



Australian Government

Indigenous Business Australia

ANNUAL
REPORT
2013-14



IBA AT A GLANCE

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

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

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

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



Australian Government
Indigenous Business Australia

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Cover image

Front cover and internal art taken from a design that was a collaboration between Wayne McGinness and Billy Missi.

Note from artist Wayne McGinness of Aboriginal Steel Art:

‘This was a collaborative piece between myself and Billy Missi, a print artist from the Torres Strait who sadly has since passed.

‘The design is his and is entitled “Sapural”, meaning flying fox. Billy allowed me to recreate it in steel. He got to see it before he left us, and loved it. He was in awe seeing his lino print as a steel sculpture. We proudly displayed it at my very first exhibition at UMI Arts in Cairns. The morning after hearing of his passing, I placed a lamp inside of it. We love the way it washes Billy’s design all over our walls and floor. To me, this is a very special piece’.

Feedback

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

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CONTENTS

This report has been prepared according to parliamentary reporting and legislative requirements. It provides details of Indigenous Business Australia's (IBA's) operations and performance for the financial year ending 30 June 2014.

PART 1: OVERVIEW

3

The overview includes key information about IBA, our organisational history and important highlights of 2013–14. A snapshot of IBA's performance against the outcomes described in the Portfolio Budget Statements (PB Statements) sets readers' expectations for the detailed performance reports that follow. There is also a review from the Acting Chair and the CEO.

PART 6: OUR PEOPLE

127

Summarises IBA's human resources management, employment initiatives and workforce profile.

PART 7: EXTERNAL ENGAGEMENT

141

Discusses the external stakeholders with whom IBA engages, and our community involvement.

PART 2: INVESTMENTS

23

Reports on the performance of the Equity and Investments Program against the outcomes set out in the 2013–14 PB Statements.

PART 8: FINANCIAL PERFORMANCE

157

Starts with the Chief Financial Officer's summary of IBA's financial performance, then leads into the audited Financial Statements for 2013–14.

PART 3: HOME OWNERSHIP

53

Reports on the performance of the Indigenous Home Ownership program against the outcomes set out in the 2013–14 PB Statements.

PART 9: APPENDICES

239

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

PART 4: BUSINESS OWNERSHIP

79

Reports on the performance of the Business Development and Assistance Program against the outcomes set out in the 2013–14 PB Statements.

PART 10: REFERENCES

251

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

PART 5: ACCOUNTABILITY

97

Details IBA's governance processes. This section also includes profiles of the IBA Board and the IBA Executive in addition to IBA's organisational chart.



Australian Government
Indigenous Business Australia

18 September 2014

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 2014. The report is presented in accordance with section 9 of the *Commonwealth Authorities and Companies Act 1997* (CAC Act) and section 189 of the *Aboriginal and Torres Strait Islander Act 2005*. The report has been approved by a resolution of the Board.

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

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

This annual report and the audited financial statements were approved in accordance with a resolution of IBA's directors on 18 September 2014.

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

Yours sincerely

Anthony Ashby
Acting Chair, Indigenous Business Australia



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01

OVERVIEW

4 ABOUT IBA

8 HIGHLIGHTS

10 PERFORMANCE SUMMARY

14 REVIEW FROM ANTHONY ASHBY,
ACTING CHAIR

18 REVIEW FROM CHRIS FRY, CEO

ABOUT IBA

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

Our role

IBA is a progressive, commercially focused organisation that promotes and encourages self-management, self-sufficiency and economic independence for Aboriginal and Torres Strait Islander peoples.

We are a statutory authority of the Australian Government, accountable to the Parliament and the Minister for Indigenous Affairs, Senator the Hon. Nigel Scullion, for our performance in achieving the intended results of our outcome statements within the Portfolio Budget Statements.

We are committed to working in partnership with Aboriginal and Torres Strait Islander peoples, our business networks and the broader community to achieve sustainable economic development outcomes and the common goal of reconciliation in Australia.

IBA is a significant contributor to the Australian Government's Indigenous Advancement Strategy, which aims to close the gap between the living standards of Indigenous and other Australians.

Many Indigenous Australians who want to achieve financial independence – and the broader benefits that come from owning their own homes or businesses – are at a disadvantage when it comes to having the required experience and knowledge or accessing finance for these lifetime investments.

Our products and services are designed to overcome barriers to home and business ownership, including lower incomes and savings, inadequate credit histories, and poor financial literacy stemming from limited exposure to family experiences of home or business ownership.

IBA assists Indigenous Australians to buy their homes, own and grow their businesses and invest in commercial ventures that can also provide employment, training and supply-chain opportunities for their communities. We make an impact by being a stepping stone for Indigenous Australians to access the wider finance sector and achieve true economic independence.

We also now play a key role in facilitating connections for Indigenous entities and individuals with corporate Australia to create business and procurement outcomes (see pages 34 and 92).

According to the Australian Census, the Indigenous home ownership participation rate rose from 26 per cent in 1971 to 37.4 per cent in 2011, but is still significantly below the 69.6 per cent rate of other Australian households. IBA has made an important contribution to increasing Aboriginal and Torres Strait Islander home ownership rates in Australia, assisting more than 16,000 Indigenous Australian families to buy homes since 1975.

Our objectives

To stimulate the economic advancement of Aboriginal and Torres Strait Islander peoples, IBA will pursue three key objectives. We will:

- facilitate increased levels of home ownership by providing affordable housing loans to Indigenous Australians who would generally not qualify for housing finance elsewhere
- improve business development outcomes, from business start-ups, acquisitions and growth to successful business exits
- increase financial returns, employment, training and supply-chain opportunities for Indigenous Australians through investments in commercial ventures.

VISION

A nation in which the First Australians are economically independent and an integral part of the economy.

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.

OBJECTIVE

Home ownership

Business ownership

Joint investment

PROGRAM

Indigenous Home Ownership program (page 53)

Business Development and Assistance Program (page 79)

Equity and Investments Program (page 23)

Our approach

To achieve our objectives in a changing operating environment where our customers and stakeholders are expecting more of us, IBA realises that relying on existing models and products will not be sufficient to close the gap in the areas in which we operate. For this reason, IBA's approach for service delivery places an emphasis on innovating to find better ways to reach more customers, while providing a more effective service to meet their needs.

More detailed information about these strategies can be found in the IBA Corporate Plan on the IBA website www.iba.gov.au.

Our values

- **Professional:** We act in a commercial manner, building and maintaining a reputation for excellence in both our dealings with our stakeholders and in our decision-making processes.
- **Outcome-focused:** We are creative, flexible and results-driven. We have courage to attempt solutions in difficult business situations.
- **Collaborative:** We build partnerships with our customers, business partners and our stakeholders. Internally, we draw together our skills, knowledge and expertise to harness the breadth of capabilities in IBA.
- **Responsive:** We meet the needs of our customers and stakeholders in a timely way. We take the time to listen to be sure we understand what needs to be done.
- **Proactive:** We anticipate opportunities and plan ahead so we are ready for new challenges.
- **Realistic:** We face challenges with practical and achievable solutions.
- **Respectful:** We aim to understand the cultural and social context in which we work. We build trust and display integrity in our dealings.

Our history

In 2001, the Aboriginal and Torres Strait Islander Commercial Development Corporation (CDC) (established in 1990) was renamed Indigenous Business Australia (IBA) through an amendment to the *Aboriginal and Torres Strait Islander Commission Act 1989* (ATSIC Act). At this time the CDC was engaged in 19 business ventures with Aboriginal and Torres Strait Islander organisations, holding equity interests in 15 of them.

Following the abolition of ATSIC in 2005, IBA's role was expanded to include managing the Home Ownership program and the Business Development and Assistance Program.

By 2009, IBA had reached \$1 billion in total assets, comprising investments, small businesses and home loans.

In 2014, IBA delivered 556 home loans and 75 business loans, and has 28 investments including four trusts.

[2013-14]

HIGHLIGHTS

556



HOME LOANS

91%

HOME LOANS TO
FIRST-TIME BUYERS



\$3.35m



IN GOODS AND SERVICES PROCURED FROM INDIGENOUS SUPPLIERS
THROUGH IBA'S INVESTMENTS

14



REMOTE COMMUNITIES HAVE GREATER HOME OWNERSHIP
OPPORTUNITIES AS A RESULT OF IBA INITIATIVES

75

NEW IBA
BUSINESS
LOANS

499

BUSINESSES PROVIDED
WITH BUSINESS ADVICE
OR SUPPORT

1474

ATTENDEES AT
INTO BUSINESS
WORKSHOPS



221 JOBS



FOR INDIGENOUS PEOPLE SUPPORTED BY IBA'S INVESTMENT PORTFOLIO

26



INDIGENOUS
CO-INVESTORS
SUPPORTED

\$14.2m



IN SALARIES, WAGES AND JOB-RELEVANT
TRAINING PROVIDED FOR INDIGENOUS
EMPLOYEES BY IBA'S INVESTMENTS

69%



69
PER CENT

OF LOAN CUSTOMERS STILL IN
BUSINESS AFTER THREE YEARS



25%

OF IBA STAFF ARE INDIGENOUS

495



INDIGENOUS PEOPLE IN JOBS SUPPORTED
BY IBA BUSINESS LOAN CUSTOMERS

PERFORMANCE SUMMARY

IBA's budget is managed through the Commonwealth Portfolio Budget Statements and Portfolio Additional Estimates Statements process under the Department of the Prime Minister and Cabinet portfolio.

IBA's outcomes and outputs, and corresponding key performance indicators, are described in the annual Department of the Prime Minister and Cabinet Portfolio Budget Statements, which are based on IBA delivering 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 tables on pages 11, 12 and 13 show how IBA achieved against the targets for each of the three program areas as specified in the revised Portfolio Budget Statements for 2013–14 under the Department of Social Services.

Total price: \$199.7m

Total appropriation: \$34m

The Indigenous investments pool has been growing in recent years, with Indigenous organisations currently estimated to have more than \$10 billion in total assets. This growth is likely to continue due to the increasing resources into some Indigenous organisations from land use or mining agreements, and the general growth of the Indigenous business sector.

This points to a need for investment advice and support to help sustain and grow the Indigenous asset base.

Equity and Investments Program

Objective: To assist and develop Indigenous Australians to achieve economic independence through direct investment and participation in commercial and joint venture business enterprises. For performance details see page 25.

Appropriation: Will not receive government funding, but will cover its operating expenses by prudently managing the investment portfolio.

| | Target | Result | |
|--|-----------------|-----------------|-----------------|
| Total Price | \$100.6m | \$123.8m | |
| Key performance indicators | | | Achieved |
| Portfolio Return (current year) ^{1, 2} | 5.6% | 3% | ✘ |
| Cash | +3% | | |
| Portfolio Return (rolling five years) ³ | 6.8% | 4.9% | ✘ |
| Cash | +3% | | |
| Number of Indigenous co-investors supported ⁴ | 25 | 26 | ✓ |
| Distributions to Indigenous co-investors ⁵ | 5.6% | 6% | ✓ |
| Cash | +3% | | |
| Proportion of Indigenous jobs supported by the investment portfolio ⁶ | 20% | 27% | ✓ |

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

2 Benchmark return represents the cash rate plus a margin of 3 per cent. Cash rate is calculated using the average Bank Bill Swap Reference Rate over the measurement period.

3 This measure indicates Portfolio Return over a rolling five-year period (inclusive of the designated year). It 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 excludes IBA's financial investments and the interest earned thereon. Figures exclude the impact of valuation increments and decrements.

4 Number of Indigenous investors supported includes current Indigenous co-investors, Indigenous co-investors to whom investments were sold during the budget year and Indigenous investors supported through advisory services via IBA's Acquisitions Unit or Traditional Owner and Sustainability unit. Note that IBA supports an additional 59 Indigenous clients via the Indigenous Economic Development Trust and Asset Leasing Trust.

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

6 Total number of Indigenous people employed by investment-portfolio entities, expressed as a percentage of total workforce, measured quarterly and averaged across those quarters to account for fluctuations in staffing levels intra-year.

Indigenous Home Ownership program

Objective: To provide an affordable entry into home ownership for Indigenous Australians, particularly those on lower incomes, and first home buyers who have difficulty obtaining home loan finance from mainstream commercial lenders. For performance details see page 53.

| | Target | Result | |
|---|----------------|----------------|-----------------|
| Total price | \$51.0m | \$37.5m | |
| Appropriation | \$10.8m | \$10.8m | |
| Key performance indicators | | | Achieved |
| Number of loans to applicants who have an adjusted combined gross annual income of not more than 125% of IBA's Income Amount ⁷ | 80% | 82.9% | ✓ |
| Number of loans to applicants who are first home buyers | 90% | 91.4% | ✓ |
| Number of remote Indigenous communities in which IBA is actively facilitating home ownership opportunities | 10 | 14 | ✓ |
| Key program deliverables | | | |
| Number of new home loans | 560 | 556 | ✗ |
| Aggregate loans in the portfolio | 4,325 | 4,335 | ✓ |

The estimated number of self-employed Indigenous Australians was 12,500 in 2011, a 40 per cent increase on the 8,900 self-employed Indigenous Australians in 2006.

⁷ The IBA Income Amount is equivalent to 100 per cent of the national average weekly male earnings, as calculated by the Australian Bureau of Statistics.

Business Development and Assistance Program

Objective: To assist eligible Aboriginal and Torres Strait Islander peoples to start up, acquire, grow or exit a successful business. For performance details see page 79.

| | Target | Result | |
|---|----------------|----------------|-----------------|
| Total price | \$32.4m | \$38.4m | |
| Appropriation | \$23.2m | \$23.2m | |
| Key performance indicators | | | Achieved |
| Percentage of loan accounts that were successfully finalised through loan repayment | 70% | 68% | ✘ |
| Percentage of loan customers still in business 12 months after commencing business | 85% | 91% | ✓ |
| Percentage of loan customers still in business two years after commencing business | 75% | 79% | ✓ |
| Percentage of loan customers still in business three years after commencing business | 65% | 69% | ✓ |
| Key deliverables | | | |
| Number of new loans approved (including split loans with other lenders) | 80 | 75 | ✘ |
| Number of new loans facilitated with other lenders in the broader economy (e.g. banks) | 10 | 17 | ✓ |
| Number of businesses or prospective businesses provided with business advice or support | 490 | 499 | ✓ |
| Number of participants that attended workshops | 750 | 1,474 | ✓ |
| Number of Strategic Economic Development Initiatives | 15 | 13 | ✘ |
| Number of Business Development Initiatives | 30 | 52 | ✓ |
| Number of jobs supported by IBA business loan customers | 500 | 772 | ✓ |
| Number of Indigenous people in jobs supported by IBA business loan customers | 300 | 495 | ✓ |
| Number of active loans in the portfolio | 300 | 303 | ✓ |

REVIEW FROM ANTHONY ASHBY, ACTING CHAIR

A strong year for IBA's program areas contributes to positive outcomes for Indigenous peoples



Each of IBA's three program areas exist to achieve positive economic outcomes for Aboriginal and Torres Strait Islander peoples.

There has been excellent progress in the area of home ownership through the Indigenous Home Ownership program, which met all of its key performance indicators and all but one of its key program deliverables for 2013–14. Achievements include delivering 556 new home loans during the year and facilitating home ownership in 14 remote communities. First home buyers received 91.4 per cent of these loans (see page 55).

Our Equity and Investments Program achieved three of its five performance indicators. It did not achieve its overall portfolio return target for the 2013–14 financial year, largely due to continued challenges faced by IBA's regional and remote tourism investments (see page 25). However, the program has delivered excellent outcomes to Indigenous Australians through its investments. This includes supporting 221 jobs for Aboriginal and Torres Strait Islander peoples with total wages, salaries and job-relevant training of \$14.2 million for Indigenous employees, and procuring \$3.35 million in goods and services from Indigenous suppliers (see page 25).

IBA's Business Development and Assistance Program continues to assist Indigenous entrepreneurs to start and grow their own enterprises, and Indigenous-owned businesses to be strong employers of Indigenous peoples. The program achieved all but one of its four key performance indicators and all but two of its nine key program deliverables. After one year, 91 per cent of loan customers were still in business, and 69 per cent were still in business after three years,

which reflects the business support and preparation assistance offered by IBA. This financial year, 495 Indigenous people were in jobs supported by IBA business loan customers (see page 82).

Financially, IBA incurred a loss in 2013–14, arising predominantly from non-cash asset revaluations. It is important to note that IBA recorded a surplus on an operating basis. The write-downs were concentrated in IBA's tourism sector investments. This is due in part to the continued effect of the high Australian dollar, low visitation to regional and remote destinations, and the continued impact of constrictions in key overseas tourist markets. While a range of these factors are outside of IBA's control, the Board is closely monitoring the situation and will make necessary adjustments to its investment strategy where required. In contrast, IBA's commercial property investments have increased in value overall and other sector investments (retail and industrial) remain generally stable.

The loss incurred by IBA in 2013–14 does not affect IBA's cash position nor distributions to its Indigenous investment partners. As a result, IBA does not require any additional funding from the Australian Government to cover the loss and remains well placed financially to meet its operating commitments.

Improving customer interactions and innovation

Customers are at the heart of our organisational vision, and our decisions are targeted to continually improve their experiences with IBA. This year our Business Development and Assistance Program has undergone improvements in business processes, including re-engineering areas of its service model to improve interactions with customers. These improvements were in part the result of a trial of a new service delivery model and the insights that came from the trial.

This has also involved the innovation of new products, such as the Indigenous Real Estate Investment Trust (IREIT), within our Equity and Investments Program (see page 30) which allows Indigenous communities and organisations to access sustainable investment returns through exposure to commercial property assets.

Next financial year IBA plans to launch another investment product that will enable Indigenous communities and organisations to invest for long-term sustainable returns through leading Australian and international specialist fund managers.

Looking to the future through professional development opportunities

IBA is committed to the personal and professional development of Indigenous peoples to develop future leaders.

We build relationships with talented Indigenous students via placements at IBA through the CareerTrackers Indigenous internship program. We also target Indigenous university interns for IBA's new Indigenous Graduate Program whereby graduates gain professional development by working in various areas of IBA.

IBA's scholarship program assists mature-age, full-time Indigenous students to complete tertiary qualifications in business, financial, commercial or economic management disciplines. While the scholarship program has achieved enduring outcomes, a comprehensive review is underway with the objective of increasing the scope and impact of the program.

IBA continued its partnership with the Melbourne Business School this year to enable 25 Indigenous business leaders to participate in the Murra Indigenous Business Master Class Program (MURRA). MURRA is an innovative education and mentoring initiative for established Indigenous entrepreneurs. IBA provided financial support to enable participants – some of whom live in regional centres and remote communities – to attend the required study modules in Melbourne.

Reducing red tape will improve customer experience

IBA will continue to work toward increasing efficiency as part of the Australian Government's deregulation agenda to reduce red tape and improve customer experiences. For example, at the end of the 2013–14 financial year, the Board approved revised processes for Confirmation of Aboriginal or Torres Strait Islander descent (CoA) requirements for home and business financing or support. The change was made to improve customer engagement by making it simpler to apply for support and bringing it into alignment with other government agencies. The changes will also reduce the processing time for both IBA and our customers.

IBA is seen as a mature, well-performing organisation

IBA continues to welcome external scrutiny to ensure best-practice operations. This year the Department of the Prime Minister and Cabinet commissioned Ernst & Young to undertake the

Review of the Indigenous Land Corporation and Indigenous Business Australia, which was issued on 17 February 2014.

The review included an assessment of IBA's organisational effectiveness and the results were consistent with a 2012 governance review by Deloitte. The report observed that IBA is a mature, effective, high-performing organisation with processes designed to ensure financial sustainability.

Outlook

IBA's operations will contribute to the Australian Government's new Indigenous Advancement Strategy which began on 1 July 2014 and consists of five broad-based programs.

IBA most closely contributes to two of the five programs. For the first – Jobs, Land and Economy – IBA contributes in getting Indigenous Australians into work, fostering Indigenous business and ensuring Indigenous peoples receive economic and social benefits from the effective management of their land and Native Title rights. The second area is Remote Australia Strategies, where IBA assists in addressing the disproportionate disadvantage in remote Australia. We do this through our work in remote communities with our Indigenous Home Ownership program and will continue to build on outcomes already achieved this year (see page 64).

Acknowledgements

I would particularly like to pay tribute to outgoing Chair, Dr Dawn Casey. In her five years as Chair she championed and personally drove many of the important developments at IBA, and my fellow Board members and I are enriched by our time working with her.

The Board said farewell to outgoing Deputy Chair, Ian Trust. Ian selflessly contributed to improving our communities over a long period and his astute analysis was appreciated by all who benefited from his knowledge.

Our Board is made up of a diverse group of individuals with an enormous breadth of shared knowledge and experience. The Board of Directors works with dedication and commitment to provide guidance on how IBA should contribute to better outcomes for Indigenous Australians.

The Board was pleased to welcome Ms Patricia Angus in December 2013. Trish brings significant experience in key areas and has already provided alternative thought leadership to the Board.

I would like to thank Senator the Hon. Nigel Scullion; my colleagues on the Board; the Chair of our Audit and Risk Committee, Jenny Morison; and the committed and energetic Executive Management Team led by CEO Chris Fry. Finally, I would like to especially thank all IBA staff members for their consistent and passionate service to our communities all around the country.

REVIEW FROM CHRIS FRY, CEO



Strong results in IBA's program areas

IBA achieved strong results in all program areas during the year, which further contributed to our end goal of economic independence for Aboriginal and Torres Strait Islander peoples.

IBA approved 556 new home loans totalling \$141.8 million during the year, bringing the total value of approved home loans to \$2 billion since the inception of the Indigenous Home Ownership program. These loans have enabled more than 16,000 Aboriginal and Torres Strait Islander

families to take that important step toward economic and family security by buying their own home.

I am particularly pleased with the progress being made in emerging markets such as Hope Vale in Queensland, and the way IBA has engaged with 14 remote communities this year to facilitate home ownership opportunities on community land (see page 64). Our partnership with the New South Wales Government (see page 64) is a further example of how IBA works collaboratively with partners to assist customers in overcoming additional barriers to home ownership faced by Indigenous Australians living in remote communities.

Our Equity and Investments Program produced excellent employment outcomes, supporting employment for 221 Indigenous Australians during the year. The program generated cash distributions of \$18.9 million to IBA and its Indigenous partners through its investments.

To further support Indigenous organisations and ensure they can build a sustainable economic future for their communities, a set of Indigenous investment principles is being developed through a series of thought-leadership forums being run by the Equity and Investments Program (see page 38).

Our Business Development and Assistance Program provided 75 loans in addition to 17 facilitated with other financial institutions. The

program also supported 772 jobs through its loan customers, 495 of which were held by Aboriginal and Torres Strait Islander employees.

Into Business[™] workshops were conducted during the year to assist Aboriginal and Torres Strait Islander peoples to explore their business aspirations. In 2013–14, 1,474 participants attended the workshops. This year has also seen collaboration in delivering workshops with the Torres Strait Regional Authority on Thursday Island and Badu Island in the Torres Strait, in northern New South Wales with the New South Wales Aboriginal Land Council, and in remote areas of the Northern Territory with the Northern Territory Government.

While IBA did incur a loss financially in 2013–14, which arose predominantly from non-cash asset revaluations (see page 15), we remain well placed financially to meet operating commitments. This loss does not affect IBA's cash position nor distributions to its Indigenous investment partners, and IBA does not require any additional funding from the Australian Government to cover the loss.

Improving results through process efficiencies

IBA is mindful of the fiscal challenges faced by the Australian Government and continually reviews how it delivers its programs to ensure that outcomes and customer-service standards are achieved.

This year, IBA piloted a new service delivery model in a regional office to evaluate an alternative approach to delivering services to our customers. The pilot provided insights into our customers' needs and how IBA can improve its operations and customer interactions. These insights will inform future changes to IBA's work practices and systems to enable us to better serve our customers.

These changes to work practices will be supported by an enhanced IT environment including a new customer relationship management tool and an electronic document and record management system. They will be introduced in 2015 to deliver operational efficiencies and service improvements.

Partnerships and collaborations assisting growth

Our partnerships and collaborations with other organisations improve our knowledge and ability to direct our services and gain access to new ideas and innovations.

For example, our Indigenous Home Ownership, and Business Development and Assistance programs have partnered with the banking sector to meet customers' home or business finance

requirements, based on their individual circumstances. This shared finance assists customers to become part of the broader economy and also allows IBA to assist more Aboriginal and Torres Strait Islander peoples into home or business ownership.

IBA's partnership with Supply Nation resulted in the Fast Track Business Support service. This service provides quick turnaround times for business finance and support to Supply Nation-certified suppliers. The Cultivate program – the result of a collaboration with Leighton Contractors – is another good example of joint efforts with others that have led to outstanding outcomes for Aboriginal and Torres Strait Islanders.

This year, staff secondments have assisted a number of staff members to grow their skills as well as share their skills and insights with other organisations. Selected IBA staff members were seconded to the New South Wales Aboriginal Land Council, the Department of the Prime Minister and Cabinet, Jones Lang LaSalle real estate services firm, Archer Capital, and Jawun Indigenous Corporate Partnerships.

Inspiring and supporting the IBA workplace

IBA launched its fourth Reconciliation Action Plan (RAP) this year, which reflects and influences how we collaborate to achieve better outcomes for Aboriginal and Torres Strait Islander peoples.

Part of our RAP is an internal focus on creating a positive workplace that builds our employees' ability to address the needs of our customers. Building the cultural capability of our people is one way in which we do this, and IBA has developed a Cultural Engagement and Education Framework to support this.

Improving representation of Aboriginal and Torres Strait Islander peoples in IBA at all levels is also a priority and I am pleased that in the past year, Indigenous employee representation has increased from around 21 per cent to 25 per cent (see page 132).

IBA has also engaged four Indigenous university interns through CareerTrackers and implemented an Indigenous Graduate Program whereby four graduates are gaining professional development by working in various areas of IBA.

Our Aboriginal and Torres Strait Islander Staff Network is also an important RAP initiative to support, inspire, encourage and empower Aboriginal and Torres Strait Islander employees. The network is a key consultative body and a very strong contributor to the skill and professional development of Indigenous employees. Members are encouraged and supported to actively participate in key business initiatives that directly affect outcomes for Aboriginal and Torres Strait Islander peoples. The network recently held its third annual conference, which provided valuable insights into the operational policies, processes and procedures that directly affect outcomes for Aboriginal and Torres Strait Islander peoples.

Outlook

IBA's 2014–15 budget allocation has been maintained since last financial year, so we are able to continue to deliver the same level of services. But we do not stand still and as an organisation will always seek to increase our outcomes and our customer service levels. We expect that demand for our services will remain strong.

We will also continue to focus on supporting Indigenous employment through IBA's investments, through lending to Indigenous businesses and supporting further employment in addition to self-employment and also through IBA's own procurement activities. It is pleasing to see that efforts in government procurement policies are allowing Indigenous businesses to flourish.

The Forrest Review recommendations and the Australian Government's response will play a part in shaping the future of economic independence for Indigenous Australians.

There will also be a strong focus on how IBA can further reduce red tape and further improve our internal processes to enhance the customer experience. IT upgrades along with operational process reviews mean that IBA is well placed to take the next steps in this area.

Acknowledgements

I wish to thank all IBA staff members, who have once again made me proud by their professionalism, hard work and genuine care for our customers. The achievements of this last year were not possible without them.

The Executive Management Team collaborates and helps lead the organisation forward and I would like to thank them all for their commitment and vision.

Finally, I would like to give thanks to the IBA Board and, particularly, the outgoing Chair Dr Dawn Casey, for the support and guidance that enables me to perform my role as CEO.



FLORA WARRIOR COMPLETED AN MBA AT JAMES COOK UNIVERSITY (JCU) IN CAIRNS WITH THE ASSISTANCE OF AN IBA SCHOLARSHIP AND HAS NOW SET UP HER OWN BUSINESS ON MABUIAG ISLAND. SHE IS ALSO EXPLORING THE POSSIBILITY OF A SOCIAL ENTERPRISE THAT COULD BE OWNED BY HER COMMUNITY TO IMPROVE THE ECONOMIC FUTURE OF THE TRADITIONAL OWNERS AND THE COMMUNITY.



02

INVESTMENTS

24 OBJECTIVES

25 PERFORMANCE

30 INNOVATION AND IMPACT

32 KEY AREAS OF IMPACT

35 INVESTMENT STRATEGY

37 RISK MANAGEMENT

40 INVESTMENT PORTFOLIO

50 TRUSTS

52 OUTLOOK

OBJECTIVES

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

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

PERFORMANCE

Portfolio return

IBA's investment portfolio delivered a cash surplus of \$8.7 million to IBA (after meeting program expenses) and remains well placed to continue to deliver economic benefit for Indigenous Australians. However, IBA did not achieve its desired overall portfolio return for the 2013–14 financial year. This is largely because of the continued challenges faced by IBA's regional and remote tourism investments, with visitor numbers to key markets such as the Northern Territory and Tropical North Queensland remaining at subdued levels. These have affected not only IBA's regional and remote tourism investments, but also other similar tourism investments generally.

In other sectors, IBA's commercial property investments have generally performed well for IBA and its Indigenous co-investors, yielding good levels of income, as well as experiencing overall moderate capital growth. IBA's industrial and retail investments have performed in line with market expectations.

IBA and Indigenous partner distributions

In 2013–14, IBA's investment portfolio generated cash distributions to IBA and its Indigenous co-investors of \$18.9 million (excluding interest earned on IBA's cash holdings). This includes \$5 million in distributions to IBA's Indigenous co-investors.

Portfolio impact

In 2013–14, IBA's investment portfolio continued to generate broader economic outcomes, supporting 221 jobs for Aboriginal and Torres Strait Islander peoples (27 per cent of the total workforce supported), with total salaries, wages and job-relevant training of \$14.2 million. This significantly exceeds the portfolio target of 20 per cent. Additionally, IBA's investments procured \$3.35 million in goods and services from Indigenous suppliers.



Supporting
221 jobs for
Aboriginal and
Torres Strait
Islander peoples

TABLE 1: EQUITY AND INVESTMENTS PROGRAM PERFORMANCE SUMMARY, MEASURED AGAINST THE IBA PORTFOLIO BUDGET STATEMENTS REVISED TARGETS FOR 2013-14

| 2013-14 key performance indicator | Target | Result | Achieved |
|--|--------|--------|----------|
| Portfolio Return (current year) ^{1 2} | 5.6% | 3% | ✘ |
| Cash +3% | | | |
| Portfolio Return (rolling five years) ³ | 6.8% | 4.9% | ✘ |
| Cash +3% | | | |
| Number of Indigenous co-investors supported ⁴ | 25 | 26 | ✓ |
| Distributions to Indigenous co-investors ⁵ | 5.6% | 6% | ✓ |
| Cash +3% | | | |
| Proportion of Indigenous jobs supported by the investment portfolio ⁶ | 20% | 27% | ✓ |

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

2 Benchmark return represents the cash rate plus a margin of 3 per cent. Cash rate is calculated using the average Bank Bill Swap Reference Rate over the measurement period.

3 This measure indicates Portfolio Return over a rolling five-year period (inclusive of the designated year). It 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 excludes IBA's financial investments and the interest earned thereon. Figures exclude the impact of valuation increments and decrements.

4 Number of Indigenous investors supported includes current Indigenous co-investors, Indigenous co-investors to whom investments were sold during the budget year and Indigenous investors supported through advisory services via IBA's Acquisitions unit or Traditional Owner and Sustainability unit. IBA supports an additional 59 Indigenous clients via the Indigenous Economic Development Trust and Asset Leasing Trust.

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

6 Total number of Indigenous people employed by investment-portfolio entities, expressed as a percentage of total workforce, measured quarterly and averaged across those quarters to account for fluctuations in staffing levels intra-year.

IBA financial performance

As at 30 June 2014, IBA's share of the investment portfolio was valued at \$199.5 million across 24 direct investments in the tourism, industrial (mining and manufacturing), communications, retail and commercial property sectors, as well as four trusts: the Indigenous Real Estate Investment Trust, Indigenous Economic Development Trust, Asset Leasing Trust and Dominican Indigenous Education Trust.

