

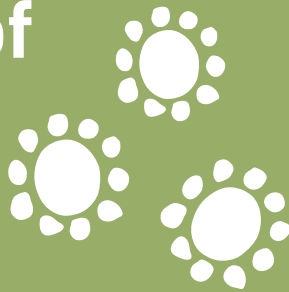


Australian Government
Indigenous Business Australia

ANNUAL REPORT

2016-17

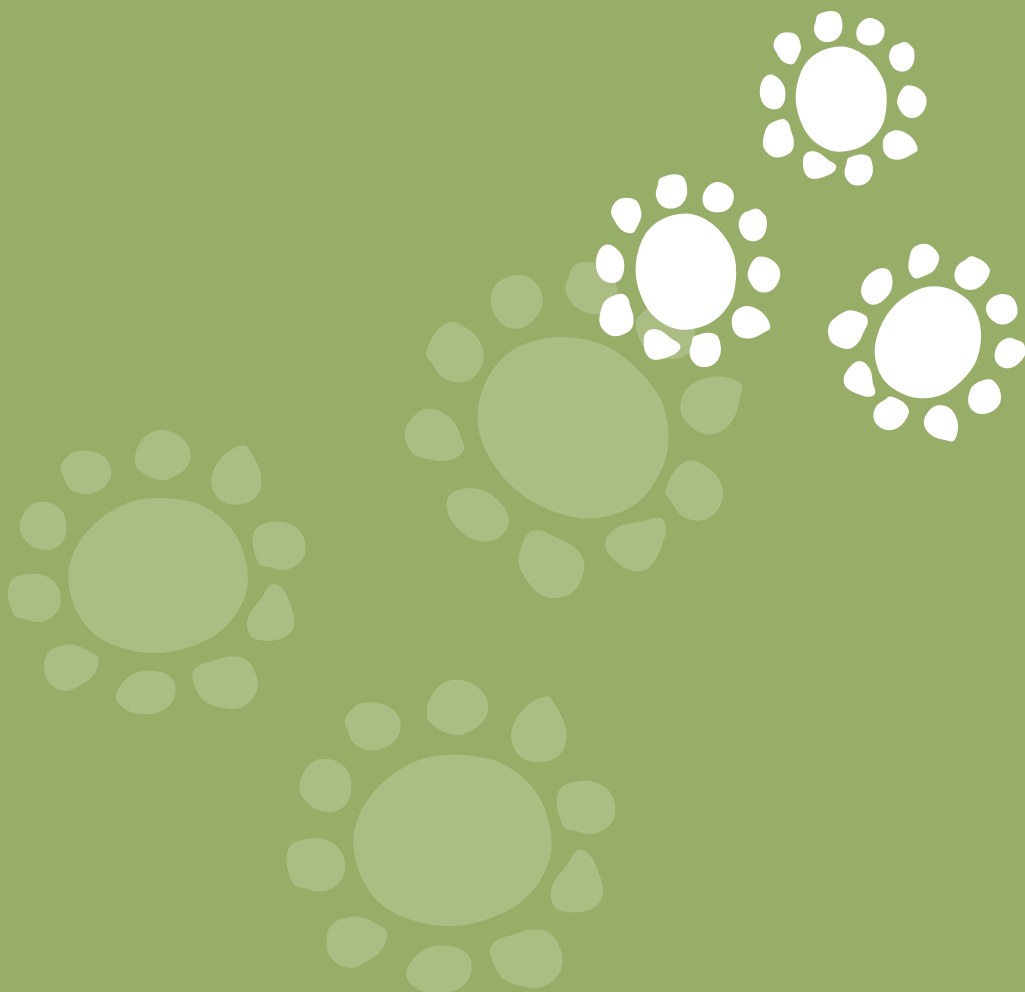
Our vision is for a nation in which the First Australians are economically independent and an integral part of the economy.



IBA serves, partners and invests with Indigenous Australians who want to own their future. We provide financial products and services, and we go further: we invest in people, places and ideas that are ready.

IBA is deeply committed to the financial success and economic independence of Aboriginal and Torres Strait Islander peoples; it is why we exist.

We assist Indigenous Australians to buy their own homes, own their own businesses and invest in commercial ventures that provide strong financial returns and can also provide employment, training and supply chain opportunities.



Australian Government
Indigenous Business Australia

ANNUAL REPORT

2016-17





About the design

Aboriginal and Torres Strait Islander art is amongst the oldest unbroken traditions of art in the world. With respect and in recognition of those traditions, the painted rocks used to create the design of this publication were made with pride by IBA staff members during 2016 Reconciliation Week activities.

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



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MANAGEMENT SYSTEM



CARBON NEUTRAL



RENEWABLE ENERGY



FOREST MANAGEMENT

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Australian Government
Indigenous Business Australia

7 September 2017

Senator the Hon. Nigel Scullion
Minister for Indigenous Affairs
Parliament House
Canberra ACT 2600

Dear Minister

On behalf of the Board of Indigenous Business Australia, I am pleased to submit our annual report for the financial year ended 30 June 2017.

The Board is responsible for preparing the annual report and presenting it to you in accordance with Section 46 of the *Public Governance, Performance and Accountability Act 2013*, Division 3A of the *Public Governance, Performance and Accountability Rule 2014* and Section 189 of the *Aboriginal and Torres Strait Islander Act 2005*.

The report includes IBA's annual performance statements and audited financial statements, which were approved in accordance with a resolution of the Board on Thursday 7 September 2017.

I am satisfied that IBA has prepared a fraud risk assessment and fraud control plan, and has in place appropriate fraud prevention, detection, investigation, and reporting and data collection procedures and processes that meet IBA's needs and comply with section 10 of the *Public Governance, Performance and Accountability Rule 2014*.

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

Yours sincerely

Eddie Fry
Chair



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PART 1

OVERVIEW

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HIGHLIGHTS

Significant dates

JUL 2016	<p>IBA hosted its ninth annual breakfast event at NAIDOC week, in Darwin (page 98)</p> <p>IBA presented on economic development opportunities at Garma 2016 in Arnhem Land (page 160)</p>
AUG 2016	<p>IBA opened recruitment for its fourth year of the Indigenous graduate program (page 96)</p>
OCT 2016	<p>Workshops were held in Darwin and Perth to support Indigenous communities and organisations to understand and adopt the Indigenous Investment Principles; further workshops were held in Adelaide in March, Cairns in April, and Alice Springs in June (pages 70–71)</p>
JAN 2017	<p>An online customer survey was commenced to collect valuable feedback from IBA homes customers (page 27)</p>
MAR 2017	<p>Two new business finance products were launched to support Indigenous start-ups and businesses pursuing procurement opportunities (page 43)</p>
MAY 2017	<p>Two new Indigenous directors were appointed to replace outgoing members of the IBA Board (pages 79–84)</p> <p>IBA developed an invoice finance solution which provides flexible funding that assists Indigenous businesses to meet their working capital needs (page 69)</p>
JUN 2017	<p>Graduation was held for attendees at IBA's first Accelerator Program for start-up entrepreneurs (page 46)</p> <p>IBA hosted its tenth annual reception at NAIDOC week, at Tjapukai Aboriginal Cultural Park in Cairns (page 98)</p>



Achievements

544

NEW HOME
LOANS WERE
APPROVED

92%

OF HOME LOANS
WERE MADE TO FIRST
HOME BUYERS

78%

OF HOME LOANS
WERE IN REGIONAL
AND REMOTE AREAS

65%

OF BUSINESS LOAN
CUSTOMERS WERE
STILL IN BUSINESS
AFTER THREE YEARS

\$16m

IN BUSINESS
LOANS WERE
APPROVED

962

ENTREPRENEURS
RECEIVED ASSESSMENT
OF THEIR
BUSINESS IDEAS

1,325

JOB FOR INDIGENOUS
AUSTRALIANS WERE
SUPPORTED BY
BUSINESS LOAN
CUSTOMERS AND IBA
INVESTMENTS

\$11m

WAS PROVIDED IN TOTAL
SALARIES, WAGES AND
JOB-RELEVANT TRAINING
BENEFITS FOR INDIGENOUS
AUSTRALIANS THROUGH
IBA INVESTMENTS

6.3%

PORTFOLIO RETURN
TO INDIGENOUS
CO-INVESTORS

\$26m

IN NEW INVESTMENT
INTO THE I-REIT AND IPF
FROM 19 INDIGENOUS
ORGANISATIONS

26%

OF IBA STAFF
IDENTIFIED AS
ABORIGINAL OR TORRES
STRAIT ISLANDER

\$5m

OF GOODS AND
SERVICES WERE
PROCURED FROM
INDIGENOUS SUPPLIERS



ABOUT IBA

IBA was established to assist and enhance Aboriginal and Torres Strait Islander self-management and economic self-sufficiency, and to advance the commercial and economic interests of Aboriginal and Torres Strait Islander peoples by accumulating and using a substantial capital asset for their benefit.

IBA serves, partners and invests with Indigenous Australians who want to own their future. We provide financial products and services, and we go further: we invest in people, places and ideas that are ready.

Through effective engagement with customers and stakeholders, we foster valuable relationships that help us to direct our services, access new opportunities and explore new directions for improving service to customers. Outreach activities, such as conference sponsorships and public appearances, enable us to share ideas that contribute to the economic advancement of Indigenous Australians (key activities in 2016–17 are described in Appendix B).

In 2016–17, IBA delivered a total of 83 business loans, provided 962 customers with an assessment of their business ideas, wrote 544 home loans totalling \$167.7 million across urban, regional and remote Australia, and supported 109 Indigenous organisations with their investment aspirations. At 30 June 2017, IBA's net asset value was \$1.3 billion.

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

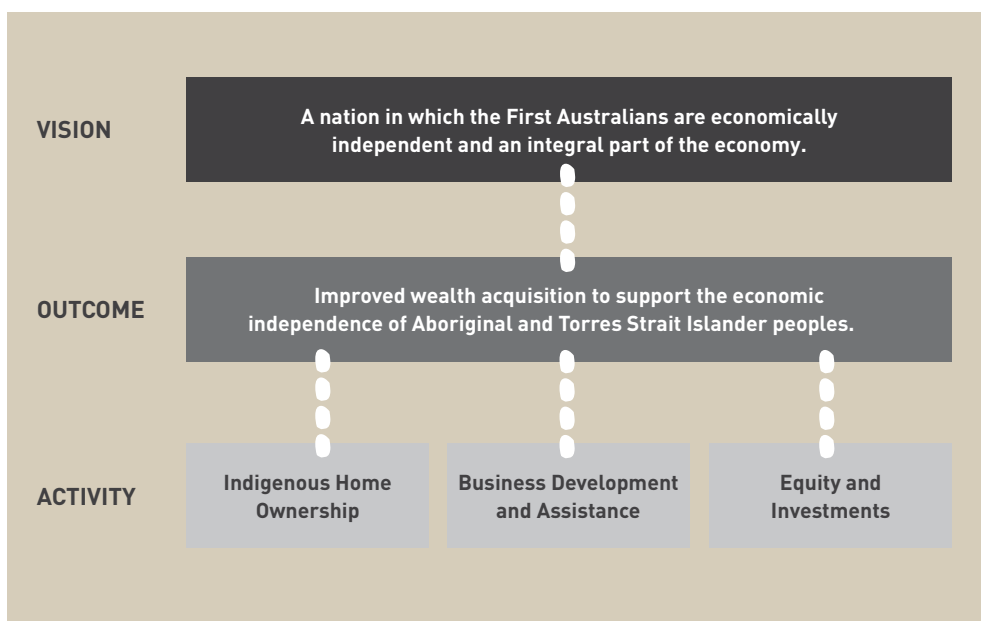
Role

To achieve our purposes set out in the IBA Corporate Plan 2016–17 and noted in the annual performance statements on page 11, IBA has three core activities:

- **home ownership**, facilitating increased levels of home ownership through housing loans to Indigenous Australians who have difficulty qualifying for housing finance, including in remote Australia
- **business development and assistance**, assisting Indigenous Australians to access capital, commercial expertise, supply chain and other opportunities to start up, build and grow businesses
- **investment**, alongside Indigenous Australians in commercial ventures and assets, enabling them to access sound financial returns, build commercial capability, and generate employment, training and supply chain opportunities.



Figure 1: How IBA's activities achieve its purpose



Customer profile

The population of Aboriginal and Torres Strait Islander peoples is experiencing increased growth, particularly in younger demographics, with increasing demand from communities, families and individuals looking to enter the housing, business and investment markets.

In 2016–17, 30 per cent of IBA's customers were based in remote areas, 49 per cent in regional areas, and 21 per cent in urban areas.

IBA assists Indigenous Australians to have the same financial opportunities as other Australians. Through our work, we enable our customers to create wealth, accumulate assets and fulfil their economic aspirations.

Legal framework

IBA is established under the *Aboriginal and Torres Strait Islander Act 2005* (ATSI Act) and is a corporate Commonwealth entity for the purposes of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

IBA resides in the portfolio of the Prime Minister and Cabinet, and is accountable to the Australian Parliament through the Minister for Indigenous Affairs.





CHAIR REVIEW

Success in transition

Creating opportunities for Aboriginal and Torres Strait Islander peoples in home ownership, business and investments is at the centre of what IBA does.

The past financial year was a period of transition for IBA, yet we delivered results that exceeded targets across most of our deliverables.

I was proud to see IBA commit to and succeed in several strategic initiatives, including identifying growth industries for investments in the renewable energy sector and bringing partnerships together to discuss opportunities for the housing sector.

Our teams' dedication to working in the Indigenous communities we serve, through Into-Investing Workshops, business training and home information sessions, was also outstanding.

When I started as Chair, in 2014, I had a vision of what IBA could do. Those plans have been evolving along with changes to IBA's product set and delivery. We have been through our time of transition—the next phase for IBA is growth.

We have accomplished significant outcomes, but we must not rest on our laurels. The new phase is exciting, and will be even more rewarding as we look back on the effects of our recent hard work.

All that IBA does leads to success for Indigenous Australians now and in the future.

Power in partnerships

IBA plays an important part in the process to maximise the future benefit of the Indigenous estate for Aboriginal and Torres Strait Islander peoples. The potential is for Indigenous Australians to translate the circumstance of being 'land rich, dirt poor' to one where the benefits of traditional ownership are linked to the broader Australian economy.

Foundation steps in this task include building partnerships to address systemic inefficiencies such as barriers to entry—IBA is bridging this gap, through home ownership and business support—and developing clear, long-term policies to attract private sector investment and form the basis for growth.



Forty per cent of the Australian land mass is held under some form of Indigenous title or agreement. Making the best use of this resource, with shared values and aspirations, is paramount. Collaboration is the key.

As Chair of both IBA and the Indigenous Land Corporation, I can see how these organisations are contributing to the cause. They represent only two of the many inputs required. Effective partnerships will feed back into the development of commercial capability within the Indigenous estate.

Acknowledgments

Success is always a group effort. On behalf of the Board, I would like to express our appreciation for the staff and Executive Management Team at IBA, who put their heart and soul into every day's work.

Transition such as IBA has experienced can be challenging. Despite the challenges, the commitment by staff to achieve outcomes across all IBA programs has enabled Indigenous Australians to enjoy the benefits of economic development. Thank you all.

Leading the charge at IBA is the Chief Executive Officer. The Board was pleased to appoint Rajiv Viswanathan to that role in May 2017, after a thorough search process. Rajiv comes to the position with a wealth of knowledge about IBA gained as General Manager of our Investments team. He has also held senior roles in business development and risk management with

**WE HAVE BEEN
THROUGH OUR TIME OF
TRANSITION—THE NEXT
PHASE FOR IBA
IS GROWTH**

Macquarie Group, worked as a corporate lawyer in London, and is a non-executive director of Bangarra Dance Theatre.

Many thanks to former CEO Chris Fry, who left IBA in August after strengthening IBA's governance structures and guiding the organisation through a raft of 2016 strategic and operational initiatives during his five-year tenure. I would also like to thank outgoing directors Trish Angus and Peter Thomas, who both made a significant impact over the years in which they were involved. I welcome two new Indigenous board members, Roy Ah-See and Kerryne Liddle.

For IBA, success means changing the lives of Indigenous Australians for the better—something we are both proud and honoured to achieve.

We will all continue to work harder, smarter and more efficiently to enable our customers to attain their dreams of economic self-sufficiency.

Eddie Fry
Chair





CEO REVIEW

In 2016–17, IBA exceeded most of its performance targets, whilst embarking on an innovation agenda to expand our offering, enhance our impact and support a wider, more diverse range of Aboriginal and Torres Strait Islander communities, families and individuals to achieve their economic aspirations.

As a result of significant efforts by the IBA Homes team, IBA wrote 544 home loans valued at \$167.7 million, exceeding our target of 530 loans, with over 92 per cent of loans provided to first home buyers.

We achieved this through an uplift in marketing and outreach activities, by reduced starting interest rates for low income earners, streamlining our application process and introducing online and digital enhancements to improve the customer experience. Through our work, we have also built a very strong pipeline of home loan customers, and aim to continue to support substantial numbers of Aboriginal and Torres Strait Islander people into home ownership in coming years, building on the almost 18,000 home ownership outcomes created over the life of the program.

During the year, IBA repositioned its Business Development and Assistance offering to provide an end-to-end service, tailored to meet customer needs at various stages of their business journey.

Overwhelmingly, our customers tend to be start-up, early stage and emerging businesses or entrepreneurs who may not be able to access mainstream finance through the major lenders. We want to see our customers succeed and to build a vibrant and thriving Indigenous business sector, alongside private sector and community-based organisations with whom we partner.

To facilitate this we have introduced a range of new products, including a start-up finance package, a procurement assistance loan, invoice finance and film finance to complement our business loan and asset leasing offering, as well as more tailored business support and workshops. We also introduced an Accelerator Program run in partnership with Investible, attracting significant interest and a talented cohort of Indigenous entrepreneurs from across Australia.



Additionally, we have formed a number of partnerships with Indigenous organisations delivering business development services at the grassroots, with a long term goal of supporting communities to lead the delivery of services in their respective regions.

Over the year, IBA supported 962 Indigenous business owners or entrepreneurs with their business ideas, with over 538 Indigenous business owners or entrepreneurs receiving business support or finance in regional or remote Australia. IBA wrote 83 business loans in 2016–17 utilising \$16 million in capital, a significant increase on 2015–16. In the year, 60 per cent of our business finance customers, and 52 per cent of business support customers, were based in regional and remote Australia.

Investments has been at the core of IBA's work since IBA was first established as the Aboriginal and Torres Strait Islander Commercial Development Corporation in 1990. In 2016–17, IBA investments achieved a portfolio return of 7.0 per cent for IBA, and 6.3 per cent for Indigenous co-investors, exceeding our target return of CPI + 4 per cent. IBA investments also generated \$13.8 million in employment, training and procurement benefits for Indigenous Australians. Over the year, IBA provided 109 Indigenous organisations with investment support, with 36 organisations now co-investing with IBA, holding total equity of \$129.6 million. This represents an increase of 63 per cent from Indigenous equity held as at 30 June 2013.

After a period of consolidation of legacy assets, IBA is now actively exploring ways to reinvest capital into new areas of investment, including renewable energy, affordable housing and other sectors. Over the coming year, IBA expects to scale up its investment activity, alongside Indigenous communities and organisations.

Going forward, IBA has embarked on a significant innovation agenda for 2017–18 and beyond, as set out in our corporate plan. Our key objectives include:

- continuing to build a recognisable and contemporary brand that reflects the aspirations of our customers, and increasing the visibility of our products and services
- expanding our product offering across our suite of business finance solutions
- exploring the development of new pathways into home ownership, such as through shared equity and rent-to-buy initiatives
- continuing to develop Indigenous executive leaders of the future, both within IBA and through other key initiatives, such as the Elevate program on IBA subsidiary boards
- deepening our community engagement efforts, and enhancing our research, impact measurement and customer feedback infrastructure to support evidence-based approaches to product development
- digital transformation of our customer service and support platforms, including introducing online home loan applications, mobile applications for those seeking to get into business or grow their business, and information portals for our customers
- exploring new areas of investment, building upon the launch of our renewable energy strategy and work being undertaken to identify new markets in which to invest.



I would like to thank the Chair, Eddie Fry, and the Board for their guidance and support to the Executive Management Team and staff throughout the year, bringing to bear their wide experience, knowledge and skills across their respective areas of expertise. I would also like to thank the Executive Management Team for their efforts and commitment, and in particular would like to thank Wally Tallis for his leadership as Acting CEO during the year.

Finally, I would like to acknowledge the outstanding efforts of our staff, who consistently demonstrate their commitment and dedication to IBA's work, go above and beyond in their daily duties and seek to ensure the best possible levels of service and outcomes for our customers.

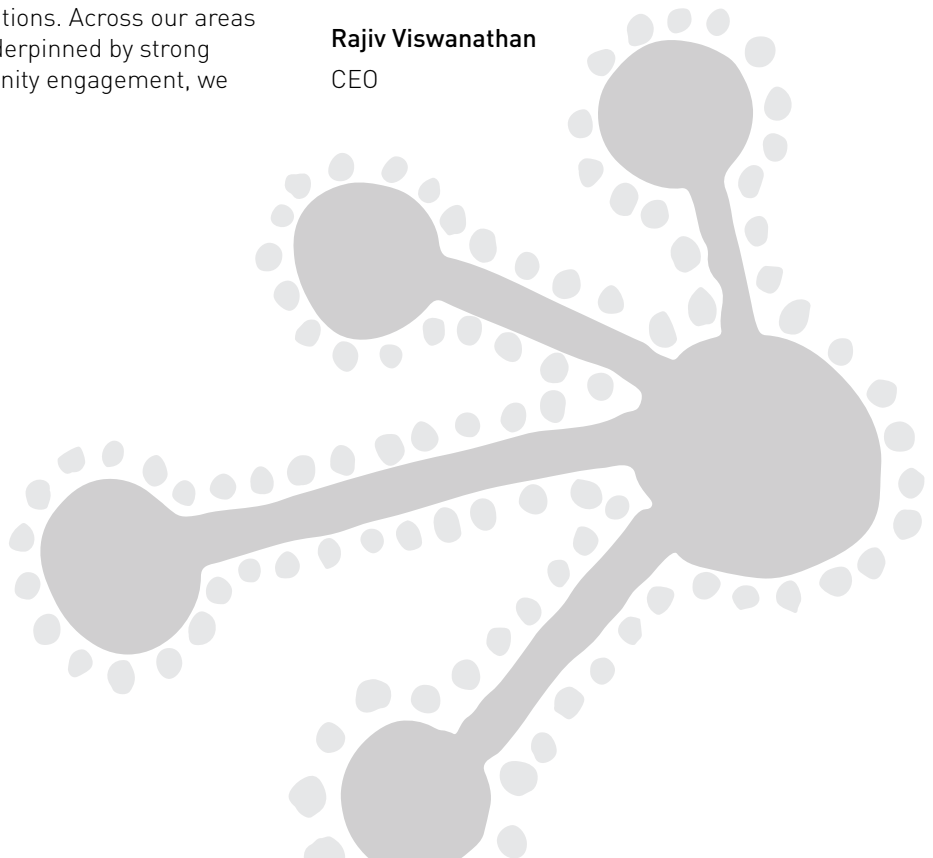
Ultimately, we are here to support our customers—Aboriginal and Torres Strait Islander communities, families and individuals—to achieve their economic aspirations. Across our areas of work, and underpinned by strong levels of community engagement, we

**WE WILL CONTINUE TO
WORK HARD TO INNOVATE,
EXPAND OUR OFFERING
AND MEET THE NEEDS OF
OUR CUSTOMERS**

will continue to work hard to innovate, expand our offering and meet the needs of our customers.

We are deeply committed to the financial success and economic independence of Aboriginal and Torres Strait Islander peoples; it is why we exist.

Rajiv Viswanathan
CEO



ANNUAL PERFORMANCE STATEMENTS

The IBA Board, as the accountable authority of IBA, presents the 2016–17 annual performance statements of IBA, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In the Board's opinion, these annual performance statements are based on properly maintained records, accurately reflect the performance of IBA, and comply with subsection 39(2) of the PGPA Act.

IBA's budget is managed through the annual portfolio budget statements of the Prime Minister and Cabinet portfolio. IBA's outcomes and outputs, and corresponding performance criteria, are described in the portfolio budget statements and corporate plan.

IBA was established under the *Aboriginal and Torres Strait Islander Act 2005* (ATSIA Act), of which section 146 sets out IBA's purposes:

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

These purposes of IBA are included in the 2016–17 Corporate Plan. These purposes were achieved through IBA's single portfolio outcome:

Outcome 1: 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.

Outcome 1 was delivered through three programs: Indigenous Home Ownership, Business Development and Assistance, and Equity and Investments. These programs assisted to deliver: enhanced self-management and economic self-sufficiency; advanced commercial and economic interests; and managed capital.

IBA ensures that it manages its capital for the benefit of Indigenous Australians so that its capital base accumulates, to sustain and increase the impact of its activities.

**TOTAL APPROPRIATION
(FROM GOVERNMENT):
\$47.2 MILLION***

*This figure does not include grants received.



Indigenous Home Ownership Program

Objective

IBA assists Indigenous Australians into home ownership by providing home loans at concessional interest rates which have low deposit requirements and flexible repayment terms. Also, unlike mainstream lenders, IBA does not require customers to meet lenders mortgage insurance.

The overwhelming majority of IBA's home loan customers (92 per cent) are first home buyers. Many face a range of barriers to owning a home, including lower incomes, lack of a deposit and/or credit history. These factors all affect the credit assessment criteria of mainstream lenders. By owning their own home, Indigenous families can obtain a secure, safe place to live and build intergenerational wealth.

IBA seeks to assist its home loan customers to transition to mainstream banking. Where this occurs and the customer discharges their IBA home loan early, IBA is able to relend the loan capital to support more Indigenous families into home ownership. In this way, IBA is helping to close the gap between Indigenous and non-Indigenous home ownership rates.

Performance summary and analysis

Table 1 shows IBA's achievements against the targets set out for the Indigenous Home Ownership Program.

The performance criteria measure the success of the program in providing home loans and related assistance to Indigenous Australians, as well as demonstrating effective management of the loan portfolio. This includes measuring the success of the program in targeting lending and assistance to customers as appropriate to their circumstances and

need, and facilitating home ownership in remote Indigenous communities.

IBA achieved all but one of its home ownership performance measures for 2016–17: aggregate number of loans. The lower aggregate number of loans within the portfolio was primarily the result of the increased number of loan discharges and losses during the year.

The increase in loans discharged early reflects to an extent a significant increase in borrowers transitioning to other lenders.

This means that those borrowers have chosen to move into the mainstream banking system, allowing IBA to re-use the repaid capital to support other borrowers entering the housing market. For example, just over 6 per cent of the loan portfolio that moved to mainstream lenders. The availability of the discharged loan funds will enable IBA to assist more new customers earlier than otherwise would have been possible.

The total number of loans in the portfolio at 30 June 2017 was 4,570. This reflects a slight reduction of 0.5 per cent from 30 June 2016 but a significant increase of 35 per cent over the past decade (since 30 June 2008).

The average purchase price for homes funded through the program was \$350,400 in 2016–17, compared to \$357,700 in 2015–16. The average loan amount was \$309,000 in 2016–17, compared to \$331,400 in 2015–16.

The decreases in the average purchase price and average loan amount were consequences of IBA's policy changes from July 2016, which resulted in more customers on lower incomes having loans approved and customers with higher incomes being required to seek all or part of the required home loan finance from other lenders.



The program conducted a comprehensive customer survey to gather a fuller appreciation of customer needs and perceptions. The results from nearly 600 recipients will assist in future product development and enhancements to customer service, including online customer capabilities, and applications.

To ensure the product set meets the needs of first home buyers with low incomes, two interest rate decreases were made in the financial year, as well as

amendments to the rate procedures for customers who are able to obtain part of their funds from another lender.

Looking forward, IBA intends to continue a program of digital transformation of our application processes and to enhance operating processes and refine our approach to identifying and supporting those customers who are ready to move to a commercial bank.

See Part 2 of the annual report for more information and analysis.

Table 1: Indigenous Home Ownership Program performance

Performance criteria	Source (page)	Target	Result	Achieved
Number of new home loans ¹	CP (10), PBS (154)	530	544	✓
Value of new loans (\$m) ²	CP (10), PBS (154)	\$160m	\$168m	✓
Aggregate loans in portfolio ³	CP (10), PBS (154)	4,730	4,570	✗
Total program capital base (\$m) ⁴	CP (10), PBS (154)	\$1,110m	\$1,124m	✓
Percentage of loans to applicants who have a combined gross annual income of not more than 140% of IBA's Income Amount ⁵	CP (10), PBS (154)	80%	90%	✓
Percentage of loans to applicants who are first home buyers	CP (10), PBS (154)	90%	92%	✓
Percentage of loans for home acquisitions ⁶	CP (10), PBS (155)	96%	99%	✓
Number of remote Indigenous communities in which IBA is actively facilitating home ownership opportunities ⁷	CP (10), PBS (155)	25	27	✓

CP = IBA Corporate Plan 2016–17, PBS = Prime Minister and Cabinet Portfolio Budget Statements 2016–17

- 1 Number of loans which are approved (i.e. have an approval date) in the financial year, excluding loans originally approved in previous financial years.
- 2 This new performance indicator has been introduced for 2016–17 to measure the aggregate value of new loans.
- 3 The total number of loans which are active at the end of the financial year. The active loan portfolio excludes loans which were settled early or discharged (including where those loans may have an outstanding credit or debit balance).
- 4 Balance of active loans, including accrued interest, plus the balance of funds held at bank or cash at agents, including unsettled progress payments.
- 5 Based on the number of loan approvals in the financial year where the combined gross annual income of applicants is not more than 140% of the IBA Income Amount (IIA). The IIA is equivalent to the national average weekly male earnings (NAWME) statistic published by the Australian Bureau of Statistics. The IIA is adjusted each July after reference to the most recently published NAWME figure.
- 6 This new performance indicator has been introduced for 2016–17 to report on loans made for new home ownership outcomes separately from loans made for ancillary home ownership outcomes, such as home renovations, repairs and maintenance, or to refinance loans.
- 7 Number of communities in which IBA is actively promoting home ownership in a remote location (as defined in IBA's program policy), through a number of planned promotional visits and information sessions, irrespective of the number of loans that may be originated in the financial year. Data is collated from monthly reports prepared by a field team.



Business Development and Assistance Program

Objective

IBA plays an important role in the development and growth of Indigenous businesses through a range of assistance for Indigenous Australians to start up, acquire, grow or exit a viable business. Support includes access to expertise, supply chain opportunities, and finance for viable businesses. IBA provides an end-to-end program to assist its Aboriginal and Torres Strait Islander customers to build knowledge, gain greater skills and develop a sustainable business model to translate opportunities into long-term benefits for our customers.

IBA's focus on providing internal and external expertise to customers over the entire business life cycle is unique. IBA's expertise is delivered in a culturally appropriate manner, using a customer-centric approach that continues to meet the needs of the rapidly changing Indigenous business sector.

Performance summary and analysis

Table 2 shows IBA's achievements against targets set out for the Business Development and Assistance Program.

The performance criteria measure the success of the program overall in providing business finance, assistance to start and to grow businesses, and related business support and employment opportunities to Indigenous Australians. They also measure the success of the program in helping to create and maintain sustainable businesses.

In 2016–17, IBA's appropriation for the Business Development and Assistance Program was redirected to the Department of the Prime Minister and Cabinet and provided back to IBA under a funding agreement, under which IBA was required to meet certain key performance indicators.

IBA repositioned the program so that it was tailored to meet the needs of customers at various stages of their business journey. This included the introduction of new and more customised workshops, partnerships with Indigenous organisations working in regional and remote Australia, and the launch of new products such as a start-up finance package and procurement assistance loans. Overwhelmingly, IBA's customers are start-up, early stage or emerging businesses (many of which are in regional and remote Australia), who may not be able to access finance from banks and other mainstream sources. IBA goes further than providing finance and supports these businesses and entrepreneurs with a range of support and capability development services.

The program has met or exceeded the majority of the targets set out in the portfolio budget statements and the key performance indicators set out in the contract with the Department of the Prime Minister and Cabinet.

The total active loans in the portfolio decreased from 247 in 2015–16 to 237 in 2016–17 due to successful exit strategies by customers and natural attrition from loans being paid out.



The active aggregate value at 30 June 2017 is \$45.3 million. The program exceeded its target of 75 loans for new customers in 2016–17, writing 55 business loans to new customers with a value of \$10.9 million and 28 business loans to existing customers for an amount of \$4.6 million. This exceeds the capital appropriated to IBA for business lending and reflects IBA's reinvestment of retained capital into its lending activities.

Capability development was again a strong focus in 2016–17. A significant amount of support activity was undertaken with entrepreneurs to increase their business skills and knowledge, improving their likelihood of success. IBA intends to grow the loan portfolio over time as new finance products and services are developed.

A sector development team was established to assist customers to manage issues related to procurement opportunities and capability, tender readiness, industry-specific work and Registered Native Title Bodies Corporate (known as Prescribed Bodies Corporate or PBCs).

*Into Business*TM workshops, which previously had been provided face to face, were redeveloped and provided online in 2016–17. The materials can be easily accessed anytime from any location with internet access.

An eight-week Accelerator Program was launched, to nurture start-up entrepreneurs who have innovative business ideas and help them to access entrepreneurial development, resources, advisers and potential investors and partners. This offering attracted significant interest, resulting in a talented cohort of Indigenous entrepreneurs across Australia coming together and sharing their experiences and ideas, with opportunities to pitch their business to investors from the corporate and venture capital sectors.

In 2016–17, the program exceeded its targets in relation to the numbers of Indigenous people in jobs created or supported by IBA business loan customers. IBA's emphasis on developing business sustainability and growth is contributing significantly to the provision of substantial employment for Indigenous people.

Business survival rates are tracking as expected given the risk profile of our target customers and the small business environment. Whilst the PBS target was met for 65 per cent of loan customers still in business after three years of commencing a business, the stretch target of 70 per cent in the IBA corporate plan was not quite met. A range of factors impact upon survivability rates for IBA customers, including general economic conditions at national, state and regional levels. In spite of the mining sector downturn and the high risk profile of IBA customers, IBA customers' survival rates compare favourably with those reported by the Australian Bureau of Statistics (ABS) thanks to the intensive post-loan support provided.

IBA listens to customers and places them at the forefront of its innovation process. Staff work to improve customers' overall experience and access to services, and work with individual customers to develop a pathway for commencing and growing a business according to each customer's individual needs.

See Part 3 of the annual report for more information and analysis.



