Planning For People Pty Ltd	Economic development consulting	Open tender	B	97,646
Poyry Management Consulting (Australia) Pty Ltd	Economic development consulting	Direct sourcing	B	23,254
PwC	Business review	Select tender	B	26,422
Property Concept & Management Pty Ltd	Business review	Direct sourcing	B&C	11,807
Quality Management Solutions Pty Ltd	Economic development consulting	Direct sourcing	C	13,156
R&S Muller Enterprise Pty Ltd	Economic development consulting	Open tender	B	18,500
Restifa & Partners Pty Ltd	Project management	Select tender	B	29,620
Rider Levett Bucknall	Project management	Select tender	B	5,434
RMIT University	Business research	Select tender	A	11,000
Ross Hammond Pty Ltd	Management services	Direct sourcing	B	38,500
Sauce Software Pty Ltd	IT services	Select tender	B	3,025
Slattery Valuations Australia Pty Ltd	Business review	Select tender	B	6,600

Name of consultant	Description of services	Selection process ¹	Justification ²	Contract price (\$)
SRC Solutions Pty Ltd	HR services	Direct sourcing	A	8,211
Terroir Pty Ltd	Management services	Select tender	B&C	22,000
The North Queensland Small Business Development Centre	Economic development	Open tender	B	36,219
The Nous Group	Professional services	Direct sourcing	B	18,216
Thomas Neil Anderson	Project management	Select tender	B&C	34,763
Toland Pty Ltd	Project design	Select tender	B&C	22,000
Trisigma Pty Ltd	HR services	Select tender	B	77,054
Urbis Pty Ltd	Business research	Open tender	B	54,835
White Clarke Asia Pacific Pty Ltd	IT services	Direct sourcing	B	108,496
WHK Pty Ltd	Business planning	Select tender	B	14,850
WISE Workplace Investigations	HR services	Direct sourcing	C	19,347
WSP Lincolne Scott Pty Ltd	Management services	Select tender	B&C	8,910
Xact Project Consultants Pty Ltd	Project management	Select tender	B&C	63,580
Total (GST inclusive)				2,226,428

¹ Explanation of selection process terms drawn from the Commonwealth Procurement Guidelines (December 2008).

Open tender: A procurement procedure in which a request for tender is published, inviting all businesses that satisfy the conditions for participation to submit tenders. Public tenders are generally sought from the Australian Government AusTender website.

Select tender: A procurement procedure in which the procuring agency selects which potential suppliers are invited to submit tenders. This procurement process may only be used under certain defined circumstances.

Direct sourcing: A form of restricted tendering, available only under certain defined circumstances, with a single potential supplier or suppliers being invited to bid because of their unique expertise and/or special ability to supply the goods and/or services sought.

Panel: An arrangement by which a number of suppliers, initially selected through an open tender process, may each supply property or services to an agency as specified in the panel arrangements. Quotes are sought from suppliers that are pre-qualified on the agency panels to supply to the government. This category includes standing offers and supplier panels where the supply of goods and services may be provided for a pre-determined length of time, usually at a pre-arranged price.

² Justification for the decision to engage a consultant:

- A: skills currently unavailable within IBA
- B: need for specialised or professional skills
- C: need for independent research or assessment.

APPENDIX B: SIGNIFICANT EVENTS

IBA has notified the Minister of significant events as required under section 15 of the *Commonwealth Authorities and Companies Act 1997* (CAC Act). These events relate to the Equity and Investments Program, and are listed in the following table.

Requirements under section 15 of the CAC Act	Name of body	Event (including purpose of body)	Date of event
(a) form a company or participate in the formation of a company	Anderleigh Enterprises Pty Ltd	IBA formed a company to acquire and operate a sandstone quarry in Gunalda, Queensland. IBA acquired a 58 per cent interest in the company.	2 July 2010
	North Stradbroke Enterprises Pty Ltd and North Stradbroke Enterprise Trust	IBA formed a company and trust to facilitate its investment in the North Stradbroke Island Holiday Parks business, known as Minjerribah Camping.	18 February 2011
	Minjerribah Camping Pty Ltd	IBA formed a company to act as the nominee of the Minjerribah Camping Partnership.	18 April 2011
(c) acquire or dispose of a significant shareholding in a company	Port Botany Transfer Station Trust	IBA sold down a 10 per cent interest in the trust to its Indigenous partner, Yarnteen Limited.	14 October 2010
(d) acquire or dispose of a significant business	Elliott Store Holding Trust	IBA terminated the trust.	1 April 2011
	Indigenous Fishing Trust	IBA sold its Northern Territory mud crab fishing licence to an Indigenous-owned and managed mud crab fishery business.	15 December 2010
(f) make a significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement	Moonamang Joint Venture (MJV) Pty Ltd	IBA sold its shareholding in the MJV to its joint venture partner, Leighton Contractors Pty Ltd.	10 June 2011