In line with the Equity and Investments Program objectives, IBA has actively sought to pursue new investment opportunities and prudently exit from existing investments as it deems appropriate. The latter strategy allows IBA to re-use capital for further investments and transfer ownership to Indigenous co-investors.

In 2013–14, IBA's investment portfolio generated more than \$18.9 million in distributions for IBA and its Indigenous co-investors (excluding interest earned on IBA's cash holdings) with a cash surplus of \$8.7 million to IBA (after meeting program expenses). These funds will be used to pursue new investment opportunities, and to reinvest in existing investments to enable their growth and ongoing plans.

The Equity and Investments Program does not receive annual budget appropriations from the Australian Government. Its operating expenses are funded entirely from returns on IBA's investment portfolio.

INDIGENOUS ECONOMIC DEVELOPMENT TRUST



STAFF AT WILCANNIA. L TO R: GEORGE BUGMY, KEV JENKINS
AND ROBERT CLAYTON. IMAGE COURTESY OF STEVE ROSS.

IBA IS TRUSTEE FOR THE INDIGENOUS ECONOMIC DEVELOPMENT TRUST (IEDT). THE IEDT WAS ESTABLISHED IN 2007 TO ASSIST THE AUSTRALIAN GOVERNMENT IN MANAGING ASSETS REQUIRED FOR THE DELIVERY OF INDIGENOUS PROGRAMS FOCUSED ON REMOTE EMPLOYMENT, YOUTH, HEALTH AND EDUCATION, SUCH AS THE REMOTE JOBS AND COMMUNITIES PROGRAM (RJCP).

Assets (including land, non-land and funding) are settled into the IEDT on a conditional transfer that enables a clear understanding of how the assets will be used for current and future Indigenous program delivery. The IEDT manages the assets and gives priority to Indigenous individuals or organisations when leasing them.

The goals of the IEDT are to be commercially sustainable; deliver financial returns to beneficiaries (Indigenous Australians) each financial year; achieve direct Indigenous outcomes through leasing (property, vehicles, plant and equipment); achieve direct Indigenous outcomes through distributions; and increase equity by 10 per cent over a rolling three-year period.

As at 30 June 2014, the IEDT had \$12.5 million in equity.

The construction of the Wilcannia Community Shed was project-managed by the IEDT. The project included locating suitable land; obtaining local council approval; identifying shed design and selecting shed contractors; engaging local Indigenous tradespeople for concrete slab construction, internal works, electrical work, plumbing and painting; and using local staff in fence construction and landscaping works.

The facility includes a workshop area with a training room, two offices, kitchen, shower, toilets and reception area.

The Community Development Employment Projects (CDEP) took up occupation on 14 June 2011 and has operated in the premises since that time (now as RJCP).

The entire project included 26 Indigenous construction staff members, mostly Wilcannia locals. This represented a total of 69 per cent Indigenous employment in the project. Additional trust beneficiary funds were used to design, build and fence the land surrounding the centre for horticulture beds, irrigation and including importation of appropriate soil, water tanks and associated equipment to produce and process fresh vegetables.



INNOVATION AND IMPACT

IBA seeks to develop and implement new sustainable strategies that deliver more than just direct financial returns.

During 2013–14, IBA launched the first Australia-wide Indigenous property trust, the Indigenous Real Estate Investment Trust (IREIT). The IREIT allows Indigenous communities and organisations to access sustainable investment returns through exposure to commercial property assets across Australia. It also seeks to generate employment and supply chain outcomes through its property and facilities management arrangements.

In 2014–15, IBA plans to launch a further major fund initiative that will enable Indigenous communities and organisations to invest for long-term sustainable returns through leading Australian and international specialist fund managers.

Further, IBA is working with key stakeholders in the venture capital sector to develop a holistic incubator and investment model that supports Indigenous entrepreneurs.

Wealth accumulation and enduring income streams for Indigenous partners

As at 30 June 2014, Indigenous partners and beneficiaries held, in aggregate, equity in the portfolio worth \$82.7 million. The proportion of equity has increased from 25 per cent to 26 per cent since 1 July 2013. IBA also divested certain assets to Indigenous partners during the budget year.

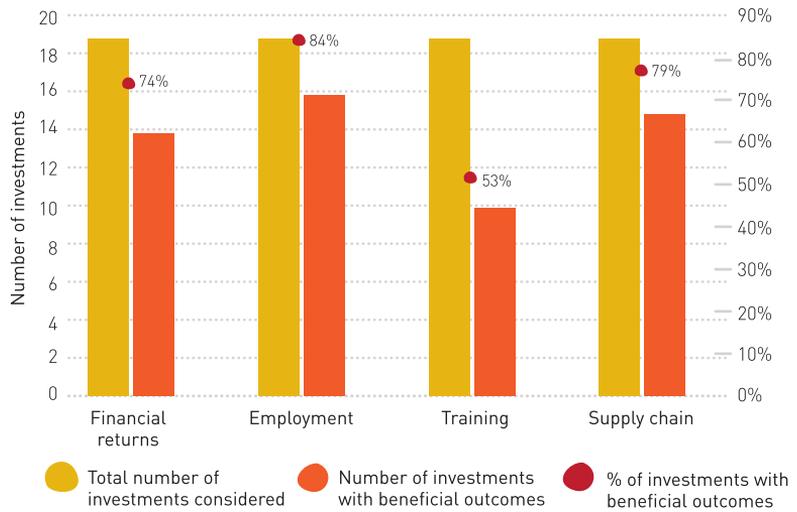
During the 2013–14 financial year, IBA's Indigenous partners received \$5 million in distributions from their investments in the portfolio.

IBA uses the Indigenous Economic Impact reporting tool to identify strengths and weaknesses within each investment. This enhances IBA's ability to provide targeted capacity-building assistance, the impact of which can in turn be measured and reported. The tool also monitors trends at an investment, sector and overall portfolio level, informing and enhancing the overall strategic direction of the portfolio.



IBA's Indigenous partners received \$5 million in distributions from their investments in the portfolio

FIGURE 1: NUMBER AND PERCENTAGE OF INVESTMENTS WITH BENEFICIAL IMPACTS



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

KEY AREAS OF IMPACT

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

Capacity development

IBA has developed a variety of targeted services to build the capacity of Indigenous Australians to manage a business or invest in opportunities.

The Traditional Owner and Sustainability Unit within the Equity and Investments Program has enhanced IBA's capacity-building abilities. The unit focuses on:

- building the pipeline of investment-capable Traditional Owner groups
- driving impact from existing business partnerships
- improving the commercial capabilities of our Indigenous investment partners.

Through this unit, IBA is broadening its reach beyond current partners to build the pipeline of well-governed, well-advised, investment-ready Indigenous organisations, positioning them for self-sufficiency and self-management. Our activities focus on organisations that have achieved recognition of their Traditional Owner rights and interests through formal agreements, have assets or funding associated with their agreements, and demonstrate commercial appetite to achieve economic independence.

Over the past 12 months, IBA has worked with a number of organisations to deliver strategic workshops and provide structured advice regarding:

- strategy, governance and investment decision making
- building a sustainable capital base and income stream
- utilising capital and income to create investment, business and employment opportunities.

Through the provision of mentoring and training, as well as leveraging comprehensive independent professional advice, IBA aims to ensure our Indigenous investment partners have the commercial capability to generate the best possible outcomes.

In collaboration with Indigenous groups across Australia, IBA is pursuing the development of a set of voluntary Indigenous investment principles that will provide a guiding framework for organisations looking to ensure the long-term economic sustainability of their communities (see page 39).

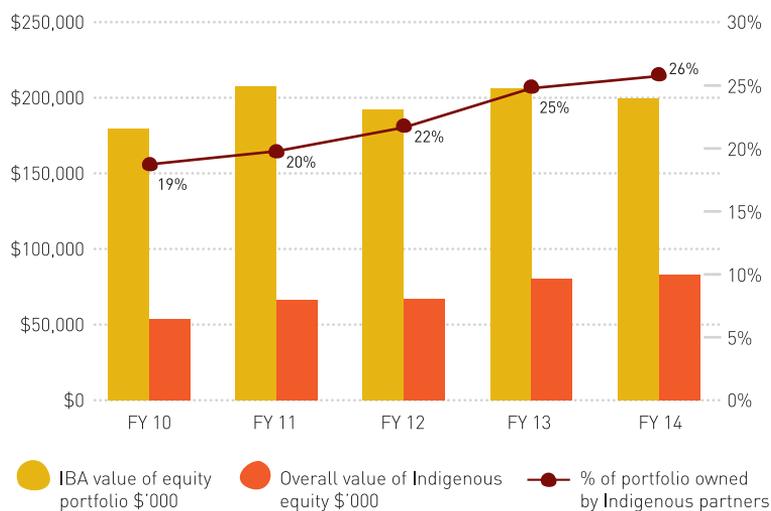
Economic independence

IBA's primary objective is to facilitate economic independence for Indigenous Australians by enabling their participation in a range of diverse commercial investments. When making investments, IBA:

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

Figure 2 illustrates the long-term trend towards increased Indigenous equity in the investment portfolio since 1 July 2009.

FIGURE 2: VALUE AND PERCENTAGE OF INDIGENOUS EQUITY IN THE INVESTMENT PORTFOLIO AND PERCENTAGE OWNED BY INDIGENOUS PARTNERS



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

IBA works closely with partners to implement clear pathways to ownership, in line with objectives set at the start of each investment. To ensure the sustainability of each partnering enterprise, IBA provides training and mentoring to develop the capacity of its partners to manage the business, and to make sure the new arrangements are structured for success.

Creating jobs

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

- develops partnerships with Indigenous Australians and local employment service providers
- promotes inclusive and culturally aware workplaces
- implements best-practice Indigenous employment and retention strategies
- assists staff members who move or plan to move from Indigenous communities to pursue employment opportunities.

In 2013–14, IBA's investments provided employment for 221 Indigenous Australians, resulting in total salaries of over \$14 million. This included Minjerribah Camping which has 50 per cent Indigenous employment.

Training and skills development

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

Supply chain opportunities

During the 2013–14 financial year, IBA's investments procured more than \$3.35 million worth of goods and services from Indigenous suppliers. This presents a significant opportunity for IBA to support Indigenous small- and medium-sized businesses. IBA works with Supply Nation, Indigenous chambers of commerce and other local networks to identify Indigenous-owned businesses that can supply the goods and services that IBA's investments need. These suppliers have proven that Indigenous businesses can provide a quality service on time at competitive prices. IBA has also leveraged its corporate relationships to create commercial opportunities for Indigenous businesses.



IBA's investments
procured
more than
\$3.35 million
worth of goods
and services
from Indigenous
suppliers

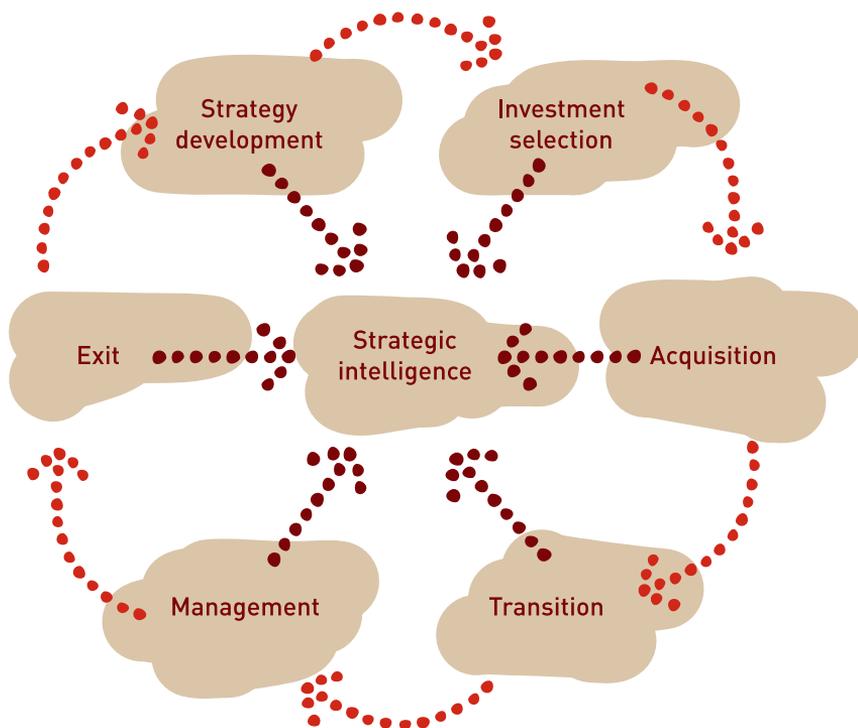
INVESTMENT STRATEGY

Investment approach

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

Figure 3 illustrates the expected investment life cycle. Each stage of the investment process is underpinned by strong strategic research, and economic, market, investment-specific and demographic intelligence.

FIGURE 3: IBA'S INVESTMENT LIFE CYCLE



Investment selection

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

TABLE 2: FACTORS TAKEN INTO ACCOUNT WHEN SELECTING INVESTMENTS

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

RISK MANAGEMENT

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

Key risk management measures include:

- clear comprehensive investment strategies dealing with portfolio construction and risk limits
- thorough approach to investment selection and due diligence
- regular monitoring, reporting and review
- external and internal audit in line with a detailed audit cycle
- robust valuation and financial and impact measures.

In addition, IBA is continuing to strengthen its Governance, Assurance and Compliance Framework. Two recent external reviews by Deloitte and Ernst & Young examined IBA's risk management strategies and concluded that they were of a high standard (see page 115).

GROWING WITH GOVERNANCE



PARRY AGIUS, CRAIG CROMELIN AND MALCOLM FIRTH AT THE FORUM IN JUNE 2014.

THIS YEAR, TWO FORUMS FACILITATED BY IBA DISCUSSED THE DEVELOPMENT OF A SET OF INVESTMENT PRINCIPLES TO ENSURE BETTER OUTCOMES FOR INDIGENOUS ORGANISATIONS.

Indigenous organisations hold substantial assets from Native Title, land use and similar agreements, and there is an increasing desire among Indigenous peoples and other stakeholders to ensure that these assets are managed in a way that will best address the long-term needs of the community.

Every community has different circumstances, heritage and ambitions that influence investment decisions, and a common set of principles can help to identify the objectives and expected outcomes of each community. By following a framework of investment principles, communities can meet investment expectations, fulfil their needs and maintain community support for investment activities.

The first forum, in December 2013, involved a group of eight Indigenous organisations that discussed the need and opportunity to develop a set of principles.

In June 2014, 21 Indigenous organisations, including the Kimberley Land Council, the New South Wales Aboriginal Land Council, Yamatji Marlpa, the Torres Strait Regional Authority, the Tasmanian Investment Corporation and Nyamba Buru Yawuru participated in the *Growing with Governance Forum* facilitated by David Murray AO, Chair, Financial System Inquiry. Mr Murray was also CEO of Commonwealth Bank from 1992–2005 and Chairman of the Future Fund from 2005–2012. The forum discussed the development of a set of Indigenous Investment Principles in greater depth.

David Murray presented on three key components of investment principles: community circumstances, purpose and mandate of the investment, and governance and investment.

The forum brought about several important outcomes including an agreed consensus on the need for and importance of developing a set of principles; the creation of a working group including various representatives from Indigenous organisations to develop the principles; and establishing a drafting group to draft and develop an implementation plan.

‘The exchange of ideas and the opportunity to learn from each other were incredibly valuable’, said Gavin Brown from PwC Indigenous Consulting.

‘The organisations in the room were, in some ways, very different, yet their problems appeared to have common solutions’.

IBA believes that these Indigenous investment principles – developed by and for Aboriginal and Torres Strait Islander peoples – will help to build momentum for long-term sustainable investments that are underpinned by strong governance.

INVESTMENT PORTFOLIO

IBA's investment portfolio comprises 24 direct investments across Australia in a range of sectors, including tourism and hotel accommodation, retail, commercial property and industrial (manufacturing, mining services and primary industries), as well as the Indigenous Real Estate Investment Trust, Indigenous Economic Development Trust, the Asset Leasing Trust and the Dominican Indigenous Education Trust.

FIGURE 4: IBA'S SHARE INVESTMENT PORTFOLIO BY SECTOR AND PERCENTAGE, AS AT 30 JUNE 2014

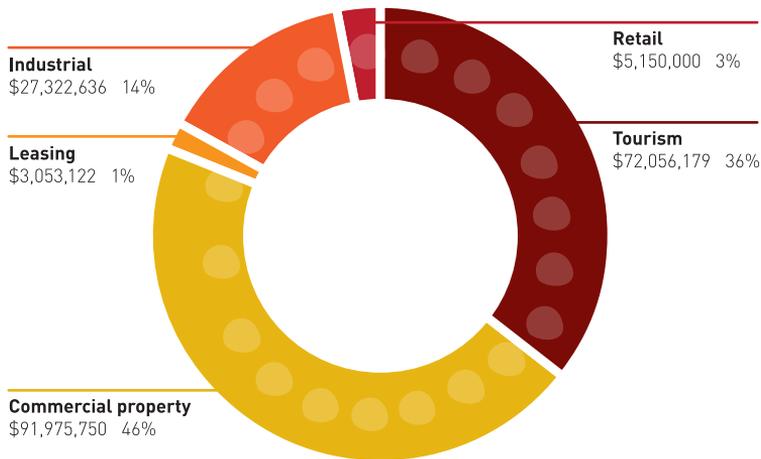


FIGURE 5: VALUE OF IBA'S SHARE OF INVESTMENT PORTFOLIO BY METROPOLITAN, REGIONAL AND REMOTE AREAS, AS AT 30 JUNE 2014



Commercial property

Commercial property is a significant asset class within the investment portfolio. Investment in commercial property enables IBA to generate wealth for Indigenous co-investors and delivers stable and enduring income streams. The portfolio diversifies across industry-specific sectors (office, retail and industry) and geographical locations nationally.

IBA uses two investment methods to support current and future Indigenous investor profiles:

- specialised investments – for Indigenous investors with a strong desire to invest in assets that have strategic or community significance within their local area
- the Indigenous Real Estate Investment Trust (IREIT) – for wholesale Indigenous investors seeking enhanced risk-adjusted returns via exposure to a diversified commercial property portfolio (see page 51).

TABLE 3: IBA COMMERCIAL PROPERTY PORTFOLIO OVERVIEW

| Investment | Year IBA invested | Indigenous partner | Highlight |
|--|-------------------|--|---|
| Commonwealth Centre, South Hedland, WA | 2000 | IBN Corporation | Stable income stream and capital growth from leases to local Indigenous and private sector organisations. |
| Goldfields Building, West Perth, WA | 2002 | Perth Noongar Foundation and the Noongar Country Economic Foundation | Stable income stream and capital growth from leases to a range of private sector tenants mainly associated with the resources sector. |
| Homestead Centre, South Hedland, WA | 1993 | Port Hedland Regional Aboriginal Corporation | Stable income stream and capital growth from leases to a range of private sector tenants. |
| Port Botany Transfer Station, NSW | 2007 | Yarnteen | Stable income stream and capital growth from a long-term lease to Veolia Environmental Services. |
| Stony Creek Stores, Halls Gap, Vic | 2012 | Victorian-based Indigenous investor | Stable income stream and capital growth from leases to hotel and retail tenants. Also offers the opportunity to develop local Aboriginal property maintenance and management expertise, providing further opportunities for revenue, employment and training. |
| Townsville Central, Qld | 2013 | IBA and national Indigenous wholesale investors | Stable income stream and capital growth from leases to private sector and government tenants. This property formed part of the seed assets of the IREIT. |
| Government Centre, Katherine, NT | 2000 | IBA and national Indigenous wholesale investors | Stable income stream and capital growth from a long-term lease to an Australian Government tenant. This property formed part of the seed assets of the IREIT. |

| Investment | Year IBA invested | Indigenous partner | Highlight |
|-------------------------------|-------------------|---|---|
| IBA Building, Kalgoorlie, WA | 2003 | IBA and national Indigenous wholesale investors | Stable income stream and capital growth from a lease to Kalgoorlie Indigenous Coordination Centre, which provides an important range of services to the local community. This property formed part of the seed assets of the IREIT. |
| Scarborough House, Woden, ACT | 2001 | IBA and national Indigenous wholesale investors | Stable income stream and capital growth from a long-term lease to a major Australian Government department. This property formed part of the seed assets of the IREIT. |

Industrial

The IBA industrial portfolio comprises a diverse range of assets that provide IBA and its partners with exposure to a cross-section of key sectors of the Australian economy. In addition to financial returns, the investments offer non-financial benefits in the form of jobs, training and procurement of Indigenous-owned goods and services.

TABLE 4: IBA INDUSTRIAL PORTFOLIO OVERVIEW

| Investment | Year IBA invested | Indigenous partner | Highlight |
|---|-------------------|---------------------------------|---|
| Manufacturing | | | |
| Inverell Manufacturing Facility, NSW | 2008 | Nil | The business has been repositioned for expansion through a change in strategy and the introduction of new operating processes and technology. A Reconciliation Action Plan was launched on 13 May 2014. |
| Mining and mine services | | | |
| Carpentaria Shipping Services, Bing Bong port, NT | 1995 | Mawa Riinbi Pty Ltd | A relatively low-risk and profitable investment for shareholders, currently exploring growth opportunities linked to an increase in mining activity in the region. |
| Ngarda Civil & Mining Limited, Perth, WA | 2001 | Ngarda Ngarli Yarndu Foundation | Provides training and employment opportunities to Indigenous peoples in Western Australia and the Northern Territory. |

| Investment | Year IBA invested | Indigenous partner | Highlight |
|---|-------------------|---------------------------|---|
| Carey Mining, Perth, WA | 2013 | Daniel Tucker | Carey is one of the most successful, 100 per cent Indigenous-owned businesses. It is focused on delivering excellence for its customers and providing opportunities for Indigenous Australians through training, employment and enterprise. |
| Anderleigh Quarry | 2010 | Anderleigh Quarry Pty Ltd | IBA is in the process of divesting Anderleigh Quarry. |
| Telecommunications | | | |
| Message Stick Communications Pty Ltd, Sydney, NSW | 2012 | Michael McLeod | This investment represents an opportunity for IBA to support a pioneering Indigenous business in its next phase of growth, while also generating a strong commercial return on its investment. |

Retail

Grocery retail is one of the few enterprise activities that is viable across urban, regional and remote settlements due to it meeting a basic human need – food supply. Ownership of retail businesses supports access to food and other daily necessities, generates sustainable income streams for IBA and its co-investors, and provides a strong basis for employment, training and procurement opportunities for Aboriginal and Torres Strait Islander peoples.

TABLE 5: IBA RETAIL PORTFOLIO OVERVIEW

| Investment | Year IBA invested | Indigenous partner | Highlight |
|--------------------------------------|-------------------|--------------------|--|
| Leonora Supermarket and Hardware, WA | 2007 | Nil | A key provider of local services, this business offers locals access to quality goods without having to travel more than two hours to the nearest regional centre, Kalgoorlie. |

| Investment | Year IBA invested | Indigenous partner | Highlight |
|--------------------------------------|-------------------|---|--|
| Tennant Food Barn, Tennant Creek, NT | 2008 | Julalikari Council Aboriginal Corporation | IBA is currently negotiating the sale of some of its equity in this strongly performing commercial enterprise by a local Indigenous organisation. The Tennant Food Barn continues to provide employment and training opportunities to Tennant Creek locals. |
| Laverton Motors and Supermarket, WA | 2013 | Nil | Laverton Motors and Supermarket has recently concluded its first full year trading under IBA ownership. The re-opening of this vital community service has provided Laverton residents with local access to fresh food and other necessities for the first time in over two years. |

Tourism and hospitality

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

TABLE 6: IBA TOURISM AND HOSPITALITY PORTFOLIO OVERVIEW

| Investment | Year IBA invested | Indigenous partner | Highlight |
|---|-------------------|--------------------|---|
| Fitzroy River Lodge, Fitzroy Crossing, WA | 1989 | Leedal Pty Ltd | Leedal uses the income from its investment in the lodge to subsidise a number of social programs for its community members. |

| Investment | Year IBA invested | Indigenous partner | Highlight |
|--|-------------------|---------------------|---|
| Kakadu Crocodile Hotel, Jabiru, Kakadu National Park, NT | 1999 | Gagudju Association | The Gagadju Association represents 10 local clans and actively participates in governing the asset, ensuring decisions focus on Indigenous outcomes. The asset generates income and also improves economic outcomes for Indigenous people through 30 per cent Indigenous partner shareholding and active Indigenous board participants, and by supporting the Jabiru region of the Kakadu National Park. |
| Cooinda Lodge, Kakadu National Park, NT | 1999 | Gagudju Association | The asset generates income from tours, a retail outlet and a petrol station. With peak employment numbers at approximately 100, the lodge consistently employs up to 20 local Aboriginal people. It also significantly improves economic outcomes for Indigenous peoples through a 48 per cent Indigenous partner shareholding and active Indigenous board participation, and by supporting the southern region of the Kakadu National Park. |
| Holiday Inn Townsville, Qld | 2008 | Nil | The hotel is managed by InterContinental Hotels Group, which works with IBA to increase Indigenous employment and training opportunities. IBA is continuing to seek potential Indigenous co-investors for this asset. |
| Tjapukai Aboriginal Cultural Park, Cairns, Qld | 1996 | Nil | Tjapukai remains the largest employer of Indigenous peoples in North Queensland and has showcased the culture of the Djabugay rainforest people to more than 3 million visitors during the past 25 years, injecting more than \$35 million into the local Indigenous community in wages, royalties, and the purchase and commissioning of art and artefacts. The Tjapukai redevelopment is well underway, with an exciting new offering to be launched in early 2015. |

| Investment | Year IBA invested | Indigenous partner | Highlight |
|---|-------------------|---|--|
| Vibe Hotel Darwin and Adina Apartment Hotel Darwin Waterfront, NT | 2009 | Nil | These hotels have strategies to attract and retain Indigenous staff members, including cultural competency training, employment targets and training programs that fast-track talented Indigenous employees to become managers. IBA is seeking potential Indigenous co-investors for these assets. |
| Wildman Wilderness Resort, Mary River National Park, NT | 2010 | Nil | IBA is currently reviewing the Wildman business model, including seeking partnerships with local Traditional Owners. |
| Cicada Lodge, Nitmiluk National Park, NT | 2013 | The Jawoyn people (Traditional Owners of the Nitmiluk Gorge) | The lodge caters for travellers looking for an authentic Indigenous cultural and natural Australian wilderness experience. The lodge complements the local Jawoyn tour business. |
| Wilpena Pound Resort, Wilpena Pound, SA | 2012 | Adnyamathanha Traditional Lands Association Inc | IBA and the Traditional Owners are working closely with management to provide training and employment opportunities for local Aboriginal people. |
| Minjerribah Camping Pty Limited, North Stradbroke Island, Qld | 2012 | Quandamooka Yoolooburrabee Aboriginal Corporation (QYAC) Registered Native Title Body Corporate | IBA and the Traditional Owners have created an enterprise with strong growth potential where 50 per cent of employees are Quandamooka people. |

FIGURE 6: PRINCIPAL INVESTMENT SITES BY ASSET CLUSTER AND LOCATION, AS AT 30 JUNE 2014



COMMERCIAL PROPERTY

- C1** Commonwealth Centre
- C2** Goldfields Building
- C3** Government Centre
- C4** Homestead Centre
- C5** IBA Building
- C6** Port Botany Transfer Station
- C7** Scarborough House
- C8** Stony Creek Stores
- C9** Townsville Central



INDUSTRIAL

- I1** Inverell Manufacturing Facility
- I2** Carpentaria Shipping Services
- I3** Ngarda Civil and Mining Limited
- I4** Carey Mining
- I5** Message Stick Communications Ltd
- I6** Anderleigh Quarry



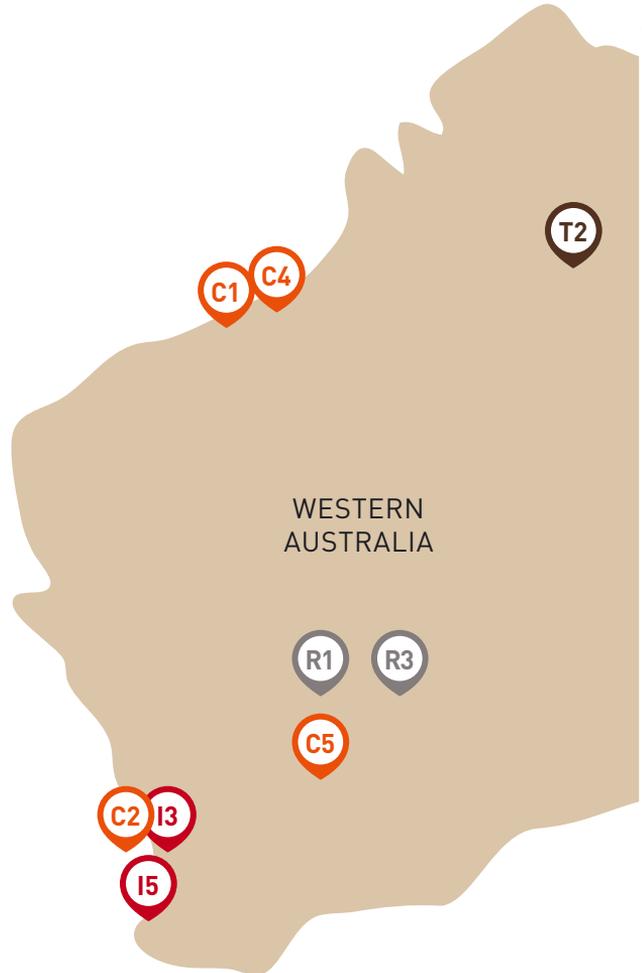
RETAIL

- R1** Leonora Supermarket and Hardware
- R2** Tennant Food Barn
- R3** Laverton Motors and Supermarket



TOURISM AND HOSPITALITY

- T1** Minjerribah Camping Pty Limited
- T2** Fitzroy River Lodge
- T3** Kakadu Crocodile Hotel
- T4** Cooina Lodge
- T5** Holiday Inn Townsville
- T6** Tjapukai Aboriginal Cultural Park
- T7** Vibe Hotel Darwin, Darwin Waterfront and Adina Apartment Hotel
- T8** Wildman Wilderness Resort
- T9** Cicada Lodge
- T10** Wilpena Pound Resort





TRUSTS

Indigenous Economic Development Trust

The IEDT was established in September 2007 through an agreement between the Australian Government and IBA. Under the agreement, the IEDT can receive property or funds for future acquisition projects that assist the Australian Government to deliver Indigenous programs through contracted service providers. The IEDT manages these assets through sustainable lease agreements and gives priority to Indigenous individuals or organisations (see page 28).

Asset Leasing Trust

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

Like the IEDT, the ALT provides leasing solutions for Indigenous individuals, partnerships and organisations. The leases offer competitive terms on a range of assets (usually vehicles and equipment) to help people establish, consolidate or expand commercially viable businesses.

For example, two Aboriginal women in Goldfields, WA, leased a 15,000-litre water cart in order to start up their own business – Hamlet Resources. They sub-lease the water cart to dampen and cool roads in mining areas, reducing dust and air pollution.

Indigenous Leasing Trust

The IBA Board approved the establishment of the Indigenous Leasing Trust (ILT) as a unit trust on 13 June 2014. It is expected to be operational by late September 2014 to offer Indigenous customers access to a range of assets through operating leases.

The ILT will allow IBA (and potentially future Indigenous investors) to invest in units and receive distributions in proportion to their unit holdings.

Dominican Indigenous Education Trust

IBA is trustee of the Dominican Indigenous Education Trust, which supports Indigenous education through grants and scholarships.

The proceeds of the sale of the All Hallows property (an old Catholic convent and school) in Bathurst are managed in a fund, and the interest is available to distribute to Indigenous students in the Bathurst region of New South Wales. IBA assists in administering the trust and identifying eligible students, whose educational costs will be supported by the fund. Since 2009, more than 150 students have been supported by the trust.