Table 2: Business Development and Assistance Program performance

Performance criteria	Source (page)	Target	Result	Achieved
Number of loans approved for new customers	CP (14)	50	55	✓
Number of existing IBA loan customers who receive an additional loan	CP (14), PBS (156)	25	28	✓
Number of Indigenous people in jobs created/ supported by IBA business loan customers ¹	CP (14), PBS (156)	430	533	✓
Percentage of loan customers still in business one year after commencing business (%) ²	CP (14), PBS (157)	85%	92%	✓
Percentage of loan customers still in business two years after commencing business (%) ²	CP (14), PBS (157)	75%	75%	✓
Percentage of loan customers still in business three years after commencing business (%) ²	CP (14), PBS (157)	70%, 65%	65% ³	✗ ✓
Value of total lending to new IBA customers approved	PBS (156)	\$7m	\$11m	✓
Value of total lending to existing IBA customers approved	PBS (156)	\$7m	\$5m	✗
Value of loan portfolio	PBS (156)	\$55m	\$47m	✗
Number of active loans in the portfolio	PBS (156)	260	237	✗
Indigenous employment created or supported by new IBA lending ⁴	PBS (156)	70	97	✓
Number of business information sessions delivered	CP (14)	50	57	✓
Number of start-up workshops delivered	CP (14)	35	38	✓
Number of growth workshops delivered	CP (14)	20	22	✓
Number of procurement workshops delivered	CP (14)	12	15	✓
Number of customers who receive initial assessment of their business ideas from IBA staff	CP (14)	600	962	✓
Number of customers who receive further support from IBA staff to develop their business ideas	CP (14)	300	363	✓
Number of external business support provided to loan and non-loan customers	CP (14)	150	299	✓
Number of Indigenous organisations (PBCs) receiving business development assistance ⁵	CP (14)	12	26	✓



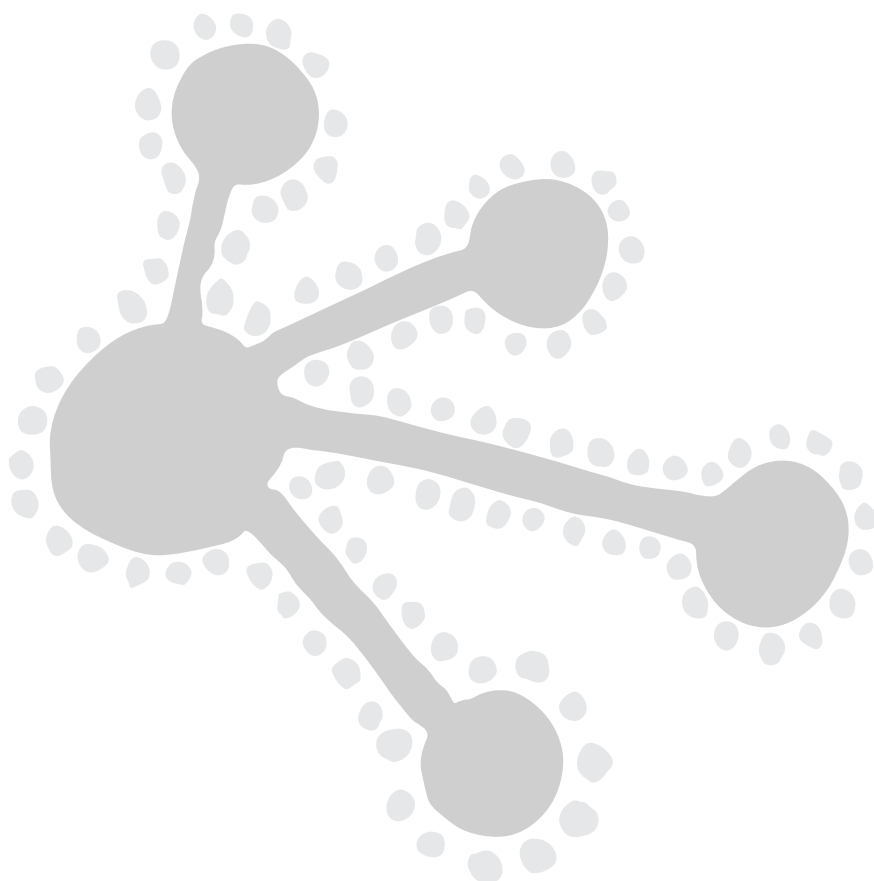
Table 2: Business Development and Assistance Program performance (continued)

Performance criteria	Source (page)	Target	Result	Achieved
Number of customers in regional and remote Australia receiving business support and/or loan services ⁶	CP (14)	245	538	✓
Percentage of Indigenous people employed in delivery of the program	CP (14)	25%	27%	✓
Percentage reduction in overhead costs	CP (14)	3%	9%	✓
Customer survey satisfaction (%)	CP (14)	80%	92%	✓

CP = IBA Corporate Plan 2016-17, PBS = Prime Minister and Cabinet Portfolio Budget Statements 2016-17

Note: The measurements in this table are part of a 12-month contract arrangement with the Department of the Prime Minister and Cabinet.

- ¹ Includes all Indigenous employees of current IBA customers (businesses with current loans from IBA).
- ² Refers to the status of existing customers of IBA at the end of the financial year. Active loan data is extracted from the loan administration system then checked by regional offices to indicate the reason for and date of cessation, if a business has ceased trading. The information, including how long the business has been operating, is updated quarterly.
- ³ The target for third year survival rates for businesses was met for the PBS but not the Corporate Plan.
- ⁴ New performance measure introduced in 2016-17. It measures the amount of new employment created or supported by new lending during the period.
- ⁵ PBCs are Prescribed Bodies Corporate, defined as Native Title Related Organisations.
- ⁶ Includes customers supported through business loans, business support and workshops, in outer regional, remote and very remote locations.



Equity and Investments Program

Objective

IBA assists Indigenous Australians to achieve economic independence through investment and participation in commercial enterprises that produce financial returns and employment, training and supply chain opportunities.

IBA works with Indigenous individuals, land councils and Traditional Owner groups through direct management of businesses and investments, provision of managed investments, facilitating supply chain opportunities, provision of employment and training, and facilitating income and business development through the provision of affordable asset leasing and financing solutions.

The investment portfolio comprises three main segments: asset and funds management, direct investments, and leasing and finance solutions. Across these segments, IBA co-invests in a wide range of investments, sectors and geographic locations, seeking to provide strong financial returns as well as employment, training and supply chain outcomes for Indigenous Australians.

Performance summary and analysis

Table 3 shows IBA's achievements against the targets set out for the Equity and Investments Program.

The performance criteria measure the program's success in sustaining positive financial returns to both IBA and Indigenous co-investors, as well as broader contributions to Indigenous economic self-sufficiency through the creation of employment opportunities.

In 2016–17, IBA actively pursued new investment opportunities, and prudently exited from existing investments in order to re-use capital for further investments and transfer ownership to Indigenous co-investors. The program met six out of nine of its performance criteria in 2016–17.

IBA's results for portfolio return (7.0 per cent) and returns to Indigenous partners (6.3 per cent) both exceeded their respective target, influenced by a substantial gain from the sale of Consolidated Manufacturing Enterprises and strong returns from the Indigenous Prosperity Funds. IBA's average return over the previous rolling five years (3.6 per cent) was affected primarily by valuation impacts in 2013–14.

The revised investment strategy approved by the IBA Board in 2015–16 commenced from 1 July 2016, changing the method of calculating portfolio returns in order to take account of the impact of changes in the valuation of investments. This reflects the approach taken by many investment funds to report total returns (incorporating both income from investments and valuation increments/decrements).



The investment portfolio is valued at \$429.8 million (at 30 June 2017), of which IBA's share is \$284.5 million (66.2 per cent), with \$129.6 million (30.2 per cent) held by Indigenous investors and \$15.7 million (3.7 per cent) held by other private sector partners.

The portfolio generated more than \$23.8 million in comprehensive income for IBA and its Indigenous co-investors (including interest earned on IBA's cash holdings and investment loans). IBA's share of this income will be used to meet operating expenses associated with the program, to pursue new investment opportunities, and to reinvest in existing investments to enable their growth and support their ongoing plans.

Broader economic outcomes included supporting 203 jobs for Indigenous Australians, with total salaries, wages and job-relevant training benefits for Indigenous Australians of over \$11.23 million. Indigenous Australians represented 29 per cent of the total workforce supported by the direct investments portfolio, which is slightly below the target of 30 per cent. However, this was an increase of 2.2 per cent from last year's result and employee numbers remained stable even though the number

of investments declined. In addition to these targets, the businesses to which IBA supplies leasing solutions employ 589 Indigenous Australians comprising 36 per cent of the workforce. IBA's investments also procured more than \$2.6 million in goods and services from Indigenous suppliers.

During the financial year the Indigenous Investment Principles Into-Investing workshops saw 33 Indigenous organisations participate. The workshops outline the principles and include early governance principles, community needs and expectations, linking investment options to community needs, and understanding the available investment options and their associated risk profiles.

The Equity and Investments Program does not receive annual budget appropriations from the Australian Government. Its operating expenses are funded entirely from returns on IBA's investment portfolio. The funding for the leasing solutions is derived from a combination of asset transfers, program funding from other government agencies and seed capital from IBA.

See Part 4 of the annual report for more information and analysis.



Table 3: Equity and Investments Program performance

Performance criteria	Source (page)	Target	Result	Achieved
Portfolio return to IBA (budget year) (%) ¹	CP (18), PBS (152)	5.9% [CPI +4%] ²	7.0% ¹¹	✓
Portfolio return to IBA (rolling five years) (%) ³	CP (18), PBS (152)	6.0% [CPI +4%]	3.6%	✗
Number of Indigenous organisations supported ⁴	CP (18), PBS (153)	85	109	✓
Equity sold/issued to Indigenous investors (\$m) ⁵	CP (18), PBS (153)	\$30m	\$27m	✗
Portfolio return to Indigenous co-investors (%) ⁶	CP (18), PBS (152)	5.9% [CPI +4%]	6.3% ¹¹	✓
Percentage of Indigenous jobs supported by investment portfolio (%) ⁷	CP (18), PBS (152)	30%	29%	✗
Percentage of Indigenous businesses supported by investment portfolio supply chain (%) ⁸	CP (18)	5%	5%	✓
Aggregate portfolio value (\$m) ⁹	CP (18), PBS (153)	\$330m	\$430m	✓
Percentage of Indigenous investment in portfolio (%) ¹⁰	CP (18)	30%	30%	✓

CP = IBA Corporate Plan 2016–17, PBS = Prime Minister and Cabinet Portfolio Budget Statements 2016–17

- ¹ Portfolio return to IBA during the year is calculated as the after-tax return generated by IBA's share of the investment portfolio in the budget year, expressed as a percentage of the average value of IBA's share of the investment portfolio during the budget year (portfolio value). It includes IBA's financial investments and the interest earned thereon.
- ² CPI refers to the average consumer price index for Australia during the measurement period. For example, if the realised CPI for 2016–17 is 1.9%, the expected return based on a target of CPI + 4% is 5.9% (1.9% + 4%).
- ³ Portfolio return to IBA over a rolling five-year period (inclusive of the designated year) is calculated as the average of the after-tax returns generated by the investment portfolio (expressed as a percentage of portfolio value) in each of the past five budget years. It includes IBA's financial investments and the interest earned thereon.
- ⁴ Includes current Indigenous co-investors, Indigenous co-investors to whom investments were sold during the budget year, and Indigenous investors supported through advisory services.
- ⁵ This new measure indicates the total amount of IBA equity sold to Indigenous investors during the budget year.
- ⁶ Portfolio return to IBA's Indigenous co-investors during the year is calculated as Indigenous co-investors' after-tax return generated by the investment portfolio in the budget year, expressed as a percentage of the average value of Indigenous co-investors' share of the investment portfolio during the budget year.
- ⁷ Total number of Indigenous people employed by employing investment portfolio entities and asset leasing customers, expressed as a percentage of total workforce, measured quarterly and averaged across those quarters to account for fluctuations in staffing levels intra-year.
- ⁸ Total number of Indigenous businesses supported through investment portfolio entities with direct procurement activities, expressed as a percentage of the total number of suppliers, measured quarterly and averaged across those quarters to account for fluctuations intra-year.
- ⁹ This new measure is the total equity value of the investment portfolio (inclusive of co-investor interests) as at 30 June 2017 and 30 June each subsequent year in the forward period.
- ¹⁰ This new measure indicates total equity held, in aggregate, by Indigenous partners and beneficiaries in the budget year, expressed as a percentage of the total investment portfolio value.
- ¹¹ Portfolio return to IBA and portfolio return to Indigenous co-investors includes a normalisation adjustment following the divestment of Scarborough House by the I-REIT.



Analysis of overall performance against purpose

Enhanced self-management and economic self-sufficiency

IBA enhanced the ability of Indigenous Australians to achieve their social and economic objectives. This was demonstrated by the proportion of business loan customers still in business one (92 per cent), two (75 per cent) and three (65 per cent) years after commencing. These results were consistent with the results in 2015–16.

The number of Indigenous people in jobs created and/or supported by business loan customers (533), leasing clients (589) and the investment portfolio (203) contributed to a 38 per cent Indigenous representation in the workforce of these program areas.

Advanced commercial and economic interests

IBA advanced the commercial and economic interests of Indigenous Australians by facilitating access to concessional home and business loans, fund management and direct investment opportunities, with particular attention to reaching regional and remote communities.

The Business Development and Assistance Program further supported existing businesses with capability development activities in addition to delivering a variety of business workshops. In a rapidly changing business environment, IBA recognises that by expanding our service offering we can support a greater number of businesses with practical solutions that also align with government policy.

New products and services were introduced, such as: start-up finance; procurement assistance loans; invoice financing; film finance; digital marketing workshops; and accelerator partnerships that offer start-up entrepreneurs and existing business owners access to experienced entrepreneurial development.

There were 544 new home loans approved with a value of \$167.7 million. Of those accessing home finance, 91.7 per cent of successful applicants were first home buyers, compared with 15 per cent of the percentage of total owner occupied housing finance commitments Australia wide (ABS 5609.0 Housing Finance, Australia June 2017).

The Equity and Investments Program supported 109 Indigenous organisations, including 36 co-investors, a strong increase from the previous year's 40, to build wealth and financial capability.

Managed capital

IBA accumulated and used its capital for the benefit of Indigenous Australians by targeting return on investment through both the Indigenous Home Ownership Program capital base and the portfolio return of the Equity and Investments Program.

IBA's total equity position has increased in the last financial year, from \$1.24 billion in 2015–16 to \$1.33 billion in 2016–17.

More details on returns are noted under each of the three programs delivered by IBA.

IBA is actively pursuing a diverse range of capital deployment opportunities aimed at prudently utilising its balance sheet to achieve benefit for Indigenous Australians.



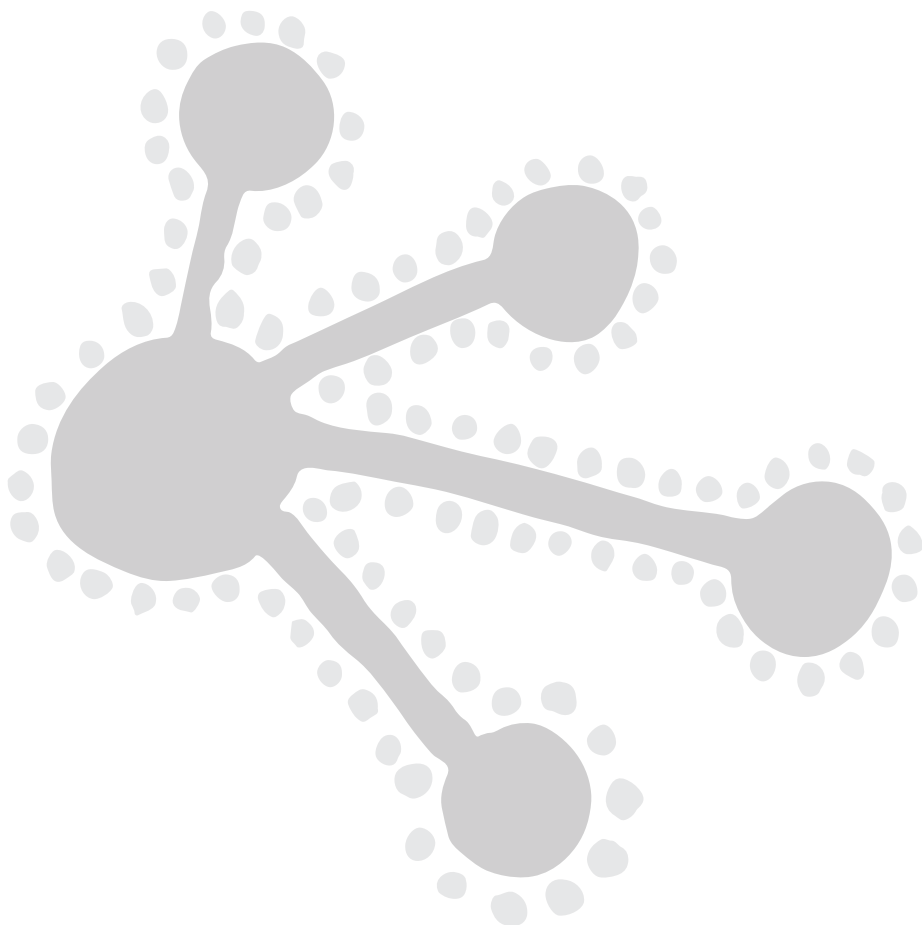
In doing so, IBA will use a structured and evidence-based approach which will be informed by the needs of Indigenous Australians and will focus on maximizing financial and economic development outcomes.

Initiatives under consideration include:

- creating new pathways into home ownership, such as through shared equity and rent-to-buy initiatives
- providing increased levels of finance to Indigenous businesses

- establishing a performance and warranty bond solution to assist Indigenous businesses to win contracts
- investing into a range of sectors, including renewable energy, tourism and healthcare, where Indigenous investors can achieve strong financial returns as co-investors, while also delivering meaningful Indigenous outcomes around training, procurement and employment.

It is IBA's expectation that significant capital will be deployed across these and other initiatives over the coming 12 to 18 months.





PART 2

HOME OWNERSHIP

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ENVIRONMENT

In the 2016 Census, of the 263,037 Indigenous households 252,850 reported their home tenure. Of these 39.6 per cent owned their homes. This was an increase from the 37.4 per cent in 2011, but low when compared to the 66.0 per cent of non-Indigenous Australians who reported owning their homes in 2016. Notwithstanding this slight narrowing in the gap in Indigenous and non-Indigenous home ownership rates, IBA is mindful of the level of customer support required to enable further closing of the gap.

FACILITATE INDIGENOUS AUSTRALIANS INTO HOME OWNERSHIP

ACHIEVEMENTS

In 2016–17, the Indigenous Home Ownership Program succeeded in making home ownership more accessible for Indigenous Australians, particularly among its target customer groups: people on lower incomes, people buying their first homes, and people in regional and remote areas.

Since 1975, IBA has assisted almost 18,000 Indigenous families into home ownership. This initial investment has generated an estimated additional \$2.1 billion to \$2.6 billion in equity for Indigenous households. This includes customers who have paid off their IBA home loan and those still repaying loans.

It is estimated that over the period from 1999 to 2016 the approval of IBA housing loans has:

- contributed a total of \$630.4 million in direct and indirect value-add to the Australian economy
- delivered savings to the Australian Government through reduced Commonwealth Rent Assistance (CRA) payments of at least \$18.1 million as a result of customers transitioning from private rental accommodation to home ownership.



Funding

The capital pool from which IBA can fund new home loans depends on the amount of customer repayments received by IBA, the value of loans that are discharged early, and additional capital injections to the Indigenous Home Ownership Program.

In 2016–17, the program received \$209.01 million in revenue, comprising \$184.63 million from loan repayments and early loan discharges, \$22.85 million from new appropriations, and \$1.53 million from bank interest on funds held by IBA.

The total amount of funds budgeted for lending in 2016–17 was \$186.0 million, which included \$25.2 million in commitments carried forward from the previous year. The total amount of funds committed in 2016–17 was \$192.9 million. The total expenditure for the year was \$159.7 million. An amount of \$33.2 million in outstanding commitments will be carried forward to 2017–18.

Lending

IBA policy changes implemented in July 2016 resulted in a greater proportion of customers sourcing part of their home loan finance from other lenders. In 2016–17, 50 loans (9.2 per cent of the total number approved) were funded where another lender provided part of the required loan funds, an increase compared to only 25 loans (5.1 per cent) in the previous year. Through those arrangements, IBA leveraged \$16.25 million in external funding, enabling more Indigenous Australians to purchase their own homes than otherwise would have been the case.

In 2016–17, IBA approved 544 new loans with a total value of \$167.7 million, against its target of 530 loans. The average property purchase price was \$350,400 and the average loan amount was \$309,000; both decreased, from \$357,700 and \$331,400 respectively in 2015–16.

Since March 2015, IBA has assisted some first home buyer customers by providing a fee finance loan in addition to the standard home loan. A fee finance loan has a shorter term than a home loan, and is available to customers who have the earning capacity to meet home loan repayments but do not have sufficient savings to pay all the costs associated with purchasing a home, such as stamp duty; costs of property valuation, building and pest reports; conveyancing costs; and mortgage registration fees. In 2016–17, IBA provided 53 fee finance loans at an average of \$9,500, compared to 28 loans at an average of \$9,600 in 2015–16.

Customers

IBA seeks to facilitate Indigenous Australians into home ownership by addressing barriers such as lower incomes and savings, financial exclusion, credit impairment and limited experience with loan repayments.

As a result of IBA home loans funded in 2016–17, 1,233 Indigenous Australians will enjoy the social and economic benefits of home ownership.



Profile

A typical IBA home loan customer in 2016–17 was a couple with dependants, on a gross annual income of \$75,987. They were most likely to purchase an existing house in a non-metropolitan area as their first home. The median age of customers was 31 years.

Approximately 40 per cent of IBA's home loan customers were couples with dependent children. The other major customer segments were single parents (13 per cent), couples with no dependants (25 per cent) and single people with no dependants (22 per cent).

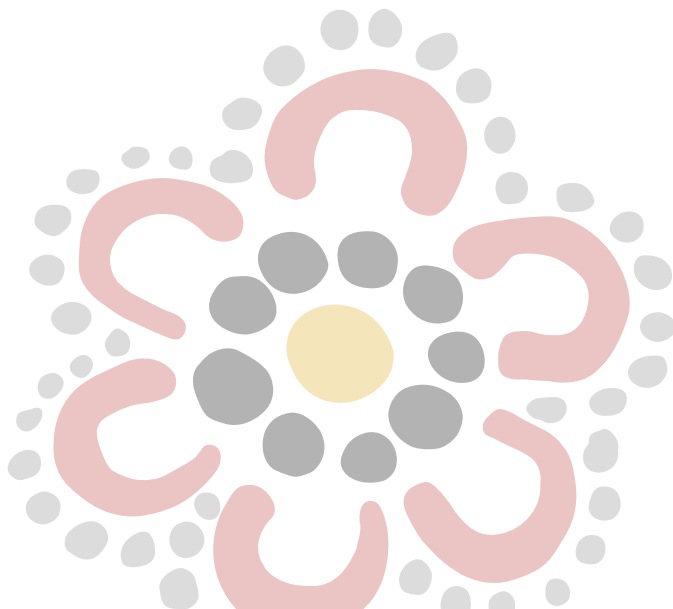
In 2016–17, IBA exceeded its performance target by providing 92 per cent of its home loans to first home buyers, slightly lower than the 93 per cent in 2015–16. A total of 499 loans were approved for first home buyers in 2016–17 compared to 456 in 2015–16.

IBA also exceeded its target of providing 80 per cent of loans to applicants with a gross annual income of less than \$116,742. A total of 491 new loans (90 per cent) were approved for borrowers in this group.

IBA PROVIDED 99 PER CENT OF LOANS FOR NEW HOME OWNERSHIP OUTCOMES

Loans to people with incomes above \$116,742 are typically for equity assistance where the customer is obtaining most of the required loan funds from another lender.

IBA introduced a new target in 2016–17: to provide 96 per cent of its home loans to customers who were acquiring a new home rather than renovating or repairing their existing home or refinancing their existing home loan. IBA met this target by providing 99 per cent of loans for new home ownership outcomes.



Satisfaction

In January 2017, IBA conducted a comprehensive customer satisfaction survey for home loan customers. Almost 600 customers were surveyed to assess overall satisfaction with the loans process and customer experience and identify areas for improvement.

An external agency was engaged to seek feedback from all IBA customers who had interacted with the Indigenous Home Ownership Program over an 18-month period, to provide a benchmark report using both qualitative and quantitative measures.

The report identified a strong level of satisfaction (77 per cent) among those who had experienced the end-to-end

home loan process with IBA. Those who had not been successful tended to provide a weaker performance rating, as did those experiencing loan repayment arrears.

Figure 2 shows the key perceptions of survey respondents.

Customers' responses revealed several key areas in which processes could be improved, as well as key areas in which IBA is excelling. They also showed that customers appreciated the opportunity to provide feedback.

The survey results ratified the direction that IBA is taking to improve program delivery and customer satisfaction. IBA intends to conduct the survey annually.

Figure 2: Customers' perception of IBA



Locations

Figure 3 shows the distribution of new loans across geographical areas in 2016–17, demonstrating that the majority of loans were provided in regional Australia.

Over the past five years (since 30 June 2012), 77 per cent of IBA new loans were approved for customers purchasing homes in regional or remote areas. In 2016–17, more than 78 per cent of new loans (426 loans) were approved for customers in regional or remote areas.

Of the 544 loans approved in 2016–17, 9 per cent (50 loans) were approved for areas classified as Remote or Very Remote, based on Accessibility/Remoteness Index of Australia (ARIA) classifications. ARIA is an ABS-endorsed measure of remoteness, determined by

road distance to the nearest defined Urban Centre. Figure 4 shows a breakdown of new home loans in 2016–17 by ARIA classification.

Applicants from certain remote locations are eligible for targeted assistance, including a Remote Indigenous Home Loan (RIHL), an Establishment Costs Grant (up to \$13,000) and a Remote Indigenous Home Buyer Grant (\$20,000, subject to an income means test). During the year, IBA marketed and promoted the RIHL in 27 remote locations, conducting a total of 39 community visits, and approved 32 loans in those locations.

Some of the RIHL locations are on community-titled land where home ownership usually involves 99-year leases. In 2016–17, one loan was approved for a customer in Wurrumiyanga.

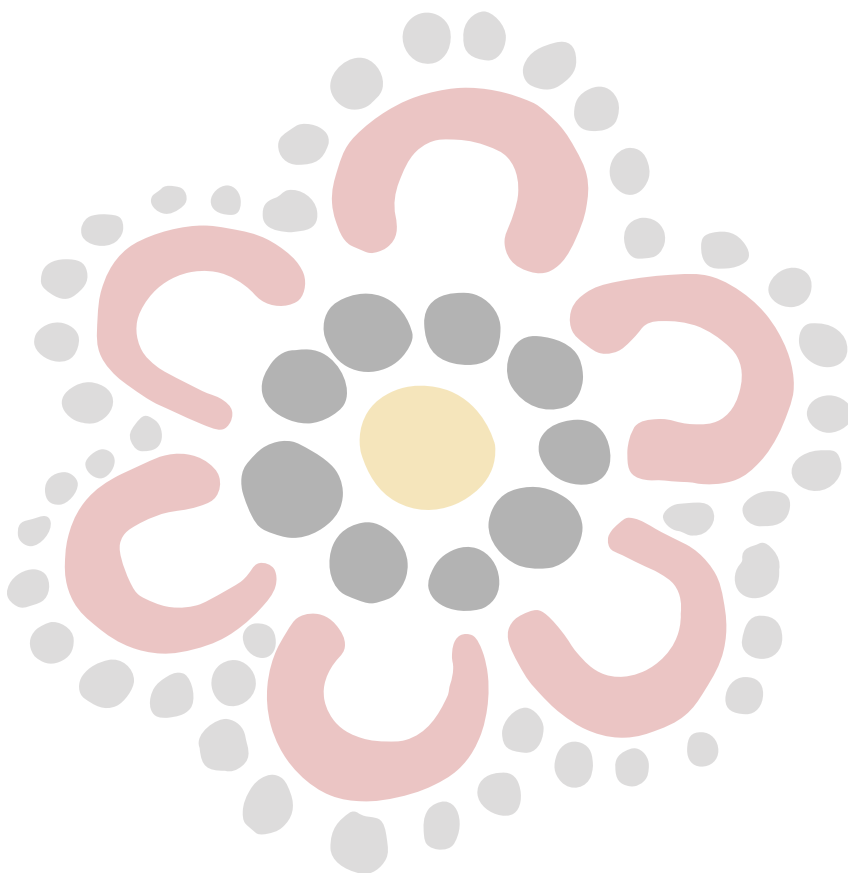


Figure 3: New home loans, by geographical distribution

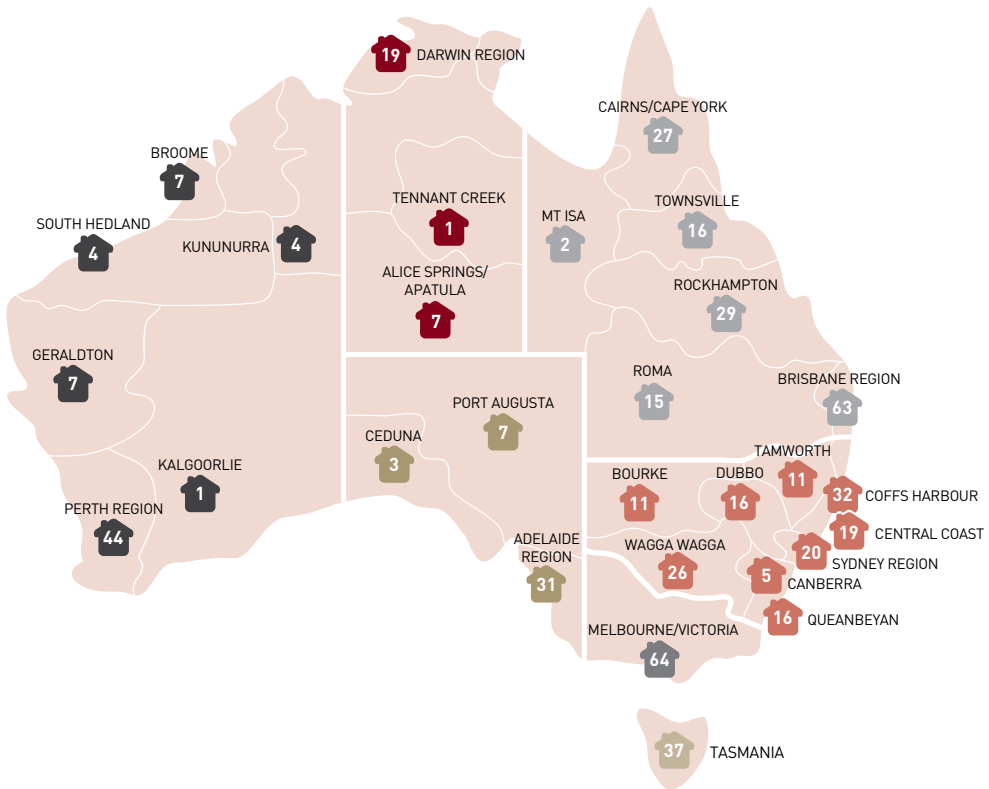
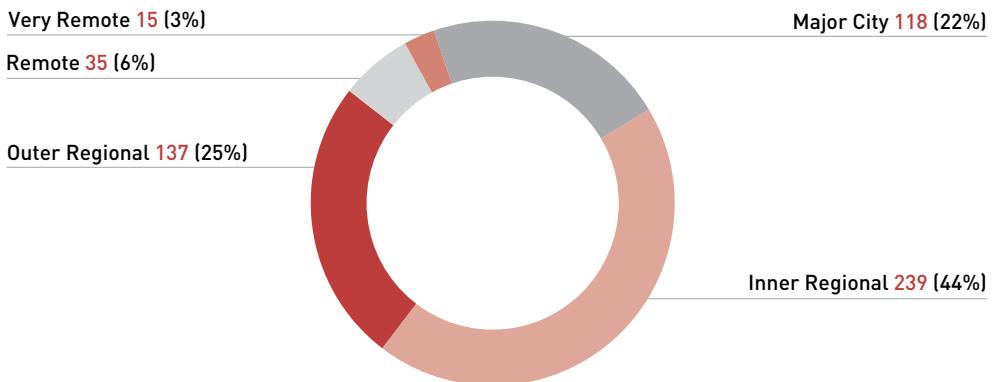


Figure 4: New home loans, by accessibility/remoteness



Marketing

IBA undertakes significant marketing and promotion of its Indigenous Home Ownership Program. Joint marketing arrangements with corporate, government and Indigenous entities are a key component of IBA's approach. During 2016–17, more than 140 promotional activities and information sessions were provided to Indigenous Australians.

IBA's promotional partners in 2016–17 included numerous government agencies, such as local government/shire councils, state police services, state corrective services, state housing services and Centrelink. Other partner organisations included Flinders University, the National Aboriginal and Torres Strait Islander Health Worker Association, Aboriginal medical services, Coles, Qantas, Virgin, the Australian Football League and the National Rugby League.

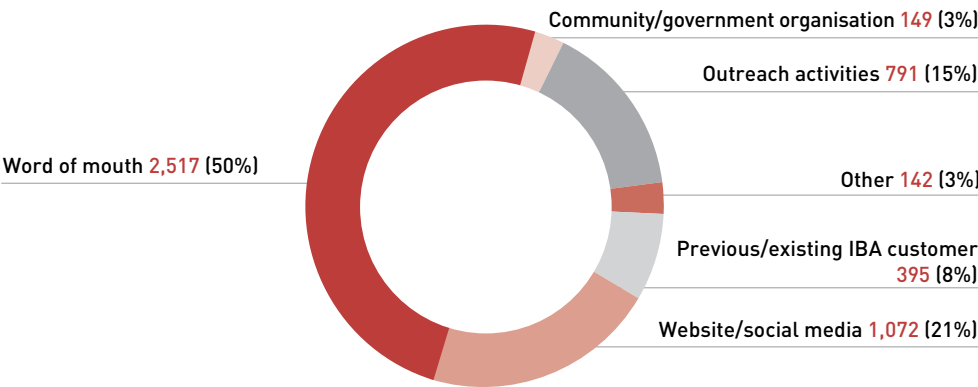
IBA also promoted opportunities for home ownership to a broad Indigenous audience through interviews on regional radio and the National Indigenous Radio Service.

Enquiries

Numbers of home loan enquiries and formal expressions of interest increased by 6.6 per cent and 67.1 per cent respectively in 2016–17.

Of the 5,066 people who made enquiries in 2016–17, 2,517 (50 per cent) advised that word of mouth was the source of the information that prompted them to make an enquiry. A further 791 (15 per cent) of enquiries were directly attributable to IBA's marketing and promotional activities, as detailed in Figure 5. The increase in expressions of interest was partly due to introducing an online customer capability which provides easier access to submitting forms.

Figure 5: Home lending enquiries, by source



SAVING FOR THE FUTURE



When Brogan first decided that she wanted to buy her own home, she did not have enough saved for a deposit. By getting in touch with IBA early, she found help to set her goals and make a plan.

‘I did want to own my home, but didn’t think it was an achievable goal,’ Brogan says. ‘My living costs made it hard to save for the deposit as I was paying \$450 a week rent for my house. So, I moved in with my parents for 18 months to save money ... I set myself a goal and I have now gained my own home.’

‘I love the new home, it’s so good owning my own place,’ she says. ‘Even just to be able to put up a painting without asking permission and just to know I am not paying dead rent is really rewarding.’

‘Most importantly I know I am going to leave something to my kids in the long run.’