APPENDIX C: SUBSIDIARIES AND TRUSTS

A complete list of IBA subsidiaries and trusts (discussed on page 36) as at 30 June 2011

Anderleigh Enterprises Pty Ltd

Anderleigh Holdings Trust

Asset Leasing Trust

Bowen Basin Holdings Pty Ltd

Bowen Basin Holdings Trust

Bowen Basin Investments Pty Ltd

Cape Don Pty Ltd

Carpentaria Shipping Trust

CDC Nominees (McArthur River Shipping) Pty Ltd

CDC Nominees (TCTP) Pty Ltd

Consolidated Manufacturing Enterprise Pty Ltd

Darwin Hotel Holdings Pty Ltd

Darwin Hotel Holdings Trust

Fitzroy Lodge Investments Pty Ltd

Foxleigh Joint Venture Participation Trust

Gagudju Crocodile Hotel Trust

Gagudju Lodge Cooina Trust

Hotel Enterprises Pty Ltd

Hotel Holdings Trust

IBA Insurance Holdings Pty Ltd

IBA Property Investments Pty Ltd

IBA (Property Holdings) Pty Ltd

Indigenous Fishing Pty Ltd

Indigenous Fishing Trust

Indigenous Investment Participation Trust

Indigenous Property Trust

Indigenous Investments Trust

Kakadu Tourism (GCH) Pty Ltd

Kakadu Tourism (GLC) Pty Ltd

Leonora Investments Pty Ltd

Leonora Investments Trust

Larrakia Darwin Hotel Pty Ltd

Minjerribah Camping Pty Ltd

Mungo Lodge Pty Ltd

Mungo Lodge Holdings Pty Ltd

Mungo Lodge Trust

Nambucca Heads Land Holding Trust

National Indigenous Participation Trust

National Indigenous Property Trust

North Stradbroke Enterprises Pty Ltd

North Stradbroke Enterprises Trust

Port Botany Transfer Station Trust

Scarborough House Investment Trust

Scarborough House Office Trust

South Hedland Indigenous Property Trust

Swanbrook Road Holding Trust

Tennant Creek Enterprises Pty Ltd

Tennant Creek Enterprises Trust

Tennant Creek Land Holding Trust

Tennant Creek Supermarket Pty Ltd

Tjapukai Pty Ltd

TCTP Participation Trust

Wildman River Lodge Trust

Wildman Wilderness Lodge Pty Ltd

APPENDIX D: ECOLOGICALLY SUSTAINABLE DEVELOPMENT COMPLIANCE

The following table details IBA's ecologically sustainable development (ESD) activities (discussed earlier on page 88) in accordance with section 516A(6) of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act).

ESD reporting requirement	IBA response
How IBA's activities accorded with the principles of ESD	IBA developed an Environmental Strategy in 2010 with assistance from the Australian National University Green Steps Program. The strategy focuses on reducing IBA's carbon footprint through various methods such as more sustainable energy, water and waste management. IBA's Occupational Health and Safety Committee has general oversight of the strategy.
Outcomes contributing to ESD	IBA's single appropriations outcome—improving the economic independence of Indigenous Australians—focuses on economic and social outcomes rather than environmental outcomes and, as such, has no ESD implications.
Activities that affect the environment	IBA implemented programs at its national and regional offices to reduce environmental impacts.
Measures taken to minimise the effect of activities on the environment	<ul style="list-style-type: none"> • Implemented a recycling plan in national and regional offices, resulting in 52 per cent of waste being recycled. • Installed energy-efficient lighting in the national office. • Installed computers that use significantly less energy (i.e. they are seven times more efficient). • Rolled out an awareness program to teach staff how to reduce IBA's carbon footprint. • Prepared a CEO's (GM's) Instruction on procurement, which requires staff members to consider environmental impacts when procuring goods or services. • Adopted the Green Star Energy Rating and, as far as possible, NABERS (National Australian Built Environment Rating System) requirements, for all new office fit-outs.
Mechanisms for reviewing and increasing the effectiveness of measures to minimise the environmental impact of activities	The Environmental Strategy has identified a number of metrics for monitoring IBA's carbon footprint and environmental improvement in the workplace (such as electricity and paper usage, consumables and staff travel). The strategy is reviewed annually. IBA is committed to continual improvement in environmental performance management.