Indigenous Real Estate Investment Trust

During 2013–14, IBA launched the first Australia-wide Indigenous property trust, the Indigenous Real Estate Investment Trust (IREIT). The IREIT allows Indigenous communities and organisations to access sustainable investment returns through exposure to commercial property assets across Australia. It also seeks to generate employment and supply chain outcomes through its property and facilities management arrangements.

As at 30 June 2014, the IREIT comprised \$72 million in commercial property around Australia.

OUTLOOK

Based on the global and domestic economic outlook, we foresee only modest growth and investment activity in the coming year. There are likely to be continued challenges for mining services portfolio companies to experience growth, continued challenges for leisure-based tourism investments and generally stable conditions for commercial property. Against this background, IBA expects continued growth in the level of native title settlements and Indigenous land use agreements, giving rise to opportunities for co-investment.

It will be important for IBA to seek innovative ways to grow its capital base while creating benefit for Indigenous co-investors. IBA and Indigenous stakeholders will aim to identify and execute opportunities within key emerging and growth sectors, such as healthcare and technology. It is possible that opportunities within the agribusiness sector may also prove attractive where underpinned by strong cash flows and contractual arrangements.

Building on its 2013–14 innovations in product development, such as the IREIT, IBA intends to launch a major initiative in 2014–15 to enable Indigenous communities and organisations to invest their assets sustainably for long-term benefit.

IBA will continue to generate non-financial benefits for Indigenous Australians through its investments and will refine its impact reporting methodology with the end goal of being a leading practitioner of impact investing within Australia.

IBA will continue to refine how it supports Traditional Owner groups to capitalise on economic development opportunities arising from their settlements and determinations. IBA will also work collaboratively with Indigenous organisations and industry experts to develop a set of voluntary Indigenous investment principles to provide overarching guidance to Indigenous organisations.



03

HOME OWNERSHIP

54 OBJECTIVES

54 PERFORMANCE

55 IMPACT AND CHALLENGES

56 PROGRAM ACHIEVEMENTS

66 LENDING CONSIDERATIONS

74 ASSET MANAGEMENT

78 RISK MANAGEMENT

78 OUTLOOK

OBJECTIVES

IBA's Indigenous Home Ownership program (IHOp) aims to increase the level of home ownership among Aboriginal and Torres Strait Islander peoples. It does this by providing affordable home loans to Aboriginal and Torres Strait Islander peoples who do not qualify for bank finance.

The program is targeted at first home buyers and aims to address barriers such as loan affordability, low savings, impaired credit histories and limited experience with long-term loan commitments. The program sets interest rates, deposit requirements and other support arrangements at levels that assist people on low to middle incomes who may otherwise never be able to own a home.

PERFORMANCE

IBA achieved all of its home ownership key performance indicators for 2013–14 and one of its two key program deliverables (see Table 7).

IBA met its lending commitment target for the year; however, a higher average loan committal amount meant that the number of loans approved was slightly under the projected target.

TABLE 7: INDIGENOUS HOME OWNERSHIP PROGRAM PERFORMANCE SUMMARY, MEASURED AGAINST THE IBA PORTFOLIO BUDGET STATEMENTS, REVISED TARGETS FOR 2013–14

| Key performance indicators | Target | Result | Achieved |
|---|--------|--------|----------|
| Number of loans to applicants who have an adjusted combined gross annual income of not more than 125% of IBA's Income Amount ¹ | 80% | 82.9% | ✓ |
| Number of loans to applicants who are first home buyers | 90% | 91.4% | ✓ |
| Number of remote Indigenous communities in which IBA is actively facilitating home ownership opportunities | 10 | 14 | ✓ |
| Key program deliverables | Target | Result | Achieved |
| Number of new home loans | 560 | 556 | x |
| Aggregate loans in the portfolio | 4,325 | 4,335 | ✓ |

IMPACT AND CHALLENGES

According to the Australian Census, the Indigenous home ownership participation rate rose from 26 per cent in 1971 to 37.4 per cent in 2011, but is still significantly below the 69.6 per cent rate of other Australian households.

IBA has made an important contribution to increasing Aboriginal and Torres Strait Islander home ownership rates in Australia, assisting more than 16,000 Indigenous Australian families in buying homes since 1975.

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

The value to IBA's customers from home ownership has been considerable. This value includes both direct economic benefits (measurable by, for example, increases in personal asset value and savings), to broader indirect benefits such as encouraging stable employment, better education outcomes and reduced costs to government.

In the 2011 Census, there were 209,000 Indigenous households, with 135,000 households not in home ownership. To bridge the gap between Indigenous home ownership and that of the wider Australian population, approximately 65,000 new Indigenous households would need to move into home ownership.

However, the Indigenous population is growing at a faster rate than the non-Indigenous population and is relatively youthful, with 55.8 per cent of Indigenous Australians aged under 25 years, compared to 31.9 per cent of the non-Indigenous population. This trend presents both opportunities and challenges. A growing, youthful population has the potential to contribute to the productivity of the nation through participation in the workforce, which would make home ownership more achievable.

PROGRAM ACHIEVEMENTS

Funding

IBA has a limited capital pool from which it can fund new housing loans. Available funding depends on the amount of borrower repayments that IBA receives, the value of loans that are discharged early and additional capital injections.

In 2013–14, IBA received \$145 million in revenue, comprising \$120.1 million from loan repayments and early loan discharges, \$23.5 million in new appropriations and \$1.4 million from bank interest on funds held by IBA.

The total amount of funds allocated for lending in 2013–14 was \$185 million, which included \$43.4 million in commitments carried forward from the previous year.

The total amount of funds committed in 2013–14 was \$185.1 million, including carried-forward commitments. The total expenditure for the year was \$150.8 million. An amount of \$34.3 million in outstanding commitments will be carried forward to 2014–15. These carried-forward commitments can be met from available cash holdings.

Lending

IBA provides targeted concessional housing loans to Indigenous Australians who have the capacity to repay a long-term loan but are unable to finance their home purchase from a bank or other home-lending institution.

The program also assists Indigenous Australians living in remote Indigenous communities to overcome additional barriers to home ownership, such as a lack of readiness by financial institutions to accept restrictive land tenure arrangements, higher construction costs and the absence of established residential property markets.



IBA approved
556 new loans

IBA's yearly target was to approve 560 new loans. In 2013–14, IBA approved 556 new loans with a total value of \$141.8 million. The median IBA house purchase price was \$340,000 and the average loan amount was \$256,150.

This new lending will enable 1,373 Indigenous Australians (including dependants) to enjoy the social and economic benefits of home ownership.

Many Indigenous Australians, particularly those living in major towns and cities where there are more employment opportunities, have sufficient income to service a mortgage. However, they may not have the income to save for the up-front capital costs of purchasing a home, including a deposit, stamp duty, conveyancing and other fees.

This year, 156 loans (28 per cent of the total number of loans approved by IBA) were funded under a split loan arrangement, where customers obtained part of their funds from another lender. This is a significant increase from 20 per cent in 2009–10, the year that the split loan product was introduced. Through this arrangement, IBA leveraged \$33.8 million in external funding to enable more Indigenous Australians to own their homes.

Barriers

Barriers to Indigenous home ownership are numerous, wide-ranging and both financial and non-financial. Many are not unique to Indigenous Australians but they are more prevalent and more profound in this segment of the housing market. There are also unique barriers in terms of the cultural accessibility of mainstream services and communal land title that require special attention. The challenges also vary greatly between geographical zones.

A LIFE BY DESIGN



WAYNE AND LUCY MCGINNESS WITH THEIR THREE CHILDREN AT
THEIR NEW HOME IN KURANDA.

Wayne and Lucy McGinness have created a charmed life for themselves and their family. Their business, Aboriginal Steel Art, is going from strength to strength, with a flood of new commissions and increasing recognition from the corporate world.

In addition to their successful business, Wayne and Lucy recently finished building a new home in Kuranda, near Cairns in Far North Queensland. Their three children are excited about their new home and have already staked their claims on the bedrooms. The big garden with its lush leafy surrounds is great for playtime and also big enough for Wayne to have a workshop, meaning he can stay close to home and his adored family while he works.

Wayne and Lucy always planned to buy a home after they moved to Queensland from Darwin to start the business but were waiting for the right time. They were already well aware of the benefits of home ownership.

'It's about having security', said Lucy. 'You know that every time you make a mortgage payment you are investing in your future. Also, when the kids get older, it will always be our family home – our retreat, our haven. The kids might go off to uni or work but they can always come back. Hopefully we bought enough land for a few granny flats for them to live in!'

The couple applied for a construction home loan through the IBA Indigenous Home Ownership program in 2013 and decided to construct their dream home.

'We were looking at our options and found something we could afford', said Wayne. 'We actually pay only an extra \$20 a week on the mortgage than we were paying on rent'.

'Of course, there are extra costs like rates and insurance', said Lucy, 'but when it's your own home you don't mind spending that money. It's your home; you are investing in your future. To get our income back to a level where we could borrow money, we needed the business to be doing well', added Wayne.

'IBA's support helped us get to the point where we could borrow the money to build our own home. It's been an easy process with IBA; they really feel like family now'.

Building their own home was the ideal option to meet the family's specific needs, such as providing a workshop for Wayne. Although the workshop build was not covered by the IBA home loan, Wayne and Lucy were able to fund this through their business.

'We really needed the space', said Wayne. 'The grinding is noisy, so being on at least an acre provides a good buffer for neighbours'.

'Having the workshop so close helps with our home life as well', said Lucy. 'Sometimes Wayne will stop at 3.30pm when the kids get off the bus and then go back to work at 5pm. He couldn't do that if he was in Cairns, commuting to a workshop'.

It's certainly a credit to their hard work and determination that Wayne and Lucy are now at a point where their business and home life complement each other. And while their workshop and their home are full of spectacular artistic creations, their family's future is perhaps their best design of all.

FIGURE 7: BARRIERS TO HOME OWNERSHIP FOR INDIGENOUS AUSTRALIANS



Targeting

IBA's housing loans are targeted towards Indigenous first home buyers. IBA's performance target was to make at least 90 per cent of loans to first home buyers, and 80 per cent of loans to applicants who have an adjusted combined gross annual income of not more than 125 per cent of IBA's Income Amount (\$77,580 per annum as at 30 June 2014).

In 2013–14, IBA met these targets, achieving 91.4 per cent for loans to first home buyers and 82.9 per cent for loans to lower-income earners.

The typical housing loan customer is a couple with dependants, on an annual income of \$75,000. They are most likely to purchase their first home in a non-metropolitan area. Approximately 46 per cent of IBA's home loan customers are couples with dependent children. Other customers include single parents (13 per cent), couples with no dependants (20 per cent) and single applicants (21 per cent).

91.4 per cent
of loans to first
home buyers

Regional and remote focus

A key strategy is to ensure IBA's IHOp reaches customers in regional and remote areas who would not normally have the opportunity to own a home. This focus reflects the greater affordability of houses in regional Australia.

Fifty-seven loans were approved for areas classified as remote or very remote

More than 78 per cent of new loans were to customers purchasing homes in regional and remote areas. Fifty-seven loans (10.3 per cent) were approved for areas classified as remote or very remote. This contrasts with mainstream lenders where a majority (65 per cent) of home lending occurred in major urban centres*.

* Industry comparisons sourced from Standard & Poor's Residential Mortgage-Backed Securities (RMBS) Performance Watch Report, March 2014. The figure for major urban centres is based on Standard & Poor's geographical classification of loans in inner city and metro areas for Australian portfolios.

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

FIGURE 8: NUMBER OF LOANS BY ACCESSIBILITY/REMOTENESS INDEX OF AUSTRALIA CLASSIFICATIONS, 2013-14

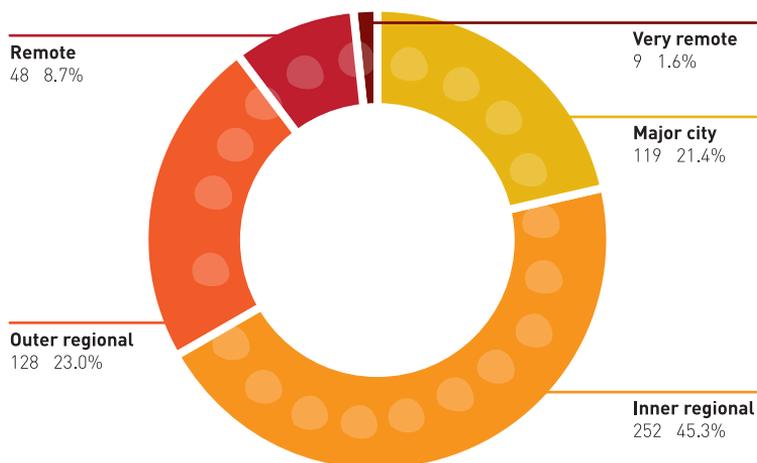
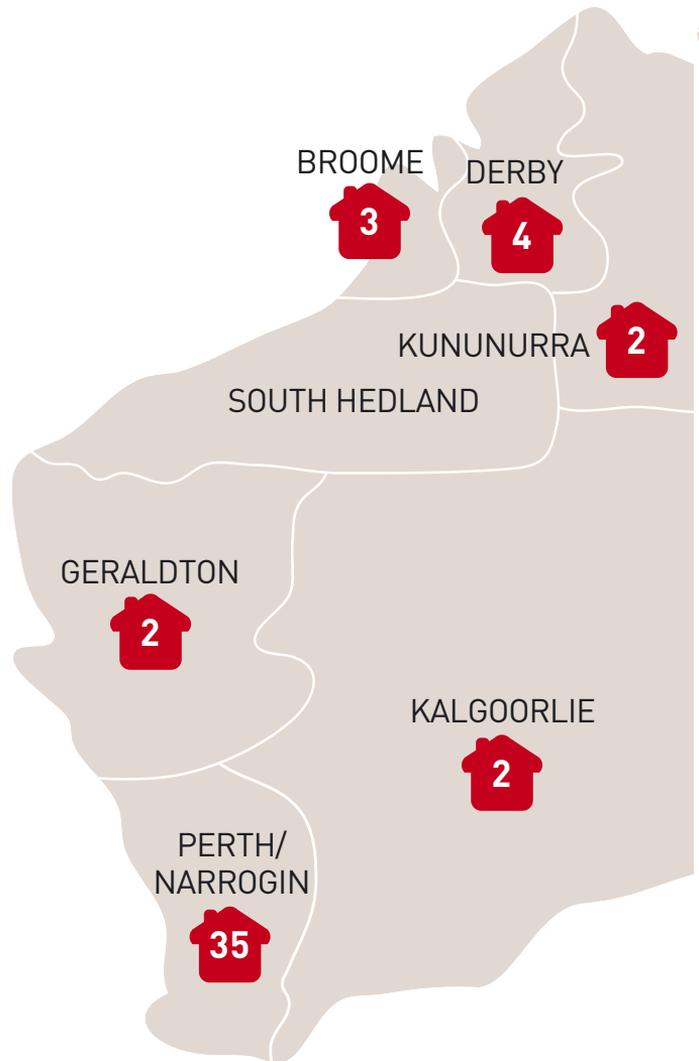


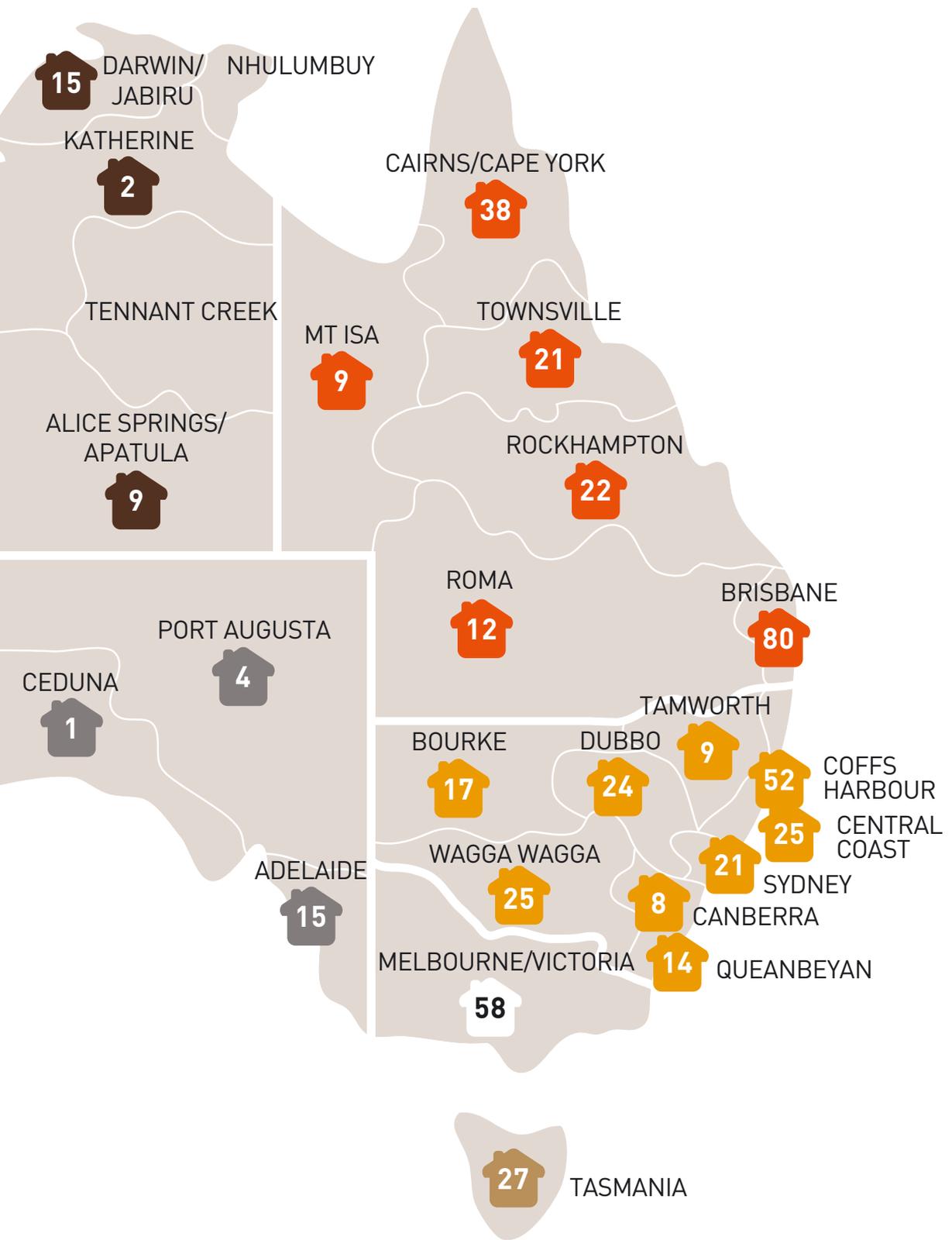
FIGURE 9: DISTRIBUTION OF NEW LOANS ACROSS GEOGRAPHICAL AREAS, 2013-14

| | |
|------------------------|----|
| NSW | |
| Sydney | 21 |
| Central Coast | 25 |
| Queanbeyan | 14 |
| Wagga Wagga | 25 |
| Bourke | 17 |
| Dubbo | 24 |
| Tamworth | 9 |
| Coffs Harbour | 52 |
| ACT | |
| Canberra | 8 |
| Qld | |
| Brisbane | 80 |
| Roma | 12 |
| Mount Isa | 9 |
| Rockhampton | 22 |
| Townsville | 21 |
| Cairns/Cape York | 38 |
| NT | |
| Darwin/Jabiru | 15 |
| Katherine | 2 |
| Nhulumbuy | - |
| Alice Springs/Apatula | 9 |
| Tennant Creek | - |
| WA | |
| Perth/Narrogin | 35 |
| Kalgoorlie | 2 |
| Geraldton | 2 |
| South Hedland | - |
| Broome | 3 |
| Derby | 4 |
| Kununurra | 2 |
| SA | |
| Adelaide | 15 |
| Port Augusta | 4 |
| Ceduna | 1 |
| Vic | |
| Melbourne/Regional Vic | 58 |
| Tas | |
| Hobart | 27 |



TOTAL 556

Geographical areas are based on Australian Indigenous Geographical Classifications.



Remote communities and emerging markets

IBA's IHOp gives particular priority to applicants in emerging markets such as very remote Indigenous communities. In 2013–14, IBA also provided housing loans and other support assistance to Indigenous tenants living in remote New South Wales locations to move from rental housing, including social housing, to home ownership. These loans were provided through the New South Wales Remote Aboriginal Home Ownership Scheme (NRAHOS), which is funded by the New South Wales Department of Family and Community Services.

IBA's performance target in this area is to actively facilitate home ownership opportunities in at least 10 remote Indigenous communities. In 2013–14, IBA met this target, undertaking more than 50 visits to 14 remote communities. This included the communities of Hope Vale (see page 69), Yarrabah, Palm Island, Woorabinda, Napranum and Coen in Queensland; Alice Springs, Wurrumiyanga, Pirlangimpi, Angurugu and Milikapiti in the Northern Territory; and Bourke, Coonamble and Walgett in New South Wales.

In 2013–14, IBA approved 11 housing loans in remote Indigenous communities classified as emerging markets in the Northern Territory and Queensland. A further 14 loans were provided to Indigenous tenants living in remote New South Wales locations under the NRAHOS.

Transition to another lender

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

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

In 2013–14, 349 customers discharged their IBA loans. The majority of these customers transitioned to the mainstream finance sector to either refinance their existing loan or upgrade to a new home.

Number of loans in the portfolio

IBA's target was to have 4,325 loans in its portfolio. As at 30 June 2014, the loan portfolio consisted of 4,335 active loans valued at \$871.6 million, achieving the target.

Individual wealth creation

For Australians generally, home ownership is one of the main sources of financial security that can be relied on to assist in saving, generate equity for investments, support retirement and provide an inheritable asset. Home ownership has an even greater importance for Indigenous Australians as the sole means for wealth generation, given that it is only in recent decades that they have been in a position to acquire property and begin to accumulate assets.

IBA estimates that capital gains resulting directly from home ownership have created an additional \$1.9 billion in personal asset value for its customers.²

² Estimate based on the individual capital gains customers have made from owning their home during the time they held an IBA home loan since the home loan program's inception in 1975.

LENDING CONSIDERATIONS

Assessment

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

Housing loan products

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

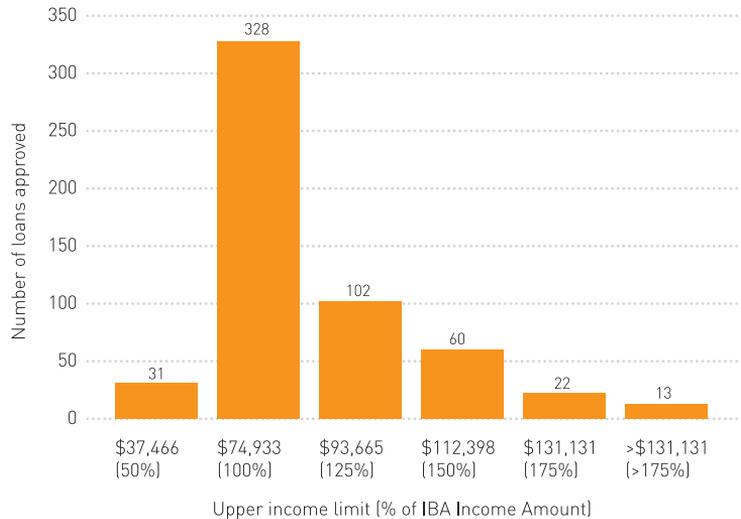
IBA also offers eligible customers loans for other housing-related purposes; for example, to fund modest renovations or essential repairs, or to refinance an existing loan in cases of family break-up or where there is a change in financial circumstances that would result in the family home being sold. In 2013–14, IBA approved eight such loans.

Incomes and loan amounts

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

Customers may be required to obtain part of the funds to purchase their home from another lender. The percentage of the home purchase price that the applicant may borrow from IBA depends on their income and ability to secure finance from another lender. Customers on incomes of more than 125 per cent of the IBA Income Amount are generally funded through a split loan arrangement. The IBA Income Amount is equivalent to 100 per cent of the national average weekly male earnings, as calculated by the Australian Bureau of Statistics. Figure 10 shows the number of loans approved by income band.

FIGURE 10: NEW LOANS APPROVED BY INCOME BAND



Interest rates

IBA’s housing loans have varying commencing interest rates, depending on the individual customer’s circumstances and loan requirements. The majority of customers (60 per cent in 2013–14) received loans at a starting interest rate of 4.5 per cent. The interest rate is fixed for a minimum period of 12 months and then increases by 0.5 per cent on 1 January each year until it reaches the IBA Home Loan Rate. The IBA Home Loan Rate is comparable to the mortgage rates of other lenders, easing customers’ transition to other lenders (see page 64). As at 30 June 2014, the IBA Home Loan Rate was 5.75 per cent.

First home buyers who obtain part of their funds from an external lending institution generally receive a starting interest rate of 4 per cent on their IBA loan, capped for three years. At the end of this period, the rate increases by 0.5 per cent on 1 January each year until it reaches the IBA Home Loan Rate. Customers on very low incomes may have a starting interest rate as low as 3 per cent. Figure 11 shows the number of loans approved by commencing interest rates.

ON SOLID GROUND

MAUDE OLBAR IS PROUD TO BE AT HER NEW HOME
IN HOPE VALE WITH HER FAMILY.

Hope Vale
Campus

HOPE VALE IS AN INDIGENOUS COMMUNITY IN FAR NORTH QUEENSLAND AND HOME TO THE GUUGU YIMITHIRR PEOPLE. WITH A POPULATION OF APPROXIMATELY 1,500, THE COMMUNITY HAS BEEN THRIVING IN RECENT YEARS DUE TO A NUMBER OF INITIATIVES AND INVESTMENTS AND A STRONG COMMUNITY SPIRIT.

One such initiative is the development of the Hope Valley Estate, providing community members an opportunity to buy a home on traditional land with assistance from IBA's Indigenous Home Ownership program.

Hope Vale Aboriginal Shire Council purchased the land for the Hope Valley Estate, while the Australian Government made a substantial investment to allow the Council to develop the subdivision to provide the freehold allotments for local residents.

There are 53 fully serviced freehold lots on the Hope Valley Estate for people to purchase and build their own homes. IBA has spent time in the community talking to residents about the Indigenous Home Ownership program and telling them how they can apply for a home loan with low deposit requirements and affordable interest rates.

'It's very promising, a really good initiative – people have really embraced it', said Ross Higgins, CEO of Hope Vale Aboriginal Shire Council.

'Having their own home gives local residents something to be very proud of and eventually something to hand down to family members. And none of this would have happened if we hadn't had access to the freehold land'.

Maude Olbar is one such Hope Vale resident who is now the proud owner of her own home.

'I always wanted to buy my own home. Ever since I graduated from school that

was my aim', said Maude. She works as a teacher's aide and has worked in the education field for more than 18 years. She has spent her life helping others and previously lived in shared accommodation with numerous family members.

Maude's goal of home ownership never left her mind, so when she heard about the IBA Indigenous Home Ownership program and Hope Valley Estate initiative she decided to apply. Although the mortgage payments would be slightly more expensive than her existing rent, Maude saw this as another challenge to rise to.

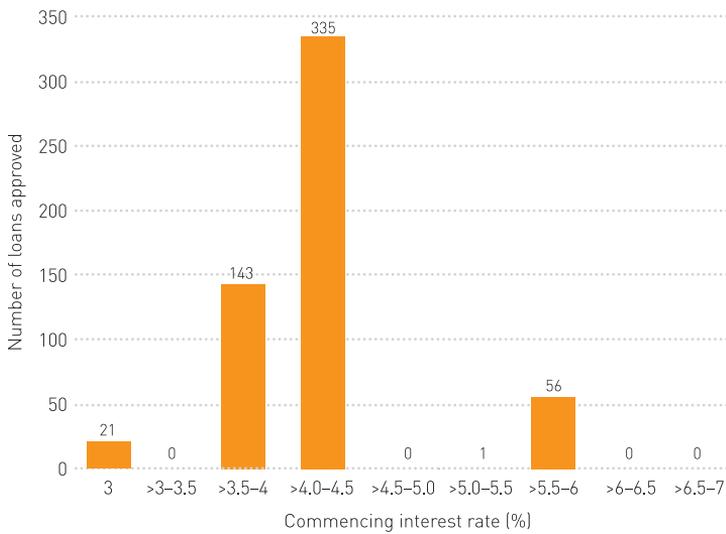
'This will be the first time that I am moving into my own home, just me, by myself. It's going to be a big change for me', she said at the time.

'Now this (home ownership) is a big opportunity for young people to move on, the chance to be responsible and buy their own home instead of living with their parents. I'm glad these young people are getting their own homes. That's really good to see.

'This was one of my aims for years. That was my mission and now I've done it, completed. I am very proud of myself. I have come a long way, you know, not just with the house, but in myself'.

While many Indigenous and non-Indigenous Australians dream of owning their own home, this is now an achievable reality for many Hope Vale residents. More than 10 homes were in the process of being built on the Estate through IBA's Indigenous Home Ownership program in 2013–14.

FIGURE 11: NEW LOANS APPROVED BY COMMENCING INTEREST RATE, 2013-14

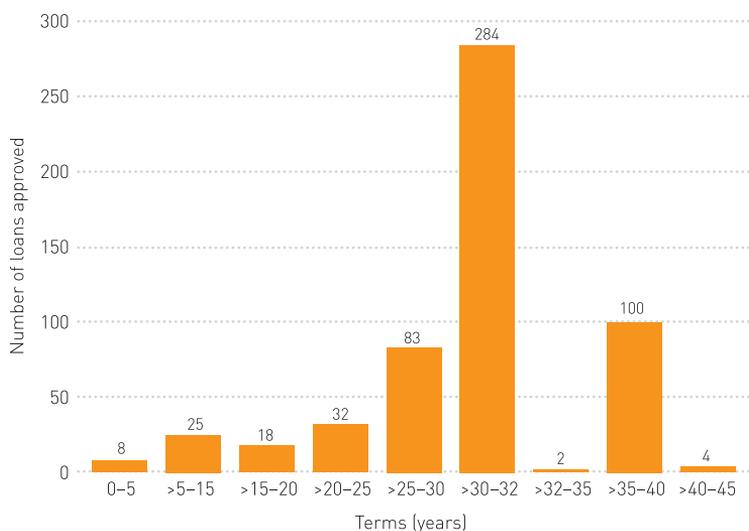


Customers purchasing homes in Indigenous communities classified as emerging markets (see page 64) receive an appropriate commencing interest rate that takes into account their income level. Customers with a family income above \$35,000 and below \$80,000 receive a commencing interest rate of 4.5 per cent. Customers on lower incomes receive a lower commencing interest rate, while those on incomes of \$80,000 or more receive the IBA Home Loan Rate.

Loan terms

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

FIGURE 12: NEW LOANS APPROVED BY LOAN TERM, 2013-14



Deposits

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

In 2013-14, customers borrowed, on average, 95.8 per cent of the funds required to purchase their home. Most commercial lenders would consider this level of borrowing as high risk and they would usually require customers to take out mortgage insurance. IBA accepts this risk and does not require customers to obtain mortgage insurance.

Impact of changes to the first home owner grant

The inability of customers to fund home purchase costs is a major impediment to customers qualifying for a commercial home loan. The decisions by some state government jurisdictions since 2011 to reduce or abolish their first home owner grant (FHOG) schemes for the purchase of existing homes, and in some cases withdraw stamp duty concessions for first home owners, had significant impacts on the types of properties being purchased by IBA customers.

In 2013–14, 34 per cent of all IBA home loans were for newly constructed homes. This compares to 26 per cent in 2012–13 and 12 per cent in 2011–12. While the shift to construction of new dwellings may be in line with the intention of changes to FHOG schemes and other state-based assistance, IBA believes that this affects home ownership opportunities for a significant segment of potential Indigenous home owners by excluding the option of purchasing existing properties with a minimal deposit. Potential Indigenous home owners seeking to purchase a home in rural or remote areas that have high construction costs and limited access to suitable land are particularly disadvantaged.