‘Thank you IBA for giving me a good go at being a home owner.’

YOU, INVESTED

STRATEGY

IBA uses its loan parameters and policy settings to assist customers who would not have the capacity to enjoy home ownership through accessing loan finance from another lender. Interest rates, deposit requirements and other support arrangements are set at appropriate levels to assist primarily lower income first home buyers into home ownership.

Interest rates

IBA continually reviews its introductory interest rates for home loans in response to changes in the property market or the lending market and other circumstances that affect its customers.

The IBA Home Loan Rate (5.1 per cent at 30 June 2017) is benchmarked against a range of other lenders' standard variable interest rates for owner-occupied properties and adjusted from time to time to assist customers to enter the home ownership market.

During 2016–17, IBA lowered its introductory interest rate for first home buyers with income below \$116,742 on two occasions: 1 September 2016 and 1 April 2017. On both occasions, the rate was reduced by 0.5 per cent.

From 1 April 2017, customers were eligible for the following introductory interest rates:

- 1 per cent where income was up to \$41,694
- 2 per cent where income was between \$41,695 and \$70,879
- 3 per cent where income was between \$70,880 and \$116,742.

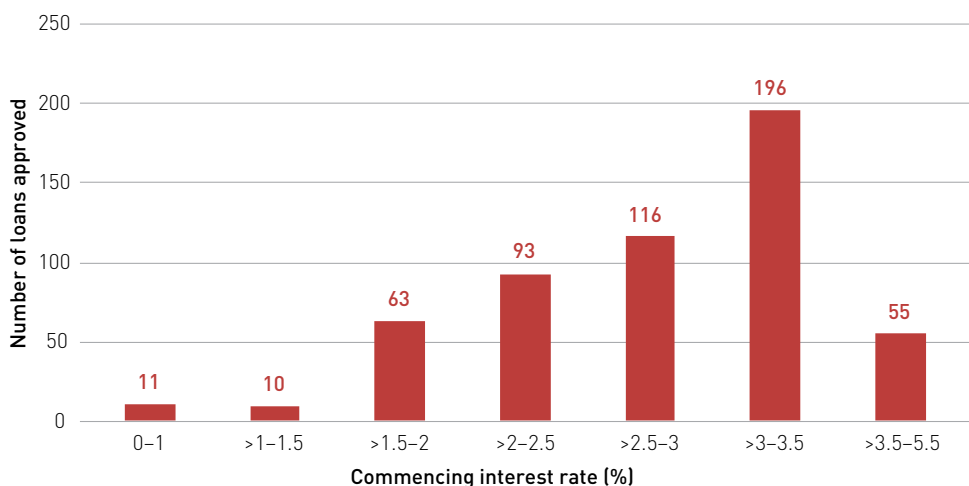
The standard introductory interest rate for first home buyers is capped for a minimum period of twelve months then increases by either 0.25 per cent or 0.5 per cent (depending on customer income) on 1 January each year until it reaches the IBA Home Loan Rate.

On 1 April 2017, IBA adjusted arrangements for first home buyers who obtain part of their funds from other lenders. Those borrowers now generally receive a commencing interest rate of 3.0 per cent on their IBA loan, capped for three years. At the end of that period, the rate increases by 0.25 per cent or 0.5 per cent (depending on customer income) on 1 January each year until it reaches the IBA Home Loan Rate.

In 2016–17, 293 (54 per cent) new customers received loans at a commencing interest rate of less than or equal to 3.0 per cent; a further 196 (36 per cent) received loans at commencing interest rate of 3.5 per cent.

Figure 6 shows a breakdown of new home loans in 2016–17 by commencing interest rate.



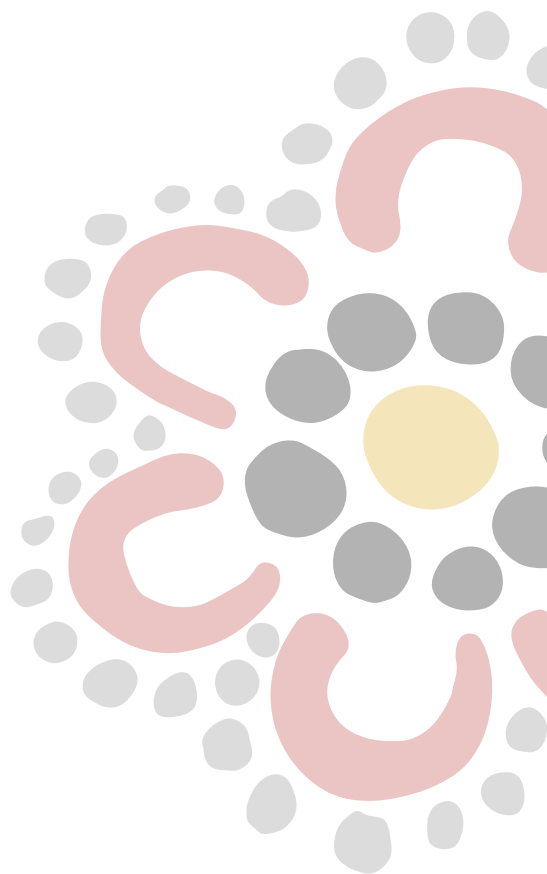
Figure 6: New home loans, by commencing interest rate

Deposits

IBA's targeted customers, particularly first home buyers, typically do not have sufficient savings to meet the minimum deposit requirements of other lenders. IBA requires these customers to meet a lower minimum deposit requirement depending on their income, as follows:

- \$1,500 where income is up to \$70,879
- \$3,000 where income is between \$70,880 and \$116,742
- 3 per cent of the purchase price where income is between \$116,743 and \$137,589
- 5 per cent of the purchase price where income is between \$137,590 and \$187,621.

IBA also does not require its customers to take out lenders mortgage insurance.



PORTFOLIO

To ensure that sufficient funds are available for future lending, IBA manages its loan portfolio to preserve and grow the capital asset base. IBA's substantial investment is secured by registered mortgages over the properties purchased with the IBA loans.

Growth

IBA's capital base for home lending consists of its home loan portfolio and bank balances available for home lending. IBA's target in 2016–17 was to achieve a capital base of \$1.11 billion at 30 June 2017. IBA achieved this target, with the capital base growing to \$1.12 billion.

It was expected that the number of loans in IBA's home loan portfolio would grow from 4,591 to 4,730 loans during 2016–17. However, the number actually declined

to 4,570. The decline was due to in large part to the higher level of loan discharges (which increased by 34 per cent, from 431 in 2015–16 to 578 in 2016–17).

The value of the home loan portfolio grew by \$13.2 million (1.3 per cent) in 2016–17, bringing the total value to \$1,009.5 million. The value of the portfolio has grown by \$482.5 million (92 per cent) over the past decade (since 30 June 2008), as shown in Figure 7.

The fair value of the portfolio at 30 June 2017 was \$687.0 million. The fair value assessment is an accounting adjustment made to reflect the value of the portfolio based on market expectations of risk and return.

Interest charged on loans during the year was \$42.5 million.

Figure 7: Total value of the home loan portfolio, over ten years



Geographic distribution

Figures 8 and 9 show the distribution of loans in the home loan portfolio, in terms of state and territory boundaries and degree of remoteness.

In 2016–17, as in previous years, a large majority of loans were held in New South Wales or Queensland, and in regional areas. This distribution matches our customer demographic, access to affordable housing and properties with potential for capital growth.

Figure 8: Total home loan portfolio, by state or territory

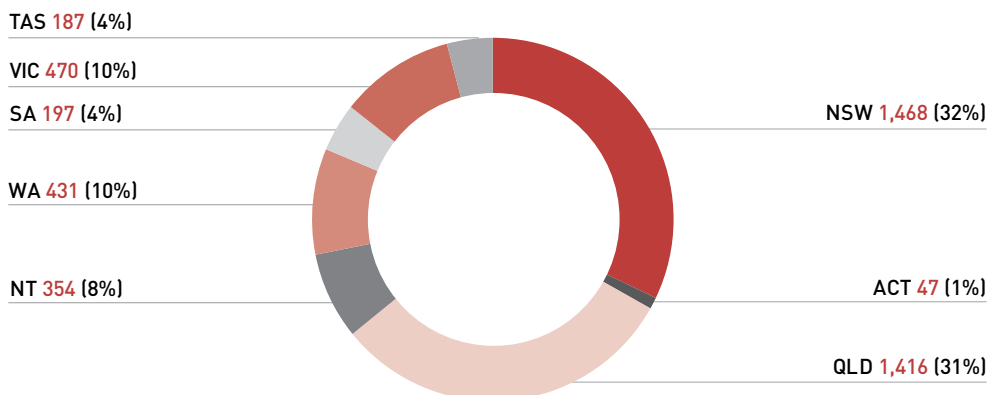
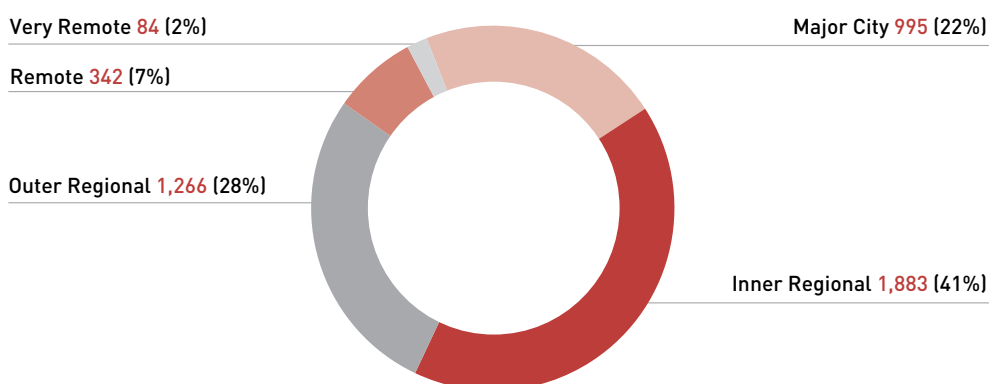


Figure 9: Total home loan portfolio, by accessibility/remoteness of location



Loan-to-valuation ratio

Because IBA's new customers are typically able to contribute a relatively small deposit to their home acquisition, they have a high loan-to-valuation ratio (LVR). In 2016–17, the average LVR for new customers was 96.5 per cent, compared to 96.9 per cent in 2015–16.

In the broader banking sector only 29 per cent of home loans have a LVR of 75 per cent or more (this proportion may include investment property purchases); however, more than 73 per cent of IBA's home loans are in this category. The weighted average LVR for IBA's home loan portfolio at 30 June 2017 was 87 per cent, compared to an industry average of 59 per cent (industry comparisons are sourced from the Standard and Poor's *Residential Mortgage Backed Securities Performance Watch Report*, March 2017).

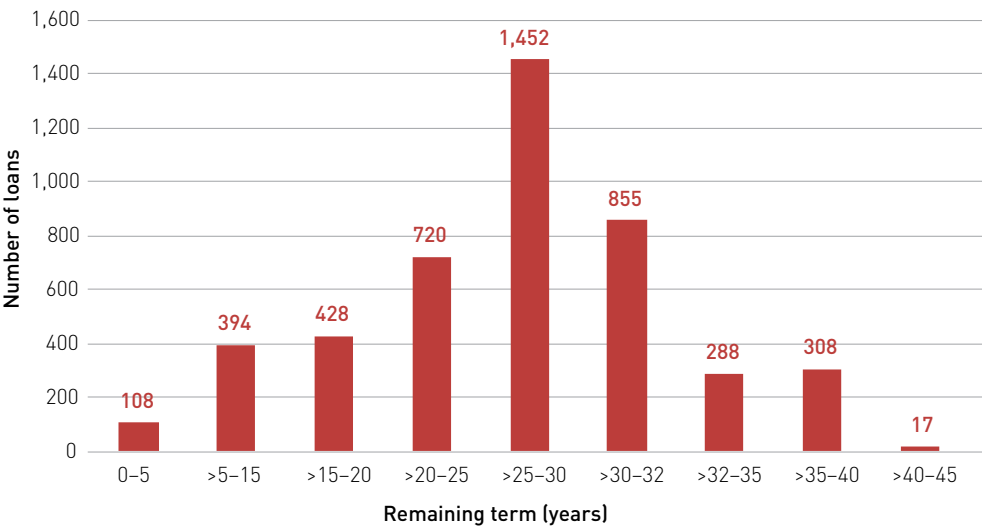
Loan term

IBA's standard home loan term is 32 years. Most IBA home loan borrowers discharge their loans early—on average, after approximately ten years.

Many customers make additional repayments or maintain their repayments above the minimum required level. This enables them to repay their loans sooner or to establish adequate equity in their homes to refinance with other lenders when they want to consolidate borrowings or acquire different properties. At 30 June 2017, 3,074 (67 per cent) of customers were in advance on their repayments by more than \$1,000.

Figure 10 shows the remaining terms of the active home loans at 30 June 2017.

Figure 10: Total home loan portfolio, by remaining loan term



In 2016–17, 504 customers discharged their IBA loans, an increase from 401 customers in 2015–16. Of those customers, 367 remained in home ownership and 299 transitioned to the mainstream finance sector to refinance their existing home loan. It is a significant outcome that 59 per cent of customers who discharged their loans in 2016–17 transitioned into mainstream finance—the ultimate goal for our customers.

Figure 11 shows the trends in IBA home loan discharges over the past ten years.

59 PER CENT OF CUSTOMERS WHO DISCHARGED THEIR LOANS IN 2016–17 TRANSITIONED INTO MAINSTREAM FINANCE

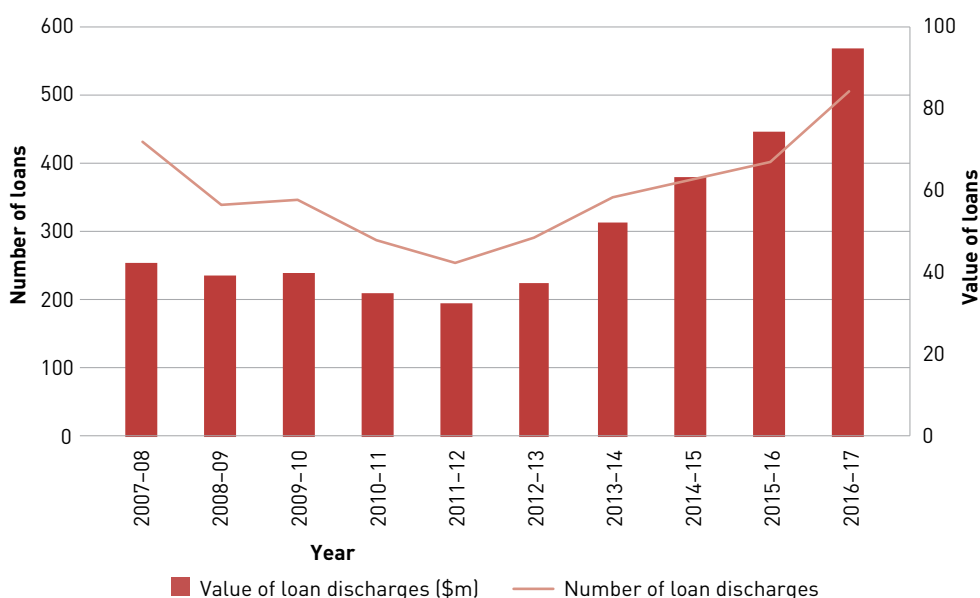
Arrears and loan recovery

Although IBA undertakes rigorous loan assessments to be confident that customers have the capacity and intent to service loans, some arrears and losses are inevitable.

IBA has comprehensive arrears management processes and loan borrower aftercare arrangements that allow for early intervention and management of arrears cases. IBA's personalised ongoing support for customers operates beyond the normal mandate of a bank or other financial institution.

IBA assists customers in circumstances where they are unable to maintain loan repayments due to unemployment, illness or other genuine hardship events. The assistance may take the form of varying loan repayments, adjusting the loan term or interest rate, agreeing to a short-term deferment of loan repayments, or a combination of these.

Figure 11: Value and number of home loan discharges, over ten years



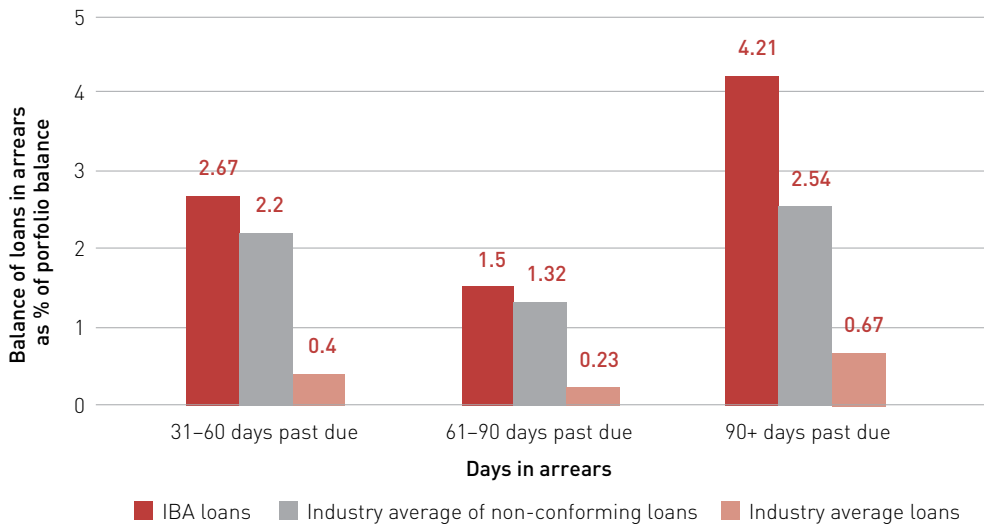
At 30 June 2017, IBA loans that were more than 30 days and 90 days in arrears respectively comprised 8.38 per cent and 4.21 per cent of the total value of the loan portfolio. The comparable industry averages of non-conforming loans were 6.06 per cent and 2.54 per cent respectively. The higher rate of nonconforming loans for IBA is to be expected, given that IBA has a higher appetite for risk and focuses on assisting low-income first home buyers.

Before exercising its mortgagee powers, IBA works extensively with each customer to ensure that they are given every possible opportunity to retain their home. However, in 2016–17 it was necessary for IBA to sell 42 properties under its mortgagee-in-possession powers, a

significant increase from the previous year, when 23 properties were sold. A further twelve properties were sold as a result of action taken by other mortgagees while 20 customers opted to voluntarily sell their property. The loss on those sales was \$7.2 million; this loss in large part reflects the economic slowdown in regional Australia, particularly in the mining and manufacturing sectors. IBA will pursue repayment arrangements with customers as appropriate to recover its losses.

At 30 June 2017, 31 loans were subject to repayment arrangements, and IBA had taken possession of 25 properties under mortgagee-in-possession arrangements. Figure 12 shows how IBA arrears rates compare to those of the broader home lending industry.

Figure 12: Home loan arrears balances of IBA and commercial lenders



Note: Industry comparisons are sourced from the Standard and Poor's *Residential Mortgage Backed Securities Performance Watch Report*, March 2017.



RISK MANAGEMENT

IBA faces the challenge of helping to close the gap between Indigenous and non-Indigenous home ownership rates while being cognisant of the risks and issues that potential customers face in entering the housing market. These risks include possible future declines in property prices and increases in interest rates and unemployment.

To mitigate some of the risks, IBA's standard requirement when approving loans is that customer home loan

repayments do not exceed 30 per cent of gross income. IBA also applies a capped interest rate to all first home buyers, who collectively account for around 90 per cent of new lending each year, to protect them from the impact of fluctuations in the cash rate.

IBA's strong focus on being a responsible lender protects IBA's home loan investment while ensuring that customers enjoy the benefits of home ownership and do not experience avoidable financial stress.

OUTLOOK

In 2017–18, the revenue and appropriations for the Indigenous Home Ownership Program could allow IBA to approve approximately 580 new home loans.

The New South Wales and Victorian governments have recently announced stamp duty exemptions and reductions that will apply for many first home buyers from 1 July 2017. This is expected to affect the number of applications for IBA's fee finance loans.

Significant differences exist in the housing markets around Australia: for example, Sydney and Melbourne are experiencing very high property price increases, while Perth is experiencing a substantial decline.

Although official interest rates are likely to remain relatively unchanged over the next year, risk mitigation measures recently introduced by the Australian Prudential Regulation Authority are expected to moderate property price increases, particularly in Sydney and Melbourne.

A large influx of new apartments in the eastern capital cities is expected to soften prices in that segment of the market over the next year or so.



SOLD SIGN DREAMS



IBA is making a difference in the lives of Indigenous Australians through the Indigenous Home Ownership Program. With the help of modern technology, such as social media, as well as face-to-face communications, IBA continues to share its message with customers and the community.

The IBA Facebook page has grown by 32 per cent in the recent financial year. Our community of followers has grown from 14,627 on 1 July 2016 to 21,510 on 30 June 2017.

As a response to IBA's promotional posts, customers shared their own celebratory photos after achieving their dream of buying a home with a loan from IBA.



Kel and Andrew with their family outside their newly bought property.



'We still can't believe we own a home. Thank you very much.' - Victoria and Nathan



'Thanks IBA!...the kids call it their "forever home". - Chloe



'We put the sold sticker on. What an exciting moment for our little family.' - Cassandra and Joshua



'Thanks to IBA, we achieved our dream home.' - Nicole



PART 3

BUSINESS OWNERSHIP

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ENVIRONMENT

The Business Development and Assistance Program was repositioned during the first quarter of 2016–17, allowing IBA to provide more refined levels of support to its customers. IBA now provides internal and external expertise to customers over their entire business life cycle, that is, preparation, start-up, stabilisation, growth, maturity and exit.

Customers operating in regional and remote Australia continued to represent an important cohort of the portfolio. Customised workshops and partnerships with Indigenous organisations contributed to meeting the needs of customers and alignment with government policy.

The establishment of a sector development team assisted existing Indigenous business owners to develop stronger businesses that are tender-ready to compete for government and corporate procurement opportunities. Through partnerships with state and local government, corporations and the academic sector, our customers continue to evolve to be competitive in the wider economic community.



ASSIST INDIGENOUS AUSTRALIANS TO START, ACQUIRE AND GROW VIABLE BUSINESSES



IBA practises responsible lending and takes a realistic view of economic conditions when assisting Indigenous entrepreneurs to start or grow their businesses. We recognise how complicated the fiscal environment can be, for start-up businesses and for those established and ready to grow.

Continuing modest growth in the Australian economy impacted on demand for IBA's business development loans and services in 2016–17. Although the slowdown that has occurred in the resources sector over the years since the mining boom has stabilised, it continues to affect demand, particularly in Western Australia and Central Queensland. The transition to a more diversified economy, with an increased services component, is still underway.



ACHIEVEMENTS

The Business Development and Assistance Program demonstrated excellent results against its performance targets in 2016–17. Strengthening IBA's internal capability and collaborating with other organisations allowed the program to support customers more effectively while maintaining a strong focus on Indigenous entrepreneurship.

Lending

IBA offers business loans of up to \$5 million at concessional interest rates with flexible repayment structures to suit the cash flow of the business. The loan amount is determined based on the borrower's minimum deposit/security and ability to service the loan.

IBA applies lending disciplines, but does not require the same level of equity holding or security cover as mainstream lenders do, and can offer more flexible repayment terms. IBA loans do not attract establishment or ongoing service fees. IBA loans are at a concessional interest rate.

Two new finance products were launched, and attracted much interest, in 2016–17:

- The **Start-Up Finance Package** targets small and medium enterprise start-ups and includes a grant component. The package amount can be up to \$100,000, with a maximum term of seven years. The grant component, which can comprise up to 30 per cent of the package, contributes to the purchase of capital expenditure items.
- The **Procurement Loan** assists businesses to meet the upfront costs of government procurement contracts (including subcontracts) awarded through the Indigenous Procurement Policy or other government programs. The loan amount can be up to \$100,000, with a maximum term of two years.

Of the new loans approved through the Business Development and Assistance Program in 2016–17, the majority were provided for Indigenous Australians already in business.

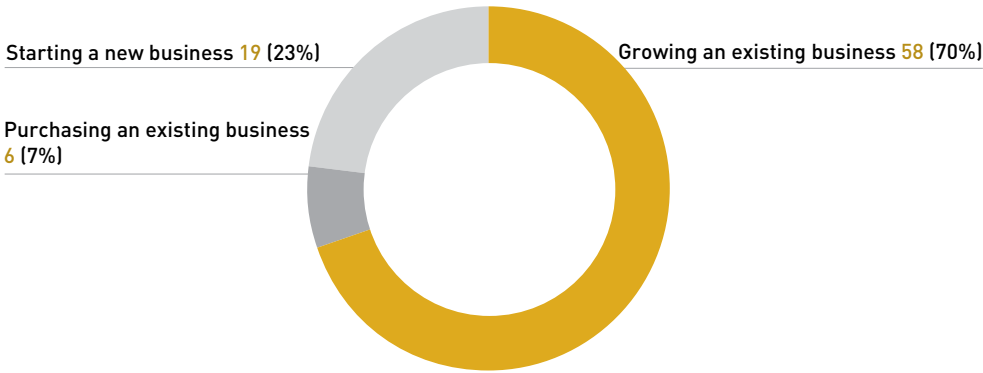
The total value of new loans approved to new and existing customers in 2016–17 was \$16 million, with an average value per loan of \$206,641. This exceeded the amount of capital appropriated to IBA for business lending.

Of a total of 83 loans, 55 (66 per cent) were new loans to new customers and 28 (34 per cent) were loan increases or new loans to existing customers. IBA also supports small business with other products such as Invoice Finance to enable businesses to meet short-term expenses, and asset leasing which provides an alternative to purchasing capital assets. Approximately 85 per cent of the leasing product is delivered to

businesses in rural and remote regions. Further information on these products is discussed in Part 4: Investments.

Figure 13 shows the distribution of 2016–17 business loans by purpose. The result demonstrates a continuing trend from the previous year with an increase in the number of loans to existing business owners. This includes business owners who were new customers to IBA.

Figure 13: Business loans, by purpose



Capability building

Staff worked closely with customers and partner organisations from a variety of industry sectors across the country to help Indigenous businesses build capability and access opportunities in 2016–17.

Communities

IBA worked with more than 30 Indigenous corporations, Aboriginal Land Councils and Prescribed Bodies Corporate to support economic development opportunities for Indigenous communities. The collaborations supported whole communities in a holistic way, by developing sustainable business opportunities and increasing local employment opportunities.

Small and medium enterprises

IBA successfully established four new partnerships with community and government organisations and Indigenous businesses to directly provide specialised capability development assistance to small and medium enterprises. The partners will assist Indigenous businesses in the retail and procurement sectors with business development and sound financial management. The majority of this support is focused on businesses in remote areas of the Northern Territory and regional and remote areas of Western Australia and North Queensland.

Start-ups

Through effective collaboration, IBA provided new, targeted assistance for start-up businesses:

- In conjunction with Sydney-based company Investible, IBA launched its first Accelerator Program for start-ups. From more than 50 applicants, twelve Indigenous entrepreneurs were selected to participate in first round of the program. The program finished on 30 June 2017.
- Teaming up with Perth-based business hub Spacecubed, IBA established its first shared-space arrangement, in Perth. The arrangement provides eight shared desk spaces for start-ups.
- In partnership with Charles Sturt University and the New South Wales Government, IBA supported four Walan Mayinygu Indigenous Entrepreneurship Pop Up Hubs, in Albury, Dubbo, Lismore and Port Macquarie. The hubs provide information, training and resources to regional start-ups.

Government procurement

Assisting Indigenous businesses to understand and engage in opportunities in the arena of government procurement was a particular focus. IBA's support centred on ensuring that businesses are equipped to compete in competitive tender processes and have the right structures and resources in place to manage contracts if their tenders are successful.

Where needed, IBA also assisted customers to review and maximise the effectiveness of their business profiles, capability statements and websites. IBA assisted over 90 businesses to enhance their business profiles and service offerings.

IBA also worked closely with state and local government bodies to create business development strategies designed to assist Indigenous businesses to prepare for procurement opportunities. These relationships are ongoing and may also assist businesses to prepare for major infrastructure opportunities.

ACCELERATOR PROGRAM

IBA teamed up with Investible, an early stage investment group, to deliver the first round of the **Accelerator Program**. Twelve Indigenous entrepreneurs who had innovative and scalable business ideas participated in the pilot, which provided them with access to experienced entrepreneurial development opportunities.

The program provided unique support from mentors, advisers, investors, business angels, and IBA staff.

The Indigenous entrepreneurs from across Australia came together to share their experiences and ideas, and were provided with

opportunities to pitch their business to investors from the corporate and venture capital sectors.

After eight weeks of intense mentoring, three pitch events took place. Participants in IBA's Accelerator Program competed against 70 other seasoned entrepreneurs, with two making it to the finals and one finishing second.

The program offered the participants a life-changing experience which they can share with their families and communities.

Further, ongoing support is being provided by IBA and the program is expected to run again in 2018.

Business planning

IBA provided business planning and related support to a range of customers across all stages of the business life cycle, tailoring its support services to meet individual business needs.

Expert advice, information and guidance was provided on matters such as business planning, procedural compliance, tender writing, marketing, cash flow management, financial systems and skills, and succession planning. IBA also focused on assisting businesses to access untapped opportunities in specific sectors, such as tourism and construction.

In response to customer demand, IBA's suite of business development workshops was expanded to include eight options:

- **business information sessions**, focusing on entrepreneurship and what an entrepreneur needs to think about before getting into business
- **start-up workshops**, helping entrepreneurs to build their business models and think strategically about their business proposals
- **growth workshops**, assisting business owners to develop growth plans and strategies for established businesses
- **procurement workshops**, assisting business owners to harness procurement opportunities and understand the Indigenous Procurement Policy
- **digital marketing workshops**, assisting business owners to develop or refine their marketing plans and use the latest digital marketing tools and techniques
- **joint venture workshops**, providing Indigenous businesses, Prescribed Bodies Corporate and Aboriginal Corporations with a legal understanding of what is needed to effectively negotiate joint venture agreements
- **tax matters workshops**, providing business owners with information about tax obligations and best practice strategies for tax compliance
- **law way workshops**, providing entrepreneurs and business owners with information about the legal requirements of running a business.

As part of the Australian Government's Indigenous Advancement Strategy, IBA was contracted to provide 117 workshops across remote, regional and metropolitan areas. IBA exceeded this target by delivering 132 workshops across 58 locations, with 48 per cent delivered in remote locations.





EXPANDING OUTDOOR SOLUTIONS

Tiarnie and Markus Mueller are a husband and wife team and the directors of their own landscaping business, Outdoor Solutions Queensland Pty Ltd. The duo have been kicking goals ever since gaining the support of an IBA business loan in 2014.

The business started off as a residential/body corporate garden maintenance entity in 2008. The expansion of their services has seen them undertake major commercial structural landscaping works all around Cairns.

Tiarnie explained, 'We thought this is the perfect opportunity, as we and IBA both want to see the business do well.'

After experiencing the benefits delivered throughout the business developmental stage, Tiarnie and Markus want to see other Indigenous people aspiring to start their own businesses.

'There are so many talented people around, and I encourage them, if they have an idea or dream, to contact IBA,' said Tiarnie.

**'Dream big...
If you put the hard
work in, the rewards
will follow.'**

IDEAS, INVESTED

STRATEGY

IBA has several strategies in place to deliver and add value to its services for business customers. The strategies respond to needs identified through customer feedback and IBA's continuous improvement process.

The strategic approach includes:

- supporting Indigenous entrepreneurs and start-ups through exposure to commercial partnerships and networks specifically established to develop entrepreneurial skills and acumen
- developing partnerships and strategic relationships to provide Indigenous entrepreneurs and businesses with support from local organisations
- delivering workshops that target business development at key stages in the business life cycle
- implementing a national call program for account managers, to build relationships with and identify opportunities for customers, along with a risk mitigation plan to match customer needs to lending and business support solutions.

PORTFOLIO

IBA offers concessional loan products to meet Indigenous Australians' needs for capital to start, acquire or grow a business.

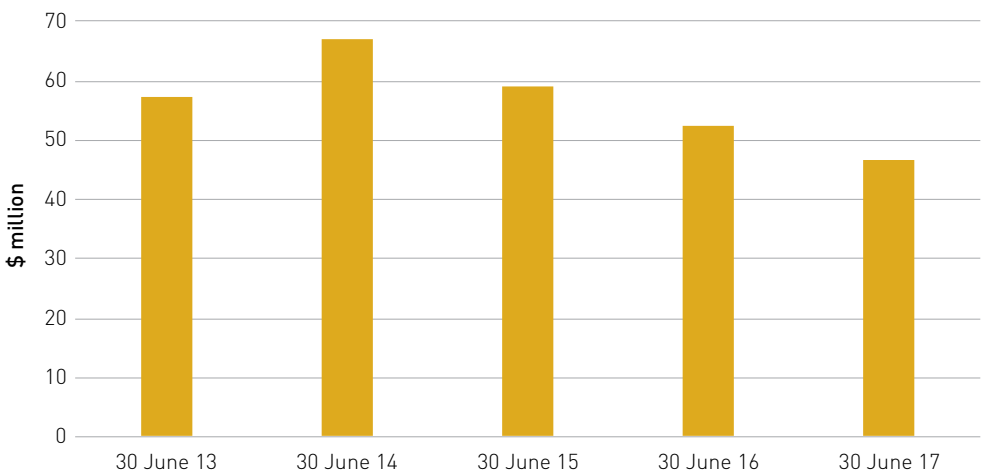
The total principal repayments received from the loan portfolio in 2016–17 were \$12.9 million and interest totalling \$2.7 million.

Value

The total business loan portfolio decreased from 262 loans with a face value of \$52.7 million at 30 June 2016 to 262 loans with a face value of \$46.6 million at 30 June 2017. The total portfolio is a combination of the active loan portfolio (237 loans) and impaired loan losses on which full recovery is not expected (25 loans).

Figure 14 shows the value of the business loan portfolio from 2013 to 2017.

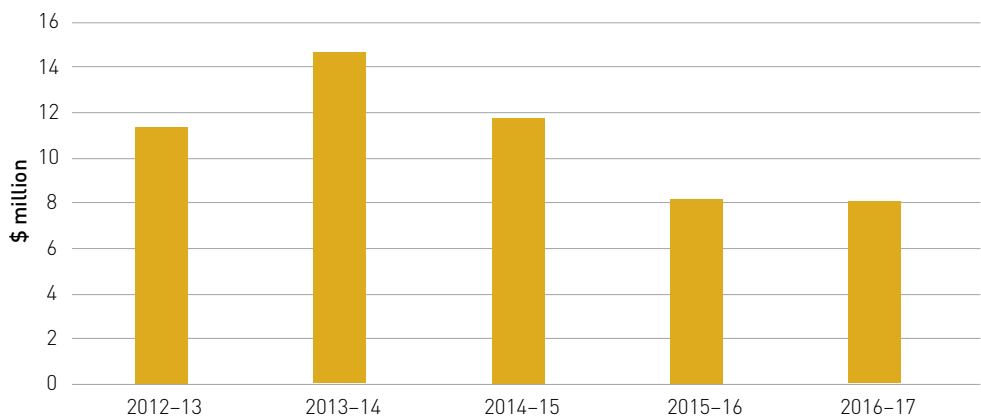
Figure 14: Total business loan portfolio, over five years



New product innovation in 2016–17 has met an untapped demand for capital, which saw IBA commit funds over and above the appropriated amount. IBA is planning further product and service innovation to meet the increased demands of our stakeholders, with IBA prepared to reinvest its own capital above grant capital for 2017–18.