APPENDIX E: FREEDOM OF INFORMATION SUMMARY, 2010–11

The following table summarises the year's Freedom of Information (FOI) requests and their outcomes as discussed in detail on page 86.

Activity	Number
Requests	
On hand as at 1 July 2010	0
New requests received	2
Total requests handled	2
Total requests completed as at 30 June 2011	2
Action on requests	
Access granted in full	1
Access granted in part	0
Access refused	1
Access transferred in full	0
Request withdrawn	0
No records	0
Response times	
0–30 days	2
0–60 days	0
Internal review	
On hand as at 1 July 2010	0
Requests received	0
Decision affirmed	0
Decision amended	0
Request withdrawn	0
Review by Administrative Appeals Tribunal	
Applications received	0
Review by the Office of the Australian Information Commissioner	
Applications received	0

APPENDIX F: KEY SPONSORSHIP ACTIVITIES, 2010–11

Conference, event or award	IBA's involvement
The annual national Sustainable Economic Growth for Regional Australia conference was hosted in Townsville from 19 to 21 October 2010.	IBA participated in a panel discussion about microenterprise development projects on Palm Island, and made a keynote presentation.
The Brolga Northern Territory Tourism Awards, held on 20 November 2010, is the territory's official tourism awards program. The awards recognise tourism businesses that strive for all-round excellence.	IBA has investments in the tourism industry and supports the development of tourism businesses. IBA sponsored an award category announced at the ceremony.
'Bonita Queen of Land Rights' artwork and Gregory S Fergusson exhibition opened on 2 December 2010 at the Artists Shed gallery in Queanbeyan, NSW.	The portrait was unveiled by IBA Deputy CEO Kaely Woods and newly appointed director of the Agricultural Arts Residency Kenmore, Jessie Mabo-Smith.
The New South Wales Indigenous Chamber of Commerce (NSW ICC) conference was held on 21 January 2011. The NSW ICC is a new organisation that enhances the employment, economic and social prosperity of Indigenous Australians in NSW by supporting Indigenous businesses.	As a 'silver' sponsor of the conference, IBA built brand awareness and relationships with key stakeholders. A one-year membership of the Chamber was included in this sponsorship.
The Saltwater Freshwater Festival, held each year on 26 January 2011, is run by the Saltwater Freshwater Arts Alliance Aboriginal Corporation, a peak body for Aboriginal arts and culture on the mid-north coast of NSW.	IBA supported this event, which aims to position Indigenous art and culture as the foundation for long-term social, economic and environmental development among the region's Indigenous communities.
The CountryLink Outback NSW MasterClass 2011 was held from 31 March to 1 April 2011. It helps businesses achieve positive outcomes for sustainable growth and development.	Through IBA's involvement, Indigenous businesses were offered the opportunity to attend the master class at a discounted rate. Businesses involved in the Indigenous Tourism Champions Program (a joint initiative with Tourism Australia) were also invited to attend.
The Queensland Reconciliation Awards, held on 31 May 2011 during Reconciliation Week, recognise businesses, community organisations, educational institutions and projects working towards reconciliation in Queensland.	IBA presented the award for businesses with programs and/or initiatives that actively promote reconciliation in the Emerging Business category.
The 12 th annual National Native Title Conference was co-convened by the Australian Institute of Aboriginal and Torres Strait Islander Studies and Queensland South Native Title Services from 1 to 3 June 2011. The conference promotes public debate about native title and Indigenous Australians' interests in land, waters, community and economic development.	IBA used the conference to help inform the development of products that could support native title claimants and traditional owner organisations.