Without access to this additional assistance, customers would not have had sufficient savings to meet stamp duty and legal and incidental costs associated with buying a home. Previously, these applicants would have been able to use the FHOG to cover these costs and would most likely have been eligible for an IBA loan. To address the consequences of changes to FHOG schemes, IBA has allowed qualifying customers who do not have adequate savings to borrow additional funds to meet stamp duty and other establishment costs. In 2013–14, IBA approved 26 loans for an average additional funding amount of \$9,500.

Assistance for customers in emerging markets

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

Assistance measures include:

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

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

Criteria for emerging markets

IBA focuses on emerging market communities where there are good prospects for successful home ownership outcomes. This generally includes circumstances where:

- the land tenure is suitable as security for a loan and a leasing administration system is in place
- the community's size can generate sufficient interest in home ownership
- the community has a history of good governance and social stability, and has expressed an interest in home ownership
- IBA has assessed the community's capacity, interest and readiness for home ownership.

ASSET MANAGEMENT

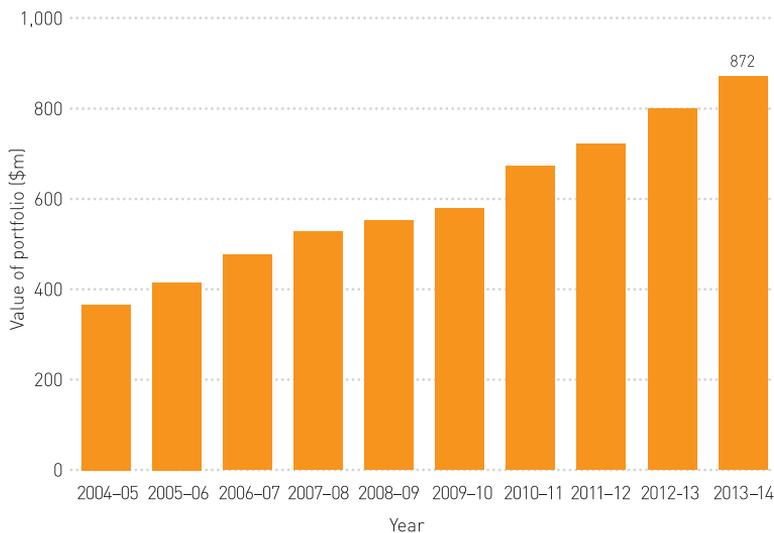
Asset management preserves IBA's asset base, which provides funds for future lending and assists customers to retain ownership of their homes.

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

Loan portfolio balances

During the year, IBA's housing loan portfolio grew by a net amount of \$71.6 million, bringing the portfolio's total value to \$871.6 million. Interest charged on loans during the year was \$39.3 million. The value of the portfolio after accounting adjustments for recognising assets at their fair value was \$597.1 million. Figure 13 shows the growth in the portfolio value over the past 10 years.

FIGURE 13: VALUE OF LOANS IN PORTFOLIO OVER 10 YEARS TO 2013-14



Geographical distribution

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

FIGURE 14: GEOGRAPHICAL DISTRIBUTION OF LOANS BY STATE AS AT 30 JUNE 2014

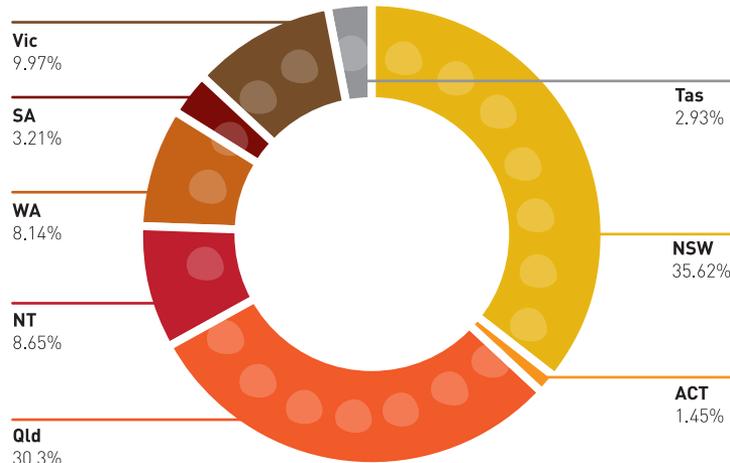
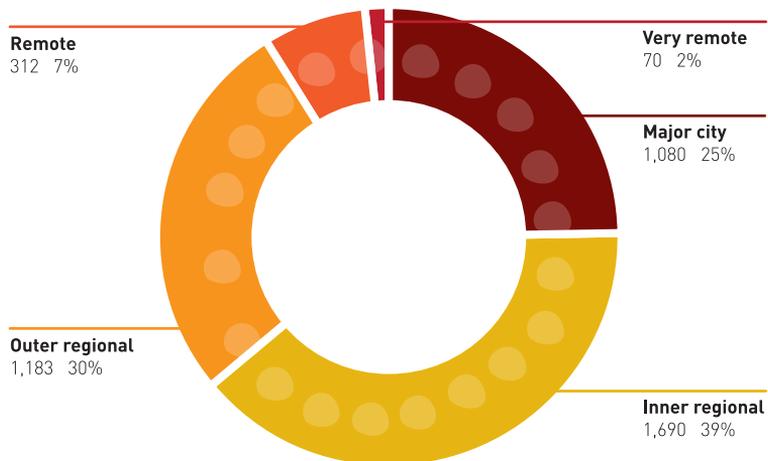


FIGURE 15: DISTRIBUTION OF LOANS BY MAJOR CITY, AND REGIONAL AND REMOTE CLASSIFICATIONS* AS AT 30 JUNE 2014



* Classifications are based on the Accessibility/Remoteness Index of Australia (ARIA)

Loan-to-valuation ratio (LVR)

A high percentage of the portfolio value (86.1 per cent) is made up of loans with a loan-to-valuation ratio (LVR) of 75 per cent or more, in sharp contrast to the broader lending market which has only 34.5 per cent* of loans in this category (a proportion of which may be investment property purchases). The majority of IBA's new customers can only contribute minimum deposits. The weighted-average LVR for IBA's loan portfolio was 86.15 per cent compared to an industry average LVR of 61.5 per cent.*

* Industry comparisons are sourced from Standard & Poor's Residential Mortgage-Backed Securities (RMBS) Performance Watch Report, March 2014.

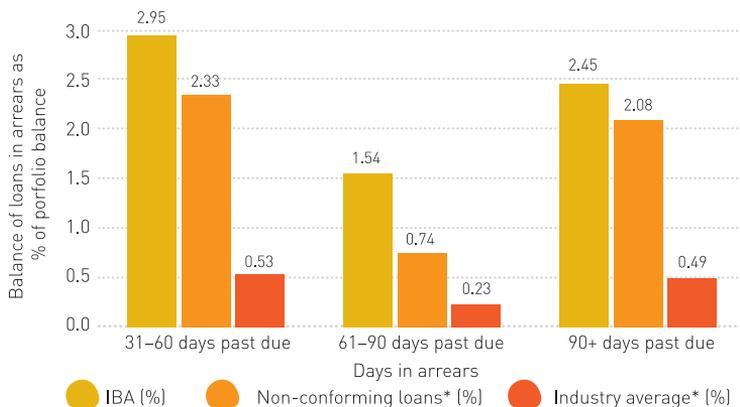
Arrears

IBA's IHOp has appropriate arrears management and loan after-care arrangements that allow for early intervention and management of arrears cases. IBA supports Indigenous customers at all stages of the process of applying for, committing to and managing the financial impact of their first home loan.

A close relationship is established between the loan officers and the customers that is maintained for the course of the loan, providing support when needed. IBA's personalised ongoing support of borrowers operates beyond the normal mandate of a bank or other financial institution. This level of pre- and post-loan support reduces the risk of default and ensures IBA's customers successfully make the transition from renters to home owners, which can otherwise be very challenging.

The level of arrears in IBA's housing loan portfolio is higher than that of other lenders in the broader loan market, which is to be expected given the higher risk profile of IBA's loan portfolio and IBA's focus on low-income first home buyers who are more susceptible to economic downturns. Figure 16 shows the comparison of IBA arrears rates to those of the broader loan industry.

FIGURE 16: ARREARS LOAN BALANCES COMPARISON OF IBA AND MAINSTREAM LENDERS*



* Industry comparisons are sourced from Standard & Poor's Residential Mortgage-Backed Securities (RMBS) Performance Watch Report, March 2014. The figure for non-conforming loans is based on Standard & Poor's arrears for the Australian sub-prime portfolios.

As at 30 June 2014, IBA loans that were more than 30 days in arrears comprised 6.94 per cent of the total value of the loan portfolio. This compares to an industry average benchmark figure of 1.25 per cent.* Loans that were more than 90 days in arrears as at 30 June 2014 comprised 2.45 per cent of the total value of the loan portfolio, compared to an industry average benchmark of 0.49 per cent.*

IBA's arrears rates compare more favourably to the industry benchmark for non-conforming loans (high-risk, non-standard loans). The industry average of non-conforming loans more than 90 days in arrears is 2.08 per cent, compared to 2.45 per cent of IBA loans in this category.

As at 30 June 2014, 113 IBA loans were subject to repayment arrangements. In five instances IBA possessed the security property under mortgagee-in-possession arrangements.

In 2013–14, IBA sold 31 houses under its mortgagee-in-possession powers for a net loss of \$2 million. This loss reflected depressed markets in the areas where the sales occurred. Before exercising its mortgagee powers, IBA worked extensively with each borrower to ensure they were given every possible opportunity to retain their homes. IBA is pursuing repayment arrangements to recover its losses.

Whilst IBA takes every possible step to ensure borrowers have the capacity and intent to service loans, some arrears and losses are inevitable. However, the overall benefits that flow from encouraging and assisting Indigenous Australians to participate in home ownership are considerable and clearly outweigh any negatives.

RISK MANAGEMENT

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

Most lenders have developed sophisticated automated points-based loan assessment processes, which are the primary determinant of loan affordability. Applicants who have low incomes, negligible assets, limited or no savings, high consumer debt or blemished credit histories are assessed as too high a risk by most lenders. IBA adopts a far more flexible approach where each case is considered on its merits.

From a financial perspective, IBA's loan receivables are considered riskier than those of mainstream lenders. IBA accepts a lower rate of return than the market would allow for this level of risk. The risk and return characteristics that IBA accepts are reflected in the fair valuation of its loan portfolio, detailed in the accompanying financial statements that begin on page 157.

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

OUTLOOK

The projected revenue and new appropriations will allow IBA to support an estimated 560 new home purchases in 2014–15.

IBA will continue to give priority to applicants seeking to purchase a home in emerging market communities.

04

BUSINESS OWNERSHIP

80 OBJECTIVES

81 PERFORMANCE

83 PREPARING FOR BUSINESS

86 INTO BUSINESS WORKSHOPS

87 BUSINESS PLANNING AND SUPPORT

88 BUSINESS LOANS

89 GROWING AND SUSTAINING
BUSINESSES

92 PARTNERSHIPS

93 TRANSITIONING TO THE BROADER
ECONOMY

94 LOAN PORTFOLIO

96 RISK MANAGEMENT

96 OUTLOOK

OBJECTIVES

The Business Development and Assistance Program assists eligible Aboriginal and Torres Strait Islander peoples to start up, acquire, grow or exit a business and seeks to close the gap between Indigenous and non-Indigenous self-employment. The program supports Indigenous peoples across Australia to access business development and financial assistance that is generally not provided by the private sector.

Indigenous people are three times less likely to own and run their own business than non-Indigenous people. The remoteness of places where many Indigenous people live plays a large part in this. The largest difference in Indigenous and non-Indigenous self-employment rates occurs in very remote areas, with Indigenous people being almost nine times less likely to be self-employed.¹

IBA creates flexible pathways into business ownership through its *Into Business*[™] workshops, concessional finance, pre- and post-loan business support, and access to commercial banking connections.

Business ownership generates income, and social and economic benefits for Indigenous business owners and their families, and provides opportunities to employ other Indigenous Australians.

¹ Morley, S 2014, *Success factors for Indigenous entrepreneurs and community-based enterprises*, Resource sheet no. 30, Closing the Gap Clearinghouse.

PERFORMANCE

75 loans worth
a total of
\$27.6 million

The Business Development and Assistance Program has continued to increase its level of sustainable outputs.

In 2013–14, the program built on previous years' successes by approving 75 loans worth a total of \$27.6 million. While total loan numbers decreased, IBA increased the number of loans facilitated with commercial lenders and grew the total loan portfolio from 288 in 2012–13 to 303 in 2013–14.

Several new performance measures were introduced in 2013–14 to clearly reflect the assistance IBA provides to its customers, including IBA's contribution to employment outcomes. IBA invested in Business Development Initiatives (BDIs) (see page 83) in a more strategic manner to deliver greater outcomes through fewer initiatives, by creating and building on relationships with partner organisations to deliver more complete services.

While the percentage of loan accounts that were successfully finalised through loan repayment was below 68 per cent – slightly below the target of 70 per cent – this was an improvement on last financial year's result of 62 per cent. Additionally, the total value of the loans discharged through repayment was 78 per cent of the total loans, which was a substantial increase from the previous financial year's performance of 55 per cent.

The total number of Strategic Economic Development Initiatives (SEDIs) was lower than the target of 15 in this financial year, primarily due to the size and complexity of those that were delivered. However, through these initiatives 62 businesses were supported to develop or grow their current markets.

The combined total of loans provided to customers through IBA and the banking sector referrals achieved a total loan rate of 92 loans against an overall target of 90 loans. A further 28, additional loans were provided to existing business owners in the IBA portfolio, primarily to buy new equipment and expand businesses.

TABLE 8: BUSINESS DEVELOPMENT AND ASSISTANCE PROGRAM PERFORMANCE SUMMARY, MEASURED AGAINST THE IBA PORTFOLIO BUDGET STATEMENTS' REVISED TARGETS FOR 2013-14

| Key performance indicators | Target | Result | Achieved |
|---|--------|--------|----------|
| Percentage of loan accounts that were successfully finalised through loan repayment | 70% | 68% | x |
| Percentage of loan customers still in business 12 months after commencing business | 85% | 91% | ✓ |
| Percentage of loan customers still in business two years after commencing business | 75% | 79% | ✓ |
| Percentage of loan customers still in business three years after commencing business | 65% | 69% | ✓ |
| Key deliverables | Target | Result | Achieved |
| Number of new loans approved (including split loans with other lenders) | 80 | 75 | x |
| Number of new loans facilitated with other lenders in the broader economy (e.g. banks) | 10 | 17 | ✓ |
| Number of businesses or prospective businesses provided with business advice or support | 490 | 499 | ✓ |
| Number of participants that attended workshops | 750 | 1,474 | ✓ |
| Number of Strategic Economic Development Initiatives | 15 | 13 | x |
| Number of Business Development Initiatives | 30 | 52 | ✓ |
| Number of jobs supported by IBA business loan customers | 500 | 772 | ✓ |
| Number of Indigenous people in jobs supported by IBA business loan customers | 300 | 495 | ✓ |
| Number of active loans in the portfolio | 300 | 303 | ✓ |

PREPARING FOR BUSINESS

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

There are four broad areas of assistance:

- *Into Business*[™] workshops to assist people to plan and prepare for small business ownership
- business support that provides technical support to aspiring business owners in defining their business goals and developing practical actions to get them into business
- BDIs to assist individual business owners within a region or industry, including support for existing business owners to build networks by participating in trade events, business conferences and industry-specific forums
- SEDIs to develop innovative, complex or collaborative projects which enable Indigenous economic development in a number of communities and in specific industry sectors.

In 2013–14, IBA conducted 13 SEDIs, 321 *Into Business*[™] workshops and 52 BDIs, with a total funding expense of \$4.6 million over various terms.



THE BEST INGREDIENTS

JO DONOVAN, BANDU CATERING, BUSY IN THE KITCHEN.

IN 2011, JO DONOVAN TOOK THE LEAP TO TURN HER HOBBY INTO A BUSINESS, LEAVING A 36-YEAR CAREER IN ADMINISTRATION WITH THE AUSTRALIAN CAPITAL TERRITORY AND COMMONWEALTH GOVERNMENT PUBLIC SECTOR TO FORM BANDU CATERING ('BANDU' MEANS 'FOOD' IN THE DHANGGATI LANGUAGE) WITH SON AARON DEVINE. AARON WAS ALREADY A TALENTED AND QUALIFIED CHEF WITH 14 YEARS EXPERIENCE BEHIND HIM.

Jo's daughter Jessica, also a qualified chef, joined her family at Bandu. Jo is relishing working side by side with her children to deliver high-quality food that mixes native ingredients and flavours with innovative, contemporary Australian cuisine.

Jo attended three one-day IBA *Into Business*[™] workshops, which tested both her business idea and her resolve to take it forward. 'There's a lot of work that IBA requires you to do during the workshops, but I didn't mind', said Jo. 'To me, if you are committed and you want it, you will go hard and make it happen. The first part of getting our business together was to do the IBA business course'.

With their plan in place, Jo and Aaron secured a small loan for a customised and branded delivery van (which they have now paid off in full). They also received mentoring and support from a business consultant through IBA's Business Development and Assistance Program.

Jo and her family know that constantly exploring new ideas in business, food and service delivery are vital to ensure Bandu – with limited human resources – continues to grow, innovate and compete against larger, better resourced catering companies. However, the smaller family structure has its advantages too. For example, new business ideas and opportunities can be explored and actioned quickly without needing to consult multiple stakeholders.

Bandu's reputation for delivering innovative food and high-quality service has helped turn it into an award-winning business with a range of customers. In 2013, Bandu received the inaugural ACT Government (Economic Development Directorate) Indigenous Business Award at the ACT NAIDOC Business of the Year Awards.

INTO BUSINESS WORKSHOPS

IBA offers free *Into Business*[™] workshops for aspiring Indigenous entrepreneurs. The workshops are designed to assist Aboriginal and Torres Strait Islander peoples to fully investigate and research their business ideas before taking the leap into business ownership.

In 2013–14, IBA continued to enhance its *Into Business*[™] workshop program by collaborating with Indigenous workshop providers and consultants to refine and adapt the content to better suit the needs of its customers. IBA is now delivering workshops in partnership with the Torres Strait Regional Authority on Thursday Island and Badu Island in the Torres Strait, in northern New South Wales with the New South Wales Aboriginal Land Council, and in remote areas of the Northern Territory with the Northern Territory Government.

The workshops continue to deliver on customer expectations and assist Indigenous Australians in exploring their business aspirations. More than 321 workshops were delivered this year across 29 locations.

IBA is continuing to work to deliver workshop content online to provide a greater level of access for Indigenous people aspiring to own and run their own businesses.

BUSINESS PLANNING AND SUPPORT

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

This year IBA has focused more on developing the skills of potential entrepreneurs and working with them to explore suitable business opportunities. This represents a shift from assessing business proposals to assisting entrepreneurs to find a suitable business match that aligns with their objectives.

A fast-track assessment procedure enables Supply Nation–certified suppliers to access business planning, tendering and marketing services, and IBA business loans.

During 2013–14, IBA:

- responded to 1,931 business-related enquiries for assistance
- provided 253 people with pre-business assistance (excluding those attending *Into Business*[™] workshops), including business plans and feasibility assessments
- provided 333 business owners with marketing, branding and website creation support; financial skills development; and advice on growing their business, cash flow management, succession planning and exiting a business.



IBA provided
253 people with
pre-business
assistance

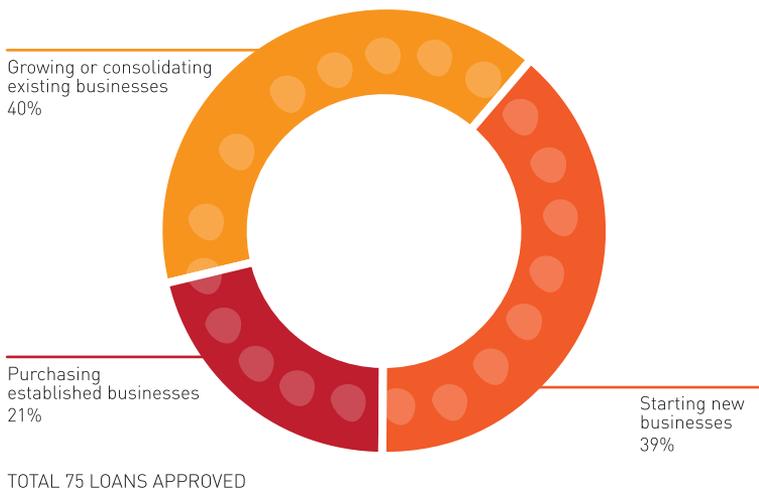
BUSINESS LOANS

IBA offers a concessional loan product to Indigenous Australians who need capital to start, acquire or grow a business. Alternatively, IBA can provide referrals to Australia's major banks, or to dedicated Indigenous micro-loan and small-business loan teams at the National Australia Bank and the Commonwealth Bank of Australia.

IBA offers business loans up to \$2 million at concessional interest rates that are generally 2.5 per cent per annum below the comparable rates offered by leading Australian banks. Business loans over \$2 million are subject to funds availability and approval by IBA's Board. Concessional interest rates are designed to overcome debt-servicing barriers and enable quicker loan repayment, allowing the business to build equity. Other loan terms and conditions are generally consistent with private sector loans and are based on sound business principles, although IBA does not require the same level of equity holding or security cover.

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

FIGURE 17: NUMBER OF BUSINESS LOANS USED TO START A NEW BUSINESS, ACQUIRE AN EXISTING BUSINESS, OR GROW AND CONSOLIDATE AN EXISTING BUSINESS IN 2013-14



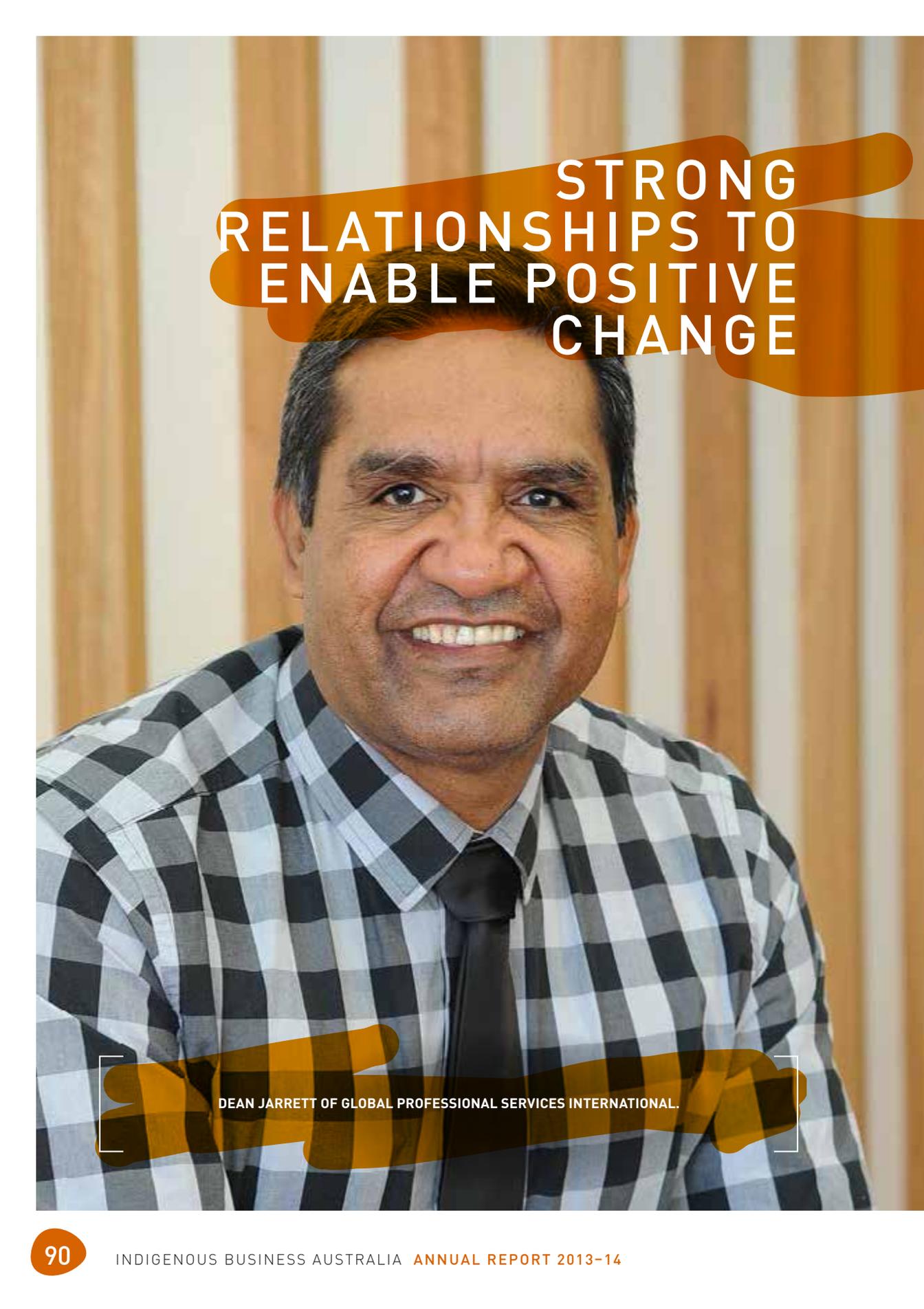
GROWING AND SUSTAINING BUSINESSES

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

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

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

IBA maintains close working relationships with its customers. Loan managers visit their customers periodically and make scheduled customer contacts to understand their business and identify any additional assistance required.

A portrait of Dean Jarrett, a middle-aged man with dark hair, smiling. He is wearing a black and white checkered button-down shirt and a dark tie. The background consists of vertical wooden slats. Overlaid on the top right of the image is a large, stylized orange brushstroke graphic containing the text 'STRONG RELATIONSHIPS TO ENABLE POSITIVE CHANGE'. At the bottom, another orange brushstroke graphic contains the name 'DEAN JARRETT OF GLOBAL PROFESSIONAL SERVICES INTERNATIONAL.'

STRONG RELATIONSHIPS TO ENABLE POSITIVE CHANGE

DEAN JARRETT OF GLOBAL PROFESSIONAL SERVICES INTERNATIONAL.

GUMBAYNGGIRR MAN DEAN JARRETT BELIEVES ECONOMIC DEVELOPMENT CAN BE A CATALYST FOR ENDURING POSITIVE CHANGE WITHIN ABORIGINAL COMMUNITIES. IN 2009, SEEKING A MORE DIRECT INFLUENCE ON THE DEVELOPMENT OF POLICIES AND PROGRAMS AFFECTING ABORIGINAL PEOPLE, HE MADE THE LEAP INTO BUSINESS OWNERSHIP.

'I attended the three IBA *Into Business*TM workshops and found them really helpful', said Dean. 'I could see the need, the challenges and the opportunities out there in our communities and the public and private sectors to better engage ... Those workshops gave me a lot more clarity about what my services and products would be and how they were going to address those needs and challenges'.

With support from IBA, Dean established Bizdigenous Consulting, assisting organisations, businesses and government agencies to implement culturally safe programs and services, and develop policies to help achieve their Indigenous employment, procurement and supplier diversity targets.

IBA also supported Dean to take up a Supply Nation invitation in 2012 to join a delegation of Certified Suppliers at a major business trade fair in the United States of America. Dean has since entered into a joint venture – Global Professional Services International (GPSI) – with fellow business consultants, Noongar man Gordon Cole from Western Australia, and Cynthia Dorrington, a Canadian-Aboriginal from Nova Scotia.

Leveraging best practice in supplier diversity, GPSI's value proposition is international expertise, academic rigour and grassroots connections. It is built on an ideology of collaboration and co-opetition, and Dean believes it will 'shake up the Indigenous consultancy industry in a massive way'. In May 2014, Dean's, Gordon's and Cynthia's individual companies won the Supply Nation Supplier to Supplier Partnership of the Year 2014 award, recognising their new joint venture.

'We were so excited to win the award because that's exactly what that award exemplifies: co-opetition. And yes, it's about relationships with Indigenous suppliers, but it's also about building strong relationships with procurement folk across non-Indigenous organisations, businesses and agencies'.

PARTNERSHIPS

IBA has continued to work with external partners such as Supply Nation, the Department of the Prime Minister and Cabinet and a number of commercial banking institutions to broaden and improve its service delivery. In this financial year, IBA has continued its relationships with the National Australia Bank and the Commonwealth Bank of Australia, as well as forming and enhancing partnerships with organisations such as the Torres Strait Regional Authority, the Northern Territory Government and the New South Wales Aboriginal Land Council.

IBA has customised a range of services to meet the needs of these partners and continues to work with them and their customers to further refine and improve IBA's products. In addition to broader delivery of existing services, IBA has also signed a memorandum of understanding with TAFE NSW Western Institute to enable access for IBA customers to the Virtual Advisor Program that is funded by the Department of Communications as part of its Digital Business Program.

In October 2013 IBA sponsored and participated in an international market development opportunity in partnership with Supply Nation – the National Minority Supplier Development Council Conference and Business Opportunity Fair, in Texas, USA – to assist Indigenous business owners to form international trading relationships (see page 91).

IBA also supported Supply Nation through event sponsorship and assistance for the Connect 2014 conference in Sydney, which gives Supply Nation suppliers and other Indigenous businesses access to direct market opportunities. This year IBA's support enabled 39 businesses to attend the conference and engage directly with procurement experts and buyers from across the government and corporate sectors.

Through a partnership with the Melbourne Business School (MBS), IBA is proud to support the MURRA Indigenous Business Master Class Program (MURRA), an innovative education and mentoring program for established Indigenous entrepreneurs.

TRANSITIONING TO THE BROADER ECONOMY

A successful outcome of the program is that customers transition to economic independence and participate in the broader Australian economy on equal terms. IBA's partnerships with the corporate and non-government sectors are assisting IBA's customers' transition from concessional products to banking sector products and services to the value of \$7.7 million.

In 2013–14, 17 loans were facilitated between IBA customers and commercial banks and more than \$50 million in contracts was facilitated through IBA supply chain connections.

Notwithstanding an increase in Indigenous supply chain participation in this financial year, there are still relatively low levels of Indigenous businesses securing contracts in the supply chains of corporate and government Australia. IBA intends to further enhance the level of participation of Indigenous business throughout commercial supply chains. This participation can take many forms, including contract tendering and accessing supplier trade terms.

LOAN PORTFOLIO

IBA's loan portfolio grew from 320 loans as at 30 June 2013 to 335 loans as at 30 June 2014, with a face value of \$67.0 million. Most of the portfolio's loans are in retail and construction, which together comprise approximately 30 per cent of the portfolio's value. During the year, growth occurred in 15 different industries across all states and territories with the exception of Tasmania.

IBA has made conservative provisioning for doubtful debts of \$14.7 million and is required under Australian Accounting Standard 139 to make a market value adjustment of \$1.48 million. Factors contributing to the increase in provisioning since 2012–13 are portfolio growth and last year's low provisioning compared to prior years. The latter was due to finalisation of several recovery actions on old loans dating back to between 2003 and 2008, including a \$1.4 million loan transferred to IBA after the Aboriginal and Torres Strait Islander Commission was abolished.

Loan arrears is one factor in the decision to provision an account. Commensurate with the increase in portfolio size, there was an increase in accounts in arrears greater than two payments. Younger loans comprise a growing proportion of these accounts. Accordingly, IBA is taking various actions – including aligning expertise from across the program – to identify solutions to account issues and to improve arrears management reporting by regional offices.