IBA has a provision for doubtful debts of \$8.1 million, as shown in Figure 15. The value of doubtful debt has remained steady in 2016–17, mainly due to IBA’s continued focus on the capability development activities it provides to customers prior to committing to loans.

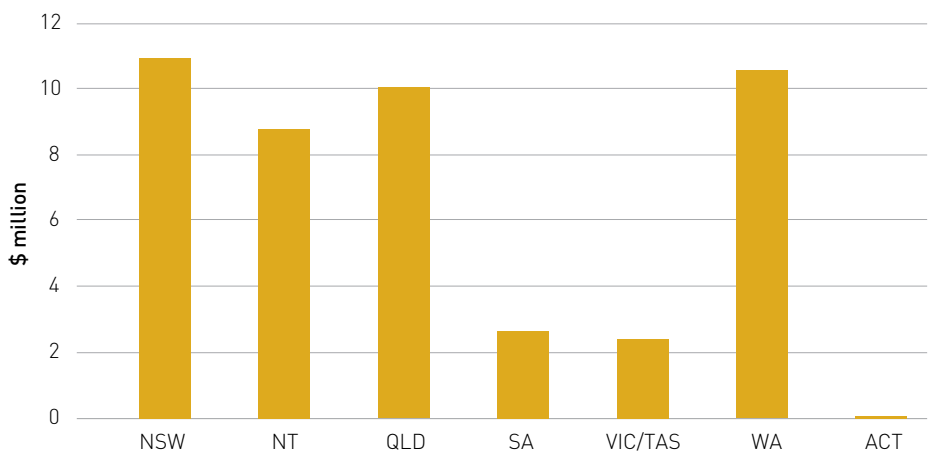
Figure 15: Provision for business loan doubtful debt, over five years



Geographic distribution

All states and territories are represented in IBA’s business loan portfolio, with the greater proportion of businesses widely dispersed in the eastern states. The geographic distribution of loans in the portfolio by state and territory is shown in Figure 16.

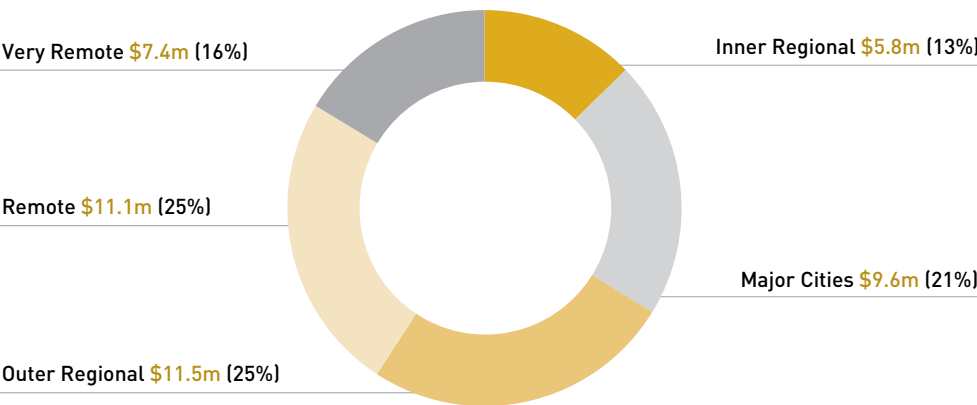
Figure 16: Total business loans, by state and territory



Note: Loans for Tasmania are managed out of IBA’s Victorian office. The discharge balance of the loan in the ACT is less than \$2,000.

The breakdown of the business loan portfolio based on ARIA classifications, shown in Figure 17, demonstrates that IBA’s reach to Indigenous entrepreneurs includes regional, remote and very remote communities. With over 60 per cent of loans provided in outer regional, remote and very remote areas of Australia, IBA is exceeding its targets in delivering services, including loans and business support, to regional and remote areas.

Figure 17: Total business loans, by accessibility/remoteness



Industry concentration

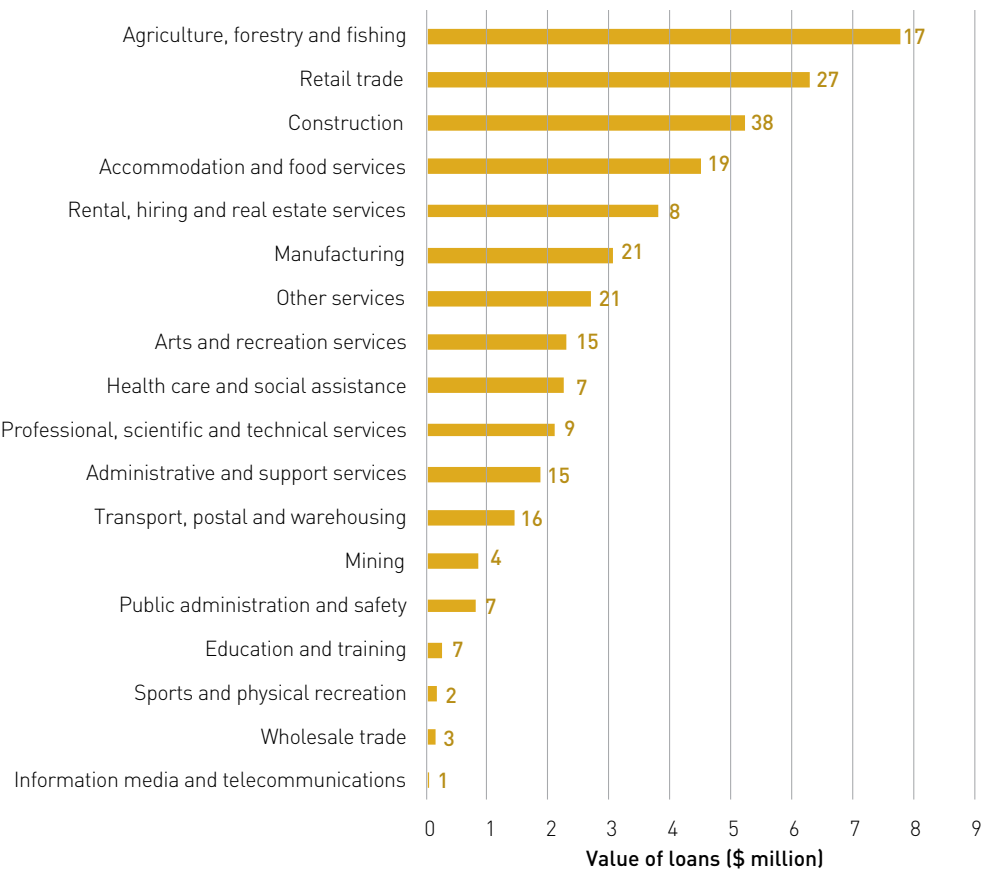
Almost all industry groups are represented within the business loan portfolio, with the exception of financial and insurance services.

IBA's top four industry exposures—retail trade; agriculture, forestry and fishing; construction; and rental, hiring and real estate services—collectively make up 48 per cent of active portfolio value.

In 2016–17, the retail trade sector displaced agriculture, forestry and fishing as the sector with the highest exposure, reflecting a broader economic trend towards a more services-based Australian economy.

Figure 18 shows the spread of the portfolio across industry sectors.

Figure 18: Active business loan portfolio, by industry concentration



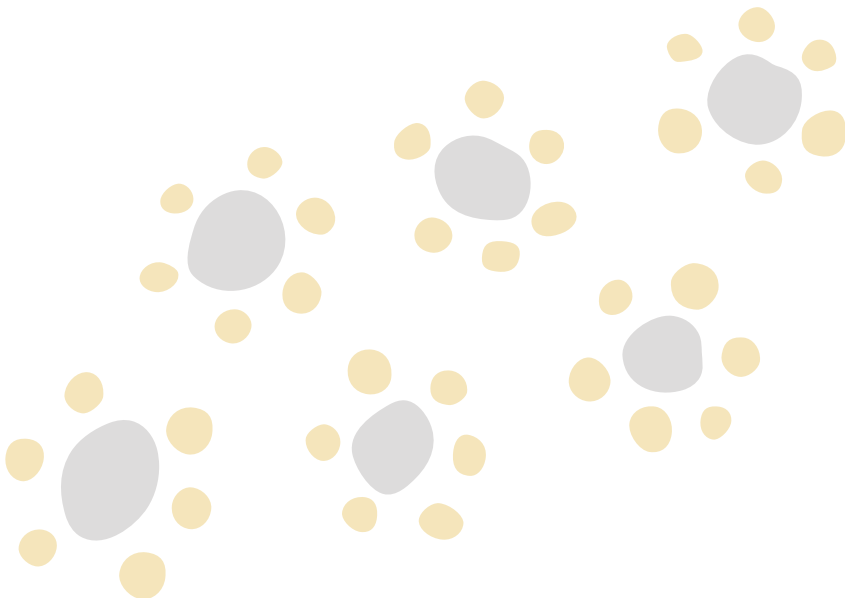
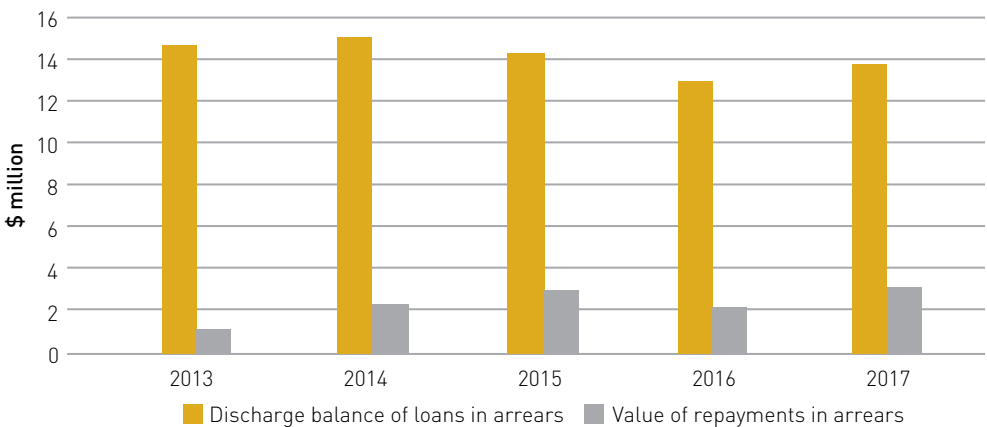
Arrears and loan recovery

Figure 19 shows the business loan arrears over five years.

Arrears numbers in the portfolio fluctuated throughout the year, reaching a high of 76 in May 2017 from a low of 63 in July 2016. The value of accounts in arrears peaked at \$15.4 million in February 2017.

By 30 June 2017, those levels had reduced to 66 accounts and \$13.8 million respectively or 28 per cent and 30 per cent as a proportion of the total active portfolio. Improvements are expected with anticipated portfolio growth and several high value loans resolving arrears throughout the 2017–18 year.

Figure 19: Business loan arrears, over five years



RISK MANAGEMENT

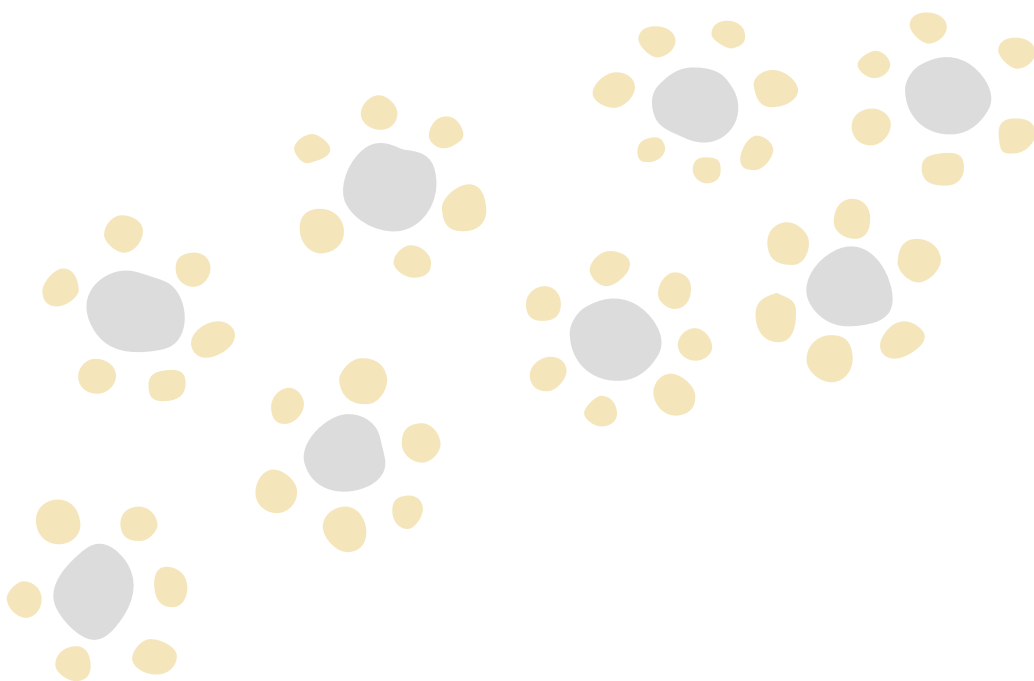
While IBA's lending and debt recovery practices are modelled on sound commercial principles, the overall business loan portfolio is characterised by high gearing, low security and, in some cases, customers with little experience in business operation. In addition, many of IBA's customers operate in highly competitive commercial environments.

IBA aims to offset these risk factors by ensuring that business proposals are commercially viable or have the potential to become viable, and by providing appropriate planning and support throughout the life cycle of the business. This includes enabling access to business skills workshops and workshops specific to the business life cycle; low-interest

business loans, leasing and other financial products; external specialist support and monitoring arrangements; hardship provisions, where difficulties arise; and support to either turn around or exit a business.

IBA also seeks to limit its exposure to losses by setting tolerances in relation to provisioning for doubtful debts, compulsory third-party due diligence, minimum trading periods on loans greater than \$1 million, and portfolio exposure to concentration.

These risk management activities are subject to ongoing review and adjustment to achieve efficiencies and minimise the potential harm to customers arising from small business ownership risks.





Neville Namarnyilk, Guluymbi Cultural Cruise Operator, leads tours in the region for an international audience.

STRENGTHENING CULTURAL IMPACT

The Djabulukgu Association Incorporated (DAI) was approved an IBA loan in 2014 to buy the Kakadu Cultural Tours business, of which they already held 40 per cent.

The tour business had been struggling to make a profit, but DAI has been improving the impact of the tours since the purchase. Kakadu Cultural Tours can now continue to provide valuable employment in the Indigenous community and share their knowledge of the region.

‘IBA has always been fantastic for us. Whenever we have Indigenous people come to us and ask us about how we did what we have,

we recommend IBA as the starting point,’ said Liam Maher, Chief Executive Officer of DAI.

DAI was established in 1982 with a community development philosophy, committed to its members.

Desiree Nadji, Director of Kakadu Cultural Tours, said, ‘The benefits of working for an Indigenous owned organisation is passing that on to non-Indigenous employees and helping other family members be a little more confident in seeing what I’m doing as well.’

**‘We recommend IBA
as the starting point.’**

OUTLOOK

The Business Development and Assistance Program is focused on providing responsive support to Indigenous businesses across the entire business life cycle – that is, preparation, start up, stabilisation, growth, maturity and exit. As a lender, IBA seeks to find a balance in supporting the social and cultural outcomes of customers in a manner that is sustainable and economically sound. IBA strives to assist new or existing Indigenous businesses to achieve self-sustainability.

In 2017–18, the program will continue to innovate and create new products and services designed to meet Indigenous entrepreneurs' and businesses' needs. The economic landscape is changing and new opportunities and challenges are arising. Indigenous businesses want to have streamlined access to these opportunities as well as access to the right finance products and business support tailored to meet their requirements.

In that regard, IBA will continue to deliver workshops and tailored business support to strengthen Indigenous businesses' capabilities. These capabilities will be instrumental in leveraging new opportunities, winning contracts and delivering on those contracts. Developing partnerships and collaborating with government departments, Indigenous chamber of commerce groups, industry and other Indigenous organisations will contribute to stronger outcomes.

Finance for start-ups, procurement, equipment and working capital will continue to be offered at a concessional rate while other types of finance will be explored further.

This is an exciting time for Indigenous businesses and IBA will continue to be committed to supporting them along their business life cycle to grow, thrive and provide a benefit to them and their communities.



PART 4

INVESTMENTS

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ENVIRONMENT

IBA's business environment is influenced by macroeconomic developments as well as the needs of our Indigenous partners. Interest rates were at record lows in 2016–17, creating a high level of demand for investments with attractive returns which creates intense competition for assets. This has made it more difficult for IBA and its co-investors to acquire investments at attractive levels.

It also means that the yields available in the market are relatively low, particularly in key sectors such as commercial property. With low yields from traditional asset classes such as property, significant funds and investment activities are being directed towards non-traditional investment opportunities.

IBA has broadened its Indigenous engagement considerably, through the launch of pooled investment vehicles and a focus on rolling out the Indigenous Investment Principles to a wide audience.

IBA's active engagement with Indigenous communities and organisations has further established awareness that those organisations need to create long-term intergenerational wealth and sustainable outcomes.



ASSIST INDIGENOUS AUSTRALIANS TO ACHIEVE ECONOMIC INDEPENDENCE THROUGH INVESTMENTS



IBA expects that this, coupled with a sophisticated approach to risk management, will continue a trend among organisations towards establishing investment portfolios or diversifying existing portfolios. Interest in off-country and pooled investment structures, such as the Indigenous Real Estate Investment Trust (I-REIT) and Indigenous Prosperity Funds, was strong in 2016–17 and is expected to continue to increase.

Additionally, after a period of consolidation of legacy assets, IBA is now actively exploring ways to reinvest capital into new areas of investment, including renewable energy, affordable housing and other sectors. Over the coming year, IBA expects to scale up its investment activity, alongside Indigenous communities and organisations.



ACHIEVEMENTS

The Equity and Investments Program supports the creation of sustainable ventures that provide meaningful opportunities for Indigenous Australians to accumulate wealth, develop their capacity to participate in Australia's economy, create jobs, increase training and skills development, and supply goods and services.

In 2016–17, the program's achievements included:

- **employment**—a total of 713 jobs were supported by IBA's direct investments, of which 203 (28.5 per cent) were jobs for Indigenous Australians; another 589 Indigenous people were employed through the businesses to which IBA leases assets, representing 36 per cent of the businesses' workforce
- **training and skills development**—578 instances of training were delivered to Indigenous employees in 2016–17, including formal skills development, on-the-job training, traineeships and mentoring
- **supply chain opportunities**—IBA's investments procured more than \$2.6 million worth of goods and services from Indigenous suppliers
- **innovation**—IBA launched Invoice Finance and Film Finance products that assist Indigenous businesses by improving their cash flow by enabling businesses to receive cash from IBA for credit sales on a revolving basis
- **commercial capability development**—IBA used income generated by its investment portfolio to support initiatives to build capability in strategy development, governance and investment decision making, including the rollout of the Indigenous Investment Principles through the Into-Investing Workshops, and facilitate independent advice to investors.

IBA'S INVESTMENTS
PROCURED MORE THAN
\$2.6 MILLION WORTH OF
GOODS AND SERVICES FROM
INDIGENOUS SUPPLIERS

Investments

IBA's Equity and Investments Program co-invests in a wide range of sectors and geographic locations, seeking to provide strong financial returns as well as employment, training and supply chain outcomes for Indigenous Australians. Figure 20 shows the principal investments in 2016–17.



Figure 20: Investment sites, by asset cluster and location



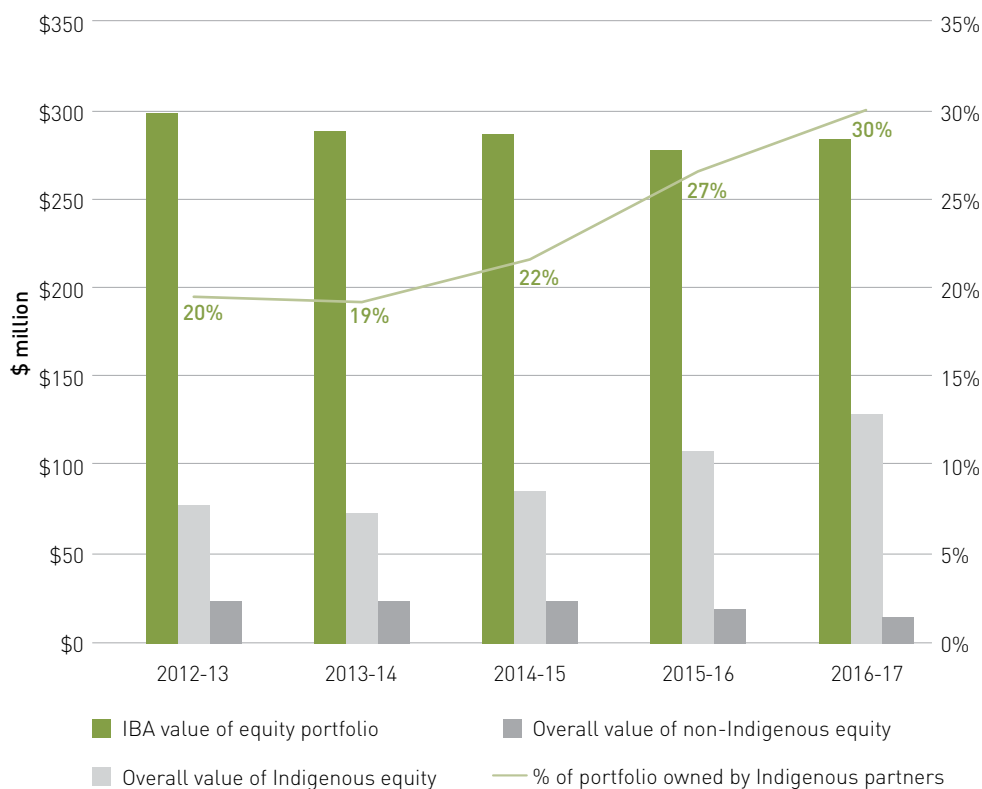
Indigenous equity

Through products such as the Indigenous Real Estate Investment Trust (I-REIT) and the Indigenous Prosperity Funds (IPF), IBA is making investment more accessible for Indigenous partners. This was evidenced by IBA issuing units in the I-REIT and IPF of \$26.1 million to Indigenous investors in 2016–17, which is the highest ever level of new investment into IBA ventures in any one year since its establishment.

At 30 June 2017, Indigenous partners and beneficiaries held equity worth \$129.6 million in aggregate in IBA's investment portfolio. Their proportion of total equity increased to 30.2 per cent at 30 June 2017 from 26.6 per cent at 30 June 2016.

Figure 21 illustrates the long-term trend towards increased Indigenous equity in the investment portfolio since 30 June 2013.

Figure 21: Value and ownership of the investment portfolio, over five years



PRODUCTS AND SERVICES

IBA's Equity and Investments Program comprises:

- **asset and funds management**, through which IBA establishes, manages and invests alongside Indigenous organisations in funds such as the IPF and the I-REIT and other unlisted property trusts
- **direct investments**, through which IBA invests alongside Indigenous organisations in operating businesses in a range of sectors, such as tourism, grocery retail, mining services and renewables
- **leasing and finance solutions**, through which IBA provides affordable property, vehicle and equipment leases and finance solutions, including invoice and film finance, to Indigenous businesses, organisations and service providers, mainly in regional and remote Australia
- **capability development**, through which IBA supports workshops and other initiatives to promote awareness and application of the Indigenous Investment Principles.

Asset and funds management

IBA establishes, manages and invests alongside Indigenous organisations in investment vehicles such as the IPF and I-REIT and other specialised property investments.

At 30 June 2017, the total value owned by the 22 Indigenous co-investors/beneficiaries invested in I-REIT and IPF was \$57.9 million (includes \$5 million application for units in IPF Growth and Income accepted with units issued 3 July 2017, and \$13.7 million distribution from I-REIT required to be reinvested).

During the year, 19 Indigenous organisations invested an amount of \$26.05 million into the I-REIT and IPF.

Table 4 shows the returns achieved for IBA and Indigenous co-investors through asset and funds management in 2016–17.

Table 4: Returns on asset and funds management

Funds	1 year	2 years	Since inception p.a.
I-REIT total return per annum ¹	3.3%	12.2%	12.8%
Indigenous Prosperity Funds total return ² – Growth Fund	14.1%	-	8.4%
Indigenous Prosperity Funds total return ² – Income Fund	5.0%	-	3.7%
Indigenous Prosperity Funds total return ² – Cash Fund	2.1%	-	2.1%

Note: All returns shown above take account of the effect of valuation increments and decrements.

- ¹ The I-REIT returns since inception are calculated from 10 December 2013, which is the date that the first paid units were issued. Performance is annualised for periods of greater than one year. Performance figures are net of management fees, ongoing fees and expenses. They assume that distributions are reinvested and that tax is not withheld. Past performance is not a reliable indicator of future performance.
- ² The Indigenous Prosperity Funds returns since inception are calculated from the funds' commencement on 16 November 2015. Returns shown above take account of the effect of valuation increments and decrements. Performance figures are net of management fees, ongoing fees and expenses and assume that distributions are reinvested and tax is not withheld. Returns since inception have been annualised. Past performance is not a reliable indicator of future performance.



Indigenous Prosperity Funds

The IPF provide Indigenous investors with the opportunity to invest alongside IBA in a diversified portfolio of investments, including exposure to Australian and international shares, bonds, property and cash, as a means of building long-term wealth.

IBA's establishment of the funds and co-investment have enabled its co-investors to access well-governed portfolios that are prudently managed by leading investment managers around the world.

The funds comprise:

- IPF Growth Fund, which invests in predominantly growth assets, including Australian and International shares
- IPF Income Fund, which invests in predominantly defensive assets, including bonds and debt securities issued in Australia or around the world, with a range of maturities
- IPF Cash Fund, which invests predominantly in Australian bonds, cash and short-term securities.

In 2016–17, the IPF Growth Fund achieved a total return of 14.1 per cent, the IPF Income Fund achieved a total return of 5.0 per cent, and the IPF Cash Fund achieved a total return of 2.1 per cent.

On 30 June 2017, 12 Indigenous organisations from around Australia had invested a total of \$19.0 million in the IPF.

Table 5 shows the value of each fund at 30 June 2017, including an amount of \$5 million that was received prior to 30 June 2017 but for which units were allocated on 3 July 2017.

Table 5: Value of the Indigenous Prosperity Funds

Fund	Focus	2015–16 value	2016–17 value
Growth Fund	Growth assets such as Australian and international shares	\$46.6m	\$63.1m
Income Fund	Defensive assets such as bonds and debt securities	\$21.1m	\$27.0m
Cash Fund	Bonds, cash and short-term debt securities	\$10.1m	\$62.8m



Indigenous Real Estate Investment Trust

The I-REIT was established to provide economic returns for Indigenous Australians from a portfolio of Australian commercial properties. The fund seeks to provide stable returns to investors that create positive economic impacts in Indigenous communities.

The day-to-day management of the I-REIT is carried out by IBA Asset Management, a wholly owned subsidiary of IBA that has a board with a majority of independent directors. The trustee of the I-REIT is an independent company specialising in the provision of fund management services.

The I-REIT's investors comprise 15 Indigenous groups, collectively holding approximately 38.7 per cent of the I-REIT units, and IBA, holding the balance of the units.

The I-REIT aims to generate financial returns from a combination of income and capital growth by investing primarily in a portfolio of geographically diverse Australian commercial property in three key subsectors: office, retail and industrial.

During 2016–17, the I-REIT divested its largest asset, which was located in Phillip, Australian Capital Territory, at a significant capital gain, and subsequently acquired a regional shopping centre in Mackay, Queensland.

At 30 June 2017, the I-REIT held six commercial property assets with a gross asset value of \$53.1 million, and had a cash reserve of approximately \$50.6 million for future investment.

ELEVATE INDIGENOUS LEADERSHIP

The returns IBA receives from its investment portfolio assist IBA to fund various initiatives in line with its objective to facilitate economic independence for Aboriginal and Torres Strait Islander peoples.

An example of this is the Elevate program, a new Indigenous leadership development program that aims to build a pipeline of capable Indigenous non-executive directors by providing access to a suite of education activities, experiences and opportunities.

The Elevate program was launched at the IBA Nominee Directors Workshop on 6 April 2017, and provides participants with development opportunities including observership roles on IBA subsidiary boards, mentoring and networking opportunities, and supplementary education required to enhance governance skills. Each participant was selected through an application process, and has been allocated to an IBA subsidiary board based on their experience and suitability for that company sector, structure and board maturity.



Specialised property investments

'Specialised property investments' is a significant asset class for Indigenous investors with a strong desire to own property assets that have strategic significance or provide the opportunity to create training and/or employment opportunities within their local area. IBA's equity in the portfolio is diversified across industry sectors (office, retail and industrial) and geographic locations nationally.

At 30 June 2017, the total value of the direct investments portfolio was \$105.5 million. The total value owned by the 12 Indigenous co-investors/beneficiaries in the direct investments portfolio was \$25.7 million.

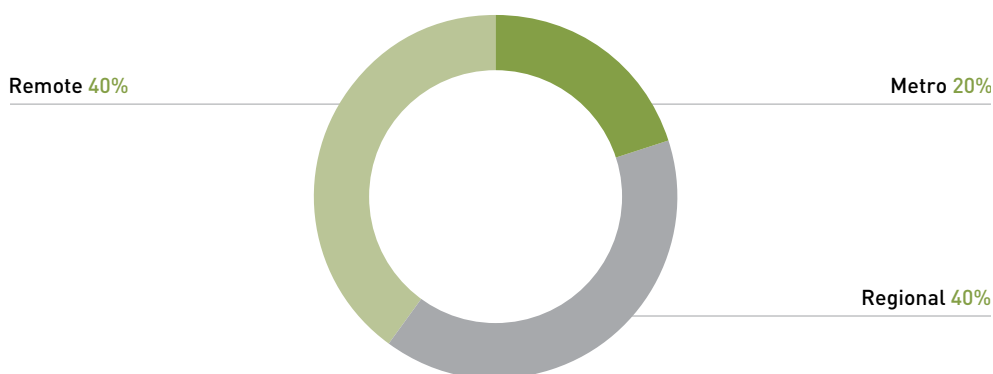
The return to investors in 2016–17 was 12.7 per cent. The annualised returns to Indigenous investors were 11.6 per cent (three years) and 6.4 per cent (five years), inclusive of valuation impacts. Average returns over five years were affected by valuation impacts in 2013–14.

Direct investments

IBA's direct investments portfolio incorporates investments across Australia in a broad range of sectors, including tourism and hospitality, grocery retail, mining services, telecommunications and renewables. These investments generate financial returns as well as employment, training and supply chain benefits for Indigenous Australians.

IBA is investigating investments in new sectors which can provide financial and economic benefits for Indigenous Australians, including renewable energy, tourism and healthcare. Investments in regional and remote areas make up more than 80 per cent of IBA's share of the direct investments portfolio, as shown in Figure 22.

Figure 22: IBA's share of the direct investment portfolio, by region





BUILDING COMMUNITIES

The Groote Eylandt and Bickerton Island Enterprise (GEBIE) is a not-for-profit ORIC (Office of the Registrar of Indigenous Corporations) organisation which became incorporated in December 2001. Since inception, GEBIE has been dedicated to the enhancement of the Anindilyakwa Traditional Owners on Groote Eylandt and Bickerton Island through becoming capable and self-sufficient in managing enterprises and operating schemes that help maintain the development of the community. They are also an investor in IBA's I-REIT.

Corallie Ferguson, GEBIE Group CEO, said 'Fifty-two per cent of GEBIE's employees are Indigenous Australians, and have been responsible for some of our proudest works, such as the construction of ten houses.'

With the implementation of social programs including education and health, GEBIE is proving they are serious about making positive changes for the Indigenous community. The returns from the investments with IBA's I-REIT contribute to funding the projects in the area.

'We were a cornerstone investor in the I-REIT and we have been very happy with the returns from that investment; in fact we have re-invested back in it,' said Corallie.

'Our investment principle is about funding the operation, locking the money away to fund the operation for the future.'



Tourism and hospitality

IBA has been engaged in the tourism and hospitality sector for over two decades. The sector enables Indigenous Australians to pursue economic self-sufficiency through asset ownership, capacity development, management, employment and supply chain opportunities.

IBA's tourism and hospitality strategy focuses on offering domestic and international visitors the opportunity to engage with and experience Indigenous cultures and peoples in an ethical, authentic and dynamic context.

IBA continues to refine its tourism and hospitality strategy such that it delivers the required combination of financial and social impact returns.

The development and successful launch of the Adina Vibe Hotel Darwin Indigenous Engagement Strategy (IES) in June 2017 was achieved through a collaborative and respectful approach involving consultation with local organisations, community members and representatives from TFE Hotels Group, Wunan and IBA as partners in the hotel. Key focus areas of the IES are to improve employment opportunities for Indigenous Australians in Darwin and increase procurement outcomes for Indigenous businesses.

Retail

IBA has held grocery retail assets since 2006. Ownership of sustainable retail businesses provides access to good food at reasonable prices along with employment, training and procurement opportunities for Indigenous Australians.

In 2016–17, IBA continued to broaden its retail influence by targeting remote and regional locations and partnering with independent grocers IGA.

At the Tennant Creek and Merredin IGA stores, the total Indigenous employment has more than doubled over the last twelve months to 29 Indigenous staff members in total, utilising local Warumungu and Njaki Njaki connections along with other employment service providers. Both of these sites are now focusing on establishing and building upon the gains in employment and increasing training outcomes for the employees.

In addition to the training and employment outcomes, the stores are also seeking to utilise their purchasing to gain direct Indigenous procurement outcomes in consumable supplies and services, and to find ways to improve market access for Indigenous suppliers to a broader customer base through the retail channel to consumers.

Industrial

The industrial portfolio provides financial and non-financial returns to Indigenous Australians through exposure to a broad range of sectors in the Australian economy.

In 2016–17 IBA divested its manufacturing asset, Consolidated Manufacturing Enterprises Pty Ltd, and through the sale process was able to seek commitments from the purchaser to continue to support Indigenous employment in the business.

Given the economic downturn in Western Australia, IBA sought to divest long-held, underperforming assets. Ngarda Civil and Mining is conducting an orderly wind-down of its affairs. At its peak, Ngarda employed 196 Indigenous employees and was a catalyst for countless organisations in the Indigenous mining services sector.

The industrial portfolio retains three operating assets and a loan book, whilst identifying new priority investment sectors and opportunities.



Renewables

The Equity and Investments Program adopted a renewable energy strategy in 2016–17. The strategy is initially focused on replacing the primary source of energy in diesel generators in remote and very remote Indigenous communities, with solar and battery systems becoming the primary tool. As well as significantly reducing energy costs and improving energy security, additional benefits include internet access, which can provide broader educational, health and social benefits. Where possible, Indigenous companies are contracted to install the systems.