REFERENCES AND INDEXES

PART 09



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GLOSSARY

Terms	Meaning
Accessibility Classification	The Accessibility/Remoteness Index of Australia classification and its underlying methodology was developed in 1997 by the then Department of Health and Aged Care, based on work by GISCA (the National Key Centre for Social Applications of Geographic Information Systems).
Administrative Arrangements Order	Issued by the Governor-General, the order provides for government administration arrangements, including the matters dealt with by each department and the legislation administered by each minister.
Appropriation	An amount of public money Parliament authorises for spending (i.e. funds to be withdrawn from the Consolidated Revenue Fund). Parliament makes laws for appropriating money under the annual appropriation Acts and under special appropriations, with spending restricted to the purposes specified in the appropriation Acts.
assets	Future economic benefits controlled by an entity as a result of past transactions or other past events.
Australian and New Zealand Standard Industrial Classification (ANZSIC)	The standard was developed to assist in the production and analysis of industry statistics. Used in Australia and New Zealand, the aim is to identify groups of businesses which carry out similar economic activities.
budget measure	A final decision by Cabinet that has a financial impact on the Budget now or in future years.
Collective Agreement	Detailed IBA employment conditions and was approved by the Workplace Authority.
depreciation	A method of allocating the cost of a tangible asset over its useful life. Businesses depreciate long-term assets for both tax and accounting purposes.
economic development initiative	The process of identifying and promoting small business opportunities within an industry, community or geographical location.
estimates	An agency's expected revenues, expenses, assets, liabilities and cash flows. Estimates are prepared for each program in the Budget, in consultation with the Department of Finance and Deregulation.
fair market value	The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's-length transaction (a transaction in which the buyers and sellers of a product act independently and have no relationship to each other).
IBA home loan rate	Currently capped at the Reserve Bank of Australia's cash rate plus a margin of 1%.

Terms	Meaning
IBA Income Amount	Equivalent to 100% of the national average weekly male earnings, as calculated by the Australian Bureau of Statistics.
loan-to-valuation ratio	This is calculated by dividing the housing loan amount by the value of the property. For example, a \$50,000 loan against a home that is worth \$100,000 has an LVR of 50 per cent. The closer the LVR is to 100 per cent, the riskier it is viewed by lenders.
loss salvage	The number and value of defaulted loans and loans for which a payout has been demanded (including selling the security).
New Housing Fund	The designated housing loan fund which—under section 181A of the ATSI Act—may only be applied to make housing loans.
outcomes	The Australian Government's objectives for the FaHCSIA portfolio. Outcomes are desired results, impacts or consequences for the Australian community as influenced by the actions of the Australian Government. Actual outcomes are assessments of the end results or impacts actually achieved.
Portfolio Budget Statements	Budget papers that inform senators and members of parliament of the proposed allocation of resources to government outcomes by agencies within the portfolio.
program	An activity or group of activities that delivers benefits or services, or that transfers payments to individuals, industry, businesses or the community as a whole. They are the primary vehicles for government agencies to achieve the intended results of their outcome statement.
revenue	The total value of resources earned or received to cover the production of goods and services.
special accounts	Balances existing within the Consolidated Revenue Fund that are supported by standing appropriations (<i>Financial Management and Accountability Act 1997</i> (FMA Act) sections 20 and 21). Special accounts allow money in the fund to be acknowledged as set aside for a particular purpose. Amounts credited to a special account may only be spent for the purposes of the special account. Special accounts can only be established by a written determination of the Finance Minister (section 20 of the FMA Act) or through an Act of Parliament (referred to in section 21 of the FMA Act).
specific purpose payments	Commonwealth payments to states and territories are divided into general purpose payments and specific purpose payments. The term payments is used because the amounts referred to are gross transfers, not net, which would include repayments of advances to the state and territory governments. Most specific purpose payments are conditional on policy objectives set by the Commonwealth or the achievement of national policy objectives agreed between the Commonwealth and state and territory governments.
Standard & Poor's	Standard & Poor's is a provider of financial market intelligence.
statutory authority	A government agency set up by an Act of Parliament, more or less independent of day-to-day ministerial control, usually not bound by public service procedures to the same extent as ordinary departments, and which is responsible finally to Parliament.

ABBREVIATIONS AND ACRONYMS

AASB	Australian Accounting Standards Board
AICD	Australian Institute of Company Directors
AIMSC	Australian Indigenous Minority Supply Council
ALT	Asset Leasing Trust
ANAO	Australian National Audit Office
ANZSIC	Australian and New Zealand Standard Industrial Classification
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATSI Act	Aboriginal and Torres Strait Islander Act 2005
ATSIC	Aboriginal and Torres Strait Islander Commission
BAMS	Bawrunga Aboriginal Medical Service
CAC Act	Commonwealth Authorities and Companies Act 1997
CAC Orders 2008	Commonwealth Authorities and Companies (Report of Operations) Orders 2008
CDEP	Community Development Employment Projects
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGPR	Corporate Governance Principles and Recommendations
CSS	Carpentaria Shipping Services Pty Ltd
CSS	Commonwealth Superannuation Scheme
DEEWR	Department of Education, Employment and Workplace Relations
DOGIT	Deed of Grant in Trust
EDI	Economic Development Initiative
EPBC Act	Environmental Protection and Biodiversity Conservation Act 1999
ESD	ecologically sustainable development
FaHCSIA	Department of Families, Housing, Community Services and Indigenous Affairs
FBT	fringe benefits tax
FOI	freedom of information
FOI Act	Freedom of Information Act 1982
FMA Act	Financial Management and Accountability Act 1997