FIGURE 18: NUMBER, VALUE AND LOCATION OF BUSINESS LOANS AS AT 30 JUNE 2014

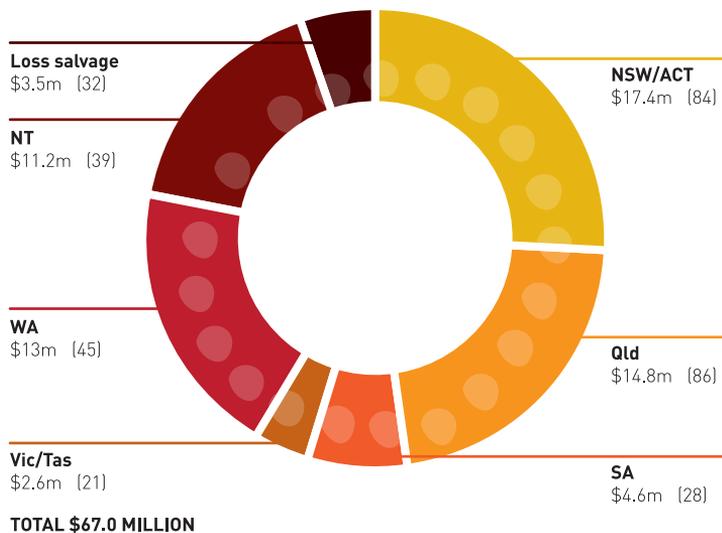


FIGURE 19: NUMBER, VALUE AND INDUSTRY CLASSIFICATION OF BUSINESS LOANS AS AT 30 JUNE 2014

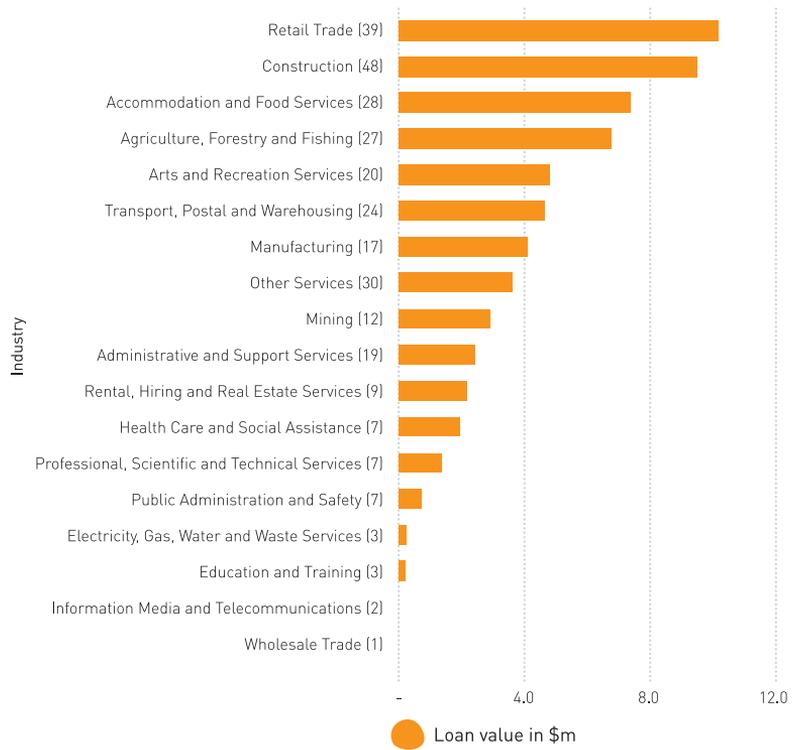
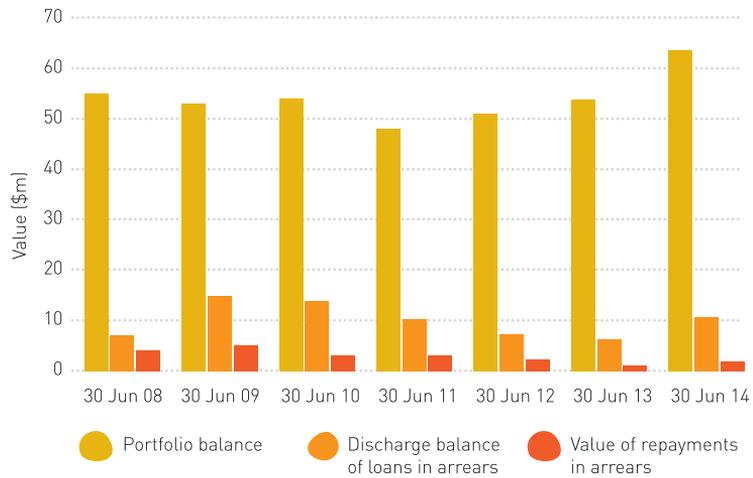


FIGURE 20: VALUE OF LOANS IN REPORTABLE ARREARS AND VALUE OF REPAYMENTS IN REPORTABLE ARREARS



The discharge balance in arrears as a percentage of the portfolio balance as at 30 June 2014 was an increase of 5 per cent from the previous year; however, this has been trending down through the latter half of what has been a challenging year for many of IBA's customers. Recovery from a reportable arrears position is testament to the growing resilience being displayed by Indigenous businesses within IBA's portfolio.

RISK MANAGEMENT

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

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

During the year, work was undertaken to further strengthen the program's risk management function through an efficiency review of business support, a review of credit policy and the development of a process for hindsight review of credit decisions that is consistent with current bank industry practice.

OUTLOOK

IBA is exploring a realignment of its service delivery to ensure the Business Development and Assistance Program is proactive and responsive in developing Indigenous entrepreneurs and businesses. We will increase our focus on identifying and developing commercial opportunities for our customers by establishing and leveraging industry and other partnerships.

05

ACCOUNTABILITY

| | |
|-----|-------------------------------------|
| 98 | LEGISLATION AND REQUIREMENTS |
| 99 | PORTFOLIO BUDGET STATEMENTS |
| 99 | CORPORATE PLAN |
| 100 | MINISTERIAL DIRECTIONS |
| 100 | AUSTRALIAN GOVERNMENT POLICY ORDERS |
| 101 | THE IBA BOARD |
| 110 | COMMITTEES |
| 114 | INTERNAL GOVERNANCE |
| 119 | THE EXECUTIVE MANAGEMENT TEAM |
| 124 | EXTERNAL SCRUTINY AND REPORTING |
| 125 | OTHER STATUTORY REQUIREMENTS |
| 126 | ENVIRONMENTAL PERFORMANCE |

LEGISLATION AND REQUIREMENTS

IBA's corporate governance framework is designed to ensure the delivery of organisational objectives in a transparent, accountable and efficient way.

IBA is a statutory authority of the Commonwealth accountable to the Parliament and the Minister for Indigenous Affairs. It is established under the *Aboriginal and Torres Strait Islander Act 2005* (ATSI Act). IBA's purpose is to:

- (a) assist and enhance Aboriginal and Torres Strait Islander self-management and economic self-sufficiency
- (b) advance the commercial and economic interests of Aboriginal and Torres Strait Islander peoples by accumulating and using a substantial capital asset for their benefit.

The ATSI Act sets out the functions and powers of IBA and governs its operations.

IBA was required to comply with the *Commonwealth Authorities and Companies Act 1997* (CAC Act) during the reporting period. The CAC Act regulated most financial aspects of IBA, including reporting, accountability, banking and investment obligations, and the conduct of directors and officers. On 1 July 2014, the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) will replace the CAC Act. IBA has established effective controls to ensure compliance with the PGPA Act.

The Finance Minister did not grant an exemption to IBA from any requirements of the Commonwealth Authorities Annual Reporting Order.

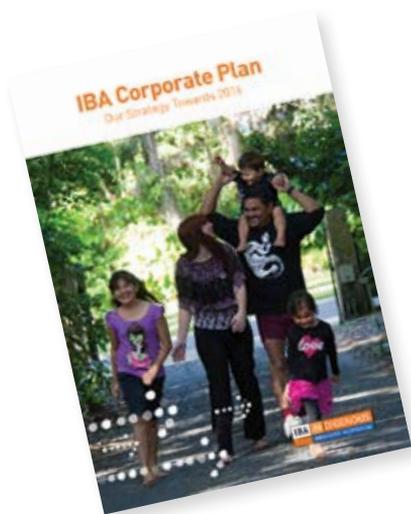
PORTFOLIO BUDGET STATEMENTS

IBA's budget obligation is to deliver 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 (see pages 11–13).

CORPORATE PLAN

After consulting with the Minister and key stakeholders, the Board approved the IBA Corporate Plan 2014–16. It came into effect on 1 January 2014 and is published at www.iba.gov.au.

The Corporate Plan sets out IBA's objectives, strategies and policies, and is an important tool in communicating IBA's strategy to staff and external audiences.



MINISTERIAL DIRECTIONS

The responsible Minister for the 2013–14 reporting period is Senator the Hon. Nigel Scullion, Minister for Indigenous Affairs. For the period 1 July 2013 to 18 September 2013, the former Minister for Families, Community Services and Indigenous Affairs, the Hon. Jenny Macklin, MP, was the responsible Minister.

Under Section 151 of the ATSI Act, the responsible Minister is empowered to make directions with which IBA must comply. No ministerial directions were made during the reporting period.

AUSTRALIAN GOVERNMENT POLICY ORDERS

IBA must comply with general government policies and general policy orders (as required under the CAC Act), unless exempted. Previous ministers exempted IBA from the requirement to comply with policies regarding Australian Government property ownership, cost recovery, foreign exchange risk management and the National Code of Practice for the Construction Industry. Despite a partial exemption, IBA is required to report any foreign exchange exposures, gains and losses to the Department of Finance. During 2013–14, IBA was not required to provide any reports to the Department of Finance. IBA must also comply with guidelines on making appointments to and setting remuneration for public offices established under legislation.

THE IBA BOARD

The Board consists of a Chair, a Deputy Chair and seven directors appointed by the Minister in accordance with the ATSI Act. The Act also details the following requirements for directors:

- The Chair may be either part time or full time.
- The other Directors are to be part time.
- The Chair and at least four other Board members must be of Aboriginal or Torres Strait Islander descent.
- The Minister must be satisfied that each director has experience in either:
 - industry, commerce or finance
 - Aboriginal or Torres Strait Islander community life or enterprises.

Five of the nine Board members identified as being of Aboriginal or Torres Strait Islander descent

The Board comprises members with extensive and varied expertise. Their profiles are found on pages 103–107. During June 2014, five of the nine Board members identified as being of Aboriginal or Torres Strait Islander descent and six were female. Dr Casey ceased as Chair on 28 June 2014. Mr Ashby was appointed Acting Chair from 29 June 2014.

In 2013–14, the Board held six scheduled meetings and six out-of-session meetings.

All Board members are non-executive directors. The composition of the Board and membership details for each director are listed on pages 103–107.

The role of the IBA Board

It is the responsibility of the IBA Board, subject to any direction from the Minister under Section 151 of the ATSI Act, to ensure the proper and efficient performance of the functions of IBA and to determine the policy of IBA with respect to any matter.

The Board must also:

- prepare a Corporate Plan
- appoint the CEO.

The Board is accountable to the Minister for IBA's performance and strives to maintain a strong, positive relationship. The Board is responsible for keeping the Minister informed of IBA's activities and consulting the Minister about significant decisions including the CEO's appointment, consistent with longstanding government practice.

As required by Section 158 of the ATSI Act, the Minister also consults IBA about Board appointees whenever there is, or is expected to be, a vacancy.

The Board has adopted a Governance Charter with the following four objectives:

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

IBA Board profiles



DAWN CASEY
PSM FAHA

Chair to 28 June 2014

First appointed 29 June 2009 to 28 June 2014.

Meetings
Board: 6 (6) AM: 6 (6)

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

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

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

Dawn has received many awards for her achievements.

Figures in parentheses indicate maximum number of meetings the Board members could have attended.
AM: Additional meetings



IAN TRUST

Deputy Chair to 30 November 2013

First appointed 4 August 2003. Reappointed 1 December 2010 to 30 November 2013.

Meetings
Board: 2 (2) AM: 2 (3)

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

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

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

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



ANTHONY ASHBY

**Acting Chair from
29 June 2014**

**Deputy Chair from
1 December 2013**

First appointed
22 October 2012 to
21 October 2015.

Appointed Deputy Chair
1 December 2013 to
30 November 2016.

Board: 6 (6) AM: 6 (6)
Finance and Investment
Committee Meeting: 6 (6)
AM: 2 (2)

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

Anthony's professional career started as a graduate accountant with Ernst & Young, where he became a manager before leaving the company to seek new experiences. He gained international accounting experience working in the New York and New Jersey offices of the Moore Stephens Group. Anthony then turned his attention to the commercial arena as the Finance Manager of the Darrell Lea Group of companies. In 2004, Anthony and his wife Vanessa established their own boutique accounting business.

Anthony is currently a member of the Audit and Risk Committee for Supply Nation (formerly the Australian Indigenous Minority Supplier Council) and the organisation's external accountant.

Anthony is a member of the Finance and Investment Committee.



PATRICIA (TRISH) ANGUS PSM

Director

First appointed
1 December 2013 to
1 December 2016.

Board: 5 (5) AM: 2 (2)
Finance and Investment
Committee 2 (4) AM: 1 (1)

Trish Angus brings to the Board specialist knowledge in strategic policy, legislation, reporting, program and project development, and also operational and customer support in housing.

Recently retired, Trish has 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 working in the Australian Defence Force and community-controlled organisations, and extensive governance experience following board and committee memberships across a range of sectors.

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

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

Trish is a member of the Finance and Investment Committee.



JASON EADES

Director

First appointed 19 July 2011 to 18 July 2014.
Acting appointment 19 July 2014 to 18 October 2014.
Board: 5 (6) AM: 6 (6)
Finance and Investment Committee: 5 (6) AM: 1 (2)

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

He established the Jason Eades Consultancy in 2009, which later became Eades Consulting Group. His consultancy focuses on governance and developing economic opportunities (including family business and community-based enterprises), and cultural competency and culturally responsive services for Indigenous peoples. In 2013, Jason started work as CEO of PwC Indigenous Consulting Pty Ltd.

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

Jason is a member of the Finance and Investment Committee.



JUDY HARDY

Director

First appointed 9 August 2004.
Acting appointment 1 September 2014 to 30 November 2014.
Board: 6 (6) AM: 5 (6)
Audit and Risk Committee: 4 (4) AM: 5 (5)

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

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

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

Judy is a member of the Audit and Risk Committee.



GAIL REYNOLDS-ADAMSON MAICD

Director

First appointed 10 May 2006.
Acting appointment
1 September 2014 to
30 November 2014.
Board: 5 (6) AM: 6 (6)
Finance and Investment
Committee: 3 (4) AM: 1 (1)
Audit and Risk Committee:
1 (2) AM: 3 (3)

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

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

Gail is a board member of the Bay of Isles Aboriginal Corporation and Chair of the South East Aboriginal Health Service.

Gail is a member of the Finance and Investment Committee.



PETER THOMAS BC, FCA

Director

First appointed
24 September 2007.
Reappointed 5 October 2013
to 4 October 2016.
Board: 6 (6) AM: 5 (6)
Finance and Investment
Committee: 6 (6) AM: 2 (2)

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

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

Peter is a director of Voyages Indigenous Tourism Australia, the Foundation for Alcohol Research and Education, a number of private sector companies and, on a pro-bono basis, three not-for-profit organisations.

Peter is Chair of the Finance and Investment Committee.



CLAIRE WOODLEY

Director

First appointed
22 October 2012 to
21 October 2015.
Board: 6 (6) AM: 5 (6)
Audit and Risk Committee:
3 (4) AM: 5 (5)

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

Claire brings to the Board her 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.

Claire is a member of the Audit and Risk Committee.



NAREEN YOUNG

Director

First appointed 21 June 2013
to 20 June 2016.
Board: 6 (6) AM: 5 (6)
Audit and Risk Committee: 1 (2)
AM: 2 (2)

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

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

Nareen is a board member of the Institute for Cultural Diversity and Netball Australia, and a diversity advisor at Westpac Bank. She is Chair of Groundswell Arts NSW and a member of the Lend Lease Reconciliation Action Plan Advisory Panel.

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

Ethical standards

Included in the Board Governance Charter is the Code of Conduct for Directors, and guidelines for dealing with directors' conflicts of interest and material personal interests as required.

Board development and review

IBA provides a formal induction for new Board members, including a meeting with the Chair, CEO and Executive Management Team. Directors are provided with the Director's Induction Manual, which includes the Board Governance Charter.

During the reporting period, Gail Reynolds-Adamson completed the Murra Indigenous BusinessMaster Class Program run by the Melbourne Business School.

The Chair held discussions with individual Board members on their performance during May and June 2014. An independent Board performance review is to be conducted in December 2014.

Related entity transactions

Under Section 15 of the Commonwealth Authorities (Annual Reporting) Orders 2011, IBA is required to report any related entity transactions. Note 16 of the Financial Statements (page 214) details the loans and other transactions with directors or director-related entities. This section provides details on the decision-making process of the Board and transactions during the financial year, where a director received a benefit. The decision-making process was independent of the Board. It was delegated to an IBA staff member in accordance with specified policies and procedures. Business support consulting advice was provided to the following directors as shown in Table 9.

TABLE 9: VALUE OF SERVICES AND NUMBER OF TRANSACTIONS PROVIDED TO DIRECTORS

| Name | \$ | Number of transactions |
|--------------------------|-----------|-------------------------------|
| Mr Jason Eades | \$44,870 | 6 |
| Ms Gail Reynolds-Adamson | \$17,533 | 2 |

Remuneration

IBA's directors are entitled to remuneration and allowances. Details of directors' remuneration and allowances are set out in the Remuneration Tribunal Determinations 2013/11, 2013/16 and 2014/03 as amended from time to time, and notes 15 and 17 of the Financial Statements (see pages 213 and 215).

Access to information and outside advice

Directors have access to all information necessary – including previous agenda papers – to help them perform their duties. Directors can obtain independent professional advice if they believe it is necessary to fulfil their due diligence responsibilities, subject to the Chair's authorisation. Where the Chair wishes to obtain independent advice, two other directors must approve the request.

Indemnity and insurance

IBA's directors' and officers' liability insurance cover is provided through Comcover, the Australian Government's self-managed fund. IBA renewed its insurance coverage in 2013–14 to a level appropriate for its operations.

COMMITTEES

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

Audit and Risk Committee

The Board established the IBA Audit and Risk Committee in compliance with Section 32 of the CAC Act. The committee provides independent assurance and assistance to the Board regarding IBA's risk control and compliance framework, and its external accountability responsibilities.

Jenny Morison was appointed as a member of the Audit and Risk Committee on 11 May 2008 and became its Chair on 4 May 2010. She was reappointed for a period of two years until May 2016. Jenny is an independent member of a number of Australian Government audit committees and is a chartered accountant with 30 years of broad experience in accounting and commerce. Her career has included audit, taxation, management consulting, and corporate and government advisory work. Jenny attended four scheduled and five additional Audit and Risk Committee meetings during 2013–14.

Other members of the Audit and Risk Committee are IBA Board Directors Judy Hardy, Claire Woodley, Nareen Young and Gail Reynolds-Adamson. You can read about these Board Directors on pages 105–107.

Finance and Investment Committee

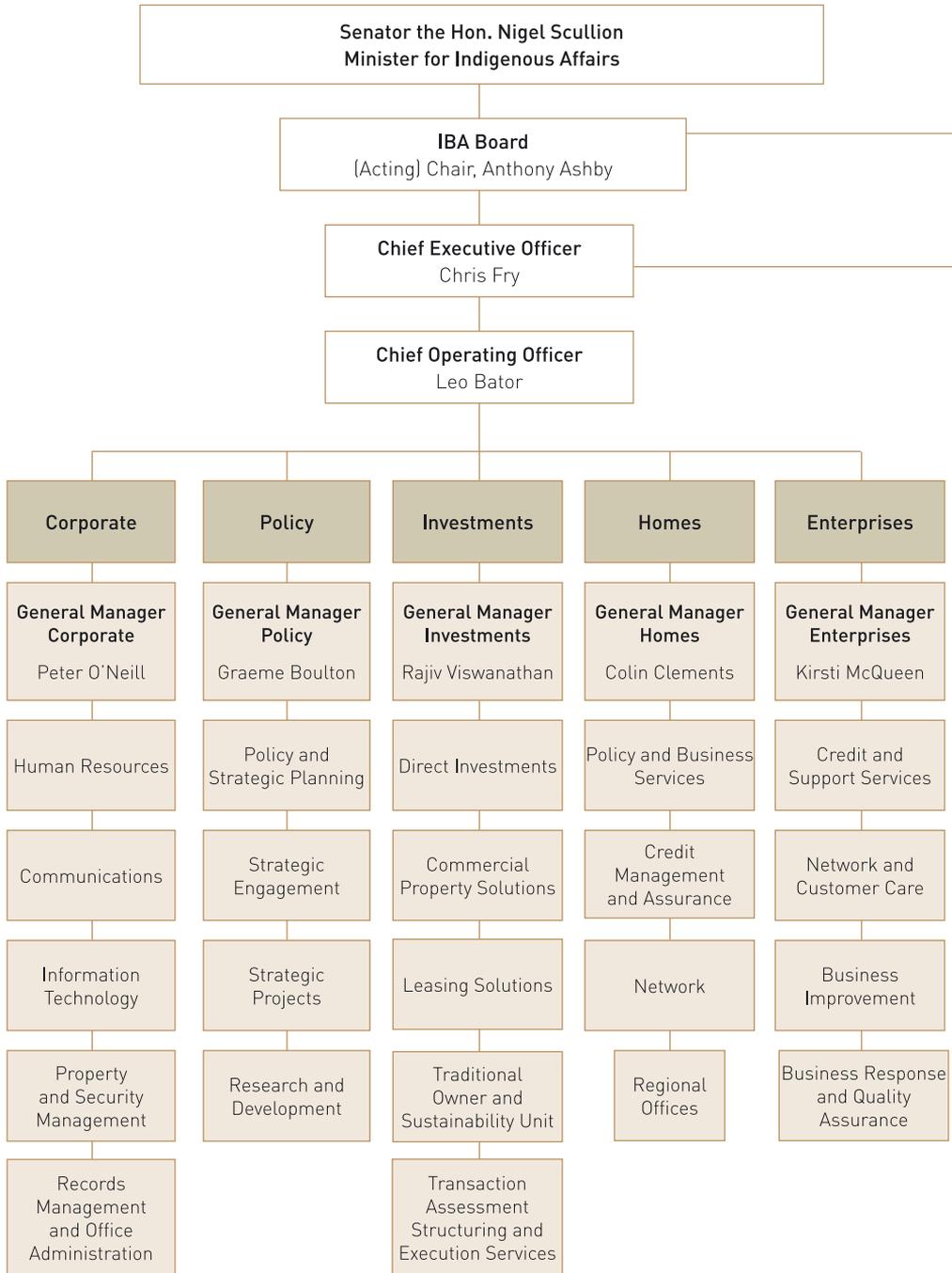
The Board established the Finance and Investment Committee to provide assurance and assistance on decisions regarding IBA's financial performance and investment portfolio. The committee is chaired by Peter Thomas who is a director of TFG International, a consulting and advisory firm that provides high-level strategic advice to the public and private sectors. Committee membership details are provided on pages 103–107.

Remuneration and Nomination Committee

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

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

FIGURE 21: IBA ORGANISATIONAL CHART AS AT 30 JUNE 2014





INTERNAL GOVERNANCE

The CEO oversees the day-to-day administration of IBA and is supported by the Executive Management Team (see pages 119–123), internal management committees and staff members. Internal governance arrangements include Chief Executive Instructions (CEIs), fraud control, compliance assurance, insurance arrangements, business continuity and audit. The CEIs cover a range of issues including risk management, human resources, finance and procurement.

Internal management committees

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

- Executive Committee – the key internal governance committee for information sharing and decision making
- Workplace Health and Safety Committee – develops and promotes initiatives to protect the health and safety of employees, contractors and visitors
- Workplace Consultative Committee – provides a forum for employee representatives and management to discuss matters that have a broad impact on the effective functioning of IBA
- Scholarships Committee – oversees and manages the IBA Scholarship Fund (see page 16), and selects scholarship recipients. The committee conducts an annual review of the IBA Scholarship Fund operations, and the application and selection processes. Committee members include the IBA Board and representatives from IBA's Executive Management Team
- Strategic Economic Development Initiative (SEDI) Committee – makes recommendations to the relevant delegate on whether to approve SEDI projects
- Valuation Committee – reviews valuations with a view to making recommendations to the relevant delegate on the approval of investment projects
- Portfolio Review Committee – regularly reviews the performance of IBA's investment portfolio against IBA's Investment Strategy

- Senior Executive Staff (SES) Remuneration Committee – oversees the implementation of the SES Remuneration Policy, and reviews and recommends any change to it and to SES employment conditions every two years
- Remuneration Committee – oversees the non-SES remuneration policy
- Information Communications and Technology (ICT) Committee – overall governance and ongoing strategic review of the IBA ICT environment.

Reducing red tape

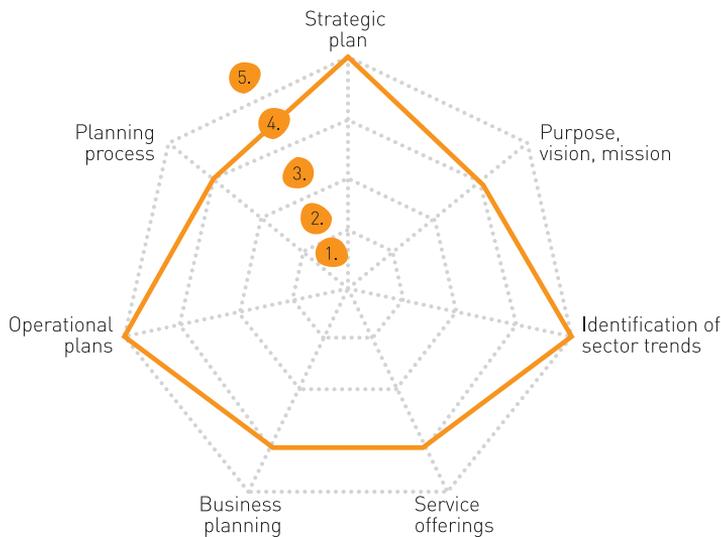
IBA has an ongoing program of continuous improvement in its functions to reduce red tape and maximise performance. As detailed in the IBA Corporate Plan, IBA has strategies to maximise internal resources to meet IBA's purpose and functions and to improve service delivery with its customers. IBA has a sound maturity framework and is responsive to stakeholder and customer needs. IBA's policies that may affect our customers are reviewed regularly by the IBA Board.

Governance review

The Department of the Prime Minister and Cabinet commissioned Ernst & Young to prepare the *Review of the Indigenous Land Corporation and Indigenous Business Australia*, which was issued on 17 February 2014.

That review included an assessment of IBA's organisational effectiveness across five elements: strategy; governance and leadership; business and stakeholders; financial sustainability; and quality, measure, improve. For the strategy element, it rated IBA's maturity in several dimensions, summarised in Figure 22 on page 116. The maturity scale is from 1 (not developed) to 5 (highly developed).

FIGURE 22: IBA'S MATURITY RATING FOR THE STRATEGY ELEMENT AS ASSESSED BY ERNST & YOUNG



The review stated that IBA demonstrated a consistent level of maturity, consistently demonstrated its processes are aligned with better practice processes, and is effective and demonstrating high levels of performance.

The full report is available on the Department of the Prime Minister and Cabinet website: www.dpmc.gov.au/publications/docs/EY_final_report_review_of_ILC_IBA.PDF.

These findings are in accord with the Deloitte independent governance review of 2012.

Risk management

IBA's approach to managing risk is outlined in the IBA Risk Management Plan. The plan presents an integrated and structured process, including the IBA Risk Management Framework. The framework includes:

- the risk register (including key strategies for addressing strategic and business risks)
- the business continuity plan
- the fraud control plan.

IBA's Board reviews the risk register at each meeting and updates it where necessary.

The review stated that IBA demonstrated a consistent level of maturity

The Comcover Risk Management Benchmarking Program has recognised the effectiveness of IBA's risk management strategies and activities. IBA was awarded a rating of 8.4 out of 10 (with a 'structured' maturity rating) for its risk management performance. The average result across the Australian public service was 7.0. In 2013–14, IBA began to review its risk management policy and framework to align to the PGPA Act and the Commonwealth Risk Management Policy. IBA has continued to define its risk appetite in relation to the major categories of risk it faces. IBA will include an updated statement of risk appetite in its 2014–15 Risk Management Plan, as well as a series of risk-tolerance indicators that assess whether IBA is operating within its defined risk appetite. IBA has continued to review its policies and procedures concerning the procurement of goods and services, and updated the CEIs and procedural manuals. The review process was undertaken to manage procurement risks and ensure sound accountability.

Appropriate ethical behaviour and fraud control

IBA behavioural requirements are specified in the CEI Code of Conduct, which includes managing conflicts of interest. The IBA Enterprise Agreement also commits staff to complying with this CEI.

The IBA Fraud Control Plan is in line with Australian Government fraud control guidelines. It includes a fraud risk assessment system, and appropriate fraud prevention, detection, investigation and reporting procedures. The Audit and Risk Committee reviews the Fraud Control Plan every two years. The last review was in November 2012.

On 15 January 2014, the *Public Interest Disclosure Act 2013* (PID Act) came into force. The Act provides public officers with indemnity to liability where they make a public interest disclosure (PID), within certain requirements. The term 'public officer' includes a wide range of people, such as former staff and contractors. IBA has put in place the required systems and processes to ensure IBA public officers could make PIDs.

Previously, IBA provided access to an independent whistle-blower disclosure and protection service. IBA determined it was not necessary to retain this service in addition to the PID arrangements, and discontinued it in April 2014.

Compliance assurance

IBA has a control framework that consists of:

- Board policies, and the CEIs and procedures
- effective relationship management systems for interacting with customers and stakeholders

- a program for training and development, monitoring and compliance assurance (both internal and external)
- a specific compliance project to meet changes in statutes during the year (including the *Fair Work Act 2009*, *Privacy Act 1988*, *PGPA Act* and *PID Act*). This includes a Compliance Project Working Group that reviews the changes and amends the control framework, as appropriate.

Assurance of IBA's compliance with relevant statutes is detailed on page 124.

Audit

IBA's external auditor is the Auditor-General (otherwise known as the Australian National Audit Office). The audit of IBA's Financial Statements is conducted in accordance with an audit strategy as agreed to by the Auditor-General and IBA. RSM Bird Cameron is responsible for implementing IBA's internal audit program. This program aims to provide assurance that key risks are being managed effectively and efficiently, including compliance with regulatory requirements and policies. The Audit and Risk Committee is responsible for reviewing both internal and external audit reports, and for monitoring the implementation of audit recommendations. During the year, IBA internally audited:

- compliance review on procurement
- protective security, delegations and the Comcover insurance fund
- project assurance reviews on the service delivery pilot and national office relocation
- investment acquisition processes.

THE EXECUTIVE MANAGEMENT TEAM



CHRIS FRY

**BAG Econ, MAppFin,
Fellow Fin, MAICD**

Chief Executive Officer

Chris joined IBA in February 2011 after building an extensive working history with the National Australia Bank in various roles over 25 years, including National Manager of Agribusiness Wealth Solutions, National Manager of Corporate Super, Regional Agribusiness Manager, Business Manager and Branch Manager. This saw him work and live in regional, urban and country towns around Australia.

Chris has a longstanding interest and involvement in Indigenous affairs. He was Chair of the Indigenous Land Corporation's Mossman Gorge Development Steering Committee and an inaugural board member of the Indigenous Tourism Leadership Group. He has also completed a secondment with the Miriwung Gajerrong Corporation in Kununurra.

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

Leadership Program, a member of the Australian Institute of Company Directors, and a fellow of Finsia and of the Australian Rural Leadership Foundation.

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



LEO BATOR

DipAcc, GAICD
Chief Operating Officer

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

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

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



GRAEME BOULTON

BAppSc, BSocSc (Psych)
(Hons), GradDipEd
General Manager
Policy

Graeme joined IBA in 2005, bringing with him extensive experience in the retail banking industry. He previously held several senior management positions in product development and loan portfolio management, including home lending, operational governance, strategic projects and mortgage operations. Graeme has a strong background in research and analysis, having worked in strategy and research functions in financial institutions before joining IBA.