Other potential avenues for IBA to invest in renewable energy with Indigenous partner organisations include large-scale, on-grid renewable energy projects, as well as the provision of solar systems for on-grid communities and Indigenous businesses to mitigate the impact of rising electricity costs.

To broaden community awareness of the renewable energy strategy, IBA made a presentation to Indigenous land owners, communities and businesses at the 2017 Native Title Conference.

As an emerging participant in the clean energy sector, IBA has become an associate member of the Clean Energy Council.

Leasing and finance solutions

The Indigenous Economic Development Trust (IETD) uses government agency funding to provide vehicle, machinery and property leasing solutions, primarily as part of remote community programs. The beneficiaries of this trust are Indigenous Australians.

The largest source of funding is \$19.5 million from the Department of the Prime Minister and Cabinet for the leasing of assets under the Community Development Program. At 30 June 2017, the written-down value of assets deployed under this program was \$7.6 million with a further \$1.5 million of deals in the pipeline.

The major component of the trust's asset base is properties, collectively valued at \$18.1 million, some of which are managed on behalf of other government entities. The entities fund the purchase of the properties and provide the trust with ownership. The Australian Government retains control of the properties, and the entities are able to ensure that the properties are used for their intended purposes for the long term. This arrangement assists the entities to focus on their core business (for example, the provision of health services) by outsourcing property management and maintenance.

IBA leasing

IBA provides leasing solutions directly to Indigenous businesses and organisations using funding provided by IBA. The leases offer competitive terms on a range of assets (including vehicles, machinery, equipment and other specialised assets) to help customers establish, consolidate or expand commercially viable businesses.

Through the IEDT and IBA Leasing, the accumulated portfolio written-down value was \$32.2 million at 30 June 2017. Table 6 provides an overview of the leasing services provided by IBA.



Table 6: Overview of leasing services provided by IBA

Assets	Source of assets	No. of assets	Written down value of assets	Services provided
Commercial property (mostly sheds and small office premises in remote towns, includes two medical facilities)	Various government agencies	20	\$6.5m	Management, construction, refurbishment and project management services
Residential property	Department of Health IBA funding	17	\$5.3m	Management of rental properties including maintenance and refurbishment
Residential rehabilitation facilities	Department of the Prime Minister and Cabinet	3	\$6.3m	Management, construction, refurbishment and project management services
Vehicles	Department of the Prime Minister and Cabinet (Community Development Program) IBA funding	242	\$9.5m	Operating leases
Other assets (such as equipment and machinery)	Department of the Prime Minister and Cabinet (Community Development Program) IBA funding	110	\$4.6m	Operating leases
TOTAL		392	\$32.2m	

Invoice and film finance

To enhance IBA's ability to support growing Indigenous businesses, IBA has developed an invoice finance solution which provides flexible funding that aligns to an Indigenous business's trading cycle, and fluctuates to meet the customer's working capital needs.

The product assists established businesses that are experiencing rapid growth and/or winning large supply chain and procurement contracts, to enable them to pay for the operating costs. It is

provided via an online platform, enabling the customer to upload data and access funding directly from their accounting software to IBA, and providing 24-hour access.

Specialised systems, procedures and controls were established, tested and implemented and the product became available in May 2017. As at 30 June 2017, four invoice finance facilities totalling \$1.5 million and one film finance facility for \$2 million were approved and will be settled in early 2017. A further ten opportunities are in the pipeline.



As part of its broader cashflow financing solutions, IBA is also financing Indigenous television and film productions through a Producer Offset Loan. In the past twelve months, it has collaborated with NITV to finance two documentary series produced by Indigenous producers and has approved a new loan for a major Indigenous television drama which has a local broadcaster as well as a foreign distributor to reach overseas audiences. Aside from providing employment and training opportunities, these productions promote the broadcasting of Indigenous stories.

Capability development

Indigenous Investment Principles

In December 2015, the Indigenous Investment Principles were launched, providing a new investment framework to assist Indigenous organisations to achieve positive economic and social outcomes for their communities. These principles lie at the core of IBA's investment philosophy and underpin IBA's approach to governance and planning.

Representatives from more than 40 Indigenous organisations worked together to create the principles, which address some of the common identified

challenges and opportunities their respective organisations have faced in establishing effective governance and investment strategies.

Since the launch, IBA has been working hard towards the implementation and uptake of the principles in organisations and communities across Australia. One way that the principles are being introduced to groups is through the Into-Investing Workshops. These workshops outline the content of the principles and how they can be implemented, and provide an overview on different investment options and strategies.

IBA has committed to continue working with implementation and strategy group members to identify opportunities to further promote and discuss the principles at relevant events and conferences.

Into-Investing Workshops

The Indigenous Investment Principles Into-Investing Workshops provide an exciting opportunity for Indigenous corporations, groups and individuals to develop their investment knowledge and skills. These workshops can assist participants to better understand how to effectively build greater economic resilience for their organisations and communities.





Participants at the Into-Investing Workshop held at the Desert Knowledge Centre in Alice Springs on 29 June 2017.

Since the launch of the Indigenous Investment Principles (IIP) in 2015, IBA has developed and expanded the growth of the IIP by delivering Into-Investing Workshops. These sessions provide an overview of the IIP framework and assist Indigenous Australians to develop their investment knowledge and skills.

Each two-day intensive workshop covers:

- early governance principles
- community needs and expectations
- linking investment options to community needs

- understanding the available investment options and their associated risk profiles.

In 2016–17, IBA facilitated the delivery of five workshops with a total of 75 participants from 33 organisations across five locations: Darwin (13–14 October), Perth (27–28 October), Adelaide (16–17 March), Cairns (19–20 April) and Alice Springs (29–30 June).

IBA will continue to facilitate the workshops with the intent to deliver them in remote, regional and urban areas around Australia in 2017–18.

FUTURES, INVESTED

RISK MANAGEMENT

Prudent investment selection and structuring, monitoring, and risk reporting are all part of IBA's investment risk management approach. The approach was developed in conjunction with external industry specialists and takes into account the latest developments in risk management and governance.

The performance of each individual investment is monitored using indicators appropriate to the specific investment, which may include (among other

measures) return on equity, internal rate of return, debt to total capital ratio (gearing) and, where relevant, appropriate metrics regarding employment, training or procurement.

Investment performance is monitored through a range of processes applied annually (annual reviews, valuations, budgeting and planning) and quarterly (whole-of-portfolio reviews), as well as monthly and weekly management reporting and analysis.

OUTLOOK

In 2017–18 the key focus will be to increase the number of Indigenous organisations that IBA works with, as well as the financial and social benefits we can provide to these organisations. This will be achieved by continuing to deliver existing products, as well as seeking to implement new initiatives that deliver solutions to our partners.

IBA continues to operate in an environment where interest rates are at records lows, creating a high level of demand and competition for investments with attractive returns. This is making it challenging for IBA and its co-investors to acquire investments at attractive levels. It also means that the yields available in the market are relatively low, particularly in key sectors such as commercial property. With low yields from traditional asset classes, such as property, significant

funds and investment activities are being directed towards non-traditional investment opportunities, including primary sectors.

Despite this, having now divested non-core assets, IBA expects the program's level of acquisition activity to increase as it seeks opportunities to allocate capital in 2017–18 in line with the investment strategy. There will be a targeted focus on a range of growth sectors driven by market megatrends, including tourism, renewable energy and aged care.

The program will also continue to engage with our partners and investors to determine where IBA can provide additional solutions and impact by the creation of new or improved products, investment opportunities and capability development initiatives.



PART 5

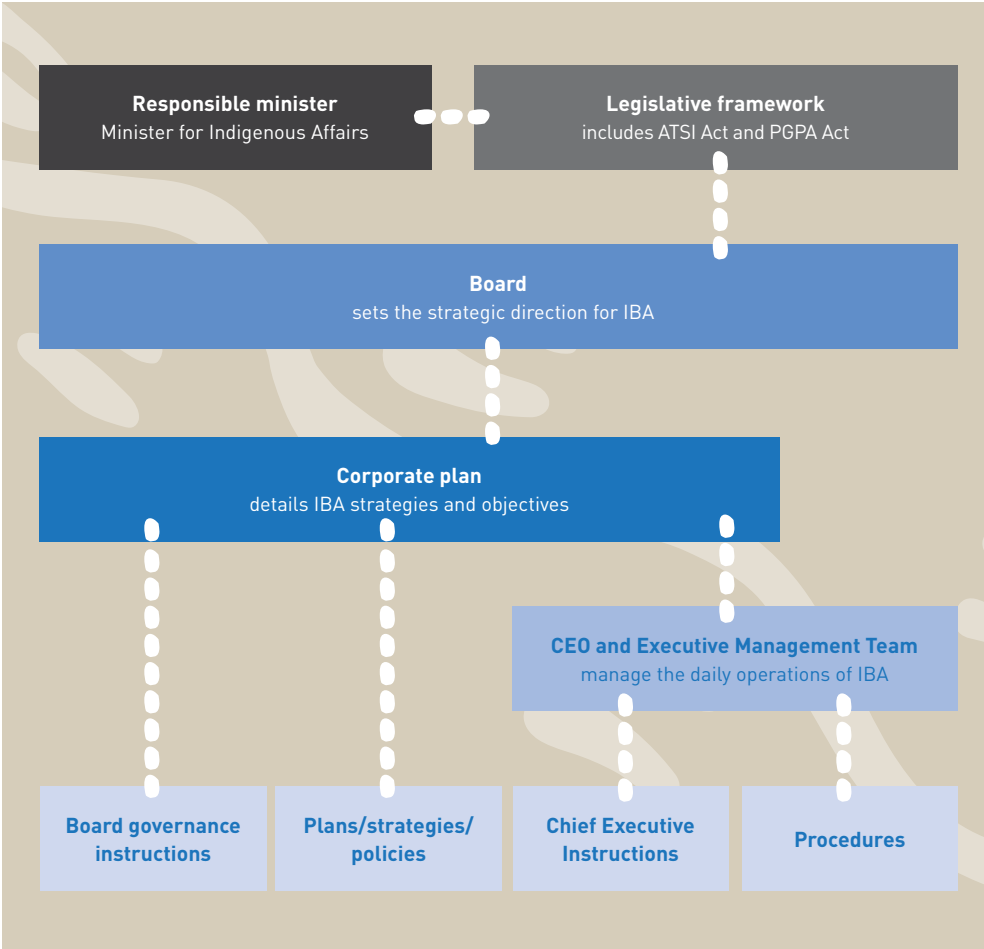
GOVERNANCE

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GOVERNANCE FRAMEWORK

IBA’s corporate governance framework (shown in Figure 23) is designed to ensure that IBA achieves its organisational objectives in a transparent, accountable and efficient way.

Figure 23: Corporate governance framework



ATSI Act = *Aboriginal and Torres Strait Islander Act 2005*, PGPA Act = *Public Governance, Performance and Accountability Act 2013*

ACCOUNTABILITY

IBA is established under the ATSI Act, which sets out the purposes, functions and powers of IBA. IBA is a corporate Commonwealth entity, and the IBA Board is the accountable authority of IBA, under the PGPA Act.

Responsible minister

IBA is accountable to the Australian Parliament through the Prime Minister and Cabinet portfolio and the Minister for Indigenous Affairs. In 2016–17, Senator the Hon. Nigel Scullion was Minister for Indigenous Affairs.

Ministerial directions and government policy orders

Under section 151 of the ATSI Act, the responsible minister is empowered to make general written directions with which IBA must comply. No such directions were made during the reporting period.

IBA must also comply with government policies that apply to IBA. No government policy orders have been issued to IBA under the PGPA Act.

Portfolio budget statements and corporate plan

IBA's budget is managed through the annual portfolio budget statements of the Prime Minister and Cabinet portfolio.

The PGPA Act requires Commonwealth entities to prepare a corporate plan. The corporate plan sits alongside the portfolio budget statements as IBA's principal planning document and is a key mechanism for accountability to the Parliament and the public.

In 2016–17, IBA delivered on our performance measures as defined in the portfolio budget statements and corporate plan. Results against those measures are shown in the annual performance statements in Part 1 of this annual report.

Accountable Authority Instructions

The IBA Board has issued Accountable Authority Instructions (referred to as Board Governance Instructions), which assist the Board to discharge its responsibilities under the PGPA Act and related legislation.



IBA BOARD

The IBA Board is responsible for ensuring that the functions of IBA are properly and efficiently performed and determining the policy of IBA with respect to any matter.

This includes keeping the Minister informed of IBA's activities and significant decisions, in accordance with the PGPA Act.

The Board also appoints and reviews the performance of the CEO.

Charter

The Board has adopted a governance charter with four objectives:

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

The charter includes the code of conduct for directors, and guidelines for dealing with directors' conflicts of interest and material personal interests as required.

Appointments

In accordance with section 157 of the ATSI Act, the Minister appoints the members of the Board, who comprise a Chair, a Deputy Chair and seven other members. As required by section 158 of the ATSI Act, the Minister also consults IBA about potential board appointees when there is, or is expected to be, a vacancy.

**THE IBA BOARD
HAS A MAJORITY OF
INDIGENOUS MEMBERS**

Development and review

IBA provides formal induction for new board members, including a meeting with the Chair, CEO and Executive Management Team. New members are provided with an induction manual which includes the governance charter and a guide to directors' duties.

In accordance with the board governance charter, the Board is required to conduct an annual review of its performance. In 2016–17, the Board completed an internal review of its performance.

Remuneration

IBA's directors are part-time public office holders and their entitlements are therefore determined by the Remuneration Tribunal. Determination 2017/10 prescribes the remuneration and allowances payable and Determination 2016/07 sets out the entitlements for official travel.

Access to information and outside advice

Directors have access to all the information they need to perform their duties. This includes information pertaining to previous decisions of the Board that are relevant to any matter under consideration.

Subject to the Chair's authorisation, directors may obtain independent professional advice, at reasonable cost to IBA, if they believe it is necessary in fulfilling their due diligence responsibilities. Where the Chair wishes to obtain independent advice, two other directors must approve the request.

Indemnity and insurance

IBA's insurance cover, including directors and officers liability insurance, is provided through Comcover, the Australian Government's self-managed fund.

Committees

Three ongoing committees assist the Board to effectively exercise its functions:

- The **Audit and Risk Committee** provides independent assurance and advice to the Board on IBA's risk, control and compliance framework; financial statements; and performance reporting responsibilities. The committee is chaired by Rick Allert.
- The **Finance, Investment and Performance Committee** provides assurance and assistance to the Board on IBA's financial and non-financial performance and investment and credit risk decision making. The committee is chaired by Anthony Ashby.
- The **Remuneration and Nomination Committee** provides advice to the Board on CEO and Board appointments as required. During the year, the Committee provided advice to the Board on the CEO recruitment process. The committee is chaired by Eddie Fry.

A charter details each committee's constitution, responsibilities, functions, and reporting and administrative arrangements. Other committees may be formed as required, with specific terms of reference.

Maria Storti was appointed as independent member of the Audit and Risk Committee from September 2014, and was reappointed in April 2017 for a three-year period. Maria is an experienced senior executive who was a partner in a professional services firm and has held other senior management and consulting roles across the private and public sectors. She is a Fellow of the Institute of Chartered Accountants, a Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Institute of Management.

Directors' committee memberships in 2016–17 are set out in their biographies. Attendance at committee meetings is detailed in Table 7.



Meetings

In 2016–17, the Board held seven scheduled meetings and seven out-of-session meetings. Details of attendance at meetings of the Board and its committees are in Table 7.

Table 7: Directors' attendance at board and committee meetings

	Director	Board	Audit and Risk Committee ¹	Finance, Investment and Performance Committee	Remuneration and Nomination Committee
Current	Eddie Fry	14/14	-	-	1/1
	Anthony Ashby ²	13/13	-	7/7	1/1
	Rick Allert	14/14	7/7	7/8	-
	Roy Ah-See ²	3/4	1/1	-	-
	Kerryne Liddle ²	3/4	-	1/1	-
	Shirley McPherson	14/14	6/7	-	-
	Aileen Shannon	14/14	6/7	-	-
	Claire Woodley	10/14	-	7/8	0/1
	Scott Young	12/14	-	6/8	-
Outgoing	Trish Angus ²	9/9	4/4	-	-
	Peter Thomas ²	4/4	-	2/2	-

Note: Figures represent the number of meetings attended out of the number of meetings that the director was eligible to attend.

¹ The independent member, Maria Storti, attended all seven meetings of the Audit and Risk Committee.

² This director was a board member for only part of the financial year.

Members

The members of the IBA Board have extensive and varied expertise, particularly in industry, commerce and finance.

During 2016–17, the terms of two members finished and two new members joined the Board.

At 30 June 2017, seven of the nine Board members identified themselves as being Aboriginal or Torres Strait Islander, and four were women.

All board members are non-executive directors.

DIRECTORS AT 30 JUNE 2017



Remuneration
and Nomination
Committee Chair

EDWARD (EDDIE) FRY

CHAIR

**Appointed 1 December 2014 to
30 November 2017**

Eddie Fry is a Dagoman-Wardaman man from the Katherine region in the Northern Territory. He has extensive experience within the Australian resource sector and is a specialist in Indigenous and native title issues. He holds a Diploma in Business Management from the University of South Australia and is a graduate of the International Lead and Zinc Study Group.

Based in Adelaide, Eddie is a former director and a retained consultant of TNG Ltd, an Australian resource company focused on the exploration, evaluation and development of a multicommodity resource portfolio in the Northern Territory and Western Australia. He is a member of the development team for the TNG Ltd Mount Peake project.

Eddie is an executive director of Gimbulki Ltd, a native title land access company he established in 2002, Chair of the Indigenous Advisory Board at Broadspectrum (since 2010), Deputy Chair of the Aboriginal Foundation of South Australia Inc., Chair of Todd River Resources Limited, and Chair of the Indigenous Land Corporation.

Eddie held senior executive roles with Normandy Mining Ltd, where he established the company's Traditional Owner policy. He was also involved with the Aboriginal and Torres Strait Islander Commission, Aboriginal Development Commission and Department of Aviation.





Finance, Investment
and Performance
Committee Chair

Remuneration
and Nomination
Committee member

ANTHONY ASHBY

DEPUTY CHAIR

**Appointed 22 October 2012 to
21 October 2015; appointed Deputy Chair
1 December 2013 to 30 November 2016;
reappointed Deputy Chair
1 December 2016 to 28 February 2017
and 12 April 2017 to 11 April 2020**

Anthony Ashby is a Gamilaraay-Yuwaalaraay man from north-western New South Wales. He is a Chartered Accountant and Registered Company Auditor. He holds a Bachelor of Commerce from the University of New South Wales and a Certificate of Public Practice from Chartered Accountants Australia and New Zealand.

Anthony's other current board roles include directorships of the Indigenous Land Corporation, the National Centre of Indigenous Excellence Ltd and the Hunter New England Central Coast Primary Health Network Ltd. Anthony is also an ex-officio member of the Supply Nation Audit and Risk Committee.

Anthony and his wife Vanessa have operated their own public accounting practice since 2004, providing a mix of taxation, assurance, accounting and consultancy services to their client base.



Audit and Risk
Committee member

ROY AH-SEE

Appointed 12 April 2017 to 11 April 2020

Roy Ah-See is a Wiradjuri man who was born and raised on Nanima Reserve, near Wellington, New South Wales. He was elected to the NSW Aboriginal Land Council in 2007 and has been Chairperson of the council since 2015. He is also voting member of Gandangara Local Aboriginal Land Council.

Roy has qualifications in social welfare and has worked at various government agencies and Aboriginal community controlled organisations. Roy believes land rights and connection to country are integral to the spiritual healing and cultural empowerment of Aboriginal peoples.

In February 2017, Roy was selected to be a member of the Prime Minister's Indigenous Advisory Council and chosen to be a member of the Advisory Committee for the Australian Law Reform Commission's Inquiry into the incarceration rates of Aboriginal and Torres Strait Islander peoples. He has served on the New South Wales Local Government and Shires Association and works in a voluntary capacity to help Aboriginal men who are experiencing challenges with drugs and alcohol.



Audit and Risk
Committee Chair

Finance, Investment
and Performance
Committee member

RICHARD (RICK) ALLERT AO

**Appointed 1 December 2014 to
30 November 2017**

Rick Allert is a Chartered Accountant with many years of experience in the corporate sector. He is a director of Genesee and Wyoming Inc. and its Australian subsidiary, Genesee and Wyoming Australia Pty Ltd; Chairman of Voyages Indigenous Tourism Australia Pty Ltd; Chairman of Kakadu Tourism (GLC) Pty Ltd and Kakadu Tourism (GCH) Pty Ltd; and Chair of AMP Superannuation Ltd and NM Superannuation Pty Ltd.

Rick's previous appointments include chair of AXA Asia Pacific Holdings Limited, Tourism Australia, Coles Myer Ltd and Coles Group Limited, Southcorp Limited, AustralAsia Railway Corporation, Voyages Hotels and Resorts Pty Ltd, and the Aboriginal Foundation of South Australia Inc.; and Director of AMP Limited and AMP Bank Limited.

In 2011, Rick was the recipient of the Ernst & Young Champion of Entrepreneurship Award, Central Region, for his long record of outstanding entrepreneurial achievement and contribution to the community.

Rick was awarded a member of the Order of Australia (1997) particularly for his work with the National Heart Foundation; a Centenary Medal (2003) for service to rail, business and taxation; and an officer of the Order of Australia (2008) for leadership in corporate social responsibility



Finance, Investment
and Performance
Committee member

KERRYANNE LIDDLE

Appointed 12 April 2017 to 11 April 2020

Kerryanne Liddle is an Arrernte woman, born and raised in Alice Springs and now living in Adelaide. Her career in the private sector has included roles as a journalist, in public affairs, and in stakeholder and community engagement mostly in the resources industry. She ran a successful small business for more than a decade.

Kerryanne has a Master of Business Administration from Adelaide University, a Bachelor of Arts (Management) from the University of SA and a Diploma from the Australian Institute of Company Directors. She is a Vincent Fairfax Fellow from the Centre for Ethical Leadership at Melbourne University.

Kerryanne is a member of the Council of the University of Adelaide. She has been Chair of Tandanya National Aboriginal Cultural Institute, a member of the Council of the University of SA, and a member of the boards of the SA Housing Trust and Aboriginal Hostels Ltd and other boards across a range of sectors.

In 2001, Kerryanne was awarded a Centenary Medal for services to the Australian community as a journalist. She has also been a Senate candidate.





Audit and Risk
Committee member

SHIRLEY MCPHERSON

**Appointed 1 December 2014 to
30 November 2017**

Shirley McPherson is a Yamatji and Nyoongar woman from the Perth and Murchison regions of Western Australia. She has experience in program delivery and business development at the regional, national and international levels of government.

Shirley is a Chartered Accountant and has held senior positions in the private, government and university sectors. She is currently a National Business Development and Engagement Manager for AFL SportsReady.

Shirley has been a consultant to the mining industry in negotiating land use agreements in Western Australia and held roles as Group Manager of Indigenous Strategy and Business with Leighton Contractors Pty Ltd. She was member of the Australian Government delegation to the United Nations Permanent Forum on Indigenous Issues.

Her previous board appointments included Chair of Ngarda Civil and Mining Pty Ltd (2011–13) and the Indigenous Land Corporation (2001–11), and board member of McArthur River Mining Community Benefits Trust (2009–14).



Audit and Risk
Committee Member

AILEEN SHANNON

Appointed 21 June 2016 to 20 June 2019

Aileen Shannon is an Adnyamathanha and Yankunytjatjara woman from the Flinders Ranges and north-western pastoral areas of South Australia.

Aileen began her career in the South Australian public sector in 1990, progressing to roles assisting state and federal members of parliament within the portfolios of agriculture, Aboriginal and Torres Strait Islander affairs, and foreign affairs.

Aileen and her husband established their construction company, Wiltja Constructions Pty Ltd, in 2011. The company has a strong vision to create an Indigenous enterprise and is committed to generating employment opportunities across the Anangu Pitjantjatjara Yankunytjatjara Lands. The company won an award for its innovative approach to local Anangu employment in 2013.

Aileen is a member of the South Australian Aboriginal Advisory Council, which provides high-level confidential advice to government ministers and senior public servants across all areas of government.



Finance, Investment
and Performance
Committee member

Remuneration
and Nomination
Committee member

CLAIRE WOODLEY

**Appointed 22 October 2012 to
21 October 2015; reappointed
22 October 2015 to 21 October 2018**

Claire Woodley's diverse background includes experience in the banking sector, as well as clinical and managerial experience in the delivery of public mental health services. She has a passion for driving equal access to opportunity across the community, with a specific interest in providing opportunities for enablement for Indigenous people.

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

Claire has formal qualifications in occupational therapy, psychology and project management. She is also a Graduate Member of the Australian Institute of Company Directors.



Finance, Investments
and Performance
Committee member

SCOTT YOUNG

Appointed 30 April 2016 to 29 April 2019

Scott Young is a Koa man from the Winton area in Central West Queensland. He is the co-founder and Managing Director of a national specialised labour company, Young Guns Container Crew. He holds a Bachelor of Civil Engineering from the University of Southern Queensland and is a graduate of the MURRA Indigenous Business Master Class Program at the University of Melbourne.

With a focus on innovation and developing the next generation of leaders, Scott is a role model for emerging leaders and start-ups and a sounding board for strategic business advice. He has won multiple awards for his commitment to leadership, including 2015 Young Business Person of the Year in the Brisbane Lord Mayor's Business Awards.

Scott is a director of First Grade Group and All Things Containers. He is a member of the Supply Chain and Logistics Association of Australia and The Executive Connection, and is a certified supplier to Supply Nation.



OUTGOING DIRECTORS



PATRICIA (TRISH) ANGUS PSM

Appointed 1 December 2013 to 30 November 2016; reappointed 1 December 2016 to 28 February 2017

Trish Angus is a Jawoyn woman from Katherine in the Northern Territory. She has experience and specialist knowledge in strategic policy, legislation, reporting and program and project development, along with operational and customer support in housing.

Trish held senior executive public sector positions in the human services areas of health, housing, local government and community services for more than 20 years. She has experience of working in the Australian Defence Force and community-controlled organisations, and extensive governance experience, including board and committee memberships across a range of sectors.

Trish holds a Masters of Tropical/Public Health and has completed a public sector Executive Development Program and the Executive Fellows Program of the Australia and New Zealand School of Government.

She is a director of CareFlight and a member of the Top End Hospital Network Governing Council, the Charles Darwin University Vice-Chancellor's Indigenous Advisory Council, and the Northern Territory Medicare Local Community Health Committee.



PETER THOMAS

Appointed 24 September 2007 to 23 September 2010; reappointed 5 October 2010 to 4 October 2013; reappointed 5 October 2013 to 4 October 2016

Peter Thomas, who retired from the Board in October 2016, brought years of commercial experience to the Board, together with a commitment to advancing Indigenous business and economic self-sufficiency.

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

Peter is a director of Voyages Indigenous Tourism Australia and has been a director of the Foundation for Alcohol Research and Education, Innovation Australia and the Australian Solar Institute, as well as a number of private sector companies. He has served as director, on a pro bono basis, on a number of not-for-profit organisations.

INTERNAL GOVERNANCE

The CEO oversees the day-to-day administration of IBA and is supported by the Executive Management Team, internal management committees, IBA employees, and consultants and contractors.

The organisational structure of IBA at 30 June 2017 is set out in Figure 24 on page 86.

Internal governance arrangements include policies and procedures for risk management, ethical behaviour and fraud control, audit, compliance assurance, business continuity and credit.

Risk management

Due to the nature of IBA's operations in the financial services sector, our portfolios naturally carry a degree of risk. This emphasises the need for IBA to focus on sound risk management in its decision making, to ensure the long-term economic sustainability of our customers and to maintain strong stakeholder confidence and trust.

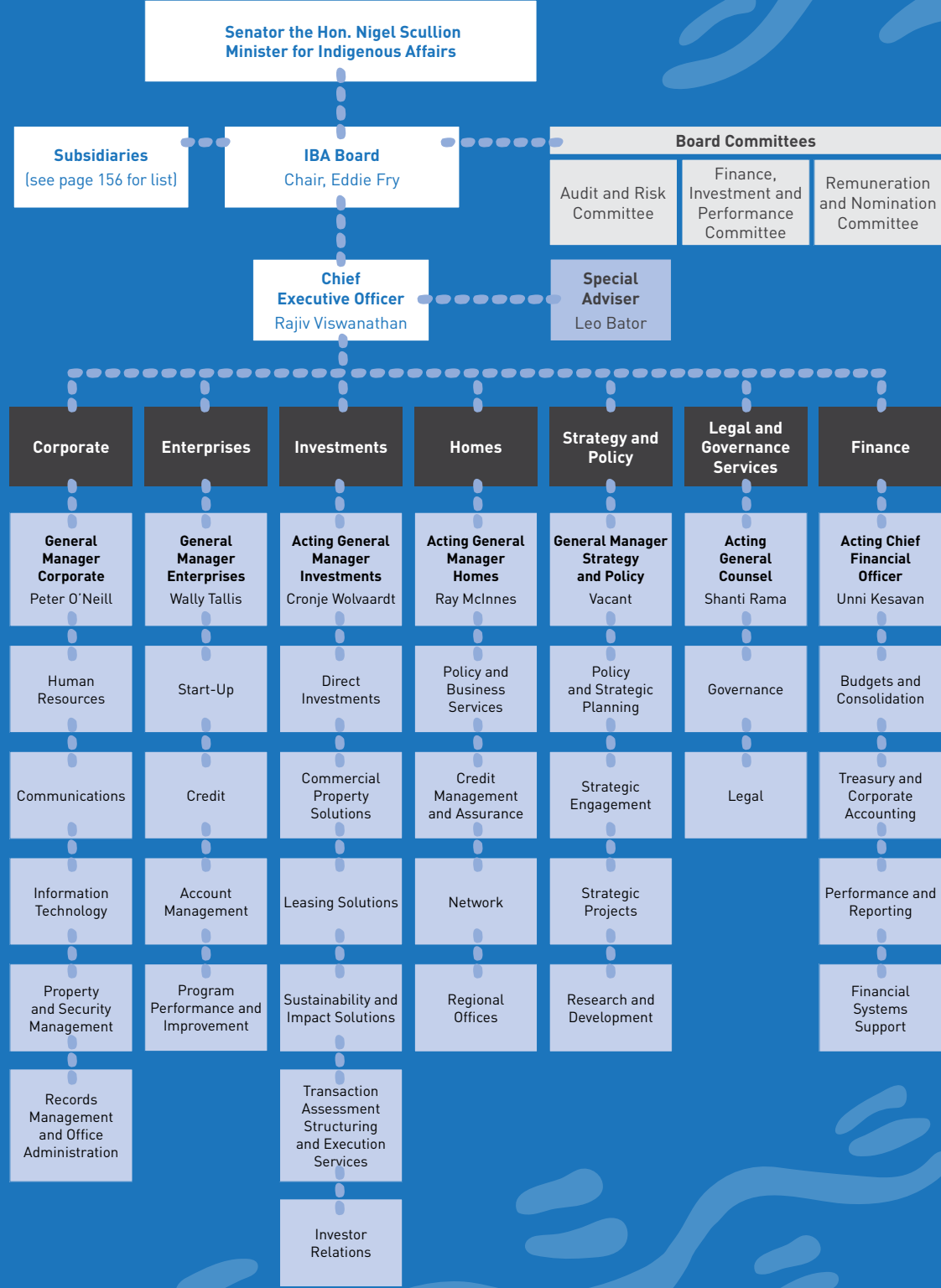
IBA undertakes a professional approach to managing risk in relation to our financial affairs, compliance and governance issues, and reputational and operational matters. In order to achieve our objectives and allow for innovation in developing our business strategy and delivering our equity and sustainable lending programs, we have a greater appetite for credit risk than a commercial lender would have.

The IBA Risk Management Framework and Policy is designed to provide IBA with an integrated and structured process to identify risk exposures across all of our activities and to provide assurance that these exposures are adequately controlled and addressed. The IBA Risk Management Plan details the risk appetite statement, risk tolerance limits and strategic risk register.

Results of the Comcover Risk Management Benchmarking Survey 2017 show that IBA has a sound approach to risk management and business continuity. The survey found that IBA had an 'advanced' risk maturity (the second highest rating, and above the average across all entities).



Figure 24: Organisation at 30 June 2017



Ethical behaviour and fraud control

The standards of behaviour for IBA are specified in the Chief Executive Instruction on Code of Conduct, which includes guidance on managing conflicts of interest. The IBA Enterprise Agreement requires that staff comply with the code of conduct in order to be eligible for salary advancement.

The IBA fraud control plan is in accordance with section 10 of the Public Governance, Performance and Accountability Rule 2014. It includes a fraud risk register and appropriate fraud prevention, detection, investigation and reporting procedures. The Audit and Risk Committee reviews the fraud control plan regularly. The last review was in June 2017.

The *Public Interest Disclosure Act 2013* provides public officers with certain protections when they make public interest disclosures. The term 'public officer' includes a wide range of people, such as former staff and contractors. IBA has systems and processes in place to ensure that its public officers can make public interest disclosures.

There were no incidents of serious fraud during 2016–17.

Audit

IBA's external auditor is the Auditor-General (through the Australian National Audit Office). The audit of IBA's financial statements is conducted in accordance with an audit strategy as agreed to by the Auditor-General and IBA.

Deloitte was responsible for conducting IBA's internal audit program during 2016–17. Ernst & Young will commence as IBA's internal auditor in July 2017. The internal audit program aims to provide assurance that key risks are being managed effectively, efficiently and in compliance with regulatory requirements and policies.

Related entity transactions

IBA has a system of delegated powers that enables decisions to be made on a range of transactions at the appropriate organisational level.

The Board governance charter sets out the decision-making processes for managing related entity transactions and broader conflicts of interest for IBA directors. The charter restricts an IBA director entering into a related entity transaction comprising a business or housing loan, receipt of business support funding or a services agreement with IBA while a member of the Board and for six months after leaving the Board. The Board instruction on management of conflicts of interests sets out the decision-making processes for Key Management Personnel including the Executive Management Team. Board members and the Executive Management Team provide annual declarations of interest.

In 2016–17, there were no related entity transactions that involved an IBA director or Key Management Personnel.

In 2016–17, there were a total of five transactions where IBA paid other Commonwealth-related entities for goods or services, with a combined value of \$150,303. Those transactions were approved in accordance with IBA's decision making framework described above.

Note 14 to the financial statements sets out IBA's related party disclosure for 2016–17.



Reducing red tape

IBA has an ongoing program of continuous improvement to reduce red tape and optimise its performance. It includes strategies to optimise internal resources to meet IBA's purpose and functions and improve service delivery for its customers.

In 2016–17, IBA launched a new web application to assist customers to express their interest in applying for an IBA housing loan. This secure online application is the culmination of a range of initiatives IBA has implemented to increase efficiencies in customer service.

IBA is responsive to stakeholder and customer needs. Policies that may affect customers are reviewed regularly by the IBA Board.