GCC	Global Corporate Challenge
GM	General Manager
GP	General practitioner
GRD	Good renters discount
GST	goods and services tax
HOIL Program	Home Ownership on Indigenous Land Program
HOP	Home Ownership Program
IBA	Indigenous Business Australia
ICC	Indigenous Coordination Centre
IED Trust	Indigenous Economic Development Trust
IFT	Indigenous Fishing Trust
IPS	Information Publication Scheme
LVR	loan-to-valuation ratio
LDC	Larrakia Development Corporation
MJV	Moonamang Joint Venture
NAB	National Australia Bank
NABERS	National Australian Built Environment Rating System
NAIDOC	National Aborigines and Islanders Day Observance Committee
NCCP Act	National Consumer Credit Protection Act 2009
NSWICC	New South Wales Indigenous Chamber of Commerce
OH&S	Occupational Health and Safety
PBTS	Port Botany Transfer Station
PP&E	Property, plant and equipment
PSS	Public Sector Superannuation Scheme
PSSap	Public Sector Superannuation Scheme accumulation plan
RARD	Requirements for Annual Reports for Departments
S&P	Standard & Poor's
SDU	Service Delivery Unit
SES	Senior executive service
SROI	Social Return on Investment

COMPLIANCE INDEX

IBA is bound by various legislative requirements to disclose certain information in its annual report. The main requirements are detailed in the Commonwealth Authorities and Companies (Report of Operations) Orders 2008 (CAC Orders 2008) and the *Aboriginal and Torres Strait Islander Act 2005* (ATSI Act).

IBA's commitment to better practice in its annual reporting is demonstrated through its compliance, while not mandatory, with some additional principles from the:

- Requirements for Annual Reports for Departments (RARD), Executive Agencies and FMA Act Bodies, 2011 Department of Prime Minister and Cabinet
- Corporate Governance Principles and Recommendations (CGPR) with 2010 Amendments, 2nd edition Australian Securities Exchange (ASX) Corporate Governance Council

Requirement	Reference	Detail and page listing of compliant information
Advertising and market research	CAC Orders 2008, sub clause 17(2), ref <i>Commonwealth Electoral Act 1918</i> , section 311A	Not applicable—IBA is not an agency under the <i>Public Service Act 1999</i>
Board committees	CAC Orders 2008, sub clause 15(2)	Committees (84)
Certification	CAC Orders 2008, clause 4	Transmittal letter (5)
Clear links between outcomes, strategies for achieving those outcomes and the principal programs	CAC Orders 2008, sub clause 10(2)(b)	8–9, 14, 38–39, 55–57, 60–61
Commonwealth Disability Strategy	CAC Orders 2008, clause 18	88
Consultants engaged	ATSI Act, sub section 189 2(b)	Appendix A (170–173)
Corporate governance practices	CAC Orders 2008, clause 15(1)(3)	80–88
Directors	CAC Orders 2008, clause 14	82–83