Graeme is head of Policy, which provides high-quality policy advice, and research and development of policy options, while ensuring effective engagement with key stakeholders. He is also responsible for the development, implementation and coordination of strategic projects and processes across IBA.



COLIN CLEMENTS

GAICD

General Manager
Homes

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

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



KIRSTY GOWANS

BA, LLB

General Counsel
Legal and Governance
Services

Kirsty joined IBA as General Counsel in 2009. She specialises in resolving and managing disputes through alternative dispute resolution and litigation. She provides advice on commercial matters, including co-investment and incentive structures, company law, contracts and finance arrangements.

Prior to commencing work with IBA, she worked with the Northern Land Council, NSW Native Title Service, the North Australian Aboriginal Legal Service, the NSW Legal Aid Commission, the NSW Ombudsman, the Human Rights and Equal Opportunity Commission and the NSW Attorney General's Department. In addition to her legal qualifications, Kirsty has postgraduate qualifications in Aboriginal and Torres Strait Islander Studies. She is currently completing a Master of Laws at the University of Melbourne.

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



SATISH KUMAR

FCA, FCPA, GAICD
Chief Financial Officer

Satish joined IBA in 2007 and has more than 27 years of financial management and consulting experience in the retail and investment banking industries. He is responsible for ensuring IBA's budgeting and financial controls comply with the Australian Government's financial framework.

Satish is head of the Finance team, which is responsible for budgeting, financial reporting and management accounting for IBA's program delivery areas, subsidiaries and associated investment entities.



KIRSTI MCQUEEN

LLB, BCom, MAAPD
General Manager
Enterprises

Kirsti has been with IBA in a strategic policy role since 2006, working primarily on business development projects and products, and initiatives to increase Indigenous home ownership. She spent a year in the Department of Education, Employment and Workplace Relations working on the Australian Government's Indigenous Economic Development Strategy and establishing the Australian Indigenous Minority Supplier Council (now Supply Nation). Prior to joining IBA, Kirsti worked as a solicitor in private law firms in Victoria.

Kirsti heads up the Business Development and Assistance Program, which provides a range of assistance to Indigenous customers to acquire, establish, grow or exit their businesses. This support includes the *Into Business*TM workshops, and access to expertise and finance for viable businesses.



PETER O'NEILL

MBA
General Manager
Corporate

Following roles with CRS Australia in strategic management and business strategies, Peter joined IBA in 2005 to establish the Corporate branch. Between 2007 and 2009, Peter headed up the Equity and Investments Program, during which time there was a renewed focus on improving the acquisition process, and developing a portfolio-based investment strategy and reporting framework. Peter brings with him the experience he gained from 20 years of service with the Royal Australian Air Force in numerous areas, including engineering, technical training, leadership development, personnel management and business process improvement.

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



RAJIV VISWANATHAN

BA, LLB (Hons)
General Manager
Investments

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

Rajiv has a longstanding interest in working for better outcomes for Aboriginal and Torres Strait Islander peoples, including pro bono policy and advocacy work with community organisations. He is a non-executive director of VOICE (Volunteers in Community Engagement), a community development organisation that sends youth volunteers to Indigenous communities in the Pacific, Asia and Latin America. VOICE is an affiliate of Australian Volunteers International.

Rajiv is head of the Investments team, which makes strategic investments with a view to creating wealth, employment and other opportunities for Aboriginal and Torres Strait Islander peoples. Since joining IBA, Rajiv has assisted with enhancing the strategic, governance and operating framework for the Investments branch, as well as to introduce new initiatives, such as structures for collective investment by Indigenous communities into property and other asset classes.

EXTERNAL SCRUTINY AND REPORTING

External scrutiny of IBA includes parliamentary and ministerial oversight, the Commonwealth Ombudsman and the Australian National Audit Office.

IBA is also required to report on a number of obligations, including compliance with legislation including the *Freedom of Information Act 1982* (FOI Act), the *Anti-Money Laundering and Counter Terrorist Financing Act* and the CAC Act.

The Commonwealth Ombudsman received two complaints regarding IBA during the year and made no findings. The Ombudsman is not investigating any matter at this time.

Parliamentary and ministerial oversight

As a statutory authority of the Australian Government, and as a part of the Department of the Prime Minister and Cabinet portfolio, IBA is accountable to the Australian Parliament and the Minister for Indigenous Affairs. Information about the portfolio can be found at www.pmc.gov.au. Information about IBA and how it approaches its functions can be found on the inside front cover of this report and online at www.iba.gov.au.

Under the *Public Works Committee Act 1969*, the Parliamentary Standing Committee on Public Works conducts inquiries into proposals for major public works (\$15 million and over) that government agencies are considering undertaking. The committee also needs to be notified of and approve medium-sized public works (\$2 million and over). During the reporting year, IBA received two approvals for medium-sized works from the Parliamentary Standing Committee on Public Works.

Freedom of information

Under the FOI Act, IBA is required to publish information for the public as part of the Information Publication Scheme (IPS). This is outlined in Part II of the FOI Act and has replaced the former requirement to publish a Section 8 statement in an annual report. IBA has displayed

on its website (www.iba.gov.au) a plan showing what information has been published in accordance with IPS requirements. A table summarising the list of FOI activities for 2013–14 is available on page 247.

Complaints handling

The IBA Customer Service Charter outlines IBA's commitment to quality service and details processes for receiving and handling complaints. The complaint management process ensures that any concerns that customers may have in relation to IBA's services or decisions or IBA-funded service providers are taken seriously and dealt with promptly. The standards of response are consistent with the recommended timeframes outlined in the Better Practice Guide published by the Commonwealth Ombudsman. By adhering to these processes, IBA can learn from mistakes and continuously improve its practices, ultimately improving its customers' experiences. IBA's staff received updated training from the NSW Ombudsman this year.

Judicial decisions and reviews by external bodies

There were no judicial decisions or decisions of parliamentary committees, the Auditor-General, administrative tribunals or the Australian Information Commissioner that had a significant effect on IBA's operations during 2013–14.

OTHER STATUTORY REQUIREMENTS

Changes to the Privacy Act

Significant amendments to the *Privacy Act 1988* came into force in March 2014, introducing the Australian Privacy Principles for government agencies. In response, IBA prepared and published a new Privacy Policy and Credit Policy, and reviewed all privacy-related documents and procedures.

Developments and significant events

Under Section 15 of the CAC Act, IBA is required to inform the Minister of any significant events. IBA provided six IBA Board meeting summaries to the Minister in the 2013–14 financial year. IBA also reported eight significant events to the Minister in this period (see page 243). There are no current developments that may significantly affect IBA's operations in future financial years, the results of those operations in future years or IBA's state of affairs in future financial years.

Changes to disability reporting

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

The Commonwealth Disability Strategy has been superseded by the National Disability Strategy 2010–20, which sets out a 10-year national policy framework to improve the lives of people with a disability, promote participation and create a more inclusive society. A high-level biennial report will track progress against each of the six outcome areas of the Commonwealth Disability Strategy and present a picture of how people with disabilities are faring. The first of these reports will be available in late 2014, and can be found at www.dss.gov.au.

ENVIRONMENTAL PERFORMANCE

Under Section 516A of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act), IBA is required to include a section in its annual report detailing its environmental performance and contribution to ecologically sustainable development (ESD). IBA is committed to the principles of ESD as outlined in Section 3A of the EPBC Act. See page 245 for more information on IBA's ESD activities.



06

OUR PEOPLE

| | |
|-----|---|
| 128 | ABOUT US |
| 129 | WORKFORCE PROFILE |
| 132 | WORKPLACE DIVERSITY |
| 134 | CAPABILITY DEVELOPMENT |
| 135 | WORKPLACE RELATIONS |
| 138 | EMPLOYEE WELLBEING, WORK HEALTH AND SAFETY |
| 139 | OUTLOOK |

ABOUT US

Indigenous Business Australia (IBA) is a progressive, commercially focused organisation that promotes and encourages self-management, self-sufficiency and economic independence for Aboriginal and Torres Strait Islander peoples.

We do this by building mutually respectful partnerships with Aboriginal and Torres Strait Islander peoples, government agencies, private sector business and industry to facilitate greater levels of home and business ownership and wealth-creating joint ventures.

Among our core strengths are the skills, abilities, motivation and commitment of our staff and their willingness to put in extra effort to assist our customers and partners to achieve their goals.

In order to be responsive to customers, IBA is geographically dispersed with a strong presence in regional locations. Excellent customer service is highly valued and is reinforced through core skills training, mentoring and a continued emphasis on cultural awareness and capability.

Approximately one quarter of IBA's employees are of Aboriginal or Torres Strait Islander background.

IBA continues to be guided by its People Plan 2012–2014, with particular priorities this year including:

- developing leadership and other core skills
- building further cultural capability
- increasing Indigenous employment, as well as retention through supporting our Aboriginal and Torres Strait Islander Staff Network and introducing a new mentoring program.

WORKFORCE PROFILE

As at 30 June 2014, IBA had a workforce of 229, a minor increase on the 227 at 30 June 2013.

TABLE 10: IBA STAFF NUMBERS, BY CLASSIFICATION AND LOCATION, AS AT 30 JUNE 2014

| Classification | ACT | NSW | NT | Qld | SA | Tas | Vic | WA | Total |
|----------------|------------|-----------|-----------|-----------|----------|----------|----------|-----------|------------|
| CEO | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| COO | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| GM/CF0/GC | 6 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 7 |
| IBA 7 | 14 | 6 | 0 | 3 | 0 | 0 | 0 | 1 | 24 |
| IBA 6 | 20 | 6 | 1 | 7 | 0 | 0 | 0 | 0 | 34 |
| IBA 5 | 26 | 6 | 3 | 15 | 2 | 0 | 2 | 3 | 57 |
| IBA 4 | 20 | 8 | 2 | 12 | 4 | 1 | 3 | 5 | 55 |
| IBA 3 | 14 | 6 | 3 | 2 | 1 | 1 | 2 | 1 | 30 |
| IBA 2 | 5 | 4 | 1 | 3 | 1 | 0 | 0 | 1 | 15 |
| IBA 1 | 2 | 2 | 0 | 1 | 0 | 0 | 0 | 0 | 5 |
| Cadet | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 109 | 39 | 10 | 43 | 8 | 2 | 7 | 11 | 229 |

TABLE 11: IBA'S FOUR-YEAR STAFFING HISTORY

| | 30 June 2011 | 30 June 2012 | 30 June 2013 | 30 June 2014 |
|----------------------|--------------|--------------|--------------|--------------|
| Staff | 227 | 210 | 227 | 229 |
| Indigenous employees | 51 | 48 | 48 | 58 |
| Female staff | 125 | 115 | 122 | 126 |
| Male staff | 102 | 95 | 105 | 103 |
| National office | 119 | 108 | 116 | 109 |
| Regional offices | 108 | 102 | 111 | 120 |
| Ongoing | 203 | 189 | 188 | 194 |
| Temporary | 24 | 21 | 29 | 35 |
| Average age | 43 | 43 | 43 | 42 |

INDIGENOUS INTERNS GETTING THEIR CAREERS ON TRACK



BREEANNA AND CONNOR PRESENTING TO IBA ABOUT
THEIR INTERNSHIP EXPERIENCE.

Offering internships through CareerTrackers is a fantastic opportunity for IBA to build relationships with talented Aboriginal and Torres Strait Islander students. This plays a key part in increasing the employment of Aboriginal and Torres Strait Islander people at more senior levels through the opportunity for interns to win places on our new Indigenous Graduate Program. Our participation will also help equip students with the tools they need to develop in their chosen discipline.

CareerTrackers is a national not-for-profit organisation that works with Indigenous university students and private sector companies to create career pathways using a structured internship program.

The CareerTrackers program usually includes a 12-week internship over the academic summer break, and there may also be opportunities for interns to undertake part-time work throughout the academic year.

Connor Diffey and Breeanna Gregory both completed summer vacation internships at the IBA Sydney office.

Bree has just begun her second year at the University of Newcastle, where she is studying for a Bachelor of Social Work with Honours. Connor is studying for a Bachelor of Business and Bachelor of International Tourism and Hotel Management at Griffith University.

Both Bree and Connor have seen value in the internship, in developing their skills and also helping them decide their future ambitions.

'I notice the difference in my writing and presentation skills', says Bree. I look at my first draft compared to the final draft and the difference in my writing and the way I present has improved so much. That will help me in uni this year'.

'My best experience was working with the team that I am with, and talking to them as colleagues', says Connor. I am working with them and helping them more and more through the projects, which has been a great experience for me as a person.

'Also, I hadn't learned yet about analysing data or formatting data into tables in my degree, but it was a good experience to do this at IBA as I know for a fact it's coming later in my degree. It's been a great experience working with IBA'.

'I hope in 10 years, I will be working in a community', says Bree. 'At this stage, it will probably be in child protection or welfare. I'm trying to keep it open at the moment, but this experience is definitely pushing me towards Indigenous affairs'.

'After I graduate, I want to work at IBA and then travel', says Connor. 'I love finding out about different cultures and different communities'.

WORKPLACE DIVERSITY

Significant progress has been made toward achieving greater representation of Aboriginal and Torres Strait Islander employees within IBA. In the past 12 months, Indigenous employee representation has increased from 21 per cent to 25 per cent.

This is the result of a number of key initiatives including finalising a new Indigenous Employment Strategy (IES) and ongoing implementation of the Cultural Engagement and Education Framework. Both reflect commitments within IBA's new Reconciliation Action Plan (see page 147).

Under the IES, specific initiatives to promote Indigenous employment have included:

- engaging four Indigenous university interns in late 2013
- rolling out IBA's first dedicated and structured Graduate Program in February 2014, with four graduates gaining experience and substantial professional development through rotations in various areas of IBA
- commencing of a cross-cultural mentoring program where nine Indigenous staff members are being mentored.

Cultural Engagement and Education Framework initiatives have included:

- IBA's third Aboriginal and Torres Strait Islander Staff Network conference in Canberra in June 2014
- sending a small delegation of employees and stakeholders to participate in the Garma Festival
- supporting all staff to participate in Indigenous volunteer day activities – 38 staff members took advantage of this in this financial year
- providing cultural awareness workshops to all new starters during induction
- offering places on IBA training courses such as Core Skills training and the Leadership Development program to other Indigenous organisations

In the past 12 months, Indigenous employee representation has increased from 21 per cent to 25 per cent

- assisting a number of staff members to develop their skills and cultural engagement through secondments to other organisations
- allowing an employee to participate in an intensive cultural immersion opportunity in an Indigenous community, sponsored through the Jawun organisation.

TABLE 12: IBA STAFF NUMBERS, BY CLASSIFICATION AND GENDER, AS AT 30 JUNE 2014

| Classification | Male | Female |
|-----------------------|-------------|---------------|
| CEO | 1 | 0 |
| COO | 1 | 0 |
| GM | 5 | 2 |
| IBA Level 7 | 21 | 3 |
| IBA Level 6 | 21 | 13 |
| IBA Level 5 | 22 | 35 |
| IBA Level 4 | 17 | 38 |
| IBA Level 3 | 9 | 21 |
| IBA Level 2 | 4 | 11 |
| IBA Level 1 | 2 | 3 |
| Total | 103 | 126 |

CAPABILITY DEVELOPMENT

IBA invests heavily in the professional development of its employees to optimise customer experience and enhance individual and collective capability at IBA. This effort is structured and coordinated within the IBA Learning and Development Framework 2014–15 to ensure the best return on investment, measured at the individual level through IBA's Performance Management and Development System, and organisationally through the achievement of corporate performance goals.

The framework establishes six learning pathways centred on the individual, ensuring the right learning option is available to suit their needs and is delivered in a way that maximises accessibility, a priority in a geographically dispersed organisation. This includes:

- core skills workshops, offered in regional offices and in Canberra, focusing on satisfying the performance requirements of many IBA roles. Workshops covered topics such as professional writing, customer service, problem solving and decision making
- a Leadership Development Program – offered twice in 2013–14 and completed by 20 IBA staff members. The program consists of a three-day workshop, action learning projects, 360-degree feedback and personal coaching. Two staff members from Reconciliation Australia and one from Aboriginal Hostels Limited also joined the program
- Harvard ManageMentor – an online learning tool covering more than 40 management and leadership topics – available to all staff in all locations from their desktop at a time of their choosing
- professional development through Supported Studies Assistance 2013–14, including participation in the Frontline Management program
- building cultural capability (see page 132).

WORKPLACE RELATIONS

Employee relations during 2013–14 continued to be positive and conducive to the achievement of organisational goals.

IBA delivers ongoing communication about corporate priorities to staff via intranet bulletins, staff newsletters and emails, and also through its peak consultative body, the Workplace Consultative Committee, which met twice during 2013–14.

The CEO visits regional offices to enable regular contact with staff, share IBA's strategic focus and offer the opportunity for feedback.

The Local Leadership Group is another opportunity for staff members to consult and give feedback to colleagues across the regions.

The Aboriginal and Torres Strait Islander Staff Network also has had the opportunity to contribute to the development of the Indigenous Employment Strategy, the Cultural Engagement and Education Framework and other initiatives and policies.

IBA's Rewards and Recognition Framework acknowledges the efforts of staff through Australia Day Achievement Awards, bi-monthly peer- and manager-nominated 'Round of Applause' and 'IBA Stars' awards, NAIDOC awards for long service and a CEO's Award at the end of the year.

Staff receive constructive feedback under the Performance Management and Development System, which has a significant focus on IBA's preferred behaviours.

IBA's 2012–2014 Enterprise Agreement nominally expires at the end of 2014 and negotiations will take place over the second half of 2014 for a possible replacement.

Employee superannuation

Employees have the opportunity to make choices about their superannuation arrangements. Consistent with the broader Commonwealth public sector, many employees are members of the Commonwealth Superannuation Scheme (closed), Public Sector Superannuation Scheme (closed) and the default fund, the Public Sector Superannuation Accumulation Plan. Other funds are also nominated.



COMMUNITY VOLUNTEER DAY - ANNIVERSARY OF THE NATIONAL APOLOGY DAY

IBA STAFF MEMBER DANIEL HUGHES HELPING PLACE THE SEA OF HANDS.

IBA ENCOURAGES STAFF TO TAKE AN ANNUAL COMMUNITY VOLUNTEER DAY FOR AN ABORIGINAL OR TORRES STRAIT ISLANDER ORGANISATION OR FOR AN ORGANISATION WHOSE ACTIVITIES BENEFIT THE INDIGENOUS COMMUNITY.

This can range from cultural events, fundraising, professional support such as office work or community support such as maintenance projects.

IBA team members in the Canberra office supported an event commemorating the National Apology to Australia's Indigenous Peoples delivered by then Prime Minister Kevin Rudd on 13 February 2008.

The Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS) and the Australians for Native Title and Reconciliation (ANTaR) celebrated the anniversary of the National Apology and 50 years of AIATSIS with a large colourful sea of hands on the shores of Lake Burley Griffin at Acton Peninsula.

AIATSIS promotes further understanding of Australian Indigenous cultures, past and present, through supporting research and building collections of print and audio-visual materials. ANTaR is Australia's main non-Indigenous organisation for reconciliation. It is dedicated in supporting the rights of Indigenous people through public campaigns and advocacy.

IBA staff helped AIATSIS and ANTaR staff place the sea of hands in front of the AIATSIS building on Acton Peninsula.

Due to the recent lack of rain it proved to be hard work getting the 15,000 various coloured hands into the ground through the thick layer of rock and clay, leaving some staff worse for wear, but feeling a sense of accomplishment.

The sea of hands was left on display until 15 February 2014 when a few brave volunteers embraced the much-anticipated pelting rain to remove the hands until next year.

EMPLOYEE WELLBEING, WORK HEALTH AND SAFETY

IBA continues to promote a safe and healthy work environment with the assistance of managers, health and safety representatives, and the Health and Safety Committee. The committee met on four occasions during 2013–14 and includes employee representatives from the national and regional offices as well as management participants. Regular bulletins are issued on work health and safety and general health matters.

IBA's Employee Assistance Provider, PPC Worldwide, changed its brand to that of its parent company, Optum, early in 2014 resulting in improved services being offered to IBA staff.

A number of staff members enjoy flexible working arrangements such as part-time hours and working from home to improve their work–life balance and enable IBA to retain experienced staff.

Incidents and hazard reports

Twelve incidents were reported during the financial year. All were minor and resulted in approximately eight weeks absence from work in total.

Workers compensation

Two compensation claims were submitted. One claim was accepted by Comcare and the other, more recent claim is still to be determined. A claim submitted in the 2012–13 financial year was determined this year and liability was denied. There was a minor decrease in insurance premiums for 2014–15.

Comcare investigations

Comcare did not investigate any incidents in 2013–14.

Improvement notices

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

OUTLOOK

Over the coming 12 months there will continue to be a significant focus on building individual and collective capability, including cultural capability.

Under the umbrella of the People Plan and supporting strategies, initiatives will include but will not be limited to:

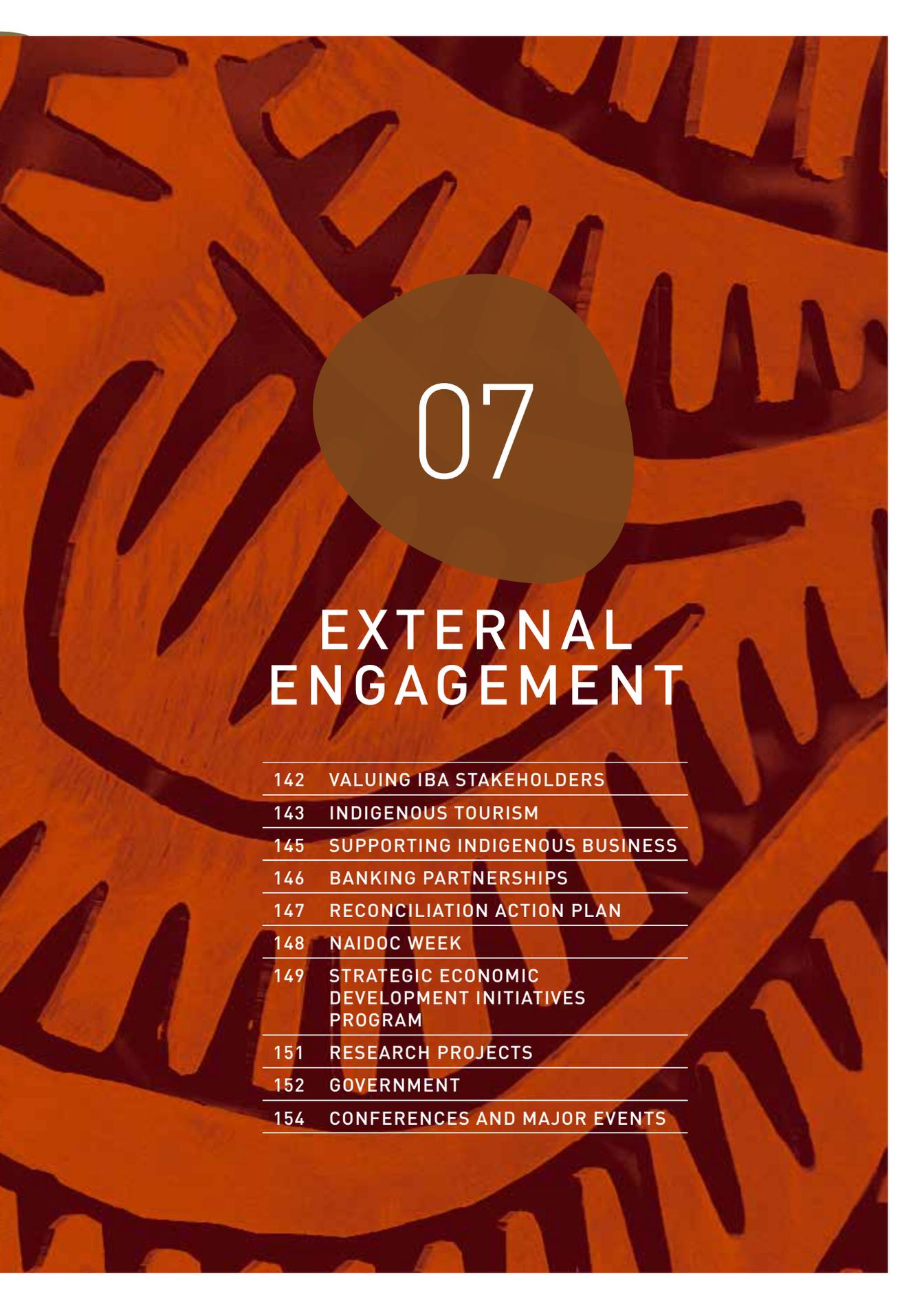
- evaluating the success of a pilot Certificate Level IV program in frontline management undertaken by IBA's graduates and several supervisors in late 2013–14, and rolling it out to more managers at the IBA 4–5 levels
- reviewing and refreshing the core skills workshops so they are even more supportive of staff during times of change, with consequential benefits for skill development, staff retention and health and wellbeing
- increasing the representation of Aboriginal and Torres Strait Islander employees through engaging a second cohort of graduates in early 2015, complemented by further engagement of Indigenous interns in partnership with CareerTrackers
- offering a second mentoring program, and supporting the buddy program introduced in late 2013–14.

Cultural capability will again be supported through the cultural immersion of selected staff in Indigenous communities with the sponsorship of the Jawun organisation. A new cultural portal will be rolled out in early 2014–15, continuing efforts to enhance cultural appreciation and capability, moving beyond cultural awareness. A feature of this will be an online cultural awareness and appreciation package, which is in the pipeline for early 2015.

A further priority will be the renegotiation of IBA's Enterprise Agreement. The current agreement nominally expires at the end of 2014.



MEMBERS OF THE ABORIGINAL AND TORRES STRAIT ISLANDER STAFF NETWORK.



07

EXTERNAL ENGAGEMENT

142 VALUING IBA STAKEHOLDERS

143 INDIGENOUS TOURISM

145 SUPPORTING INDIGENOUS BUSINESS

146 BANKING PARTNERSHIPS

147 RECONCILIATION ACTION PLAN

148 NAIDOC WEEK

149 STRATEGIC ECONOMIC
DEVELOPMENT INITIATIVES
PROGRAM

151 RESEARCH PROJECTS

152 GOVERNMENT

154 CONFERENCES AND MAJOR EVENTS

VALUING IBA STAKEHOLDERS

To best deliver its programs to Indigenous Australians, each year IBA engages with a range of organisations, stakeholders, customers and partners, guided by a Stakeholder Engagement Strategy. By doing so, we can better direct and orient our services, gain access to new opportunities, and explore new directions and innovations while improving service to customers. IBA has a number of initiatives focused on external engagement.

INDIGENOUS TOURISM

Tourism is a sector with strong Indigenous participation and enables Indigenous Australians to share their culture with visitors from around the world. IBA supports Indigenous tourism through investments, business loans and practical advice and assistance, and is also involved in and sponsors selected tourism events. See Appendix E on page 248 for details.

The Indigenous Tourism Champions Program

The Indigenous Tourism Champions Program (ITCP) coordinates the delivery of inter-agency support to Indigenous tourism operators across Australia. The aim of this support is to improve the quality and professionalism of many of Australia's iconic Indigenous tourism products, improve visitor experiences and increase the exposure of these offerings to the tourism market. IBA collaborates with its program partner Tourism Australia to deliver the ITCP, as well as other stakeholders such as the Department of Foreign Affairs and Trade (which assumed responsibility for tourism from the former Department of Resources, Energy and Tourism), and state and territory tourism organisations.

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

Through the ITCP, IBA provides mentoring support and matched funding so Indigenous tourism operators can participate in tourism trade events, and can access marketing and other business development services. IBA supports 39 Indigenous tourism businesses, of which 26 are at Champions status and 13 are Product Development Participants.

IBA supported a range of initiatives during 2013–14 to engage and promote ITCP Champions with tourism wholesalers and inbound tourism operators, including:

- Australian Tourism Exchange 2014 Cairns – on-site mentoring and support for 20 Champions operators to engage directly with wholesalers

- Australian Tourism Export Council Meeting Place – a targeted promotion of the ITCP Champions tourism offerings to inbound tourism operators
- Inbound Tourism Operators Roadshow – a presentation on the ITCP Champions tourism products.

During 2013–14, a number of ITCP Champions won awards for their tourism products. These include:

- Tri State Safaris – Mutawintji Eco Tours won the Indigenous Tourism Award at the Australian Tourism Awards
- Ayers Rock Resort won silver for the Indigenous Tourism Award at the Australian Tourism Awards
- Koomal Dreaming won bronze for the Indigenous Tourism Award at the Australian Tourism Awards
- Mossman Gorge Centre won gold and silver at the 2013 Tropical North Queensland Tourism Awards and 2013 Queensland Tourism Awards
- Koomal Dreaming won gold for Indigenous Tourism at the Western Australian Tourism Awards
- NT Indigenous Tours won the Excellence in Indigenous Tourism Award at the Ecotourism Australia Awards 2013
- Sand Dune Adventures won gold at the Tourist Attraction Category of the Port Stephens Annual Business Awards.

SUPPORTING INDIGENOUS BUSINESS

IBA continued to actively promote to its customers the benefits of gaining Supply Nation supplier certification. Certification provides more opportunities for businesses to compete for tenders and contracts with Supply Nation's corporate and government members, who are among Australia's largest purchasers of goods and services. It can also provide Indigenous business owners with opportunities to access the networking, mentoring and support services provided by Supply Nation's strategic partners, including IBA.

IBA and Supply Nation have also continued with the delivery of the Fast Track Business Support services introduced in 2012-13. This allows quick turnaround times for the assessment of applications for business working capital finance and marketing assistance to Supply Nation-certified suppliers responding to secure business opportunities and contracts.

IBA was delighted to be a sponsor of Supply Nation's Connect 2014 with its conference, Indigenous Business Tradeshow and Gala Dinner Awards Night.

Along with Leighton Contractors, IBA hosted Cultivate 2013, an interactive workshop that brought together approximately 40 Indigenous suppliers from across Western Australia and procurement teams to improve their opportunities and learn how to tender for big contracts.

IBA staff are encouraged to directly support the growth of Indigenous business by sourcing goods and services from known Indigenous suppliers through their purchasing decisions for the everyday goods and services IBA needs. The IBA procurement policy includes a process for staff to follow to ensure that the opportunities for sourcing Indigenous suppliers have been appropriately considered. In 2013-14, IBA procured approximately \$1.73 million worth of goods and services from Indigenous suppliers.

IBA procured
approximately
\$1.73 million
worth of goods
and services
from Indigenous
suppliers

BANKING PARTNERSHIPS

IBA has been building its partnerships with financial institutions for several years, with the aim of assisting its customers wherever possible to access private sector financial products and services. Co-lending with mainstream home loans has continued to increase, growing from 20 per cent of new loans approved in 2009–10 to 28 per cent in 2013–14, leveraging an additional \$33.8 million in external funding which assisted 156 additional families into home ownership.

Consultation with the financial sector to develop new collaborative home lending products and business lending products has been ongoing. One outcome of this engagement has resulted in the Commonwealth Bank of Australia and IBA forming a partnership to jointly support Indigenous Australians to access the Commonwealth Bank's Community Business Finance Package. This is in addition to the Indigenous Entrepreneur Microenterprise Program, a collaboration between IBA and National Australia Bank.

Eligible Aboriginal and Torres Strait Islander peoples wishing to establish and/or grow their businesses can now obtain a tailored package of banking products and services specific to their individual needs.

RECONCILIATION ACTION PLAN

IBA launched its fourth Reconciliation Action Plan (RAP), covering the period 2014–16, during Reconciliation Week 2014. Reconciliation Australia has recognised IBA's growth into a culturally capable organisation by accrediting IBA's Reconciliation Action Plan 2014–16 as a 'Stretch' RAP.

IBA's 'Stretch' RAP 2014–16 details more than 50 initiatives aimed at further improving IBA's cultural capability and creating more economic opportunities for Indigenous Australians. The RAP provides a cohesive framework for how IBA should extend its business networks and links into the broader community to maximise the effects of IBA's work, and documents actions and targets that require an integrated effort from across the organisation.