To reduce red tape, IBA proposed removing the requirement for its corporate plan to be tabled in Parliament, which would require an amendment to the ATSI Act. Such an amendment was included in the Prime Minister and Cabinet Legislation Amendment (2017 Measures No.1) Bill 2017, which was before the House of Representatives at 30 June 2017.

Compliance assurance

To ensure that IBA complies with legislative requirements, IBA has a control framework that consists of:

- a compliance strategy
- board policies, Chief Executive Instructions and procedures
- relationship management systems for interacting with customers and stakeholders
- a program for training and development, monitoring and assurance in relation to compliance (both internal and external)
- a compliance program for the ATSI Act and PGPA Act
- an incident register.

In 2016–17, there were no significant issues reported to the responsible minister under section 19 of the PGPA Act that related to non-compliance by IBA with the PGPA Act or a related Rule or an Appropriation Act.

Complaints handling

IBA's commitment to quality service is outlined in its customer charter, and IBA has detailed processes for receiving and handling complaints.

The complaint management process ensures that any concerns that customers may have in relation to IBA's services or decisions or IBA-funded service providers are taken seriously and dealt with promptly. IBA maintains a complaints register which is regularly reviewed by management.

By adhering to these processes, IBA can learn from mistakes and continuously improve its practices, ultimately improving its customers' experiences.

Purchasing and procurement

Under IBA's procurement policy staff are encouraged to directly support the growth of Indigenous businesses by always considering the potential for Indigenous participation in the supply of the everyday goods and services IBA needs. For contracts between \$80,000 and \$400,000 the procurement officer must take steps to identify whether there are Indigenous businesses that could potentially supply the goods or services, and offer them the first opportunity to win IBA's business on a value for money basis.

Consultancies

Consultants are distinguished from other contractors by the nature of the work they perform. A consultant is an individual, a partnership or a corporation engaged to provide professional, independent and expert advice or services.

Section 178 of the ATSI Act enables IBA to engage specialist consultancy services when skilled expertise is unavailable within IBA or when independent advice is required.

Details of consultancies in 2016–17 are in Appendix A.

**IBA PROCURED
APPROXIMATELY
\$2.4 MILLION WORTH OF
GOODS AND SERVICES FROM
INDIGENOUS SUPPLIERS
IN 2016–17**



EXTERNAL SCRUTINY

External scrutiny of IBA includes scrutiny by the Australian National Audit Office, the Commonwealth Ombudsman, courts or administrative tribunals, and parliamentary and ministerial oversight.

IBA is also required to report on a number of obligations, including compliance with legislation such as the PGPA Act, the *Freedom of Information Act 1982*, and the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*.

Judicial decisions and reviews by external bodies

There were no judicial decisions or decisions of parliamentary committees, administrative tribunals or the Australian Information Commissioner that had a significant effect on IBA's operations during 2016–17.

In December 2015, the Auditor-General published the report of a performance audit of the Indigenous Home Ownership Program. IBA has an action plan in place to implement the audit recommendations. In 2016–17, the Department of the Prime Minister and Cabinet commissioned an independent review to provide assurance to the Minister that IBA has undertaken steps to address the findings and recommendations of the Australian National Audit Office report to the Indigenous Home Ownership Program. IBA is working with the department to implement the review's recommendations.

During 2016–17, the Commonwealth Ombudsman received one new complaint regarding IBA and finalised another complaint which was ongoing from 2015–16. Both complaints were closed by the Ombudsman after investigation. In relation to one of the complaints, the Ombudsman made some comments

on closing the complaint. IBA has responded to the Ombudsman regarding those comments.

Parliamentary and ministerial oversight

Under section 19 of the PGPA Act, IBA is required to inform the Minister of any significant decisions or issues. In 2016–17, IBA provided reports to the Minister and advised the Minister on a number of significant decisions and issues.

Significant activities or changes

In 2016–17, IBAs appropriation for the business support and assistance program was redirected to the Department of the Prime Minister and Cabinet and provided back to IBA under a contractual arrangement, under which IBA was required to meet certain key performance indicators (see page 14 for further details).

On 31 May 2017, the Board appointed a new CEO (see page 7 for further details).

Freedom of information

Under Part II of the *Freedom of Information Act 1982*, IBA is required to publish information for the public as part of the Information Publication Scheme. IBA's Information Publication Scheme plan is available on the IBA website (iba.gov.au), as is the information IBA that has published in accordance with the scheme's requirements.

IBA received four requests for information under the *Freedom of Information Act 1982* in 2016–17.



ENVIRONMENTAL PERFORMANCE

Under section 516A of the *Environment Protection and Biodiversity Conservation Act 1999*, IBA is required to describe its environmental performance and contribution to ecologically sustainable development in its annual report.

Ecologically sustainable approach

IBA is committed to the principles of ecologically sustainable development as outlined in section 3A of the *Environment Protection and Biodiversity Conservation Act 1999*.

IBA adopts innovative approaches to sustainably meet the growing demand for its products and services and the expectations of Indigenous Australians, in a rapidly changing business environment.

IBA continues to monitor its performance under the Energy Efficiency in Government Operations (EEGO) in relation to building energy efficiency in the Majura Park Canberra office under the Green Lease Schedule (GLS) obligations.

Impact on the environment

The main contributors to IBA's impact on the natural environment are its corporate operations: administrative operations and property management. In 2016–17, IBA conducted its operations in a manner which minimised their environmental impact, as Table 8 shows.

IBA and the Indigenous Land Corporation are looking for opportunities to improve their efficiency by sharing office accommodation. IBA and the Indigenous Land Corporation co-located in three offices in 2016–17. Other co-location opportunities will be considered in 2018.



Table 8: Measures to minimise environmental impacts

Area of Impact	Measures and results
Energy	<p>IBA's lease for its Canberra office contains a Green Lease Schedule, which includes requirements for the ongoing monitoring and measurement of energy consumption. IBA engages Evolve FM (an Indigenous facilities management provider) to manage its Green Lease Schedule obligations, and works with Evolve FM to develop measures to create energy savings at the site.</p> <p>Examples of specific measures to minimise energy consumption in 2016–17 included the use of energy-efficient technologies, such as sensor lighting and T5 fluorescent tubes, in the Canberra and Sydney offices. IBA encouraged each office to participate in Earth Hour 2017 by switching off building lights, computers and office equipment, to raise awareness of the importance of energy conservation.</p> <p>IBA's total energy consumption in 2016–17 met the requirements of the Energy Efficiency in Government Operations Policy, at 4,261 megajoules (against a target of 7,500 megajoules) per person. This is a significant decrease from the 2015–16 reading of 6,091 megajoules per person. The Canberra office premises have a current rating of 5.6 stars under the National Australian Built Environment Rating System (NABERS), which is valid until May 2018.</p>
Water	<p>IBA tenancies are fitted out with water-saving fixtures and appliances, including sensor taps, dual flush toilets and motion sensor urinals in bathrooms, and efficient half-size or split-function dishwashers in kitchens.</p> <p>IBA staff implement strategies to save water, such as ensuring that dishwashers are full before operation.</p>
Waste	<p>IBA is committed to reducing waste going to landfill by reducing paper use and encouraging good recycling practices.</p> <p>Measures to reduce paper use across IBA include:</p> <ul style="list-style-type: none">• installing multifunction devices which require employees to scan an access pass to collect their printing, discouraging unnecessary printing• working towards becoming a paperless organisation, by implementing an electronic records management system to reduce the need for paper records. <p>To increase the effectiveness of its waste management, IBA has implemented segregated waste streams for general waste, commingled recycling, and paper and cardboard recycling. IBA uses battery, mobile phone and toner cartridge recycling programs to ensure that those items do not go into landfill.</p>
Greenhouse gas emissions	<p>IBA has one vehicle for remote travel within Western Australia, but it is not frequently used.</p> <p>IBA provides video conferencing facilities to limit the need for travel.</p>





PART 6

PEOPLE MANAGEMENT

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WORKFORCE PROFILE

IBA's staff numbers declined for the fourth consecutive year in 2016–17. Decentralisation from Canberra to regional offices continued, and several branches were restructured to enable IBA to offer new products and deliver services more efficiently and with a greater focus on regional and remote areas.

The average age of staff and the ratio of male to female staff were unchanged, while the number of Indigenous staff employed and the proportion of Indigenous staff in the workforce both increased.

Table 9: Staff numbers by classification and location

Classification	ACT	NSW	NT	QLD	SA	VIC	WA	TOTAL
CEO	0	1	0	0	0	0	0	1
Special Adviser	1	0	0	0	0	0	0	1
GM/CFO/GC	1	1	0	3	0	0	1	6
IBA Level 7	9	5	0	3	0	0	0	17
IBA Level 6	17	9	1	7	0	2	0	36
IBA Level 5	16	12	4	18	1	3	3	57
IBA Level 4	8	7	3	11	3	4	4	40
IBA Level 3	5	6	1	7	1	0	2	22
IBA Level 2	6	0	0	5	0	1	0	12
IBA Level 1	1	0	0	1	0	0	0	2
Total	64	41	9	55	5	10	10	194

CEO = Chief Executive Officer, CFO = Chief Financial Officer, GC = General Counsel, GM = General Manager. Australian Public Service Executive Levels 1 and 2 are equivalent to IBA Levels 6 and 7.

Table 10: Staff characteristics, over five years

	30 June 2013	30 June 2014	30 June 2015	30 June 2016	30 June 2017
Total staff	227	229	227	210	194
National office staff	116	109	102	94	64
Regional office staff	111	120	125	116	130
Continuing staff	188	194	193	179	152
Temporary staff	29	35	34	31	42
Indigenous staff	48	58	54	46	50
Female staff	122	126	125	112	106
Male staff	105	103	102	98	88
Average age (years)	43	42	43	43	43
Average duration of IBA service (years)	4.6	5.0	5.0	5.8	5.1

DIVERSITY

IBA places a strong emphasis on attracting, recruiting, developing and retaining Indigenous staff. Indigenous staff representation increased from 22 per cent at 30 June 2016 to 26 per cent at 30 June 2017.

In 2016–17, IBA's Reconciliation Action Plan, Indigenous Employment Strategy and Cultural Capability Framework saw:

- online cultural awareness training made available to all staff, to complement face-to-face sessions offered as part of IBA's induction process
- a strong emphasis placed on recruiting and developing emerging Indigenous leaders, including three new Indigenous graduates and three Indigenous interns
- two Indigenous trainees assisted to work towards a vocational qualification

- the governance and impact arrangements of the Galambany Staff Network strengthened through the development of a strategic plan
- six staff participated in volunteer activities in Indigenous organisations.

IBA acknowledges the broader diversity of its workforce through celebrations such as Harmony Day and provides flexible working arrangements to assist staff with specific needs.

**DEVELOP AND BUILD A
SKILLED AND ADAPTABLE
WORKFORCE**

CAPABILITY DEVELOPMENT

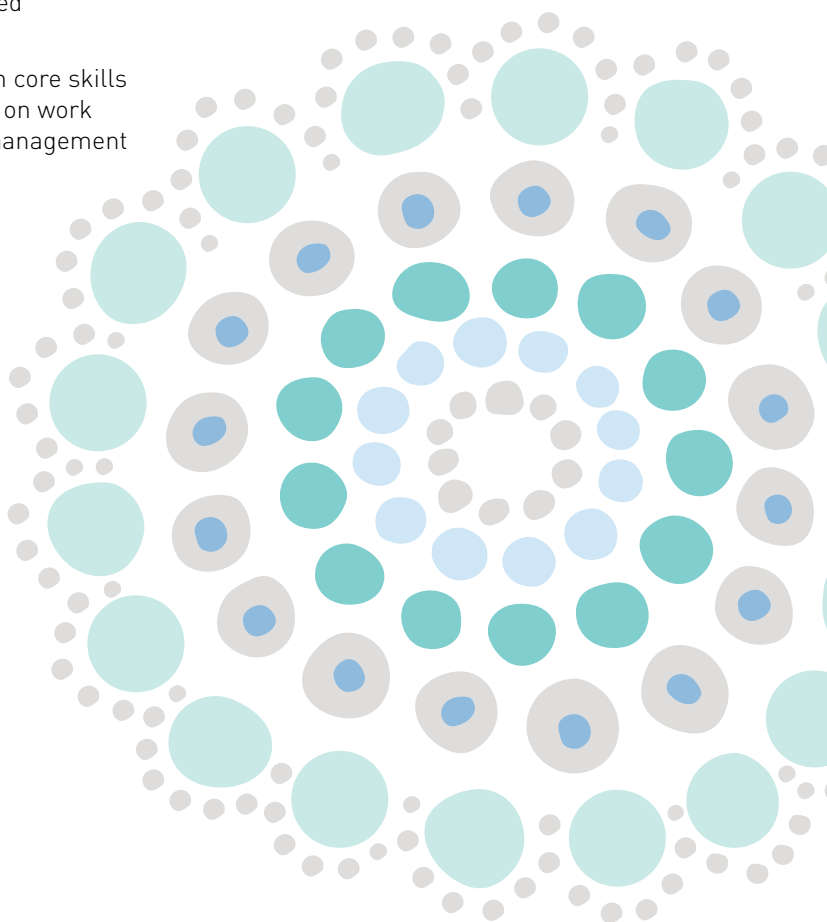
IBA's significant investment in capability development is embedded in its performance management and development system, which provides staff and managers with a framework in which to plan opportunities for staff to enhance their skills and work towards their career goals.

IBA's approach to performance management is in line with its learning framework, which includes technical and core skills, leadership development, cultural capability, and career development. In 2016–17:

- eleven staff accessed assistance to study towards a recognised qualification
- over 140 staff participated in core skills training, including sessions on work health and safety, change management and career development

- 26 new starters participated in induction and cultural awareness training
- four staff undertook secondments to other organisations.

IBA's Indigenous graduate program provides structured development opportunities, including rotations within and outside the organisation, accredited training, mentoring, short courses and networking opportunities. Two graduates successfully completed the program and three new graduates commenced in 2016–17.



RECONCILIATION ACTION PLAN

IBA has developed and implemented a Reconciliation Action Plan (RAP) each year since 2007, and is very proud to have achieved the ten-year milestone.

In line with the principles of reconciliation, IBA staff commemorate a number of significant events, including:

- the anniversaries of the
 - constitutional referendum of 1967
 - return of Uluru to its traditional custodians in 1985
 - National Apology to the Stolen Generations in 2008
 - passage of the *Racial Discrimination Act 1975* and *Native Title Act 1993*
- Human Rights Day
- Indigenous Literacy Day
- International Day of the World's Indigenous Peoples
- Mabo Day
- NAIDOC Week
- National Aboriginal and Torres Strait Islander Children's Day
- National Reconciliation Week
- National Sorry Day
- The Coming of the Light Festival.

In 2016–17, IBA staff also took part in community activities such as a morning tea jointly hosted in Canberra by IBA and the Indigenous Land Corporation, for invited guests from neighbouring government agencies and businesses, with the theme of Closing the Gap.

During commemorative events in each of its offices, IBA expresses its acknowledgement of country and respect to the elders and living culture. IBA educates staff about the significance of the milestones listed above by means of intranet articles, guest speakers and visual media. Staff are also encouraged to contribute to the commemorations through sharing personal stories.

Provision of a volunteer day to staff also allows them to make a personal contribution to assisting Indigenous community organisations.

IBA has also begun to exercise its influence on reconciliation by requesting its subsidiaries and joint venture partners to implement RAPs and develop Indigenous employment and procurement strategies, where possible. IBA is also enquiring into the RAP status of its suppliers and endeavouring to influence a greater uptake of RAPs within the business community.



NAIDOC WEEK

NAIDOC Week celebrates the history, culture and achievements of Aboriginal and Torres Strait Islander peoples.

In July 2016, IBA held its ninth NAIDOC Week breakfast. The event was held at the Northern Territory Parliament House, Darwin, in partnership with the Indigenous Land Corporation.

In June 2017, IBA held its tenth NAIDOC Week event at Tjapukai Aboriginal Cultural Park in Cairns, in partnership with the Indigenous Land Corporation, NITV, AIATSIS and the Healing Foundation.

Representatives from the private and public sectors joined in the celebration of Indigenous economic achievement. Key speakers included Senator the Hon. Nigel Scullion, Minister for Indigenous Affairs; and Eddie Fry, Chair of IBA and the Indigenous Land Corporation.

IBA staff celebrated NAIDOC Week by participating in events in their local communities. IBA also took the opportunity to recognise staff for their service in the development and support of economic outcomes for customers.

EMPLOYEE RELATIONS

IBA's enterprise agreement commenced in early 2016 and has a nominal expiry date of 18 April 2019. Pay increases totalling 3 per cent have been delivered to staff under the agreement and two further increases of 1.5 per cent each are payable from 1 July 2017 and 1 July 2018.

IBA's Senior Executive Service employees are engaged under common law contracts, most of which are for a fixed term.

As a result of structural changes and the need for staff with particular skill sets

to deliver new products, a number of redundancies were offered during 2016–17.

IBA enjoyed a considerable productivity gain through a 24 per cent reduction in unplanned absences, from 15.3 days per employee in 2015–16 to 11.6 days per employee in 2016–17. This reflects minor accrual and evidence requirement changes made in the new enterprise agreement, early intervention to support ill or injured staff, and a strong focus on work health and safety.

EMPLOYEE WELLBEING

To ensure that the provision of a safe and healthy workplace continues to be a strong focus for IBA's leaders, members of the Executive and Board undertook refresher training on their roles and responsibilities under the *Work Health and Safety Act 2011* during 2016–17.


All IBA managers and potential managers also attended awareness training covering a range of health and safety matters, including hazard identification and incident reporting requirements. New staff continue to receive an introduction to IBA's work health and safety arrangements on commencement.

IBA has engaged an independent service provider, Optum, to provide support to employees and their families who are experiencing professional or personal issues which may be impacting on their mental or physical wellbeing. Regular updates provided by Optum on health-related issues were also used as the basis for a screensaver campaign to encourage staff to adopt a healthy lifestyle.

IBA's Health and Safety Committee met on four occasions in 2016–17, taking particular interest in the reports on the regular inspections conducted to gauge safety compliance in IBA workplaces, identify any hazards and mitigate any risks.

Seven workplace incidents were reported by staff, and 11.5 days were lost to illness or injury due to these in 2016–17. One compensation claim for physical injury was submitted and accepted, resulting in only two days absence and minor medical expenses. Liability for the case has ceased as the claimant has fully recovered. None of the incidents required notification to the regulator, there were no notices given under Part 10 of the Act, and no investigations were conducted.

IBA's continued commitment to early intervention and the provision of rehabilitation assistance to ill and injured workers contributed to significant reduction in workers' compensation premiums for 2016–17 and 2017–18.



THIRTY YEARS AND COUNTING IN INDIGENOUS AFFAIRS

The collective experience of the Galambany Staff Network is intrinsic to IBA's ability to achieve its purpose and outcomes. Several network members have extensive experience working in Indigenous affairs and possess integral corporate knowledge and expertise in customer engagement and business processes.

One such employee is Darlene Riley, who recently celebrated 30 years of service in Indigenous affairs—IBA's first opportunity to acknowledge such a remarkable milestone.

Darlene commenced her career in 1985, in the finance area of the Aboriginal Development Commission—a statutory authority set up in 1980 to manage a

number of Indigenous affairs programs, including loans and grants for Indigenous housing and business enterprises.

This organisation became part of the Aboriginal and Torres Strait Islander Commission (ATSIC) when it was created in 1990, and Darlene joined IBA in 2005 when it was created following the abolition of ATSIC.

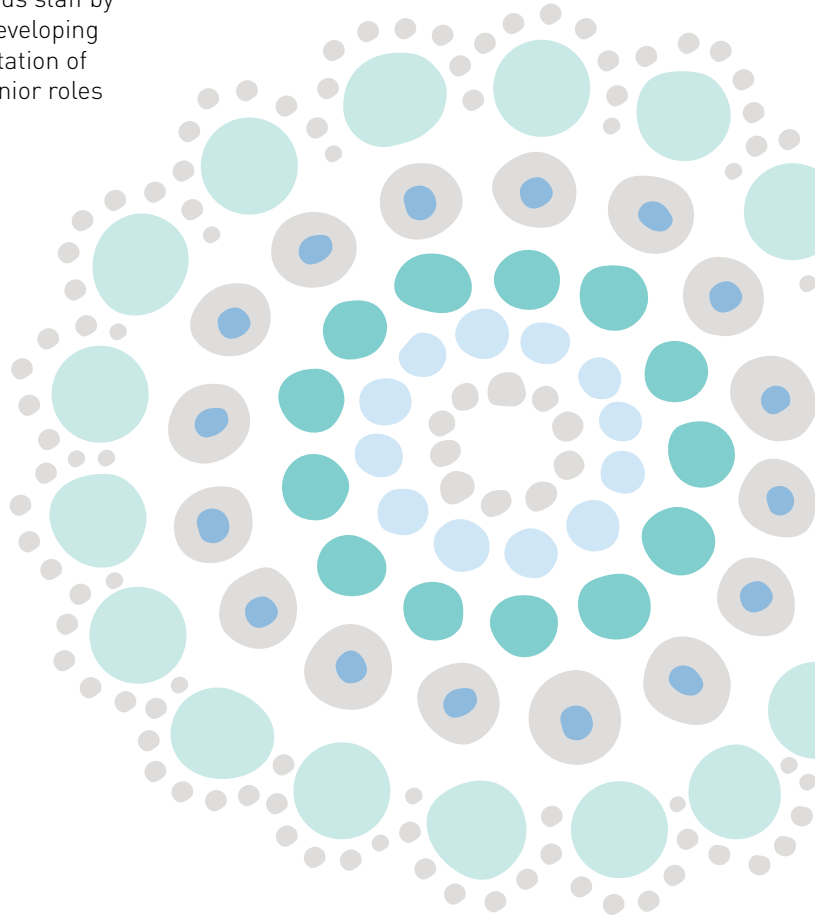
Darlene plays a critical role in the efficient operation of the Indigenous Home Ownership Program, being an acknowledged expert in the lending system. As a mentor, she has helped young Indigenous staff fulfil their potential and provided an inspiration for them to strive for success in their careers.

OUTLOOK

In 2017–18, IBA will continue to focus on increasing Indigenous staff representation and building workforce cultural capability. IBA's Reconciliation Action Plan will underpin this work, with its Indigenous Employment Strategy and Cultural Capability Framework providing the tools to drive success.

Key initiatives to be progressed include:

- seeking feedback from staff, through an engagement survey, to provide insights to inform the refinement of IBA's people strategies
- building on the success of IBA's entry-level programs for Indigenous staff by placing a strong focus on developing the capability and representation of Indigenous staff in more senior roles
- streamlining the implementation of IBA's performance management and development system by updating the system's procedures and investigating the potential to move to an electronic appraisal process
- refining IBA's approach to building cultural capability, including by complementing new online training with small face-to-face sessions to reflect on learning and experiences.







PART 7

FINANCIAL PERFORMANCE

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FINANCIAL SNAPSHOT

Economic background

Interest rates have remained steady in 2016–17 with the Reserve Bank of Australia cutting the benchmark cash rate by 25 basis points to 1.5 per cent in August 2016. In 2016–17, IBA reduced commencing interest rates offered to first home buyers, depending on their income. This reduction in commencing interest rates added to the loan valuation discount applicable to new home loans although offset by higher than budgeted loan repayments and discharges.

Financial results

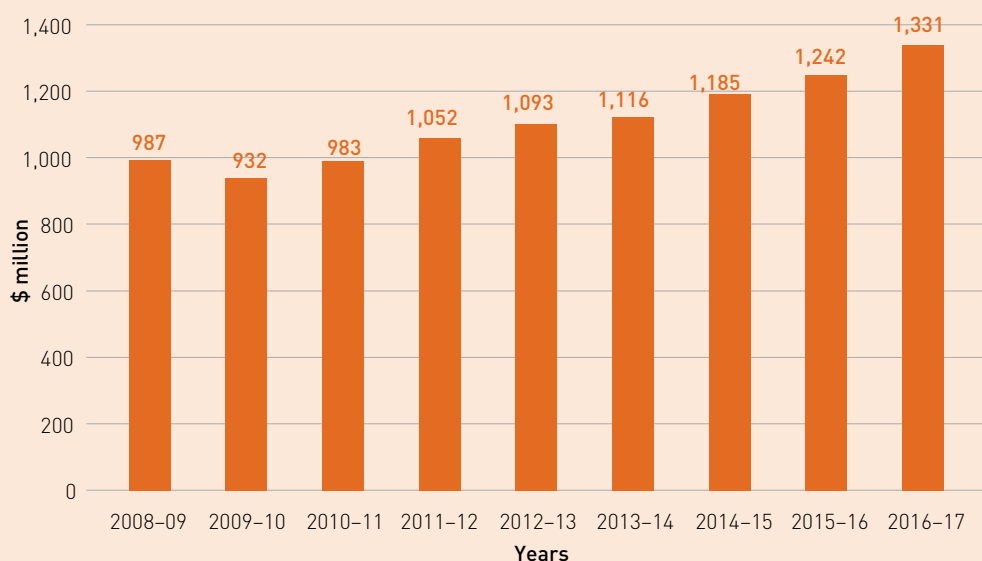
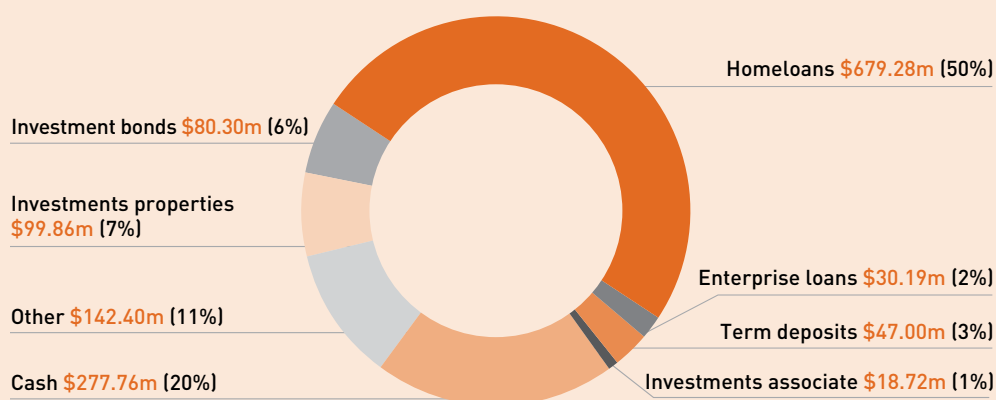
The financial statements are presented on a consolidated basis with its subsidiaries.

The 2016–17 consolidated operating result for IBA is \$38.4 million against the previous year's of \$18.5 million. Valuation losses forming part of other comprehensive income amount to \$2.5 million (2015–16: \$2.2 million), bringing the total comprehensive income to \$36.8 million (2015–16: \$16.4 million).

Total income has decreased from \$225.1 million in 2015–16 to \$210.2 million in 2016–17 due to reduced revenue from sale of goods and services as a result of divestment of assets not in line with IBA's investment strategy. Total expenses have reduced from \$206.3 million in 2015–16 to \$171.6 million in 2016–17 due mainly to reduced fair value decrement on its home loan portfolio and divestment of subsidiaries.

IBA's total assets as at 30 June 2017 are valued at \$1.4 billion, an increase of \$0.8 million over the previous year primarily due to the increase in the value of financial assets. Net assets as at that date were valued at \$1.3 billion. Figure 25 shows the growth in consolidated net assets over the past nine years and Figure 26 shows the composition of total assets.



Figure 25: Net asset growth**Figure 26:** Consolidated total assets

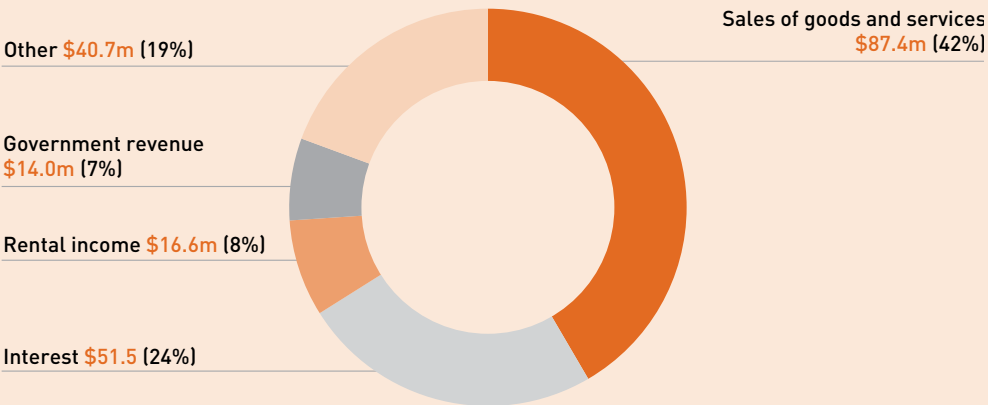
Funding

The income base of the consolidated IBA entity is a mix of departmental receipts from the Australian Government and self-generated revenue. In 2016-17, IBA received \$14.0 million in corporate Commonwealth entity payments, \$16.4 million in grant receipts and \$179.7 million in self-generated revenue.

The self-generated revenue is largely from interest earnings on the loan portfolio, rental receipts, and sale of goods and services within IBA's subsidiary investments. IBA also received a \$36.5 million equity injection from the Australian Government to fund its lending operation and \$1.9 million to fund its leasing operation (on a separate arrangement). Figure 27 shows the composition of IBA's consolidated income.



Figure 27: Consolidated income



Legal and financial framework

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

The ATSI Act requires that funds available under the New Housing Fund, including interest earnings, are to be used exclusively for housing loans. Consequently, income earned on the New Housing Fund is not available for operational expenses but is directed back into new loans. A separate set of financial statements is provided for the New Housing Fund (see Note 18).

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

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

Outlook

IBA expects stability in its lending and investment operations in 2017–18. However, any volatility in economic parameters and interest rates would impact IBA’s asset valuations and operating results.

IBA will continue to invest in cost-effective information management systems to improve its customer support activities and document management systems. There will be a strong focus on reducing the cost of services that support the three main programs.

IBA’s net asset base is expected to continue its steady growth during 2017–18, with total assets budgeted at \$1.4 billion as at 30 June 2018. Total consolidated revenue is budgeted at \$188.2 million, including departmental receipts from the Australian Government of \$10.1 million.





INDEPENDENT AUDITOR'S REPORT

To the Minister for Indigenous Affairs

Opinion

In my opinion, the financial statements of Indigenous Business Australia and controlled entities (together the consolidated entity) for the year ended 30 June 2017:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the consolidated entity as at 30 June 2017 and its financial performance and cash flows for the year then ended.

The financial statements of the consolidated entity, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by Directors, Chief Executive and Chief Financial Officer;
- Consolidated Statement of Comprehensive Income;
- Consolidated Statement of Financial Position;
- Consolidated Statement of Changes in Equity;
- Consolidated Cash Flow Statement;
- Consolidated Schedule of Commitments; and
- Notes to and forming part of the financial statements comprising a Summary of Significant Accounting Policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the consolidated entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of Indigenous Business Australia the directors are responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act. The directors are also responsible for such internal control as they determine are necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the consolidated entity's ability to continue as a going concern, taking into account whether the consolidated entity's operations will cease as a result of an administrative restructure or for any other reason. The directors are also responsible for disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

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19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777



Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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 the consolidated entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the consolidated entity audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Ron Wah

Audit Principal

Delegate of the Auditor-General

Canberra

8 September 2017





Australian Government
Indigenous Business Australia

Indigenous Business Australia and controlled entities

STATEMENT BY DIRECTORS, CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2017 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of PGPA Act.