Requirement	Reference	Detail and page listing of compliant information
Ecologically sustainable development and environmental performance	CAC Orders 2008, sub clause 17(2), ref <i>Environment Protection and Biodiversity Conservation Act 1999</i> , section 516A	88 and Appendix D (176)
Effects of ministerial directions and notification of general policies of the government	CAC Orders 2008, sub clause 12. ATSI Act subsection 189(2) (a)	80
Efficiency and effectiveness of the operations in producing its principal programs	CAC Orders 2008, sub clause 10(2)(a)	14–77
Enabling legislation, functions and objectives	CAC Orders 2008, clause 8(a)	IBA at a glance
Factors, events or trends influencing performance	CAC Orders 2008, sub clause 10(1)(b)	14–77
Financial statements	Sub clause 1(b) and sub clause 2(1) of Schedule 1 to the CAC Act. Finance Ministers' Orders for Financial Reports July 2009	113–168
Financial statements certification: a statement, signed by the directors	Sub clause 2(3) of Schedule 1 to the CAC Act	112
Financial statements certification: Auditor-General's Report	Sub clause 1(c) and Part 2 of Schedule 1 to the CAC Act	110–111
Fraud risk assessment and control	Commonwealth Fraud Control Guidelines 2002	85
Freedom of information	CAC Orders 2008, sub clause 17(2), ref <i>Freedom of Information Act 1982</i> , subsection 8(1)	86–87 and Appendix E (177)
Indemnities and insurance premiums for officers	CAC Orders 2008, clause 16	84
General policies of the Australian Government	CAC Orders 2008, sub clause 12(1)(b) and (2)	80
Judicial decisions and decisions of administrative tribunals that have had, or may have, a significant impact on operations	CAC Orders 2008, clause 11(a)	87
Letter of transmittal	CAC Orders 2008, clause 4	5
Location of major activities and facilities	CAC Orders 2008, clause 9	Principal investment sites (22–23) Contact information (inside back cover)
Ministerial directions	CAC Orders 2008, sub clause 12(1)(a), ref (2) ATSI Act, sections 151 and 189	80
New Housing Fund financial statements	ATSI Act sub section 189(3)	165–167

Requirement	Reference	Detail and page listing of compliant information
Occupational health and safety	CAC Orders 2008, sub clause 17(2), ref <i>Occupational Health and Safety (Commonwealth Employment) Act 1991</i> , section 74	96–97
Operational and financial results during the year, including principal programs, major investing activities, key financial and non-financial activities (for IBA and subsidiaries)	CAC Orders 2008, sub clause 10(1)(d)	8–9
Organisational structure (for IBA and subsidiaries)	CAC Orders 2008, clause 9	Organisational chart (98–99) and Appendix C (175)
Reports on the operations of the authority by the Auditor-General, a parliamentary committee or the Commonwealth Ombudsman	CAC Orders 2008, clause 11 (b)	86–87
Responsible minister	CAC Orders 2008, sub clause 8(b)	IBA at a glance
Review of performance	CAC Orders 2008, sub clause 10(1)(a)	14–77
Significant changes in state of affairs or principal activities during the financial year	CAC Orders 2008, sub clause 10(1)(e)	14–77
Significant developments since the end of the financial year	CAC Orders 2008, sub clause 10(1)(f)	87
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Training and development undertaken and its impact	RARD 12(6)	96
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Impact and features of enterprise or collective agreements, individual flexibility arrangements, determinations, common law contracts and Australian Workplace Agreements	RARD 12(6)	96
Correction of material errors in previous annual report	RARD 14(4)	Not applicable
Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	CGPR1.1	81
Companies should disclose the process for evaluating the performance of senior executives.	CGPR1.2	81, 96
Companies should have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.	CGPR2.1	81
A majority of the Board should be independent directors.	CGPR2.2	81
The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	CGPR2.3	81

Requirement	Reference	Detail and page listing of compliant information
The Board should establish a nomination committee.	CGPR2.4	Not applicable
Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	CGPR2.5	81
Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> the practices necessary to maintain confidence in the company's integrity the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	CGPR3.1	81, 85
Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving diversity and to assess annually both the objectives and progress in achieving them.	CGPR3.2	81, 95
Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	CGPR3.3	81, 95
Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	CGPR3.4	81, 95
The Board should establish an audit committee.	CGPR4.1	84
The audit committee should be structured so that it: <ul style="list-style-type: none"> consists only of non-executive directors consists of a majority of independent directors is chaired by an independent chair, who is not Chair of the Board has at least three members. 	CGPR4.2	84
The audit committee should have a formal charter.	CGPR4.3	84

Requirement	Reference	Detail and page listing of compliant information
Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	CGPR5.1	Not applicable
Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	CGPR6.1	Contact information (inside back cover), IBA at a glance
Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	CGPR7.1	85
The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	CGPR7.2	85
The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the <i>Corporations Act 2001</i> is founded on a sound system of risk management and internal control and that the system is operating effectively.	CGPR7.3	Not applicable
The Board should establish a remuneration committee.	CGPR8.1	Not applicable
The remuneration committee should be structured so that it: <ul style="list-style-type: none"> • consists of a majority of independent directors • is chaired by an independent chair • has at least three members. 	CGPR8.2	Not applicable; remuneration is managed by the IBA Board and the Remuneration Tribunal
Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	CGPR8.3	84, 96

Note: Since optional requirements are in addition to those legislatively mandated, any double-ups are stated once only within the mandatory requirements.

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Note: Details correct at time of printing.