Critically, the RAP is about improving IBA's business. It recognises that quality of IBA's service delivery and products is the result of collaboration built on respect and strong relationships with IBA's customers and partners.



AT THE LAUNCH OF IBA'S RECONCILIATION ACTION PLAN 2014–16.
L TO R: ALISON PAGE, CEO OF ALISON PAGE DESIGN; DR DAWN
CASEY, OUTGOING CHAIR OF IBA; AND LEAH ARMSTRONG, CEO OF
RECONCILIATION AUSTRALIA.

NAIDOC WEEK

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

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

In July 2013, IBA held its sixth NAIDOC breakfast at Fraser's Restaurant and Function Centre in Kings Park, Perth. As in previous years, there was strong representation from the private and public sectors, showing their support for Indigenous economic development. Key speakers included the Hon. Jenny Macklin, Minister for Families, Housing, Community Services and Indigenous Affairs, and David Wirripanda, founder of the David Wirripanda Foundation.

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



FROM L TO R: IBA CEO CHRIS FRY, GUEST SPEAKER DAVID WIRRIPIANDA, AND IBA BOARD DIRECTORS ANTHONY ASHBY AND CLAIRE WOODLEY AT THE IBA NAIDOC BREAKFAST IN PERTH.

STRATEGIC ECONOMIC DEVELOPMENT INITIATIVES PROGRAM

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

During 2013–14, the following projects received IBA funding.

Business support and development projects

- **ITCP:** Supported the commercial development of Indigenous cultural tourism businesses in line with industry best practice, with Tourism Australia advertising in major international markets.
- **Indigenous Communities in Business:** Continued support for two grassroots projects developing small and microenterprises owned by Indigenous people in the Wadeye and Wurrumiyanga communities in the Northern Territory. This project is IBA's contribution to the Australian Government's Stronger Futures initiative in the Northern Territory.
- **Indigenous Social Enterprise Fund (ISEF):** Provided investment and business support to Indigenous social enterprises. Investments are made with a view to developing and nurturing enterprises with a commercial focus so they can access further investment in the future. This fund is a partnership between IBA, Reconciliation Australia and Social Ventures Australia (SVA). SVA is managing a two-year pilot of the ISEF.

- **Anangu Pitjantjatjara Yankunytjatjara (APY) Lands Regional Procurement Strategy:** Provides support for the development of a regional procurement strategy that links Indigenous businesses to market opportunities in the APY Lands. This strategy is jointly coordinated by the South Australian Government, the Department of the Prime Minister and Cabinet, and IBA.
- **North East Arnhem Land Timber Milling:** Conducted a feasibility assessment of the economic opportunities for a timber milling enterprise for the Yolngu people, Northern Territory
- **Aurukun Development Corporation Strategic Support:** Strategic development to assist the engagement of an Indigenous community-based enterprise with opportunities including the South of Embley Bauxite Project in Cape York Peninsula, Queensland.

Native Title, mining and supply chain projects

- **Indigenous Prequalification Support Program Pilot:** Provided assistance to support Indigenous businesses' engagement with the mining and resource sector, through a specifically developed toolkit and mentoring assistance.

Social enterprise assistance projects

- **Cherbourg Material Recycling Facility:** A collaborative project between IBA, the Cherbourg Shire Council and the University of Canberra to develop a functioning and viable Indigenous-owned recycling business in Cherbourg, Queensland.

RESEARCH PROJECTS

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

Understanding Indigenous businesses

The Understanding Indigenous Business study involved interviewing first-year IBA business loan customers face-to-face in 2011, then again annually for four successive years. The study also engaged a group of customers who were first interviewed in 2012 or 2013 with the aim of helping IBA to understand the needs, challenges and aspirations of its customers as they go through their journey in business.

The study has enabled IBA to improve its business lending and support services. This project is now the most comprehensive longitudinal study of Indigenous businesses in Australia.

Factors influencing Indigenous business success

A study of Indigenous business success factors commenced in 2011–12. The study is co-funded by IBA and the Australian Research Council, and led by researchers from Charles Sturt University, the University of Technology, Sydney and the University of Newcastle. It is anticipated that the project findings and final report will be available later in 2014.

GOVERNMENT

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

- IBA has worked closely with Australian Government departments with responsibility for Indigenous economic development (which since the 2013 federal election has primarily shifted to the Department of the Prime Minister and Cabinet) in devising strategies to improve Indigenous economic development outcomes. In particular, IBA has made formal submissions to:
 - the Review of Indigenous Business Australia and the Indigenous Land Corporation, January 2014
 - the Review of Indigenous Training and Employment Programmes (Forrest Review)
 - the Affordable Housing Inquiry conducted by the Senate Standing Committee on Economics.
- The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) was passed in June 2013 and will be implemented from 1 July 2014. During the year, the CEO of IBA served on the Public Management Reform Agenda (PMRA) Project Board made up of senior officials from several Australian entities. Through the Department of Finance, steering committees have been established to provide oversight and input into developing the rules and further financial framework reforms. IBA has provided detailed input into developing the rules throughout the year.
- IBA has worked with the Department of the Prime Minister and Cabinet, Queensland Government agencies, Aboriginal councils and other stakeholders to progress home ownership in discrete remote communities. This has enabled a number of loans to be made in emerging market locations during the year.
- IBA and the New South Wales Department of Family and Community Services have worked together to successfully deliver the New South Wales Remote Home Ownership Scheme. The purpose of the scheme is to enable Aboriginal households in remote towns to transition from public or private rental to home ownership.

IBA GETS SOCIAL WITH CUSTOMERS

In February 2014, IBA first joined the social media landscape with its own Facebook page. IBA's decision to have a Facebook page represented an eagerness to trial different models of service delivery, and evidence to suggest Facebook was a social media channel of choice for Aboriginal and Torres Strait Islander peoples.

At 30 June 2014, there were 5,687 fans on the page and 15 customers had used Facebook's direct messaging system as their first point of contact with IBA about its home and business loans. Interactions like this are expected to increase over time as Indigenous consumers come to realise the page exists.

IBA's social media strategy remains focused on its acquisition of fans who are Indigenous Australians and posting content that is not just about its products but are also topical and relevant.

In the very near future, IBA will establish a LinkedIn and Twitter presence where even more opportunities exist to meet its consumers in the spaces and places they frequent.



CONFERENCES AND MAJOR EVENTS

IBA staff members made presentations or significant contributions to a number of events as outlined in Table 13.

TABLE 13: KEYNOTE SPEECHES AND SIGNIFICANT PRESENTATIONS

| Date | Event | Details |
|-------------------|---|---|
| 12 July 2013 | 26th Annual Small Enterprise Association of Australia and New Zealand (SEAAANZ) Conference, Sydney | David Brudenall, Senior Manager Policy, was a panel member for a workshop entitled 'Growth of Indigenous and Maori Small Business'. |
| 2 August 2013 | MURRA Masterclass, Melbourne Business School | Rajiv Viswanathan and Kirsti McQueen presented to the MURRA Masterclass about the Indigenous business sector and IBA's services. |
| 20 August 2013 | Aboriginal Enterprises in Mining, Exploration and Energy (AEMEE), South Australian Chamber of Mines and Energy (SACOME) and IBA-hosted Business Building Blocks Workshop, Glenelg, Adelaide | David Brudenall, Senior Manager Policy, presented on the topic of 'Aboriginal-owned business focusing on the resource sector'. |
| 21 September 2013 | The Wunan Foundation – East Kimberley Aboriginal Achievement Awards, Kununurra | IBA was a gold sponsor of the awards, with naming rights for an award in support of Indigenous achievement in remote Australia. Jon Wilson, Manager IBA Perth, presented the award. |
| 9–11 October 2013 | Western Australian Indigenous Tourism Operators Council Inc. (WAITOC) – Australian Indigenous Tourism Conference, Alice Springs | IBA CEO Chris Fry presented 'More than just money: economic and other benefits of Indigenous tourism'. David Brudenall, Senior Manager Policy, presented 'The challenges and opportunities for Indigenous cultural tourism in Australia'. |

| Date | Event | Details |
|---------------------|--|---|
| 7–8 November 2013 | Cultivate 2013, WA | Co-hosted by IBA and Leighton Contractors Pty Ltd, this event gave Indigenous businesses the chance to demonstrate and improve their capabilities, and be matched with supply chain opportunities. |
| 16 November 2013 | Northern Territory Tourism Awards (Brolgas), Alice Springs | IBA CEO Chris Fry presented the Indigenous Tourism Award. |
| 26 November 2013 | Second Creating Shared Value Forum: Implementation & Practice of CSV for the Australian Market, Melbourne | Dr Dawn Casey, then IBA Chair, spoke on 'The market of social need responses to the CSV Green Paper'. |
| 12–13 December 2013 | Pathways to Prosperity Forum, Sydney | Eight Indigenous organisations attended a forum hosted by IBA, Credit Suisse and David Murray, AO, Chair of the Financial System Inquiry, to discuss the governance challenges facing Indigenous investment funds and form objectives to support the development of a set of Indigenous Investment Governance Principles. |
| 26 January 2014 | Saltwater Freshwater Festival, Kempsey | IBA staff members ran a stall and Chris Fry, IBA CEO, participated on a panel in the 'Yarn Tent' along with an IBA business loan customer and a home loan customer. |
| 11 March 2014 | Global Perspectives on Indigenous Economic Development, Canada's Public Policy Forum roundtable meeting, Toronto, Canada | Chris Fry, IBA CEO, was invited to present IBA's model for Indigenous business investment as one of 11 international best-practice examples on achieving sustainable outcomes for Indigenous Australians. This forum provided an opportunity to meet and share knowledge with key Indigenous, corporate and government leaders in this field. |

| Date | Event | Details |
|----------------|--|--|
| 1–2 April 2014 | Consulting Solutions – Best Practice Forum: Procuring from Indigenous Business, Brisbane | David Brudenall, Senior Manager Policy, presented on IBA's Prequalification Toolkit at this forum, which was convened for procurement managers from resource companies along with their key contractors to consider leading practices in resource sector procurement from Indigenous businesses. |
| 26–27 May 2014 | Supply Nation Connect 2014 – Leading Change in Business, Sydney | IBA sponsored the Supplier of the Year award and Chris Fry, IBA CEO, who attended this important networking event with other IBA staff members, shared his thoughts on the event in Supply Nation's <i>Round Up</i> report. |
| 26 May 2014 | Supply Nation Connect 2014 | Kirsti McQueen and Simone Persson presented at the conference on the topic of 'Turning contacts into contracts'. |
| 3–4 June 2014 | National Native Title Conference, Coffs Harbour | Kirsty Gowans, IBA General Counsel, presented a paper titled 'Investment Structuring' to the Aurora Investment Structuring Workshop. |
| 17 June 2014 | Growing with Governance Forum, Sydney | IBA and David Murray, AO, Chair of the Financial System Inquiry, hosted this forum to seek endorsement from a broad cross-section of Indigenous organisations to develop a set of Indigenous Investment Governance Principles. |

08

FINANCIAL
PERFORMANCE

| | | | |
|-----|---|-----|--|
| 158 | FINANCIAL SNAPSHOT | 203 | NOTE 9: NON-FINANCIAL ASSETS |
| 162 | INDEPENDENT AUDITOR'S REPORT | 208 | NOTE 10: PAYABLES |
| 164 | STATEMENT BY DIRECTORS, CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER | 209 | NOTE 11: INTEREST BEARING LIABILITIES |
| 165 | STATEMENT OF COMPREHENSIVE INCOME | 210 | NOTE 12: PROVISIONS |
| 167 | STATEMENT OF FINANCIAL POSITION | 211 | NOTE 13: CASH FLOW RECONCILIATION |
| 169 | STATEMENT OF CHANGES IN EQUITY | 212 | NOTE 14: CONTINGENT LIABILITIES AND ASSETS |
| 170 | CASH FLOW STATEMENT | 213 | NOTE 15: DIRECTORS' REMUNERATION |
| 172 | SCHEDULE OF COMMITMENTS | 214 | NOTE 16: RELATED PARTY DISCLOSURES |
| 175 | SCHEDULE OF CONTINGENCIES | 215 | NOTE 17: SENIOR EXECUTIVE REMUNERATION |
| 176 | NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES | 220 | NOTE 18: REMUNERATION OF AUDITORS |
| 189 | NOTE 2: EVENTS AFTER THE REPORTING PERIOD | 221 | NOTE 19: FINANCIAL INSTRUMENTS |
| 190 | NOTE 3: EXPENSES | 229 | NOTE 20: FINANCIAL ASSETS RECONCILIATION |
| 192 | NOTE 4: INCOME | 230 | NOTE 21: ASSETS HELD IN TRUST |
| 195 | NOTE 5: INCOME TAX EXPENSE | 231 | NOTE 22: REPORTING OF OUTCOMES |
| 195 | NOTE 6: OTHER COMPREHENSIVE INCOME | 232 | NOTE 23: NEW HOUSING FUND |
| 196 | NOTE 7: FAIR VALUE MEASUREMENTS | 236 | NOTE 24: PARENT ENTITY - INDIGENOUS BUSINESS AUSTRALIA |
| 198 | NOTE 8: FINANCIAL ASSETS | | |

FINANCIAL SNAPSHOT 2013–14

Economic background

National interest rates have held steady during the financial year 2013–14 with an initial drop from 2.75 per cent to 2.50 per cent in July 2013 and steady thereafter at the same level. The soft rates have affected interest incomes from the loan and business portfolio but have had a positive impact on IBA's concessional rate loan valuations discounts.

IBA's investment portfolio has been negatively impacted during the year with write-downs in the value of tourism investments, reflecting the continued effect of the high Australian dollar and low visitation to regional and remote destinations. IBA's commercial property investments have increased in value overall.

Financial results

IBA's investments include 45 active subsidiaries and eight associate entities with businesses spread across tourism, mining, retail and investment property. The financial statements are presented on a consolidated basis with its subsidiaries.

The operating results of IBA Consolidated have returned a total comprehensive deficit of \$16 million against the previous year's surplus of \$1 million. Total income has increased from \$175 million in 2012–13 to \$190 million in 2013–14. Goods and services income has increased by 8 million and other revenue by \$2.2 million. Total expenses have increased from \$168 million in 2012–13 to \$200 million in the current year, driven by a decline in the value of the property plant and equipment portfolio by \$15 million and an increase in supplier expenses in subsidiaries by \$12 million.

IBA's total assets as at 30 June 2014 are valued at \$1.155 billion, an increase of \$26 million over the previous year. Net assets as at that date are valued at \$1.116 billion. The increase is mainly driven by an increase in the value of the home loan portfolio.

Figure 23 shows the growth in consolidated net assets over the past eight years and figure 24 shows the composition of total assets.

FIGURE 23: NET ASSET GROWTH AS AT JUNE 2014

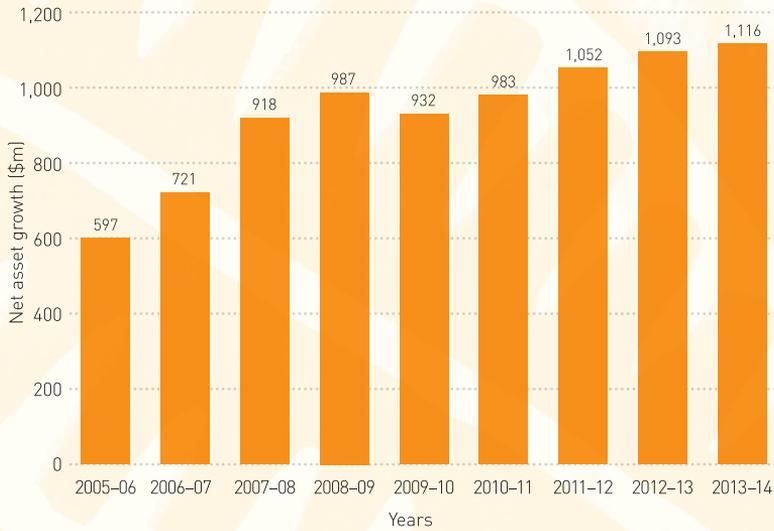
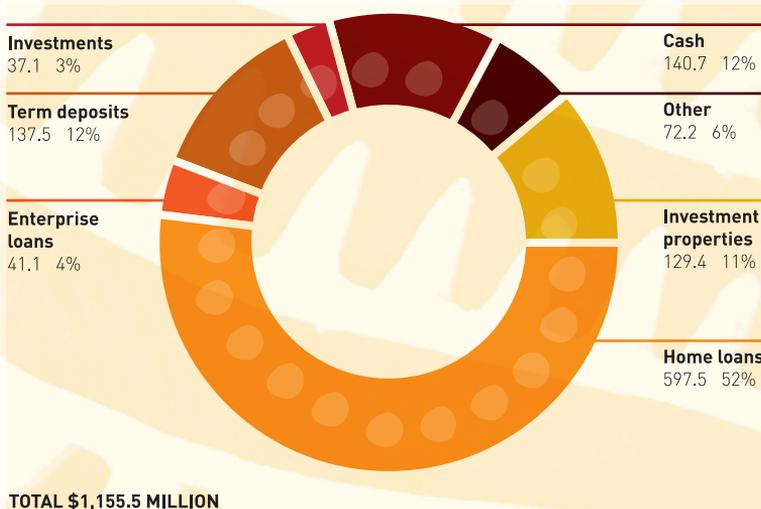


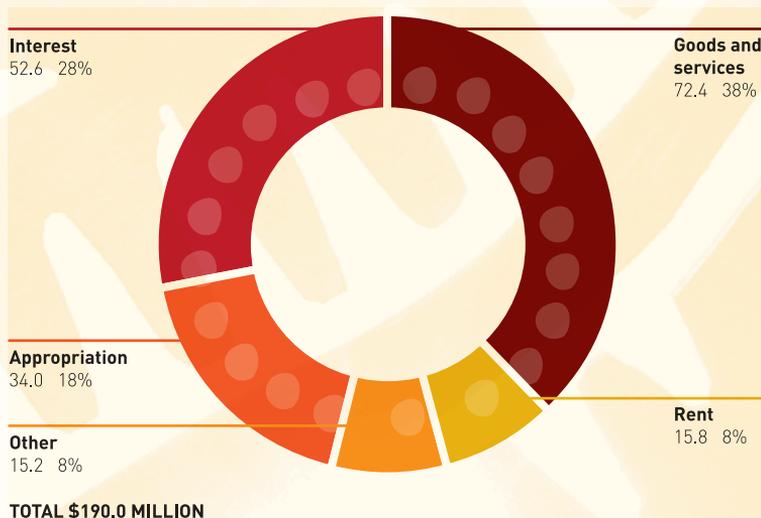
FIGURE 24: CONSOLIDATED TOTAL ASSETS AS AT 30 JUNE 2014 (\$M)



Funding

The income base of the consolidated IBA entity is a mix of departmental receipts from the Australian Government and self-generated revenue. In 2013–14, IBA received \$34 million in departmental receipts and \$156 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 \$42.8 million equity infusion from the Australian Government to fund its lending and leasing operations (see Figure 25 below for the detailed composition of IBA's consolidated income).

FIGURE 25: CONSOLIDATED INCOME 2013-14 (\$M)



IBA'S legal and financial framework

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

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

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

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

Outlook

IBA expects stability in its lending and investment operations in 2014–15. However, any volatility in economic parameters and interest rates would impact IBA's asset valuations and operating results. In the past few years IBA has prudently invested in new IT systems aimed at significantly improving information management, performance measurement and cost management. IBA will continue to invest in cost-effective information management systems to improve its customer support activities and document management systems.

IBA's net asset base is expected to continue its steady growth during 2014–15, with total assets budgeted at \$1.208 billion as at 30 June 2015. Total consolidated revenue is budgeted at \$198 million, including departmental receipts from the Australian Government of \$34 million.



INDEPENDENT AUDITOR'S REPORT

To the Minister for Indigenous Affairs

I have audited the accompanying financial statements of Indigenous Business Australia for the year ended 30 June 2014, which comprise: a Statement by the Directors, Chief Executive and Chief Financial Officer; the consolidated Statement of Comprehensive Income; consolidated Statement of Financial Position; consolidated Statement of Changes in Equity; consolidated Cash Flow Statement; consolidated Schedule of Commitments; consolidated Schedule of Contingencies; and Notes to and forming part of the Financial Statements, including a Summary of Significant Accounting Policies. The consolidated entity comprises the Indigenous Business Australia and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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13 National Circuit BARTON ACT 2600
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Independence

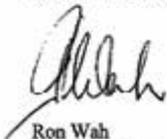
In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Opinion

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

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the consolidated entity's financial position as at 30 June 2014 and its financial performance and cash flows for the year then ended.

Australian National Audit Office



Ron Wah
Audit Principal

Delegate of the Auditor-General

Canberra
18 September 2014



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 2014 are based on properly maintained financial records and give a true and fair view of matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, as amended.

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

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

Anthony Ashby
Acting Chair
18 September 2014

Judy Hardy
Director
18 September 2014

Chris Fry
Chief Executive Officer
18 September 2014

Satish Kumar
Chief Financial Officer
18 September 2014



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

STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2014

| | Notes | Consolidated | |
|---|--------|-----------------|----------------|
| | | 2014 \$'000 | 2013 \$'000 |
| Net cost of service | | | |
| Expenses | | | |
| Employee benefits | 3A | 51,599 | 47,318 |
| Supplier expenses | 3B | 73,935 | 62,293 |
| Grants | 3C | 11,928 | 12,444 |
| Depreciation and amortisation | 3D | 5,573 | 4,872 |
| Finance costs | 3E | 846 | 858 |
| Write-down and impairment of assets | 3F | 53,529 | 38,365 |
| Losses from asset sales | 3G | 1,260 | 79 |
| Other expenses | 3H | 889 | 1,014 |
| Total expenses | | 199,559 | 167,242 |
| Less: | | | |
| Own-source income | | | |
| Own-source revenue | | | |
| Sale of goods and rendering of services | 4A | 72,440 | 64,270 |
| Interest | 4B | 52,592 | 53,476 |
| Dividends | 4C | 365 | 583 |
| Rental income | 4D | 15,764 | 15,830 |
| Other revenue | 4E | 5,841 | 3,587 |
| Total own-source revenue | | 147,002 | 137,746 |
| Gains | | | |
| Sale of assets | 4F, 6A | 828 | 461 |
| Other | 4G | 8,191 | 2,975 |
| Total gains | | 9,019 | 3,435 |
| Total own-source income | | 156,021 | 141,182 |
| Net cost of services | | 43,538 | 26,060 |
| Revenue from Government | 4H | 34,012 | 34,168 |
| Surplus (deficit) before income tax on continuing operations | | (9,526) | 8,106 |
| Income tax expense | 5 | 130 | 1,093 |
| Surplus (deficit) after income tax on continuing operations | | (9,656) | 7,013 |
| Surplus attributable to non-controlling interests | | 1,205 | 2,546 |
| Surplus (deficit) attributable to the Australian Government | | (10,861) | 4,467 |

STATEMENT OF COMPREHENSIVE INCOME (continued)

for the period ended 30 June 2014

| | Notes | Consolidated | |
|---|-------|-----------------|----------------|
| | | 2014 | 2013 |
| | | \$'000 | \$'000 |
| Other comprehensive income | | | |
| Items not subject to subsequent reclassification to profit or loss | | | |
| Changes in asset revaluation reserves | | (4,393) | 205 |
| Items subject to subsequent reclassification to profit or loss | | | |
| Gains/(Losses) on available-for-sale financial assets | | (2,839) | (3,991) |
| Total other comprehensive income / (loss) after income tax | | (7,232) | (3,786) |
| Total comprehensive income /(loss) | | (16,888) | 3,227 |
| Total comprehensive income /(loss) attributable to non-controlling interests | | (648) | 2,596 |
| Total comprehensive income /(loss) attributable to the Australian Government | | (16,240) | 631 |

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

STATEMENT OF FINANCIAL POSITION

as at 30 June 2014

| | Notes | Consolidated | |
|---|------------|------------------|------------------|
| | | 2014 \$'000 | 2013 \$'000 |
| Assets | | | |
| Financial assets | | | |
| Cash and cash equivalents | 8A | 140,765 | 127,521 |
| Trade, loans and other receivables | 8B | 647,153 | 588,345 |
| Investments | 8C, 8D, 8E | 174,674 | 190,968 |
| Deferred tax assets | 8F | 606 | 303 |
| Total financial assets | | 963,198 | 907,137 |
| Non-financial assets | | | |
| Land and buildings | 9A, 9C | 42,611 | 51,042 |
| Property, plant and equipment | 9B, 9C | 12,453 | 20,995 |
| Investment property | 9D | 129,439 | 137,904 |
| Intangibles | 9E, 9F | 3,164 | 7,783 |
| Inventories | 9G | 3,512 | 2,971 |
| Other | 9H | 1,085 | 1,603 |
| Total non-financial assets | | 192,264 | 222,298 |
| Total assets | | 1,155,462 | 1,129,435 |
| Liabilities | | | |
| Payables | | | |
| Suppliers | 10A | 11,760 | 10,177 |
| Tax liabilities | 10B | 104 | 63 |
| Other | 10C | 5,794 | 6,044 |
| Total payables | | 17,658 | 16,284 |
| Interest bearing liabilities | | | |
| Loans | 11 | 12,077 | 11,516 |
| Total interest bearing liabilities | | 12,077 | 11,516 |
| Provisions | | | |
| Employee provisions | 12A | 7,017 | 6,672 |
| Other | 12B | 2,464 | 2,418 |
| Total provisions | | 9,481 | 9,090 |
| Total liabilities | | 39,216 | 36,890 |
| Net assets | | 1,116,246 | 1,092,545 |

STATEMENT OF FINANCIAL POSITION (continued)

as at 30 June 2014

| | Notes | Consolidated | |
|--|-------|------------------|------------------|
| | | 2014 \$'000 | 2013 \$'000 |
| Equity | | | |
| Parent entity interest | | | |
| Contributed equity | | 874,413 | 831,608 |
| Reserves | | 14,114 | 25,546 |
| Retained earnings | | 195,503 | 200,980 |
| Total parent entity interest | | 1,084,030 | 1,058,134 |
| Attributed to non-controlling interests | | | |
| Contributed equity | | 27,672 | 18,080 |
| Reserves | | 1,277 | 8,489 |
| Retained earnings | | 3,267 | 7,842 |
| Total non-controlling interests | | 32,216 | 34,411 |
| Total equity | | 1,116,246 | 1,092,545 |

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

STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2014

| | Consolidated | | | | | | | |
|--|-------------------|----------------|----------------|----------------|----------------------------|----------------|------------------|------------------|
| | Retained earnings | | Reserves | | Contributed equity/capital | | Total equity | |
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Opening balance | | | | | | | | |
| Balance carried forward from previous period | 208,822 | 210,096 | 34,035 | 32,260 | 849,688 | 809,584 | 1,092,545 | 1,051,940 |
| Reclassification* | (385) | (4,315) | (322) | 3,301 | - | - | (707) | (1,014) |
| Adjusted opening balance | 208,437 | 205,781 | 33,713 | 35,561 | 849,688 | 809,584 | 1,091,838 | 1,050,926 |
| Comprehensive income | | | | | | | | |
| Other comprehensive income - asset revaluations | - | - | (4,393) | 205 | - | - | (4,393) | 205 |
| Other comprehensive income - available for sale financial assets | - | - | (2,839) | (3,991) | - | - | (2,839) | (3,991) |
| Surplus (deficit) | (9,656) | 7,013 | - | - | - | - | (9,656) | 7,013 |
| Total comprehensive income | (9,656) | 7,013 | (7,232) | (3,786) | - | - | (16,888) | 3,227 |
| of which is: | | | | | | | | |
| Attributable to the Australian Government | (10,861) | 4,467 | (5,379) | (3,836) | - | - | (16,240) | 631 |
| Attributable to non-controlling interests | 1,205 | 2,546 | (1,853) | 50 | - | - | (648) | 2,596 |
| Transactions with owners | | | | | | | | |
| Distributions to owners | | | | | | | | |
| Return on capital: | | | | | | | | |
| Transfer | 5,564 | (2,260) | (5,564) | 2,260 | - | - | - | - |
| Dividends | (5,575) | (1,712) | - | - | - | - | (5,575) | (1,712) |
| Other movement: | | | | | | | | |
| Attributable to the Australian Government | - | (5,395) | - | - | - | - | - | (5,395) |
| Attributable to non-controlling interests | - | 5,395 | - | - | - | - | - | 5,395 |
| Contributions by owners | | | | | | | | |
| Equity injection | - | - | - | - | 42,805 | 38,074 | 42,805 | 38,074 |
| Other (equity contribution from non-controlling interests) | - | - | (5,526) | - | 9,592 | 2,030 | 4,066 | 2,030 |
| Sub-total transactions with owners | (11) | (3,972) | (11,090) | 2,260 | 52,397 | 40,104 | 41,296 | 38,392 |
| Closing balance as at 30 June | 198,770 | 208,822 | 15,391 | 34,035 | 902,085 | 849,688 | 1,116,246 | 1,092,545 |
| Less: non-controlling interests | (3,267) | (7,842) | (1,277) | (8,489) | (27,672) | (18,080) | (32,216) | (34,411) |
| Closing balance attributable to the Australian Government | 195,503 | 200,980 | 14,114 | 25,546 | 874,413 | 831,608 | 1,084,030 | 1,058,134 |

* Refer to Note 1.26

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

CASH FLOW STATEMENT

for the period ended 30 June 2014

| | Notes | Consolidated | |
|--|-------|-----------------|-----------------|
| | | 2014 \$'000 | 2013 \$'000 |
| Operating Activities | | | |
| Cash received | | | |
| Receipts from Government | | 34,012 | 34,168 |
| Goods and services | | 73,465 | 64,196 |
| Interest | | 51,483 | 55,039 |
| Dividends | | 365 | 26 |
| GST received | | 3,085 | 1,554 |
| Other | | 22,940 | 19,555 |
| Total cash received | | 185,350 | 174,538 |
| Cash used | | | |
| Employees | | 51,255 | 46,579 |
| Suppliers | | 77,243 | 64,160 |
| GST paid | | - | 444 |
| Borrowing costs | | 846 | 858 |
| Other - grants | | 11,928 | 12,444 |
| Total cash used | | 141,272 | 124,485 |
| Net cash from operating activities | 13 | 44,078 | 50,053 |
| Investing Activities | | | |
| Cash received | | | |
| Proceeds from sales of property, plant and equipment | | 15,507 | 4,157 |
| Investments purchased | | 26,496 | 43,388 |
| Other - repayment of loans receivable | | 92,393 | 70,628 |
| Total cash received | | 134,396 | 118,173 |
| Cash used | | | |
| Purchase of property, plant and equipment | | 11,046 | 23,400 |
| Purchase of other non-financial assets | | 1,241 | 2,116 |
| Investments redeemed | | 13,876 | 17,172 |
| Other - loans and advances made | | 176,634 | 151,939 |
| Total cash used | | 202,797 | 194,627 |
| Net cash used by investing activities | | (68,403) | (76,454) |

CASH FLOW STATEMENT (continued)

for the period ended 30 June 2014

| | Notes | Consolidated | |
|--|-------|----------------|----------------|
| | | 2014 \$'000 | 2013 \$'000 |
| Financing Activities | | | |
| Cash received | | | |
| Contributed equity | | 43,161 | 39,570 |
| Total cash received | | 43,161 | 39,570 |
| Cash used | | | |
| Repayment of borrowings | | 34 | 257 |
| Dividends paid | | 5,557 | 1,712 |
| Total cash used | | 5,591 | 1,969 |
| Net cash from financing activities | | 37,570 | 37,601 |
| Net increase in cash held | | | |
| | | 13,245 | 11,200 |
| Cash and cash equivalents at the beginning of the reporting period | | | |
| | | 127,521 | 116,321 |
| Cash and cash equivalents at the end of the reporting period | | | |
| | 8A | 140,765 | 127,521 |

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

SCHEDULE OF COMMITMENTS

for the period ended 30 June 2014

| | Notes | Consolidated | |
|---|-------|----------------|----------------|
| | | 2014 \$'000 | 2013 \$'000 |
| By Type | | | |
| Commitments receivable | | | |
| Lease rental income ¹ | | 26,378 | 34,621 |
| Loans ² | | 39,560 | 47,571 |
| Other capital ³ | | - | 2,877 |
| Total commitments receivable | | 65,938 | 85,069 |
| Commitments payable | | | |
| Other commitments | | | |
| Operating leases ⁴ | | 17,015 | 3,043 |
| Loans ² | | 39,560 | 47,571 |
| Other ⁵ | | 4,714 | 7,224 |
| Total commitments payable | | 61,289 | 57,838 |
| Net commitments by type | | 4,649 | 27,231 |
| By Maturity | | | |
| Commitments receivable | | | |
| Operating lease income | | | |
| One year or less | | 12,558 | 12,660 |
| From one to five years | | 12,195 | 18,964 |
| Over five years | | 1,625 | 2,997 |
| Total operating lease income | | 26,378 | 34,621 |
| Loan commitments receivable | | | |
| One year or less | | 1,886 | 1,347 |
| From one to five years | | 5,876 | 7,420 |
| Over five years | | 31,798 | 38,804 |
| Total loan commitments receivable | | 39,560 | 47,571 |
| Capital commitments receivable | | | |
| One year or less | | - | 2,877 |
| Total capital commitments receivable | | - | 2,877 |

SCHEDULE OF COMMITMENTS (continued)

as at 30 June 2014

| | Consolidated | |
|--|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Commitments payable | | |
| Operating lease commitments payable | | |
| One year or less | 2,269 | 1,690 |
| From one to five years | 7,753 | 1,353 |
| Over five years | 6,993 | - |
| Total operating lease commitments payable | 17,015 | 3,043 |
| Loan commitments payable | | |
| One year or less | 39,560 | 47,571 |
| Total loan commitments payable | 39,560 | 47,571 |
| Other commitments payable | | |
| One year or less | 2,374 | 4,395 |
| From one to five years | 1,155 | 2,556 |
| Over five years | 1,185 | 273 |
| Total other commitments payable | 4,714 | 7,224 |
| Net commitments by maturity | 4,649 | 27,231 |

Note: Commitments are GST inclusive where relevant.