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

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

Eddie Fry
Chair
7 September 2017

Anthony Ashby
Deputy Chair
7 September 2017

Rajiv Viswanathan
Chief Executive Officer
7 September 2017

Unni Kesavan
A/g Chief Financial Officer
7 September 2017



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STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2017

	Notes	Consolidated	
		2017 \$'000	2016 \$'000
NET COST OF SERVICES			
Expenses			
Employee benefits	2A	50,197	54,612
Supplier expenses	2B	82,629	88,823
Grants		3,189	2,798
Depreciation and amortisation	2C	6,207	5,272
Finance costs		807	948
Write-down and impairment of assets	2D	26,601	51,979
Losses from asset sales		1,067	1,016
Other expenses		899	894
Total expenses		171,596	206,342
Own-source income			
Own-source revenue			
Sale of goods and rendering of services	3A	87,382	96,854
Interest	3B	51,468	52,277
Dividends		1,436	4,800
Rental income	3C	16,570	17,018
Other revenue	3D	18,921	2,379
Total own-source revenue		175,777	173,328
Gains			
Sale of assets		6,100	3,092
Other	3E	14,266	14,469
Total gains		20,366	17,561
Total own-source income		196,143	190,889
Net cost of services		(24,547)	15,453
Revenue from Government	3F	14,037	34,258
Surplus (deficit) before income tax on continuing operations		38,584	18,805
Income tax expense		144	285
Surplus (deficit) after income tax on continuing operations		38,440	18,520
Surplus (deficit) attributable to non-controlling interests		682	4,859
Surplus (deficit) attributable to the Australian Government		37,758	13,661
Other comprehensive income			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation reserves		868	-
Items subject to subsequent reclassification to net cost of services			
Gains/(Losses) on available-for-sale financial assets		(2,524)	(2,161)
Total other comprehensive income / (loss) after income tax		(1,656)	(2,161)
Total comprehensive income / (loss)		36,784	16,359
Total comprehensive income / (loss) attributable to non-controlling interests		1,548	4,859
Total comprehensive income / (loss) attributable to Australian Government		35,236	11,500

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



STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

AS at 30 June 2017

	Notes	2017 \$'000	Consolidated 2016 \$'000
Assets			
Financial assets			
Cash and cash equivalents	6A	277,758	161,809
Trade, loans and other receivables	6B	722,907	727,275
Investments	6C, 6D, 6E	219,636	188,221
Deferred tax assets	6F	646	822
Total financial assets		1,220,947	1,078,127
Non-financial assets			
Land and buildings	7A	26,708	29,311
Property, plant and equipment	7A	21,130	21,071
Investment property	7B	99,856	151,069
Intangibles	7A	6,188	7,290
Inventories		2,426	4,447
Other non-financial assets		1,693	2,018
Total non-financial assets		158,001	215,206
Total assets		1,378,948	1,293,333
Liabilities			
Payables			
Suppliers	8A	13,329	11,520
Tax liabilities		48	110
Other	8B	11,517	6,315
Total payables		24,893	17,945
Interest bearing liabilities			
Loans	9	11,500	22,985
Total interest bearing liabilities		11,500	22,985
Provisions			
Employee provisions	10A	5,628	6,885
Other	10B	2,117	3,070
Total provisions		7,745	9,955
Total liabilities		44,138	50,885
Net assets		1,334,810	1,242,448
Equity			
Parent entity interest			
Contributed equity		1,010,243	971,997
Reserves		3,082	8,942
Retained earnings		257,452	216,840
Total parent entity interest		1,270,777	1,197,779
Attributed to non-controlling interests			
Contributed equity		59,166	40,082
Reserves		2,368	1,440
Retained earnings		2,499	3,147
Total non-controlling interests		64,033	44,669
Total equity		1,334,810	1,242,448

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



STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2017

Consolidated								
	Retained earnings		Reserves		Contributed equity/capital		Total equity	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Opening balance								
Balance carried forward from previous period	219,987	209,447	10,382	8,427	1,012,079	967,585	1,242,448	1,185,459
Reclassification	3,705	(1,710)	(2,178)	796	185	(173)	1,712	(1,087)
Adjusted opening balance	223,692	207,737	8,204	9,223	1,012,264	967,412	1,244,160	1,184,372
Comprehensive income								
Other comprehensive income - asset revaluations	-	-	868	-	-	-	868	-
Other comprehensive income - available for sale financial assets	-	-	(2,524)	(2,161)	-	-	(2,524)	(2,161)
Surplus (deficit)	38,440	18,520	-	-	-	-	38,440	18,520
Total comprehensive income	38,440	18,520	(1,656)	(2,161)	-	-	36,784	16,359
of which is:								
Attributable to the Australian Government	37,759	13,661	(2,524)	(2,161)	-	-	35,235	11,500
Attributable to non-controlling interests	681	4,859	868	-	-	-	1,549	4,859
Transactions with owners								
Distributions to owners								
Return on capital:	-	-	-	-	-	(1,415)	-	(1,415)
Transfer	1,198	(3,320)	(1,096)	3,320	(102)	-	-	-
Dividends	(3,380)	(2,950)	-	-	-	-	(3,380)	(2,950)
Other movement:								
Attributable to the Australian Government	-	-	-	-	-	-	-	-
Attributable to non-controlling interests	-	-	-	-	-	-	-	-
Contributions by owners								
Equity injection	-	-	-	-	38,540	39,460	38,540	39,460
Other (equity contribution from non-controlling interests)	-	-	-	-	18,706	6,622	18,706	6,622
Total transactions with owners	(2,182)	(6,270)	(1,096)	3,320	57,144	44,667	53,866	41,717
Closing balance as at 30 June	259,950	219,987	5,452	10,382	1,069,408	1,012,079	1,334,810	1,242,448
Less: non-controlling interests	(2,498)	(3,147)	(2,369)	(1,440)	(59,166)	(40,082)	(64,033)	(44,669)
Closing balance attributable to the Australian Government	257,452	216,840	3,083	8,942	1,010,242	971,997	1,270,777	1,197,779

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



CASH FLOW STATEMENT

for the period ended 30 June 2017

	Notes	2017 \$'000	Consolidated 2016 \$'000
Operating Activities			
Cash received			
Receipts from Government		10,602	34,258
Goods and services		97,129	91,728
Interest		51,166	51,711
Dividends		850	665
Grants		23,086	-
GST received		1,329	1,901
Other		18,975	19,769
Total cash received		203,137	200,032
Cash used			
Employees		51,454	55,007
Suppliers		86,100	91,470
Borrowing costs		807	948
Other		3,189	2,798
Total cash used		141,550	150,223
Net cash from operating activities	11	61,587	49,809
Investing Activities			
Cash received			
Proceeds from sales of property, plant and equipment		66,641	14,472
Investments redeemed		46,095	87,357
Other - repayment of loans receivable		154,894	121,463
Total cash received		267,630	223,292
Cash used			
Purchase of property, plant and equipment		24,385	30,125
Purchase of other non-financial assets		415	327
Investments purchased		65,905	101,010
Other - loans and advances made		165,148	186,383
Total cash used		255,853	317,845
Net cash used by investing activities		11,777	(94,553)
Financing Activities			
Cash received			
Contributed equity		38,246	44,494
New borrowing		19,084	10,224
Total cash received		57,330	54,718
Cash used			
Repayment of borrowings		11,485	-
Dividends paid		3,260	4,252
Total cash used		14,745	4,252
Net cash from financing activities		42,585	50,466
Net increase in cash held			
		115,949	5,721
Cash and cash equivalents at the beginning of the reporting period			
		161,809	156,088
Cash and cash equivalents at the end of the reporting period			
	6A	277,758	161,809

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



SCHEDULE OF COMMITMENTS

as at 30 June 2017

		Consolidated	
	Notes	2017	2016
		\$'000	\$'000
By Type			
Commitments receivable			
Lease rental income ¹		35,270	70,275
Loans ²		41,115	25,703
Total commitments receivable		76,385	95,978
Commitments payable			
Operating leases ³		11,447	12,758
Loans ²		41,115	25,703
Others ⁴		7,401	9,900
Total commitments payable		59,963	48,361
Net commitments by type		16,422	47,617
By Maturity			
Commitments receivable			
Operating lease income			
One year or less		11,122	17,565
From one to five years		17,043	45,133
Over five years		7,105	7,577
Total operating lease income		35,270	70,275
Loan commitments receivable			
One year or less		1,898	564
From one to five years		9,302	3,386
Over five years		29,915	21,753
Total loan commitments receivable		41,115	25,703
Commitments payable			
Operating lease commitments			
One year or less		2,280	2,389
From one to five years		6,444	6,166
Over five years		2,723	4,202
Total operating lease commitments payable		11,447	12,757
Loan commitments payable			
One year or less		41,115	25,703
Total loan commitments payable		41,115	25,703
Other commitments payable			
One year or less		5,325	4,190
From one to five years		1,623	5,304
Over five years		453	407
Total other commitments payable		7,401	9,901
Net commitments by maturity		16,421	47,617

NB: Commitments are GST inclusive where relevant.



SCHEDULE OF COMMITMENTS (continued)

as at 30 June 2017

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

Nature of lease	General description of leasing arrangement
Leases for commercial accommodation	There are 51 commercial accommodation leases current at 30 June 2017, of which 23 will end by 30 June 2018. Initial lease terms range from 1 to 14 years (average 7 years) with renewal options ranging from 0 to 20 years (average 8 years). Lease terms remaining at 30 June 2017 range from 1 to 9 years (average 4.5 years). Lease payments are subject to either annual fixed rental increases and/or indexed increases, some with market increases in the initial lease term as well as on exercising lease renewals. ILC have entered into sublease arrangement with IBA at one of IBA's office locations in Canberra in the current financial year. The initial sublease term is for five years. Details of this are included in the above description.
Motor vehicle leasing	There are 343 equipment leases current at 30 June 2017. Lease terms range from 1 to 10 years (average 5 years).

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

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

Nature of lease	General description of leasing arrangement
Leases for commercial accommodation	There are 9 commercial accommodation leases across 9 buildings current at 30 June 2017 of which 5 will end by 30 June 2018. Initial lease terms range from 1 to 10 years (average 4.5 years) with renewal options ranging from 0 to 5 years (average 2.5 years). Lease terms remaining at 30 June 2017 range up to 7 years (average 3 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. IBA have entered into sublease arrangement with two of ILC's office locations in Perth and Adelaide in the current financial year. The initial sublease term is for five years. Details of this are included in the above description.

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



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Note 1: Overview

1.1 Objectives of Indigenous Business Australia

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

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

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

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

1.2 Basis of preparation of the financial report

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- a) Financial Reporting Rule (FRR) for reporting periods ending on or after 1 July 2016; and
- b) 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 FRR, assets and liabilities are recognised in the Statement of Financial Position 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 property, plant and equipment and other investments is based upon market inputs, backed by periodic external valuations.
- The fair value of the loans portfolio is based on market-derived inputs.

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

1.4 Changes in Australian Accounting Standards

Adoption of new Australian Accounting Standards requirements

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

- AASB 13 Fair Value Measurement - July 2015 (Compilation)
- AASB 124 Related Party Disclosures - July 2015 (Principle)
- AASB 128 Investments in Associates and Joint Ventures - December 2015 (Compilation).

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

Future Australian Accounting Standards requirements

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

- AASB 7 Financial Instruments: Disclosures - August 2015 (Principal)
- AASB 9 Financial Instruments - December 2014 (Principal)
- AASB 10 Consolidated Financial Statements - December 2015 (Compilation)
- AASB 13 Fair Value Measurement - August 2015 (Principal)
- AASB 15 Revenue from Contracts with Customers - October 2015 (Compilation)
- AASB 16 Leases - February 2016 (Principal)
- AASB 139 Financial Instruments: Recognition and Measurement - August 2015 (Principal)
- AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15
- AASB 2016-3 Amendments to Australian Accounting Standards - Clarifications to AASB 15.

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.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**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.

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and measurement*.

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 non-corporate or corporate Commonwealth entity as a consequence of a restructuring of administrative arrangements (refer to Note 1.7).

Revenue from Government

Funding received or receivable from non-corporate Commonwealth entities (appropriated to the non-corporate Commonwealth entity as a corporate Commonwealth entity payment item for payment of this entity) is recognised as revenue from Government unless it is in the nature of an equity injection or a loan.

Grant Income

Amounts received as government grants during the year are recognised as income on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.6 Gains

Resources received free of charge

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

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

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

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 appropriated which 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 Government entity under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

Other Distributions to Owners

The FRR require that distributions to owners be debited to contributed equity unless it is in the nature of a dividend.

1.8 Employee benefits

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

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

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

Leave

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

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

Amounts received by IBA under the Parental Leave Payments Scheme not yet paid to employees were presented gross as cash and a liability.

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**1.8 Employee benefits cont.****Separation and redundancy**

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

Superannuation

Staff of IBA are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or other scheme they nominate.

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 in the Department of Finance's schedules and notes.

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 for the final fortnight of the year.

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 Fair Value Measurements

IBA did not have any transfers between the fair value hierarchy during 2016-17 or 2015-16.

1.12 Cash

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

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.13 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 2016 to 30 June 2017 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 as 'Available for Sale' financial instruments under AASB 139 *Financial Instruments: Recognition and Measurement*. These assets are fair valued as at reporting date and distribution income received from them recognised as dividend. Associates' carrying values and income are detailed in Notes 6C and 6D respectively.

1.14 Financial risk management

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

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

These risks are managed in the following ways:

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

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

1.15 Financial assets

IBA classifies financial assets in the following categories:

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

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**1.15 Financial assets cont.****Effective interest method**

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

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

Financial assets at fair value through profit or loss

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

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

Assets in this category are classified as current assets.

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

Available-for-sale financial assets

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

Available-for-sale financial assets' are recorded at fair value. Gains and losses arising from changes in fair value are recognised directly in the reserves (equity), with the exception of impairment losses. Interest is calculated using the effective interest method, and foreign exchange gains and losses on monetary assets are recognised directly in profit or loss. Where the asset is disposed of or is determined to be impaired, part of the cumulative gain or loss previously recognised in the reserve is included in the 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 IBA has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Loans and receivables

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.15 Financial assets cont.

Categorisation of financial assets

IBA's financial assets have been categorised as follows:

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

Valuation of financial assets

- Business and home loans are measured at 'fair value through profit or 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. Business and home loan receivables which are impaired / inactive are not carried at fair value. They are reclassified and carried at nominal value less impairment allowance.
- Investments in subsidiaries, associates, joint ventures and other business undertakings are valued based on market inputs. This is done annually through a director's desktop valuation, supported by an external valuation once every three years. The methodology adopted in relation to valuation by the directors of subsidiaries and associates uses techniques consistent with those of the most recent independent valuation. The fair value of subsidiary business is also used to test the value of assets within for impairment.
- When measuring fair value, IBA is required to maximise the use of observable inputs. IBA has used the Level 2 fair value hierarchy - Inputs other than quoted price that are observable either directly or indirectly.

Impairment of financial assets

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**1.16 Investments in associates**

IBA's investment in associates and joint venture entities is accounted for as 'Available for Sale' financial instruments under AASB 139 *Financial Instruments: Recognition and Measurement*. These assets are fair valued as at reporting date and distribution income received from them recognised as dividend.

1.17 Financial liabilities

Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss', or other financial liabilities. Financial liabilities are recognised and derecognised upon trade date.

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

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

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

IBA classifies all its financial liabilities under this category.

Interest bearing loans and borrowings

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

1.18 Contingent liabilities and contingent assets

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

1.19 Financial guarantee contracts

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.20 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.

1.21 Land and building, property, plant and equipment

Asset recognition threshold

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

Make good

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

Revaluations

Following initial recognition at cost, property, plant and equipment are carried at fair value less 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.

Valuations

Fair value less cost to sell for each class of asset is tested for impairment as follows:

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

Following initial recognition at cost, assets are carried at fair value less 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. Revaluation adjustments are based on an asset class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised through Statement of Comprehensive Income. Revaluation decrements for a class of assets are recognised directly through Statement of Comprehensive Income except to the extent that they reverse a previous revaluation increment for that class.

When measuring fair value, IBA is required to maximise the use of observable inputs. IBA has used the Level 2 fair value hierarchy - Inputs other than quoted price that are observable either directly or indirectly. IBA has used a market-based valuation technique incorporating recently observed market data for similar properties and future earnings discounted at market capitalised rates.

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**1.21 Land and building, property, plant and equipment cont.****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	2017	2016
Leasehold improvements	Lease term	Lease term
Plant and equipment	3 to 5 years	3 to 5 years

Impairment

All assets were assessed for impairment at 30 June 2017. 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.

Heritage and cultural assets

IBA has a collection of heritage and cultural assets, comprising sculptures, paintings and drawings. IBA have classified these assets as heritage and cultural assets as they are primarily used for purposes that relate to their cultural significance.

Purchases of heritage and cultural assets, are recognised initially at cost in the Statement of Financial Position, except for purchases less than \$5,000, for each item, which are expensed in the year of acquisition. Following initial recognition at cost, heritage and cultural assets are carried at fair value less any accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts do not differ materially from assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values.

Given the nature of heritage and cultural assets, they have been deemed not to have limited useful lives, and therefore are not subject to depreciation. However they are subject to impairment testing when there is an indication of impairment. All heritage and cultural assets are assessed for impairment on an annual basis. Where indications of impairment exist, the recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

1.22 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.

When measuring fair value, IBA is required to maximise the use of observable inputs. IBA has used the Level 2 fair value hierarchy - Inputs other than quoted price that are observable either directly or indirectly. IBA has used a market-based valuation technique incorporating recently observed market data for similar properties and future earnings discounted at market capitalisation rates.

Investment properties are tested for impairment based on market selling price.

Where an investment property is acquired at no cost or for nominal cost, its cost is deemed to be its fair value as at the date of acquisition.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on disposal of an investment property is recognised in profit or loss in the year of disposal.

1.23 Intangibles

IBA's intangibles comprise internally developed software for internal use and goodwill. 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.

All software assets and goodwill were assessed for indications of impairment as at 30 June 2017.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.24 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.

1.25 Taxation

IBA is exempt from all forms of taxation except fringe benefits tax (FBT) and the goods and services tax (GST).

Revenues, expenses, and assets and liabilities are recognised net of GST except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO)
- for receivables and payables.

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

Current income tax charged to statement of comprehensive income is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant authority.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities, and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited to the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available, against which deductible temporary differences can be utilised.

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

Competitive neutrality

IBA does not have any competitive neutrality obligations.

1.26 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 2017.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 2: Expenses

	Consolidated	
	2017	2016
	\$'000	\$'000
Note 2A: Employee benefits		
Wages and salaries	40,960	42,626
Superannuation:		
Defined contribution plans	4,112	4,358
Defined benefit plans	816	1,180
Leave entitlements	1,910	2,697
Other entitlements	2,399	3,751
Total employee benefits	50,197	54,612
Note 2B: Supplier expenses		
Cost of goods sold	46,270	48,083
Consultants	4,917	5,882
Investment property management expenses	8,240	8,868
IT expenses	3,928	3,951
Legal expenses	1,906	1,689
Office related expenses	3,265	5,342
Travel expenses	3,106	2,550
Other suppliers	7,481	8,270
Total goods and services - supplied or rendered	79,113	84,635
Goods supplied in connection with:		
Related parties	-	-
External parties	29,138	33,201
Total goods supplied	29,138	33,201
Services rendered in connection with:		
Related parties	2,474	2,007
External parties	47,501	49,427
Total services rendered	49,975	51,434
Total goods and services - supplied or rendered	79,113	84,635
Other supplier expenses		
Operating lease rentals - related entities	252	402
Operating lease rentals - external entities	2,683	3,218
Workers compensation expenses	581	568
Total other supplier expenses	3,516	4,188
Total supplier expenses	82,629	88,823
Note 2C: Depreciation and amortisation		
Depreciation		
Property, plant and equipment	5,247	3,583
Land and buildings	315	656
Total depreciation	5,562	4,239
Amortisation		
Intangibles	645	1,033
Total amortisation	645	1,033
Total depreciation and amortisation	6,207	5,272
Note 2D: Write-down and impairment of assets		
Asset write-down and impairments from		
Write-down on non-financial assets	4,822	15,356
Impairment on loans	5,640	5,844
Valuation decrements on financial instruments	15,857	27,446
Other	282	3,333
Total write-down and impairment of assets	26,601	51,979



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 3: Income

	Consolidated	
	2017	2016
	\$'000	\$'000
Own-source revenue		
Note 3A: Sale of goods and rendering of services		
Sale of goods in connection with:		
Related entities	-	-
External parties	85,366	94,387
Total sale of goods	85,366	94,387
Rendering of services in connection with:		
Related entities	-	634
External parties	2,016	1,833
Total rendering of services	2,016	2,467
Total sale of goods and rendering of services	87,382	96,854

Note 3B: Interest

Loans	46,206	47,011
Deposits	5,262	5,266
Total interest	51,468	52,277

Note 3C: Rental income

Operating lease		
Investment properties	13,162	14,588
Other	3,408	2,430
Total rental income	16,570	17,018

Note 3D: Other income

Grant Income	16,395	-
Other	2,526	2,379
Total other income	18,921	2,379

Note 3E: Other gains

Change in fair value of non-financial assets	4,170	14,127
Change in fair value of financial assets	10,096	342
Total other gains	14,266	14,469

Note 3F: Revenue from Government

Department of Prime Minister and Cabinet		
Corporate Commonwealth Entity payment item	14,037	34,258
Total revenue from Government	14,037	34,258

Note 4: Other Comprehensive Income

	Consolidated	
	2017	2016
	\$'000	\$'000

Reclassification Adjustments

The following amounts previously recognised in other comprehensive income have been reclassified to profit or loss.

Nitmiluk (Cicada Lodge)	-	3,320
Total reclassification adjustments of other comprehensive income	-	3,320

Note: There were no associate entities divested during 2016-17.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 5: Fair Value Measurements**Note 5A: Fair Value Measurements, Valuation Techniques and Inputs Used****Fair value measurements at the end of the reporting period by hierarchy for assets and liabilities for 2017**

	Fair value measurements at the end of the reporting period				
	2017 \$'000	2016 \$'000	Category Level	Valuation Technique(s)	Inputs Used
Financial assets					
Designated at fair value through profit or loss					
Loan receivables - Home	679,277	675,820	Level 2	Cashflows discounted at the risk adjusted market rate of interest	Yield curve, Loan to Value ratio, expected life and benchmark rates
Loan receivables - Business	30,192	33,991	Level 2	Cashflows discounted at the risk adjusted market rate of interest	Yield curve, Loan to Value ratio, expected life and benchmark rates
Bonds and fund investments	147,928	74,250	Level 1	Fund quoted market values	Fund quoted market values
Available for sale					
Associates	18,723	23,654	Level 2	Future earnings discounted at risk adjusted market rates	Earnings forecast, rates of return on capital
Total financial assets	876,120	807,715			
Non-financial assets					
Land & Buildings	26,708	29,311	Level 2	Market approach using recently observed market data for similar properties and discounted earnings method	Market sales data, future earnings and market capitalisation rate
Investment Property	99,856	151,069	Level 2	Market approach using recently observed market data for similar properties and discounted earnings method	Market sales data, future earnings and market capitalisation rate
Property, Plant & Equipment	21,130	21,071	Level 2	Market approach using recently observed market data for similar properties and discounted earnings method	Market sales data, future earnings and market capitalisation rate
Total non-financial assets	147,694	201,451			

Note 5B: Level 1 and Level 2 Transfers for Recurring Fair Value Measurements

There are no transfers between Level 1 and Level 2 for assets measured at fair value on a recurring basis during the reporting period.

Note 5C: Reconciliation for Recurring Level 3 Fair Value Measurements

There are no Recurring Level 3 assets measured at fair value during the reporting period.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 6: Financial Assets

	Consolidated	
	2017	2016
	\$'000	\$'000
Note 6A: Cash and cash equivalents		
Cash on hand or on deposit	206,788	136,267
Cash on hand or on deposit - New Housing Fund	70,970	25,542
	277,758	161,809

Note 6B: Trade, loans and other receivables

Goods and services receivables in connection with		
Related entities*	3,541	28
External entities	9,582	17,090
Total receivables for goods and services	13,123	17,118

* This includes a \$3.435 million Corporate Commonwealth Entity receivable from the Department of Prime Minister and Cabinet (2016: nil).

Reconciliations of movements of loans receivable

Loans - Home Ownership Program

At fair value - opening balance as at 1 July	675,820	634,922
Add: net loans movement at cost	16,358	68,000
Less: net movement on remeasurement at fair value through profit or loss	(7,689)	(22,884)
Less: impairment movement through profit and loss	(5,212)	(4,218)
At fair value - closing balance as at 30 June	679,277	675,820

Loans - Business Development and Assistance Program

At fair value - opening balance as at 1 July	33,991	38,286
Add: net loans movement at cost	(4,426)	(1,904)
Add/(Less): net movement on remeasurement at fair value through profit or loss	1,055	(778)
Less: impairment movement through profit and loss	(428)	(1,613)
At fair value - closing balance as at 30 June	30,192	33,991
Total home and business loans	709,469	709,811

Other receivables

Other	315	346
Total other receivables	315	346

Total trade, loans and other receivables	722,907	727,275
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Trade and other receivables (net) expected to be recovered

No more than 12 months	50,290	48,612
More than 12 months	672,617	678,663
Total trade, loans and other receivables (net)	722,907	727,275



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 6: Financial Assets (continued)

	Consolidated	
	2017	2016
	\$'000	\$'000
Note 6B: Trade, loans and other receivables (continued)		
Trade and other receivables (gross) aged as follows		
Not overdue	643,153	638,228
Overdue by:		
0 to 30 days	38,084	41,098
31 to 60 days	18,460	20,845
61 to 90 days	9,211	8,522
More than 90 days	13,999	18,582
Total receivables	722,907	727,275
Reconciliation of loans carrying value		
Loans - Home Ownership Program (as shown above)		
Face value as at 30 June	1,011,978	997,509
Less: Discount on concessional loans on remeasurement at fair value through profit or loss	(322,461)	(314,771)
Less: Impairment allowance	(10,240)	(6,918)
Carrying value as at 30 June	679,277	675,820
Loans - Business Development and Assistance Program (as shown above)		
Face value as at 30 June	47,782	52,692
Less: Discount on concessional loans on remeasurement at fair value through profit or loss	(9,471)	(10,527)
Less: Impairment Allowance	(8,119)	(8,174)
Carrying value as at 30 June	30,192	33,991
Total home and business loans	709,469	709,811
Reconciliation of movement in impairment allowance account		
Loans - Home Ownership Program		
Opening balance as at 1 July	6,919	3,505
Allowance resolved	(4,018)	(1,752)
Allowance pertaining to loans written off	(1,886)	(790)
	1,016	963
New accounts	8,417	6,395
Change in impairment allowance for accounts existing at 1 July	808	(439)
	9,225	5,956
Closing balance as at 30 June	10,240	6,919



Note 6: Financial Assets (continued)

	Consolidated	
	2017	2016
	\$'000	\$'000
Note 6B: Trade, loans and other receivables (continued)		
Loans - Business Development and Assistance Program		
Opening balance as at 1 July	8,174	11,741
Allowance resolved	(785)	(1,570)
Allowance pertaining to loans written off	(318)	(4,370)
	7,071	5,801
New allowances	850	3,137
Change in impairment allowance for accounts existing at 1 July	198	(764)
Closing balance as at 30 June	8,119	8,174
Total impairment allowance account	18,359	15,093
The impairment allowances are aged as follows		
Not overdue	-	-
Overdue by:		
0 to 30 days	2,825	3,720
31 to 60 days	1,036	302
61 to 90 days	418	718
More than 90 days	14,080	10,353
Total impairment allowance account	18,358	15,093
Note 6C: Investments in associates		
Investments in associates	18,723	23,653
Total investments in associates	18,723	23,653
Investments in associates that are expected to be recovered in:		
More than 12 months	18,723	23,653
Total investments in associates	18,723	23,653
Summarised financial information of associates		
Balance sheet		
Assets	71,458	68,036
Liabilities	(31,393)	(42,524)
Net assets	40,065	25,512
Statement of comprehensive income		
Revenue	27,746	72,732
Expenses	(25,198)	(66,572)
Net surplus	2,547	6,160



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 6: Financial Assets (continued)**Note 6D: Interests in associates****Table A: Interests in associates**

Interests are held in the following associated companies

Associated company	Principal activities	Ownership interest		Voting power		Carrying amount of investment	
		2017 %	2016 %	2017 %	2016 %	2017 \$'000	2016 \$'000
Carpentaria Shipping Services Pty Ltd	Transportation	18	18	25	25	810	1,140
Fitzroy River Lodge Partnership	Accommodation provider	26	26	25	25	2,100	1,850
Message Stick Communications Pty Ltd	Communication service provider	31	31	31	31	4,404	7,292
Ngarda Civil & Mining Pty Ltd	Civil engineering & mining services	25	25	25	25	1,219	2,161
Noongar Property Trust	Property	37	37	7	7	8,510	9,250
Port Hedland Investment Trust	Property	70	70	50	50	1,680	1,960
						18,723	23,653

	Consolidated	
	2017 \$'000	2016 \$'000

Note 6D: Interests in associates (continued)**Movements during the year in associated companies**

Opening balance as at 1 July	23,653	28,333
Add:		
Additional investments during the year	-	-
Less:		
Disposals and redemptions during the year	(2,406)	(2,519)
Fair value decrement	(2,524)	(2,161)
Closing balance as at 30 June	18,723	23,653

Note 6E: Other investments

Deposits	47,110	82,369
Other - bonds and interest in business undertakings	153,803	82,199
Total other investments	200,913	164,568
Investments expected to be recovered in:		
No more than 12 months	200,913	164,568
More than 12 months	-	-
Total other investments	200,913	164,568
Total investments	219,636	188,221

Note 6F: Deferred tax assets

Deferred tax assets	646	822
Total deferred tax assets	646	822

All deferred tax assets are non-current assets.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 7: Non-Financial Assets

Note 7A: Reconciliation of the opening and closing balances of property, plant and equipment (PP&E) and Intangibles

	2017					Consolidated					2016				
	Land & buildings \$'000	Other PP & E \$'000	Computer software \$'000	Other intangibles \$'000	Total \$'000	Land & buildings \$'000	Other PP & E \$'000	Computer software \$'000	Other intangibles \$'000	Total \$'000	Land & buildings \$'000	Other PP & E \$'000	Computer software \$'000	Other intangibles \$'000	Total \$'000
Opening balance															
Gross book value	32,372	29,335	3,937	6,880	72,524	50,416	18,943	3,732	7,148	80,239					
Accumulated depreciation and impairment	(3,061)	(8,264)	(3,164)	(363)	(14,852)	(5,739)	(5,047)	(2,296)	(82)	(13,164)					
Total as at 1 July	29,311	21,071	773	6,517	57,672	44,677	13,896	1,436	7,066	67,075					
Additions:															
By purchase	839	10,154	303	112	11,408	1,614	13,979	242	85	15,920					
Reversal of impairments recognised in net cost of services - cost	75	4,132	-	-	4,207	-	-	-	-	-					
Reversal of impairments recognised in net cost of services - accumulated depreciation	(46)	(2,885)	-	-	(2,931)	-	-	-	-	-					
Impairment recognised in the operating result - cost	(3,850)	(3,481)	-	(815)	(8,146)	(4,226)	(1,410)	(37)	(808)	(6,481)					
Impairment recognised in the operating result - accumulated depreciation	407	722	-	-	1,129	49	(397)	32	2	(314)					
Reclassification - at cost	-	-	-	-	-	(3,077)	332	-	-	(2,745)					
Reclassification - accumulated depreciation	-	-	-	-	-	3,134	-	-	-	3,134					
Depreciation expense	(705)	(4,825)	(545)	(132)	(6,207)	(656)	(3,583)	(900)	(133)	(5,272)					
Other movements:															
Opening balance adjustment - cost	2,277	(2)	446	(446)	2,275	(506)	14	-	455	(37)					
Opening balance adjustment - accumulated depreciation	-	-	-	-	-	151	(1)	-	(150)	-					
Disposals:															
Other disposals - cost	(2,035)	(4,938)	-	(25)	(6,998)	(11,849)	(2,523)	-	-	(14,372)					
Other disposals - accumulated depreciation	435	1,182	-	-	1,617	-	764	-	-	764					
Total as at 30 June	26,708	21,130	977	5,211	54,026	29,311	21,071	773	6,517	57,672					
Net book value as at 30 June represented by:															
Gross book value	29,678	35,200	4,686	5,706	75,270	32,372	29,335	3,937	6,880	72,524					
Accumulated depreciation and impairment	(2,970)	(14,070)	(3,709)	(495)	(21,244)	(3,061)	(8,264)	(3,164)	(363)	(14,852)					
Total as at 30 June	26,708	21,130	977	5,211	54,026	29,311	21,071	773	6,517	57,672					



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 7: Non-Financial Assets (continued)

	Consolidated	
	2017 \$'000	2016 \$'000
Note 7B: Investment property		
Opening balance as at 1 July		
Gross book value	151,069	133,512
Opening balance adjustments	93	(6)
Disposals	(61,917)	(3,525)
Additions:	-	-
By acquisition	13,392	14,532
Net gain/(loss) from fair value adjustments	(2,781)	6,945
Reclassification	-	(389)
Total as at 30 June	99,856	151,069

Investment properties owned by IBA subsidiaries were revalued during the year in accordance with the revaluation policy stated in Note 1.22. The revaluation resulted in a decrease in value of \$1.925 million (2016: Decrement of \$4.808 million) for three properties and an increase in value of \$4.706 million (2016: Increment of \$11.753 million) for two properties is included in the Statement of Comprehensive Income.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 8: Payables

	Consolidated	
	2017	2016
	\$'000	\$'000
Note 8A: Suppliers		
Trade creditors	13,329	11,520
Total suppliers	13,329	11,520
Supplier payables expected to be settled within 12 months:		
Suppliers in connection with:		
Related entities	119	356
External parties	13,210	11,164
Total suppliers	13,329	11,520

Settlement is usually made within 30 days.

Note 8B: Other payables

Salaries and wages	1,202	1,655
Superannuation	112	138
Separations and redundancies	-	529
Unearned income	9,677	3,702
GST payable to ATO	526	291
Total other payables	11,517	6,315
Total other payables expected to be settled in:		
No more than 12 months	11,517	6,315
Total other payables	11,517	6,315

Note 9: Interest Bearing Liabilities

	Consolidated	
	2017	2016
	\$'000	\$'000
Note 9: Loans		
Secured loan facility	11,500	22,985
Total loans	11,500	22,985
Maturity schedule for loans payable:		
Less than one year	-	11,485
In one to five years	11,500	11,500
Total loans	11,500	22,985

As at 30 June 2017, \$11.5 million (30 June 2016: \$11.5 million) relates to amounts borrowed against security of land and buildings.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 10: Provisions

	Consolidated	
	2017	2016
	\$'000	\$'000
Note 10A: Employee provisions		
Leave	5,628	6,885
Total employee provisions	5,628	6,885
Employee provisions expected to be settled in:		
No more than 12 months	3,731	4,617
More than 12 months	1,897	2,268
Total employee provisions	5,628	6,885

The classification of current employee provisions includes amounts for which there is not an unconditional right to defer settlement by one year, so in the case of employee provisions the above classification does not represent the amount expected to be settled within one year of the reporting date.

	Consolidated					
	2017			2016		
	Restoration obligations	Distribution/ other provisions	Total	Restoration obligations	Distribution/ other provisions	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July	628	2,442	3,070	586	2,027	2,613
Additional provisions made	(214)	(739)	(953)	42	415	457
Amounts used	-	-	-	-	-	-
Total as at 30 June	414	1,703	2,117	628	2,442	3,070

IBA currently has nine 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 \$414,499 to reflect the present value of this obligation.



Note 11: Cash Flow Reconciliation

	Consolidated	
	2017	2016
	\$'000	\$'000
Reconciliation of cash and cash equivalents as per financial position to Cash Flow Statement		
Reported cash and cash equivalents as per		
Cash Flow Statement	277,758	161,809
Statement of Financial Position	277,758	161,809
Discrepancy	-	-
Reconciliation of net cost of services to net cash from operating activities		
Net cost of services	24,547	(15,452)
Add: revenue from Government	10,602	34,258
Less: income tax expense	(144)	(285)
Adjustments for non-cash items		
Depreciation and amortisation	6,207	5,272
Net write down of assets	12,335	38,322
Net loss on disposal of assets	(5,033)	(2,887)
Changes in assets/liabilities		
(Increase)/decrease in net receivables	6,718	(9,449)
(Increase)/decrease in inventories	2,021	(7)
(Increase)/decrease in GST payable	240	756
Increase/(decrease) in employee provisions	(1,257)	(396)
Increase/(decrease) in supplier payables	6,366	(839)
Increase/(decrease) in other provisions	(953)	457
Increase/(decrease) in tax liabilities	(62)	59
Net cash from operating activities	61,587	49,809



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 12: Contingent Liabilities and Assets

	Guarantees		Indemnities		Claims for damages or costs		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Contingent assets								
Opening balance as at 1 July	-	-	-	-	736	1,014	736	1,014
New	-	-	-	-	992	736	992	736
Remeasurement	-	-	-	-	-	-	-	-
Assets recognised	-	-	-	-	(736)	(732)	(736)	(732)
Expired	-	-	-	-	-	(282)	-	(282)
Total as at 30 June	-	-	-	-	992	736	992	736
Contingent liabilities								
Opening balance as at 1 July	-	-	1,000	1,000	-	-	1,000	1,000
New	-	-	-	-	-	-	-	-
Obligations expired	-	-	-	-	-	-	-	-
Total as at 30 June	-	-	1,000	1,000	-	-	1,000	1,000
Net contingent assets (liabilities) as at 30 June	-	-	(1,000)	(1,000)	992	736	(8)	(264)

Quantifiable contingencies

Claims for damages/costs (contingent asset)

The claims for damages or costs at 30 June 2017 relate to loans within the Indigenous Home Ownership program. There are no other contingent assets as at 30 June 2017.

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 Indigenous Business Australia's exposure, being \$1 million) arising from a performance guarantee provided by P&O Maritime Services to Mount Isa Mines Limited.

Unquantifiable contingencies

IBA had no significant unquantifiable contingencies as at 30 June 2016 or as at 30 June 2017.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 13: Key Management Personnel Remuneration

	2017	2016
	\$'000	\$'000
Key management personnel expenses for the reporting period		
Short-term employee benefits		
Salary and other allowances	2,442	2,546
Performance bonuses	-	50
Total short-term employee benefits	2,442	2,596
Post-employment benefits		
Superannuation	307	359
Total post-employment benefits	307	359
Other long-term employee benefits		
Annual Leave	163	150
Long-service leave	50	65
Total other long-term employee benefits	213	215
Termination benefits		
Voluntary redundancy payments	121	380
Total termination benefits	121	380
Total senior executive remuneration expenses	3,083	3,550

The total number of key management personnel included in the above table is 24 [2015-16: 22].



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 14: Related Party Disclosure**Related Party Relationships**

IBA is an Australian Government Controlled Entity. Related parties to this entity are Directors, Key Management Personnel, including the Executive and other Australian Government entities. IBA transacts with other Australian Government controlled entities consistent with normal day to day business operations provided under normal terms and conditions, including the payment of workers compensation, insurance premiums, and legal services.

A number of Directors of IBA hold or have held positions in other companies or government-related entities (personally related entities) where it is considered they control or significantly influence the financial or operational policies of those entities. There were no transactions with those entities and no amounts were owed to IBA to personally related entities at 30 June 2017.

IBA Directors Mr Edward Fry and Mr Anthony Ashby are also Directors of Indigenous Land Corporation (ILC). Transactions with ILC are disclosed in detail below.

Related Party Transactions with Key Management Personnel**Loans to directors and director-related entities**

	2017 \$'000	2016 \$'000
Loans to director-related entities outstanding at year-end	-	1,072
Loans to director-related entities during the year	-	949
Loan repayments during the year	-	210
Interest revenue included in operating result from loans to directors and director-related entities	-	69

Loans were made to the following director-related entities in 2017:

- nil

Other transactions with directors or director-related entities

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

- nil

Related Party Transactions with Government Related Entities

Entity	Nature of the transaction	2017 \$'000	2016 \$'000
National Disability Insurance Agency	IBA received a compensation payment from the National Disability Insurance Agency relating to a sublease arrangement between the two entities.	755	-
Indigenous Land Corporation	The ILC has engaged IBA to coordinate a baseline review which was fully completed during the reporting period.		
	Payments received from ILC	62	-
	Payments made to ILC	-	-
Indigenous Land Corporation	Subleasing arrangements between IBA and ILC commenced during the financial year in Canberra, Adelaide and Perth. Terms of the agreement ensure costs are covered for space occupied by each party. As at 30 June 2017:		
	Payments received from ILC	131	-
	Payments made to ILC	86	-
Indigenous Land Corporation	IBA and ILC worked together on developing a shared services unit, to encompass key corporate functions. Costs involved in this process have been shared throughout the year. As at 30 June 2017:		
	Payments received from ILC	76	-
	Payments made to ILC	49	12



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 15: Financial Instruments

		Consolidated	
	Notes	2017 \$'000	2016 \$'000
Note 15A: Categories of financial instruments			
Financial assets			
Held-to-maturity financial assets			
Term deposits & bonds	6E	51,410	88,669
Total held-to-maturity financial assets		51,410	88,669
Loans and receivables financial assets			
Cash and cash equivalents	6A	277,758	161,809
Goods and services	6B	13,123	17,118
Other receivables	6B	1,889	1,994
Total loans and receivables financial assets		292,770	180,921
Fair value through profit or loss: designated			
Investments in market funds	6E	147,928	74,252
Business and home loans	6B	709,467	709,811
Total fair value through profit or loss: designated		857,395	784,063
Available-for-sale financial assets			
Associates	6D	18,723	23,653
Total available-for-sale financial assets		18,723	23,653
Carrying amount of financial assets		1,220,298	1,077,306
Financial liabilities			
Other financial liabilities - at amortised cost			
Trade creditors	8A	13,329	11,520
Other payables	8B	1,361	2,322
Total other financial liabilities - at amortised cost		14,690	13,842
Borrowings secured by a floating charge	9	11,500	22,985
Total borrowings secured by a floating charge		11,500	22,985
Carrying amount of financial liabilities		26,190	36,827

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 15: Financial Instruments (continued)

		Consolidated	
	Notes	2017	2016
		\$'000	\$'000
15B: Net Gains or Losses from financial assets			
Held-to-maturity assets			
Interest revenue		2,052	2,940
Net gain: held-to-maturity assets		2,052	2,940
Loans and receivables			
Interest revenue		3,717	2,967
Net gain: loans and receivables		3,717	2,967
Fair value through profit or loss			
Interest revenue		45,190	46,700
Changes in fair value		11,324	(28,984)
Net gain: fair value through profit or loss		56,514	17,716
Available-for-sale assets			
Interest revenue		508	638
Dividend revenue		1,436	848
Net gain on disposal		6,035	400
Gain recognised in equity		(2,524)	2,161
Net gain: available-for-sale assets		5,455	4,047
Net gain on financial assets		67,738	27,670
15C: Net Gains or Losses from financial liabilities			
Financial liabilities - at amortised cost			
Interest expense		807	948
Net loss: financial liabilities - at amortised cost		807	948
Net loss from financial liabilities		807	948



Note 15: Financial Instruments (continued)

15D: Fair value of financial instruments

Loan receivables designated at fair value through profit or loss

Changes in the fair value of loans designated at fair value through profit or loss, that arose due to credit risk (method used either AASB 7 *Financial Instruments: Disclosures* 9(i) or 9c(ii)).

	Consolidated	
	2017 \$'000	2016 \$'000
Maximum exposure to credit risk	709,467	709,811
Fair value changes due to credit risk:		
During the period	(734)	33,847
Prior to the period	341,262	307,415
Cumulative change	340,528	341,262

- 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 gives the fair value discount arising on the credit interest differential only.

- IBA has not utilised any instruments such as credit derivatives to mitigate its credit risk.

Fair value measurements categorised by fair value hierarchy

IBA uses the following techniques for measuring fair value of assets and liabilities:

- Trade receivables are valued at realisable value, which in the absence of impairment is the same as carrying value.
- Trade and other payables and provisions are valued at their carrying values adjusted for any impairment.
- Investments are assessed for fair value against market-related inputs every year and an external valuation is performed once every three years.
- Loans receivables are assessed for fair value against market-related benchmarks on an ongoing basis.

When measuring fair value, IBA is required to maximise the use of observable inputs. IBA has used the Level 2 fair value hierarchy - Inputs other than quoted price that are observable either directly or indirectly.

15E: Credit risk - maximum exposure

IBA manages credit risk on its loans portfolio by undertaking background and credit checks prior to allowing a debtor relationship. In addition, IBA has policies and procedures that guide employees' debt recovery techniques. IBA also holds collateral against certain loans to mitigate against credit risk.

The following table illustrates IBA's gross exposure to credit risk, excluding any collateral or credit enhancements.

	Consolidated	
	2017 \$'000	2016 \$'000
Financial assets		
Trade, other receivables and other financial assets	15,012	19,112
Loans receivables - Home	679,495	675,820
Loans receivables - Business	29,972	33,991
Investments in market funds	147,928	74,250
Investments in associates treated as available-for-sale	18,723	23,653
Term deposits & bonds	51,410	88,669
Total	942,540	915,495



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 15: Financial Instruments (continued)**15E: Credit risk - maximum exposure (continued)**

In relation to financial assets, deposits, trade receivables and investments are considered not past due and not impaired. The details of past due and impaired assets pertain to Home and Business loans only.

Impairment and ageing analysis of IBA's Home and Business loan receivables

	Consolidated			
	Not past due nor impaired	Not past due nor impaired	Past due or impaired	Past due or impaired
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Financial assets				
Loans receivables - Home	590,982	582,544	96,042	98,969
Loans receivables - Business	24,404	28,895	11,702	12,940
Total	615,386	611,439	107,744	111,909

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

	Consolidated 2017				
	0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Loans receivables - Home	37,619	16,865	8,653	12,991	76,128
Loans receivables - Business	465	1,595	558	1,008	3,626
Total	38,084	18,460	9,211	13,999	79,754

	Consolidated 2016				
	0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Loans receivables - Home	40,237	19,233	8,522	17,883	85,875
Loans receivables - Business	861	1,612	-	699	3,172
Total	41,098	20,845	8,522	18,582	89,047

Loans receivables considered impaired

	Consolidated	
	2017	2016
	\$'000	\$'000
Financial assets		
Loans receivables - Home	19,914	13,095
Loans receivables - Business	7,840	32,067
Total	27,754	45,162



Note 15: Financial Instruments (continued)

15F: 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 2017					
	On demand \$'000	Within 1 year \$'000	1 to 5 years \$'000	> 5 years \$'000	Total \$'000
Financial liabilities					
Trade creditors	-	13,329	-	-	13,329
Other payables	-	1,361	-	-	1,361
Borrowings secured by a floating charge	-	-	11,500	-	11,500
Total	-	14,690	11,500	-	26,190

Consolidated 2016					
	On demand \$'000	Within 1 year \$'000	1 to 5 years \$'000	> 5 years \$'000	Total \$'000
Financial liabilities					
Trade creditors	-	12,140	-	-	12,140
Other payables	-	2,322	-	-	2,322
Borrowings secured by a floating charge	-	11,485	11,500	-	22,985
Total	-	25,947	11,500	-	37,447



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 15: Financial Instruments (continued)**15G: Market risk**

Interest rate risk refers to the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. IBA is exposed to interest rate risk primarily on its Home and Business Loan receivables.

Consolidated 2017					
	Risk variable	Change in risk variable %	Effect on income statement \$'000	Change in risk variable %	Effect on income statement \$'000
Financial assets: loan receivables					
Interest rate risk	Interest rate	+0.3	(2,023)	-0.3	(1,273)
Consolidated 2016					
	Risk variable	Change in risk variable %	Effect on income statement \$'000	Change in risk variable %	Effect on income statement \$'000
Financial assets: loan receivables					
Interest rate risk	Interest rate	+0.6	(1,039)	-0.6	(682)

A positive number indicates an increase in surplus in the Statement of Comprehensive Income and a negative number indicates a decrease in surplus.

IBA home and business loans, issued at lower than market rates, are fair valued against market interest rates benchmarked on commercial bank rates. The quantum of interest rate differential determines the variance of the fair value from the face value.

Note 15H: Assets pledged/or held as collateral

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

	Consolidated	
	2017 \$'000	2016 \$'000
Assets pledged as collateral		
Financial liabilities:		
Borrowings secured by floating charge	11,500	21,500
Total assets held as collateral	11,500	21,500

The assets held as collateral comprise the following:

- As at 30 June 2017, \$11.5 million (30 June 2016: \$21.5 million) relates to the amount borrowed against security of land and buildings.

In relation to IBA's gross credit risk, the following collateral is held against Home and Business loans.

	2017 \$'000	2016 \$'000
Assets held as collateral		
Non-financial assets:		
Loans receivables - Home	1,367,163	1,356,262
Loans receivables - Business	117,902	134,759
Total assets held as collateral	1,485,065	1,491,021



Note 16: Assets Held in Trust

Aboriginal and Torres Strait Islander Commission Funds

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

	Consolidated	
	2017 \$'000	2016 \$'000
Opening balance as at 1 July	2,084	3,381
Interest received	30	41
Payments	-	(1,338)
Total amount at 30 June	2,114	2,084

Downs Aboriginal and Islander Company Funds

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

	Consolidated	
	2017 \$'000	2016 \$'000
Opening balance as at 1 July	1	1
Interest received	-	-
Payments	-	-
Total amount at 30 June	1	1

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 17: Reporting of Outcomes

IBA's outcome is 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.

	Consolidated	
	2017	2016
	\$'000	\$'000
Expenses	(171,598)	(206,621)
Income from non-government sector		
Commercial revenue	196,143	190,549
Net cost of outcome delivery	24,546	(16,072)
Statement of financial position		
Total assets	1,378,948	1,293,333
Total liabilities	(44,138)	(50,885)
Net assets	1,334,810	1,242,448
Statement of equity		
Retained earnings	259,950	219,987
Asset revaluation reserves	5,452	10,381
Contributed equity/capital	1,069,409	1,012,080
Total equity	1,334,811	1,242,448

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 18: New Housing Fund

As per section 181(3) of the *Aboriginal and Torres Strait Islander Act 2005* (ATSI Act) money held in the New Housing Fund may only be applied to make housing loans. Section 189 (2) of the ATSI Act requires specific information on the New Housing Fund's operations and financial position, as disclosed below. This information, 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 2017

	Notes	2017 \$'000	2016 \$'000
Expenses			
Loans fair value movements	18A	-	9,950
Bad and doubtful debts		4,355	3,975
Total expenses		4,355	13,925
Less: own-source income			
Revenue			
Interest	18B	30,206	30,632
Other		-	-
Total revenue		30,206	30,632
Gains			
Valuation increment	18C	3,251	-
Total gains		3,251	-
Total own-sourced income		33,457	30,632
Net contribution by services		29,102	16,707

New Housing Fund

Statement of Financial Position

as at 30 June 2017

Assets			
Financial assets			
Cash	18D	70,970	25,542
Receivables	18E	470,682	487,272
Other	18E	291	28
Total financial assets		541,943	512,842
Total assets		541,943	512,842
Liabilities			
Payables		-	-
Total liabilities		-	-
Net assets		541,943	512,842
Equity			
Parent entity interest			
Capital		429,396	429,397
Accumulated surplus/(deficit)		112,547	83,445
Total parent entity interest		541,943	512,842
Total equity		541,943	512,842



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 18: New Housing Fund (continued)**New Housing Fund Cash flow statement**

for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Operating activities			
Cash received			
Interest		30,206	30,632
Other		-	-
Total cash received		30,206	30,632
Cash used			
Other		263	635
Total cash used		263	635
Net cash from operating activities	18F	29,943	29,997
Investing activities			
Cash received			
Repayments of loans		98,187	77,565
Total cash received		98,187	77,565
Cash used			
Loans made		82,702	107,207
Total cash used		82,702	107,207
Net cash from investing activities		15,485	(29,642)
Net increase or (decrease) in cash held		45,428	355
Cash at beginning of reporting period		25,542	25,187
Cash at the end of the reporting period		70,970	25,542

The above statements should be read with the accompanying notes.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 18: New Housing Fund (continued)

	2017	2016
	\$'000	\$'000
Note 18A: Write-down and impairment of assets		
Valuation decrement	-	9,950
Total write-down and impairment of assets	-	9,950
Note 18B: Interest revenue		
Interest on bank account	892	449
Interest on housing loans	29,314	30,183
Total interest revenue	30,206	30,632
Note 18C: Valuation increment		
Valuation increments	3,251	-
Total interest revenue	3,251	-
Note 18D: Cash		
Cash at bank and on hand	66,185	23,931
Cash at agents	4,785	1,611
Total cash	70,970	25,542
Note 18E: Receivables		
Other debtors	291	28
Total other receivables	291	28
New Housing Fund only		
At fair value - opening balance as at 1 July	487,272	471,555
Add: net loans movement at cost	(15,486)	29,642
Add/(Less): net gain/(loss) on re-measurement at fair value through profit or loss	3,251	(9,950)
Less: impairment movement through profit and loss	(4,355)	(3,975)
At fair value/cost closing balance	470,682	487,272
New Housing Funds loans (net) expected to be recovered		
Current loans receivable	10,835	10,919
Non-current loans receivable	459,847	476,353
Total receivables	470,682	487,272
Note 18F: Cash flow reconciliation		
Reconciliation of net surplus to net cash from operating activities		
Net contribution by services	29,102	16,707
Loans fair value adjustment	1,104	13,925
(Increase)/Decrease in receivables	(263)	(28)
Increase/(Decrease) in payables	-	(607)
Net cash from operating activities	29,943	29,997



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 19: Parent Entity - Indigenous Business Australia

	2017	2016
	\$'000	\$'000

Note 19A: Statement of Comprehensive Income

Surplus after income tax on continuing operations	45,091	13,743
Total comprehensive income/(loss)	28,625	16,338

Note 19B: Statement of Financial Position

Current assets	300,663	345,610
Total assets	1,253,577	1,182,642
Current liabilities	16,561	11,107
Total liabilities	18,488	13,398
Net assets	1,235,089	1,169,244

Note 19C: Statement of Equity

Retained earnings	327,750	281,922
Reserves	(62,405)	(45,873)
Contributed equity	969,744	933,194
Total equity	1,235,089	1,169,244



Note 19: Parent Entity - Indigenous Business Australia (continued)


Note 19D: Statement of IBA's holding in subsidiaries

Name	Country of incorporation	2017	2016
		%	%
Anderleigh Quarry	Australia	63	63
Bowen Basin Holdings Pty Limited **	Australia	0	100
Bowen Basin Investments Pty Limited **	Australia	0	100
Carpentaria Shipping Trust	Australia	100	100
CDC Nominees (McArthur River Shipping) Pty Limited	Australia	100	100
CDC Nominees (TCTP) Pty Limited *	Australia	100	100
Consolidated Manufacturing Enterprises Pty Limited **	Australia	0	75
Darwin Hotel Holdings Pty Limited *	Australia	100	100
Darwin Hotel Holdings Trust	Australia	100	100
Dominican Indigenous Education Trust	Australia	100	100
Fitzroy Lodge Investments Pty Limited	Australia	100	100
Gagudju Crocodile Hotel Trust	Australia	70	70
Gagudju Lodge Cooina Trust	Australia	52	52
Hotel Enterprises Pty Limited *	Australia	100	100
Hotel Holdings Trust *	Australia	100	100
Ikara Wilpena Enterprises Pty Limited	Australia	87	87
Ikara Wilpena Holdings Trust	Australia	87	87
IBA Asset Management Pty Limited	Australia	100	100
IBA (Property Holdings) Pty Limited **	Australia	0	100
IBA Property Investments Pty Limited **	Australia	0	100
IBA Retail Asset Management Pty Limited	Australia	100	100
IBA Retail Property Trust	Australia	100	100
IBA Tourism Asset Management Pty Limited	Australia	100	100
Indigenous Prosperity Fund - Cash Fund	Australia	100	100
Indigenous Prosperity Fund - Growth Fund	Australia	87	98
Indigenous Prosperity Fund - Income Fund	Australia	91	96
Indigenous Real Estate Investment Trust	Australia	61	73
Kakadu Tourism (GCH) Pty Limited	Australia	70	70
Kakadu Tourism (GLC) Pty Limited	Australia	52	52
Leonora Investments Trust *	Australia	100	100
Leonora Investments Pty Limited *	Australia	100	100
Li Ar Yalug Land Holding Trust	Australia	89	89
Minjerribah Camping Pty Limited	Australia	82	84
Mungo Lodge Pty Limited *	Australia	100	100
Mungo Lodge Holdings Pty Limited *	Australia	100	100
Mungo Lodge Trust	Australia	100	100
North Stradbroke Enterprises Trust	Australia	100	100
South Hedland Indigenous Property Trust **	Australia	0	100
Swanbrook Road Holding Trust **	Australia	0	75
Tennant Creek Enterprises Pty Limited *	Australia	100	100
Tennant Creek Enterprises Trust	Australia	100	100
Tennant Creek Land Holding Trust	Australia	90	90
Tennant Creek Supermarket Pty Limited	Australia	90	90
Tjapukai Aboriginal Cultural Park Partnership	Australia	100	100
Tjapukai Pty Limited *	Australia	100	100
Wildman Wilderness Lodge Pty Ltd *	Australia	100	100
Wildman River Lodge Trust *	Australia	100	100
Wilpena Pound Aerodrome Services Pty Limited	Australia	87	87

*Non-trading

**Entities deregistered or divested before end of financial year

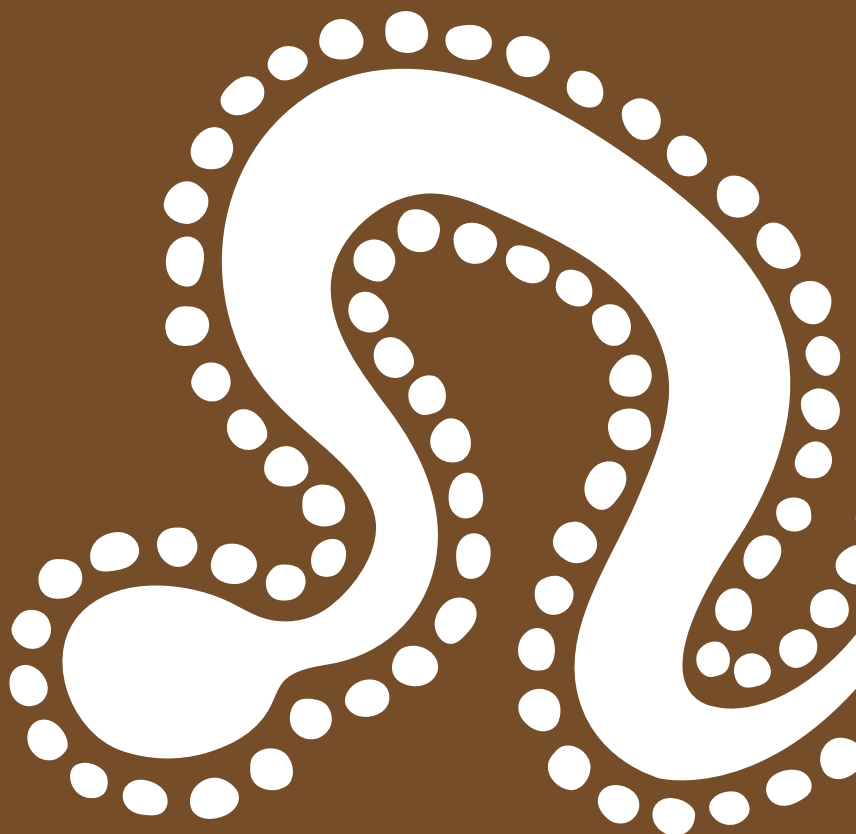




PART 8

APPENDICES AND REFERENCES

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APPENDIX A: CONSULTANTS

Table A1: Consultancies

Name of consultant	Description of services
ACIL Allen Consulting	Business Research
Anthony M Lee & Associates	Professional Services
BAJ Consulting Services	Other
BDO Advisory Pty Ltd	Professional Services
BDO Kendalls	Professional Services
Beach House Media	Professional Services
BoardRoom Pty Ltd	Professional Services
BRI Ferrier NQ Pty Ltd	Professional Services
CBRE Valuations Pty Ltd	Professional Services
Clayton Utz Lawyers	Professional Services
CNF & Associates	Professional Services
Colliers International Holdings (Australia) Ltd	Professional Services
Create Consultants Pty Ltd	Professional Services
Deloitte Actuaries and Consultants Ltd	Business Research
Deloitte Risk Advisory Pty Ltd	Audit Services
Deloitte Touche Tohmatsu	Audit Services
Dransfield & Co Pty Ltd	Professional Services
Ernst & Young	Professional Services
Euan Brown	Professional Services
Fiftyfive5 Pty Ltd	Business Research
Gil Wright & Associates	Professional Services
Good Foundations Consulting Pty Ltd	Professional Services
Grant Sarra Consultancy Services	Professional Services
Heath Martin Pty Ltd	Professional Services
HopgoodGanim Lawyers	Professional Services
Inside Policy Pty Ltd	Professional Services
Interaction Consulting Group Pty Ltd	Professional Services
John Robinson Consulting Services Pty Ltd	Professional Services
Johnson Winter & Slattery	Professional Services
Jones Lang LaSalle Advisory Services Pty Ltd	Professional Services
Kate Cam	Professional Services
King & Wood Mallesons	Professional Services



Name of consultant	Description of services
Knight Frank Australia Pty Ltd	Professional Services
KPMG Forensic Pty Ltd	Professional Services
KPMG SGA Property Consultancy Pty Ltd	Professional Services
Marcel Australia	Professional Services
Margot Faraci	Professional Services
Mazart Design Studio	Professional Services
MEG Consultancy	Professional Services
Mia Howard Consulting	Professional Services
Minter Ellison Lawyers	Professional Services
Mort Consultants Pty Ltd	Professional Services
Mozaic Management Consultant Pty Ltd	Business Research
Napier and Blakeley	Professional Services
Price Waterhouse Coopers	Professional Services
PricewaterhouseCoopers Indigenous Consulting Pty Ltd	Professional Services
RSM Bird Cameron	Professional Services
Sagacity Solutions	Professional Services
SS Consulting Group	Professional Services
Synergy Group Audit Pty Ltd	Professional Services
Veriment Pty Ltd	Professional Services
Wilde and Woollard Consultants Pty Ltd	Professional Services
Workplace Research Associates Pty Ltd	Professional Services



APPENDIX B: KEY OUTREACH ACTIVITIES

Table B1: Keynote speeches and significant presentations

Date	Event	Details
8 July 2016	NAIDOC Breakfast Darwin, NT	IBA Chair Eddie Fry provided a keynote address at the co-hosted NAIDOC event held in Darwin along with the Senator the Hon. Nigel Scullion, Minister for Indigenous Affairs.
30 July 2016	Garma Festival Gulkula, Arnhem Land, NT	Jonathan Kneebone, Manager, Investor Relations, Enterprises, presented on the <i>Aboriginal Land Rights (Northern Territory) Act 1976</i> and economic development.
26 October 2016	I-REIT and IPF Annual Investor Forum Perth, WA	As General Manager, Investments, Rajiv Viswanathan, spoke with Hamish Tweedy, Senior Manager, Commercial Property Solutions, and John Sheldon, Senior Manager, Investor Relations, on Indigenous Real Estate Investment Trust (I-REIT) and Indigenous Prosperity Funds performance for 2016 and the outlook for the year ahead. The event was attended by current and prospective investors.
29 November 2016	Sustainable Development Goals Australia 2016 Conference, Sydney, NSW	Jonathan Kneebone, IBA Manager, Investor Relations, Enterprises, presented on IBA's contribution to Sustainable Development Goal 8 (Decent Work and Economic Growth).
6-7 April 2017	IBA's independent director and committee members workshop Sydney, NSW	Directors of IBA's investment subsidiaries, committee members and senior IBA staff discussed common experiences and examples of best practice in Indigenous engagement, corporate governance, and financial and risk management.
5 May 2017	Northern Territory Biannual Strategic Forum, Alice Springs, NT	Jonathan Kneebone, Manager, Investor Relations, Enterprises and Raghu Venkat, Senior Manager Business & Product Development, Investments, presented an overview presentation in a session about royalty reform and community development.
4-8 June 2017	National Native Title Conference Townsville, QLD	Chair Eddie Fry and acting CEO Wally Tallis presented on how IBA is supporting Indigenous Australians to build wealth, capability and contributing to the Indigenous estate. Harriet Kater, Portfolio Manager, Renewable Energy, participated in a conference session titled 'Renewable energy opportunities – partnerships for energy security'.
14-15 June 2017	Adina Vibe Indigenous Engagement Strategy Launch Darwin, NT	Chair Eddie Fry and acting CEO Wally Tallis spoke at the launch of the Indigenous Engagement Strategy for the Adina Vibe Darwin Waterfront Hotels.



Date	Event	Details
28–29 June 2017	Indigenous Economic Development Conference Townsville, QLD	The acting CEO Wally Tallis and acting General Manager, Homes, Ray McInnes presented on the current support programs offered by IBA including the Business Development Assistance Program, remote Indigenous home loans and the Equity and Investment Program.
30 June 2017	NAIDOC Reception Cairns, QLD	IBA Chair Eddie Fry provided a keynote address at the co-hosted NAIDOC event held at Tjapukai Aboriginal Cultural Park along with the Senator the Hon. Nigel Scullion, Minister for Indigenous Affairs.

Note: IBA also held numerous Indigenous Home Ownership Information Sessions and Business Workshops across various regions of Australia.

Table B2: Sponsorship activities

Date	Conference, event or award	IBA's involvement
Continued from 2015–16	Australian Football League – National Indigenous Radio Service broadcast partnership	Ending in October 2016, IBA's sponsorship of this partnership provided a range of promotional benefits for its programs through numerous interview and advertising opportunities for IBA and its customers.
July 2016	NAIDOC Adelaide SA	IBA sponsored the NAIDOC SA Awards, which recognise Indigenous achievements in the SA community. IBA staff presented an award and managed a stall at the event.
May 2017	Supply Nation Connect 2017 Sydney NSW	IBA sponsored the Ideas Lab where three speakers presented.

Table B3: Media releases

Date	Title of media release
30 August 2016	Exciting career opportunities for Indigenous graduates through IBA
30 September 2016	Interest rates lowered to assist Indigenous first home buyers
20 October 2016	Results show growth, challenge and change for IBA
29 November 2016	Commercial property sale provides strong return for Indigenous investors
19 December 2016	IBA means business
30 March 2017	Tailored solutions for growth and success of a new generation of Indigenous businesses
15 May 2017	Appointments to IBA Board welcomed
22 May 2017	Partnering with Indigenous Australians to enhance outcomes
8 June 2017	Renewable energy transition to benefit Indigenous Australians

Note: IBA also distributed numerous media releases regarding Indigenous Home Ownership Information Sessions and Business Workshops.



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COMPLIANCE INDEX

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Mandatory requirements

Requirement	Reference	Page location
Financial statements	<i>Public Governance, Performance and Accountability Act 2013</i> , section 43 and PGPA (Financial Reporting) Rule 2015	110–156
Financial statements certification: Auditor General's Report	PGPA Act, section 43(4)	107–108
Financial statements certification: a statement signed by the directors	PGPA Act, section 42	109
Fraud risk assessment and control	Public Governance, Performance and Accountability Rule 2014, section 10	85, 86
Approval by accountable authority	PGPA Rule, section 17BB	iv
Parliamentary standards of presentation	PGPA Rule, section 17BC	Throughout
Plain English and clear design	PGPA Rule, section 17BD	Throughout
Legislation establishing the body	PGPA Rule, section 17BE (a)	5, 11, 75
Objects, functions and purposes	PGPA Rule, section 17BE (b)	4, 5, 75
Responsible minister	PGPA Rule, section 17BE (c)	75
Ministerial directions	PGPA Rule, section 17BE (d) and ATSI Act, section 189(1)(a), Schedule 2, Part 4	75
Government policy orders	PGPA Rule, section 17BE (e)	75
Details of any non-compliance with government policy orders, ministerial directions or finance law	PGPA Rule, section 17BE (f)(h)(i)	88
Annual performance statements	PGPA Rule, section 39 (1) and (2) PGPA Rule, section 17BE (g)	11–22



Requirement	Reference	Page location
Information about the accountable authority, including each director's name, qualifications, experience and number of meetings attended	PGPA Rule, 17BE (j)	76–84
Organisational structure (for IBA and subsidiaries)	PGPA Rule, 17BE (k)	86
Location of major activities and facilities	PGPA Rule, 17BE (l)	94–95, Contact information (inside back cover)
Main corporate governance practices used by the entity	PGPA Rule, 17BE (m)	73–92
Related entity transactions	PGPA Rule, 17BE (n)(o)	87
Significant activities and changes that affected the operations or structure of the entity	PGPA Rule, 17BE (p)	90
Significant judicial or administrative tribunal decisions	PGPA Rule, 17BE (q)	90
External reports made about IBA	PGPA Rule, 17BE (r)	90
Obtaining information from subsidiaries	PGPA Rule, 17BE (s)	Not applicable; all relevant material was provided by subsidiaries
Indemnities and insurance premiums for officers	PGPA Rule, 17BE (t)	77
Compliance index	PGPA Rule, 17BE (u)	Compliance and better practice index
New Housing Fund financial statements	ATSI Act, subsection 189(2)	152–154
Consultants engaged	ATSI Act, subsection 189(1)(b)	89, 158–159
Work health and safety	<i>Work Health and Safety Act 2011</i> , Schedule 2, Part 4	99
Ecologically sustainable development and environmental performance	<i>Environment Protection and Biodiversity Conservation Act 1999</i> , section 516A	91–92
Information Publication Scheme statement	<i>Freedom of Information Act 1982</i> , Part II	90



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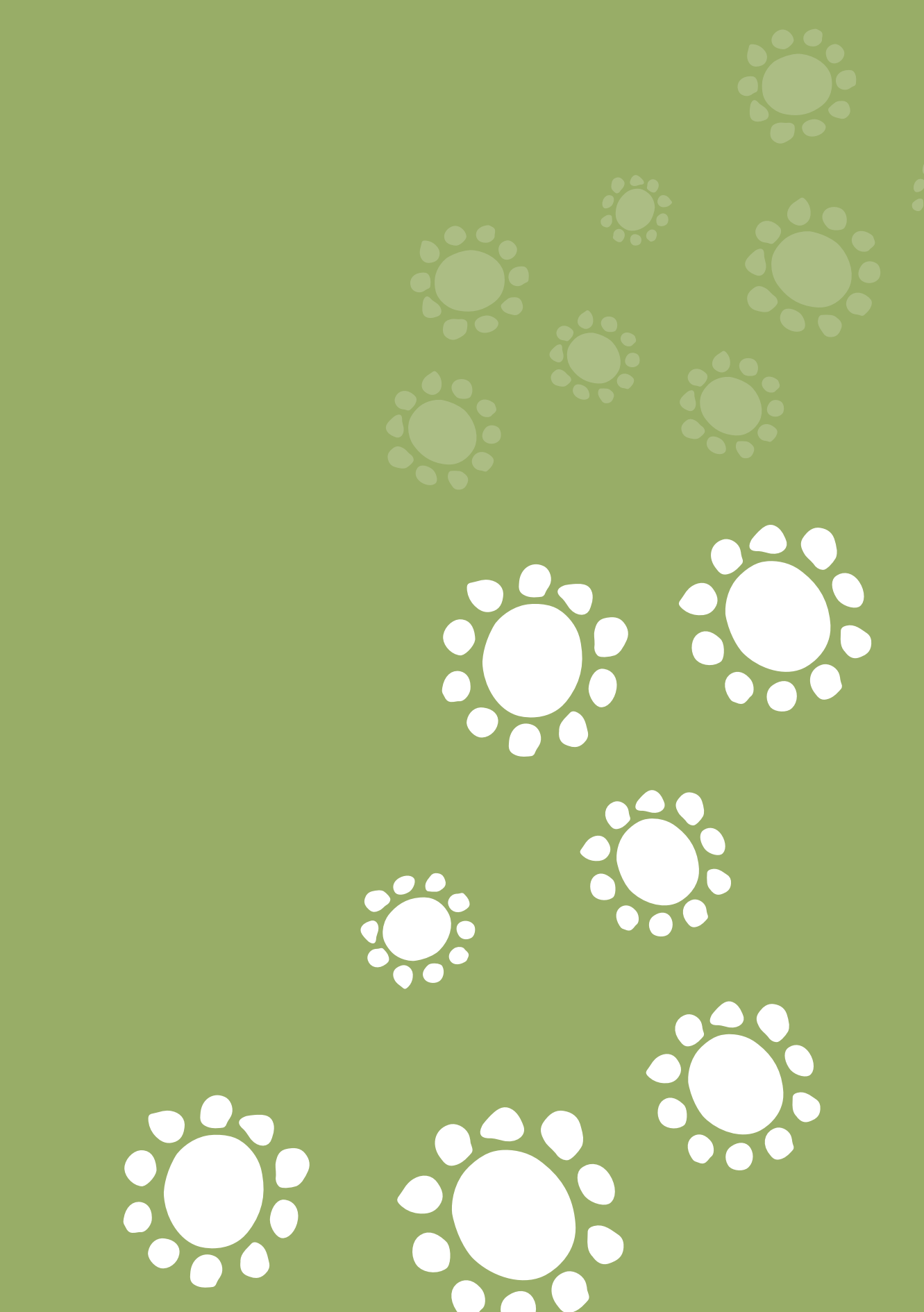
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