SCHEDULE OF COMMITMENTS (continued)

as at 30 June 2014

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 37 commercial accommodation leases at 30 June 2014, of which 13 will end by 30 June 2015. Initial lease terms range from two to 10 years (average six years) with renewal options ranging up to 16 years (average eight years). Lease terms remaining at 30 June 2014 range from one to six years (average three years). Lease payments are subject to either annual fixed rental increases and/or indexed increases. These payments are subject to market increases in the initial term and in subsequent renewals. |
| Motor vehicle leasing | There are 40 equipment leases current at 30 June 2014. Lease terms range from two to five years (average 3.5 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 Other capital: This funding is provided by the Commonwealth for the purposes of housing construction for Government employees.

⁴ Operating leases payable included are effectively non-cancellable and comprise:

| Nature of lease | General description of leasing arrangement |
|-------------------------------------|--|
| Leases for commercial accommodation | There are nine commercial accommodation leases at 30 June 2014 of which two will end by 30 June 2015. Initial lease terms range from one to 10 years (average five years) with renewal options ranging up to five years (average 2.5 years). Lease terms remaining at 30 June 2014 range up to 10 years (average 4.5 years). The majority of lease payments are subject to annual fixed rental increases, the balance being indexed increases or a combination of both. Market increases are usually applicable on exercising lease renewals. |

⁵ Other commitments payable include a range of contracts such as fees for provision of services and net GST on commitments.

SCHEDULE OF CONTINGENCIES

as at 30 June 2014

| | Consolidated | |
|-------------------------------------|--------------|--------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Contingent assets | | |
| Claims for damages or costs | 2,335 | 3,459 |
| Total contingent assets | 2,335 | 3,459 |
| Contingent liabilities | | |
| Indemnities | 1,000 | 1,000 |
| Claims for damages or costs | 540 | - |
| Total contingent liabilities | 1,540 | 1,000 |
| Net contingent assets | 795 | 2,459 |

Details of each class of contingent liabilities and contingent assets listed above are disclosed in Note 14, along with information on significant remote contingencies and contingencies that cannot be quantified.

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

Note 1: Summary of Significant Accounting Policies

1.1 Objectives of Indigenous Business Australia

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

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

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

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

1.2 Basis of preparation of the financial report

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

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

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

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

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

Unless an alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the 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 not recognised are reported in the schedule of commitments or the schedule of contingencies.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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

1.3 Significant accounting judgements and estimates

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

- The fair value of 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 3 (FP) Business Combinations [for for-profit entities] - December 2012 (Compilation)
- AASB 10 (FP) Consolidated Financial Statements [for for-profit entities] - December 2012 (Compilation)
- AASB 13 Fair Value Measurement - December 2012 (Compilation)
- AASB 136 (FP) Impairment of Assets [for for-profit entities] - December 2012 (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 9 Financial Instruments - December 2013 (Compilation)
- AASB 1055 Budgetary Reporting - March 2013 (Principal)

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 Government agency or authority as a consequence of a restructuring of administrative arrangements (refer to Note 1.7).

Revenues from Government

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.6 Gains

Resources received free of charge

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

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

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

Sale of assets

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

1.7 Transactions with the Government as owner

Equity injections

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

Restructuring of administrative arrangements

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

1.8 Employee benefits

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

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

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

Leave

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**Separation and redundancy**

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

Superannuation

Staff of IBA are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or any 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 2013-14 nor 2012-13.

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 2013 to 30 June 2014 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' assets under AASB 139. 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 8C and 8D 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 and loss
- held-to-maturity investments
- available-for-sale financial assets
- loans and receivables.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**Effective interest method**

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

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

Financial assets at fair value through profit or loss

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

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

Assets in this category are classified as current assets.

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

Available-for-sale financial assets

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

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

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

Held-to-maturity investments

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

Loans and receivables

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Categorisation of financial assets

IBA's financial assets have been categorised as follows:

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

Valuation of financial assets

- Business and home loans are measured at fair value through profit and loss. These loans, issued at lower than market rates, are fair valued using an income approach 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 directors desktop valuation, supported by an external valuation at least 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 a fair value through profit and loss: 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. 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 and loss, or other financial liabilities.

Financial liabilities are recognised and derecognised upon trade date.

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

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

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

IBA classifies all its financial liabilities under this category.

Interest bearing loans and borrowings

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

1.18 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 buildings, 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.

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 are 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 |

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

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.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Depreciation

Depreciable property, plant and equipment assets are written off to their estimated residual values over their estimated useful lives to IBA using the straight-line method of depreciation in all cases.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

| Asset class | 2014 | 2013 |
|------------------------|--------------|--------------|
| 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 2014. Where indications of impairment existed, the asset's recoverable amount was estimated and an impairment adjustment made if the asset's recoverable amount was less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if IBA was deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

1.22 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 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 (2012-13: three years).

All software assets and goodwill were assessed for indications of impairment as at 30 June 2014.

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 statement of comprehensive income 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 Restatement of Income from Associates

Associate entities, classified as 'Available for Sale' financial assets under AASB 139, are fair valued every year and any gains or losses arising from changes in fair value are recognised directly in reserves. However for the sake of recognising the operational profitability of these entities in prior years, IBA recognised a separate amount in the statement of comprehensive income for IBA's share of operating results in associates as 'Equity accounted Gain / Loss'. With effect from this year IBA has discontinued the equity accounting method. On that basis, IBA will also remove previously equity accounted profits from Retained Earnings by transferring these to Reserves. The reversal of accumulated gain over the years from Retained Earnings to Reserves as an opening balance adjustment in the Statement of Changes in Equity is \$3.307 million for 2012-13. This is in addition to the \$1.008 million arising out of opening balance adjustments of subsidiaries disclosed in the previous year. The comparative figures for comprehensive income have also been restated by \$0.955 million in 2012-13.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.26 Restatement of Income from Associates (continued)

| | Disclosed Last Year \$'000 | 2012-13 Corrected \$'000 | Change \$'000 |
|--|----------------------------------|--------------------------------|------------------|
| Statement of comprehensive income | | | |
| Dividend | 26 | 583 | 557 |
| Share of surplus of associates using the equity method | 1,512 | - | (1,512) |
| Surplus before income tax on continuing operations | 9,061 | 8,106 | (955) |
| Other comprehensive income | | | |
| Gains on available for sale financial assets | (4,946) | (3,991) | 955 |
| Statement of changes in equity | | | |
| Reclassification | | | |
| Retained earnings | (1,008) | (4,315) | (3,307) |
| Reserves | (6) | 3,301 | 3,307 |
| Statement of financial position | | | |
| Parent entity interest | | | |
| Reserves | 21,284 | 25,546 | 4,262 |
| Retained earnings | 205,242 | 200,980 | (4,262) |

IBA has determined that the amount transferred from Retained earnings to Reserves is within the equity group will not materially influence the economic decisions of users of IBA's financial statements and consequently a third Statement of Financial Position was not required.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 2: Events After the Reporting Period

There are no potential significant events that will affect the ongoing structure and financial activities of IBA after 30 June 2014.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 3: Expenses

| | Consolidated | |
|--|---------------|---------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Note 3A: Employee benefits | | |
| Wages and salaries | 43,178 | 39,367 |
| Superannuation: | | |
| Defined contribution plans | 4,007 | 3,658 |
| Defined benefit plans | 1,375 | 1,292 |
| Leave and other entitlements | 3,039 | 3,001 |
| Total employee benefits | 51,599 | 47,318 |
| Note 3B: Supplier expenses | | |
| Cost of goods sold | 32,397 | 23,676 |
| Consultants | 6,064 | 5,025 |
| Investment property management expenses | 10,052 | 9,183 |
| IT expenses | 3,809 | 3,722 |
| Legal expenses | 2,548 | 2,829 |
| Office related expenses | 4,306 | 4,122 |
| Travel expenses | 2,457 | 2,241 |
| Other suppliers | 8,398 | 7,782 |
| Total goods and services - supplied or rendered | 70,030 | 58,580 |
| Goods supplied in connection with: | | |
| Related parties | - | - |
| External parties | 33,637 | 26,056 |
| Total goods supplied: | 33,637 | 26,056 |
| Services rendered in connection with: | | |
| Related parties | 2,324 | 2,158 |
| External parties | 34,071 | 30,366 |
| Total services rendered | 36,395 | 32,524 |
| Total goods and services - supplied or rendered | 70,030 | 58,580 |
| Other supplier expenses | | |
| Operating lease rentals - related entities: | | |
| Minimum lease payments | 417 | 453 |
| Operating lease rentals - external entities: | | |
| Minimum lease payments | 2,609 | 2,398 |
| Workers compensation expenses | 879 | 862 |
| Total other supplier expenses | 3,905 | 3,713 |
| Total supplier expenses | 73,935 | 62,293 |
| Note 3C: Grants | | |
| Private sector: | | |
| Other - business development grants | 11,928 | 12,444 |
| Total grants | 11,928 | 12,444 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 3: Expenses (continued)

| | Consolidated | |
|--|--------------|--------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |

Note 3D: Depreciation and amortisation

| Depreciation: | | |
|--|--------------|--------------|
| Property, plant and equipment | 3,266 | 3,328 |
| Land and buildings | 1,662 | 1,253 |
| Total depreciation | 4,928 | 4,581 |
| Amortisation: | | |
| Intangibles | 645 | 291 |
| Total amortisation | 645 | 291 |
| Total depreciation and amortisation | 5,573 | 4,872 |

Note 3E: Finance costs

| | | |
|----------------------------|------------|------------|
| Loans | 846 | 858 |
| Total finance costs | 846 | 858 |

Note 3F: Write-down and impairment of assets

| Asset write-downs and impairments from: | | |
|--|---------------|---------------|
| Write-down on non-financial assets | 28,303 | 15,078 |
| Impairment on loans | 7,236 | 3,186 |
| Valuation decrements on financial instruments | 17,561 | 19,947 |
| Other | 429 | 154 |
| Total write-down and impairment of assets | 53,529 | 38,365 |

Note 3G: Losses from asset sales

| Plant and equipment: | | |
|--------------------------------------|--------------|-----------|
| Proceeds from sale | 33 | 317 |
| Less: Carrying value of assets sold | (183) | (396) |
| Selling expense | - | - |
| Investment Property: | | |
| Proceeds from sale | 15,002 | - |
| Less: Carrying value of assets sold | (15,990) | - |
| Selling expense | (122) | - |
| Total losses from asset sales | 1,260 | 79 |

During 2013-14 proceeds from sale of the investment property was due to the sale of the CPS building in Adelaide.

Note 3H: Other expenses

| | | |
|-----------------------------|------------|--------------|
| Other | 889 | 1,014 |
| Total other expenses | 889 | 1,014 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 4: Income

| | Consolidated | |
|--|--------------|--------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |

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

| | | |
|-----------------------------|---------------|---------------|
| Related entities | 7 | 4 |
| External parties | 72,321 | 64,119 |
| Total sales of goods | 72,328 | 64,123 |

Rendering of services in connection with:

| | | |
|--|---------------|---------------|
| Related entities | - | 42 |
| External parties | 112 | 105 |
| Total rendering of services | 112 | 147 |
| Total sale of goods and rendering of services | 72,440 | 64,270 |

Note 4B: Interest

| | | |
|-----------------------|---------------|---------------|
| Loans | 44,267 | 41,471 |
| Deposits | 8,325 | 12,005 |
| Total interest | 52,592 | 53,476 |

Note 4C: Dividends

| | | |
|------------------------|------------|------------|
| Associate companies | 365 | 583 |
| Total dividends | 365 | 583 |

Note 4D: Rental income**Operating lease:**

| | | |
|----------------------------|---------------|---------------|
| Investment properties | 15,703 | 15,606 |
| Other | 61 | 224 |
| Total rental income | 15,764 | 15,830 |

Note 4E: Other revenue

| | | |
|----------------------------|--------------|--------------|
| Other non-operating income | 5,841 | 3,587 |
| Total other revenue | 5,841 | 3,587 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 4: Income (continued)

| | Consolidated | |
|-------------------------------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Gains | | |
| Note 4F: Sale of assets | | |
| Investments | | |
| Proceeds from sale | - | 4,262 |
| Carrying value of assets sold | - | (4,085) |
| Selling expense | - | - |
| Investment properties | | |
| Proceeds from sale | - | 3,507 |
| Carrying value of assets sold | - | (3,255) |
| Selling expense | - | (24) |
| Land and buildings | | |
| Proceeds from sale | 43 | 200 |
| Carrying value of assets sold | (43) | (197) |
| Selling expense | - | - |
| Property, plant and equipment | | |
| Proceeds from sale | 565 | 93 |
| Carrying value of assets sold | (409) | (40) |
| Intangibles | | |
| Proceeds from sale | 1,200 | - |
| Carrying value of assets sold | (515) | - |
| Selling expense | (13) | - |
| Net gain from sale of assets | 828 | 461 |

During 2013-14, proceeds from sale of intangibles was from the sale of the abalone fishing licence in Victoria.

Note 4G: Other gains

| | | |
|--|--------------|--------------|
| Change in fair value of non-financial assets | 7,603 | 2,487 |
| Other | 588 | 488 |
| Total other gains | 8,191 | 2,975 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 4: Income (continued)

| | Consolidated | |
|---|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Revenue from Government | | |
| Note 4H: Revenue from Government | | |
| Department of Prime Minister and Cabinet: | | |
| CAC Act body payment item | 34,012 | - |
| Former Department of Families, Housing, Community Services and Indigenous Affairs: | | |
| CAC Act body payment item | - | 34,168 |
| Total revenue from Government | 34,012 | 34,168 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 5: Income Tax Expense

| | Consolidated | |
|---------------------------------|--------------|--------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Income tax expense | 130 | 1,093 |
| Total income tax expense | 130 | 1,093 |

Note 6: Other Comprehensive Income

Note 6A: Reclassification Adjustments

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

| | | |
|---|----------|------------|
| Alice Springs Resort | - | 450 |
| Total reclassification adjustments of other comprehensive income | - | 450 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 7: Fair Value Measurements**Note 7A: Fair Value Measurements****Fair value measurements at the end of the reporting period by hierarchy for assets and liabilities for 2014**

| | Fair value measurements at the end of the reporting period using | | | | Fair value measurements at the end of the previous reporting period using | | | |
|---|--|--------------------------|--------------------------|--------------------------|---|--------------------------|--------------------------|------------------|
| | 2014 | | | | 2013 | | | |
| | Fair value \$'000 | Level 1 inputs \$'000 | Level 2 inputs \$'000 | Level 3 inputs \$'000 | Fair value \$'000 | Level 1 inputs \$'000 | Level 2 inputs \$'000 | inputs \$'000 |
| Financial assets: | | | | | | | | |
| Designated at fair value through profit and loss | | | | | | | | |
| Loan receivables - | | | | | | | | |
| Home | 597,525 | - | 597,525 | - | 542,631 | - | 542,631 | - |
| Loan receivables - | | | | | | | | |
| Business Loans | 41,121 | - | 41,121 | - | 36,306 | - | 36,306 | - |
| Available-for-sale assets | | | | | | | | |
| Associates | 37,109 | - | 37,109 | - | 40,865 | - | 40,865 | - |
| Business undertakings | - | - | - | - | 71 | - | 71 | - |
| Total financial assets: | 675,755 | - | 675,755 | - | 619,873 | - | 619,873 | - |
| Non-financial assets: | | | | | | | | |
| Land & Buildings | 42,611 | - | 42,611 | - | 51,042 | - | 51,042 | - |
| Investment Property | 129,439 | - | 129,439 | - | 137,904 | - | 137,904 | - |
| Property, Plant & Equipment | 12,453 | - | 12,453 | - | 20,995 | - | 20,995 | - |
| Total non-financial assets: | 184,503 | - | 184,503 | - | 209,941 | - | 209,941 | - |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 7: Fair Value Measurements (continued)

Note 7B: 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 7C: Valuation Technique and Inputs used for Level 2 and Level 3 Fair Value Measurements

Level 2 and Level 3 fair value measurements - valuation techniques and the inputs used for assets and liabilities in 2014

| Category Level 2 | Fair value 2014 | Valuation technique(s) | Inputs used |
|---|-----------------|---|---|
| \$'000 | | | |
| Financial assets: | | | |
| Designated at fair value through profit and loss | | | |
| Loan receivables - Home | 597,525 | Cashflows discounted at the risk adjusted market rate of interest | Yield curve, Loan to Value ratio, expected life and benchmark rates |
| Loan receivables - Business Loans | 41,121 | Cashflows discounted at the risk adjusted market rate of interest | Yield curve, Loan to Value ratio, expected life and benchmark rates |
| Available-for-sale assets | | | |
| Associates | 37,109 | Future earnings discounted at risk adjusted market rates | Earnings forecast, rates of return on capital |
| Total financial assets: | 675,755 | | |
| Non-financial assets: | | | |
| Land & Buildings | 42,611 | 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 | 129,439 | 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 | 12,453 | 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: | 184,503 | | |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 8: Financial Assets

| | Consolidated | |
|--|----------------|----------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Note 8A: Cash and cash equivalents | | |
| Cash on hand or on deposit | 111,357 | 94,467 |
| Cash on hand or on deposit - New Housing Fund | 29,408 | 33,054 |
| Total cash and cash equivalents | 140,765 | 127,521 |
| Note 8B: Trade, loans and other receivables | | |
| Goods and services receivables in connection with: | | |
| Related entities | - | 8 |
| External entities | 7,127 | 7,000 |
| Total receivables for goods and services | 7,127 | 7,008 |
| Reconciliations of movements of loans receivable | | |
| Loans - Home Ownership Program | | |
| At fair value - opening balance as a 1 July | 542,631 | 487,679 |
| Add: net loans movement at cost | 73,126 | 74,139 |
| Less: net movement on remeasurement at fair value through profit or loss | (16,746) | (18,996) |
| Less: impairment movement through profit and loss | (1,486) | (191) |
| At fair value - closing balance as at 30 June | 597,525 | 542,631 |
| Loans - Business Development and Assistance Program | | |
| At fair value - opening balance as a 1 July | 36,306 | 32,523 |
| Add: net loans movement at cost | 11,379 | 7,729 |
| Add/(Less): net movement on remeasurement at fair value through profit or loss | (814) | (951) |
| Less: impairment movement through profit and loss | (5,750) | (2,995) |
| At fair value - closing balance as at 30 June | 41,121 | 36,306 |
| Total home and business loans and other receivables | 638,646 | 578,937 |
| Other receivables: | | |
| Other | 1,380 | 2,400 |
| Total other receivables | 1,380 | 2,400 |
| Total trade, loans and other receivables | 647,153 | 588,345 |
| Trade, loans, and other receivables (net) expected to be recovered | | |
| No more than 12 months | 14,553 | 12,720 |
| More than 12 months | 632,600 | 575,625 |
| Total trade, loans and other receivables (net) | 647,153 | 588,345 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 8: Financial Assets (continued)

| | Consolidated | |
|--|----------------|----------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Note 8B: Trade, loans and other receivables (continued) | | |
| Trade, loans, and other receivables (gross) aged as follows | | |
| Not overdue | 566,264 | 506,108 |
| Overdue by: | | |
| 0 to 30 days | 24,745 | 37,123 |
| 31 to 60 days | 20,704 | 16,831 |
| 61 to 90 days | 11,551 | 8,850 |
| More than 90 days | 23,889 | 19,433 |
| Total receivables | 647,153 | 588,345 |
| Reconciliation of loans carrying value | | |
| Loans - Home Ownership Program | | |
| Face value as at 30 June | 875,828 | 802,862 |
| Less: Discount on concessional loans on remeasurement at fair value through profit or loss | 274,524 | 257,778 |
| Less: Impairment allowance | 3,779 | 2,452 |
| Carrying value as at 30 June | 597,525 | 542,632 |
| Loans - Business Development and Assistance Program | | |
| Face value as at 30 June | 67,060 | 58,135 |
| Less: Discount on concessional loans on remeasurement at fair value through profit or loss | 11,226 | 10,412 |
| Less: Impairment Allowance | 14,713 | 11,417 |
| Carrying Value as at 30 June | 41,121 | 36,306 |
| Total home and business loans and other receivables | 638,646 | 578,937 |
| Reconciliation of movement in impairment allowance account | | |
| Loans - Home Ownership Program | | |
| Opening balance as at 1 July | 2,452 | 2,376 |
| Allowances resolved | (342) | (763) |
| Allowances pertaining to loans written off | (148) | (71) |
| | 1,962 | 1,542 |
| New allowances | 1,808 | 900 |
| Change in impairment allowance for accounts existing at 1 July | 9 | 10 |
| | 1,817 | 910 |
| Closing balance as at 30 June | 3,779 | 2,452 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 8: Financial Assets (continued)

| | Consolidated | |
|--|---------------|---------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Note 8B: Trade, loans and other receivables (continued) | | |
| Loans - Business Development and Assistance Program | | |
| Opening balance as at 1 July | 11,417 | 14,128 |
| Allowance resolved | (1,179) | (1,108) |
| Allowance pertaining to loans written off | (2,265) | (5,095) |
| | 7,973 | 7,925 |
| New allowances | 7,335 | 3,569 |
| Change in impairment allowance for accounts existing at 1 July | (595) | (78) |
| Closing balance as at 30 June | 14,713 | 11,417 |
| Total impairment allowance account | 18,492 | 13,869 |

The impairment allowances are aged as follows

| | | |
|---|---------------|---------------|
| Not overdue | - | - |
| Overdue by: | | |
| 0 to 30 days | 6,654 | 2,302 |
| 31 to 60 days | 700 | 436 |
| 61 to 90 days | 448 | 311 |
| More than 90 days | 10,690 | 10,820 |
| Total impairment allowance account | 18,492 | 13,869 |

Note 8C: Investments in associates

| | | |
|--|---------------|---------------|
| Investments in associates | 37,109 | 40,865 |
| Total investments in associates | 37,109 | 40,865 |

Investments in associates that are expected to be recovered in:

| | | |
|--|---------------|---------------|
| More than 12 months | 37,109 | 40,865 |
| Total investments in associates | 37,109 | 40,865 |

Investments in associates we recognised as available-for-sale financial assets as set out in accounting policies note 1.15. In prior years, the equity method of accounting was adopted for associates, however this was corrected retrospectively in 2013-14 as set out in accounting policies note 1.26.

Summarised financial information of associates:

| | | |
|---|----------------|---------------|
| Balance sheet: | | |
| Assets | 103,508 | 114,624 |
| Liabilities | (65,635) | (71,615) |
| Net assets | 37,873 | 43,009 |
| Statement of comprehensive income: | | |
| Revenue | 96,775 | 175,356 |
| Expenses | 101,220 | 172,164 |
| Net surplus | (4,445) | 3,192 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 8: Financial Assets (continued)

Note 8D: 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 | |
|---------------------------------------|-------------------------------------|--------------------|-----------|--------------|-----------|-------------------------------|----------------|
| | | 2014 % | 2013 % | 2014 % | 2013 % | 2014 \$'000 | 2013 \$'000 |
| Carpentaria Shipping Services Pty Ltd | Transportation | 18 | 18 | 25 | 25 | 1,425 | 2,069 |
| Fitzroy River Lodge Partnership | Accommodation provider | 26 | 26 | 25 | 25 | 1,879 | 1,982 |
| Message Stick Communications Pty Ltd | Communication service provider | 31 | 31 | 31 | 31 | 10,394 | 11,338 |
| Nitmiluk (Cicada Lodge) Unit Trust | Accommodation provider | 50 | 50 | 50 | 50 | 4,454 | 4,454 |
| Nitmiluk (Cicada Lodge) Pty Ltd | Accommodation provider | 50 | 50 | 50 | 50 | 16 | 16 |
| Ngarda Civil & Mining Pty Ltd | Civil engineering & mining services | 25 | 25 | 25 | 25 | 3,475 | 4,475 |
| Noongar Property Trust | Property | 47 | 47 | 50 | 50 | 12,890 | 14,081 |
| Port Hedland Investment Trust | Property | 70 | 70 | 50 | 50 | 2,576 | 2,450 |
| | | | | | | 37,109 | 40,865 |

Control in IBA's investment is determined by voting power in excess of 50%.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 8: Financial Assets (continued)

| | Consolidated | |
|---|----------------|----------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Note 8D: Interests in associates (continued) | | |
| Movements during the year in associated companies: | | |
| Opening balance as at 1 July | 40,865 | 32,655 |
| Add: | | |
| Additional investments during the year | 2,081 | 17,448 |
| Less: | | |
| Disposals and redeptions during the year | (3,000) | (3,635) |
| Fair value decrement | (2,837) | (5,603) |
| Closing balance as at 30 June | 37,109 | 40,865 |
| Note 8E: Other investments | | |
| Deposits | 128,065 | 150,032 |
| Other - Bonds and interest in business undertakings | 9,500 | 71 |
| Total other investments | 137,565 | 150,103 |
| Investments expected to be recovered in | | |
| No more than 12 months | 128,865 | 150,032 |
| More than 12 months | 8,700 | 71 |
| Total other investments | 137,565 | 150,103 |
| Total Investments | 174,674 | 190,968 |
| Note 8F: Deferred tax assets | | |
| Deferred tax assets | 606 | 303 |
| Total deferred tax assets | 606 | 303 |

All deferred tax assets are non-current assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 9: Non-Financial Assets

| | Consolidated | |
|-------------------------------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Note 9A: Land and buildings | | |
| Leasehold improvements | | |
| Fair value | 4,429 | 2,552 |
| Accumulated depreciation | (934) | (2,111) |
| Total leasehold improvements | 3,495 | 441 |
| Land and buildings: | | |
| Fair value | 43,520 | 60,499 |
| Accumulated depreciation | (4,404) | (9,898) |
| Subtotal land and buildings | 39,116 | 50,601 |
| Total land and buildings | 42,611 | 51,042 |

Land and buildings were valued during the year in accordance with the revaluation policy stated in Note 1.21. A revaluation increment of \$0.250 million was recorded for one property (2013: \$1.943 million) and a decrement of \$10.568 million for nine properties (2013: \$0.943 million) in the statement of comprehensive income.

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

Note 9B: Property, plant and equipment

| | | |
|--|---------------|---------------|
| Other property, plant and equipment: | | |
| Fair value | 18,550 | 37,711 |
| Accumulated depreciation | (6,097) | (16,716) |
| Total other property, plant and equipment | 12,453 | 20,995 |

Property, plant and equipment were valued during the year in accordance with the revaluation policy stated in Note 1.21. A revaluation decrement of \$11.331 million was recorded for eleven entities (2013 - nil) in the statement of comprehensive income.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 9: Non-Financial Assets (continued)

Note 9C: Reconciliation of the opening and closing balances of land and buildings, and property, plant and equipment (PP&E)

| | 2014 | | | 2013 | | |
|--|------------------------------|---------------------------|-----------------|------------------------------|---------------------------|-----------------|
| | Land and buildings \$'000 | Other PP & E \$'000 | Total \$'000 | Land and buildings \$'000 | Other PP & E \$'000 | Total \$'000 |
| Opening balance | | | | | | |
| Gross book value | 63,051 | 37,711 | 100,762 | 66,808 | 35,543 | 102,351 |
| Accumulated depreciation and impairment | (12,009) | (16,716) | (28,725) | (10,980) | (16,634) | (27,614) |
| Total as at 1 July | 51,042 | 20,995 | 72,037 | 55,828 | 18,909 | 74,737 |
| Additions: | | | | | | |
| By purchase | 5,531 | 9,690 | 15,221 | 3,600 | 7,039 | 10,639 |
| Revaluations and impairments through equity | (4,393) | - | (4,393) | 200 | - | 200 |
| Impairment recognised in the operating result - cost | (18,897) | (23,831) | (42,728) | (7,180) | (1,386) | (8,566) |
| Impairment recognised in the operating result - accumulated depreciation | 8,311 | 12,497 | 20,808 | 221 | 211 | 432 |
| Reclassification - at cost | 1,644 | (1,811) | (167) | - | (14) | (14) |
| Reclassification - accumulated depreciation | (5) | 266 | 261 | - | - | - |
| Depreciation expense | (1,662) | (3,266) | (4,928) | (1,253) | (3,328) | (4,581) |
| Other movements: | | | | | | |
| Opening balance adjustment - cost | 1,083 | (1,508) | (425) | (78) | - | (78) |
| Opening balance adjustment - accumulated depreciation | - | 15 | 15 | (79) | 40 | (39) |
| Disposals: | | | | | | |
| Other disposals - cost | (70) | (1,700) | (1,770) | (299) | (3,471) | (3,770) |
| Other disposals - accumulated depreciation | 27 | 1,108 | 1,135 | 82 | 2,995 | 3,077 |
| Other disposals | - | - | - | (217) | (190) | (407) |
| Total as at 30 June | 42,611 | 12,453 | 55,064 | 51,042 | 20,995 | 72,037 |
| Net book value as at 30 June represented by: | | | | | | |
| Gross book value | 47,949 | 18,550 | 66,499 | 63,051 | 37,711 | 100,762 |
| Accumulated depreciation and impairment | (5,338) | (6,097) | (11,435) | (12,009) | (16,716) | (28,725) |
| Total as at 30 June | 42,611 | 12,453 | 55,064 | 51,042 | 20,995 | 72,037 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 9: Non-Financial Assets (continued)

| | Consolidated | |
|---|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Note 9D: Investment property | | |
| Opening balance as at 1 July | | |
| Gross book value | 137,904 | 128,530 |
| Opening balance adjustments | (57) | - |
| Disposals | (15,990) | (3,459) |
| Additions: | | |
| By acquisition | 1,716 | 15,385 |
| Net gain/(loss) from fair value adjustments | 5,947 | (2,552) |
| Reclassification | (81) | - |
| Total as at 30 June | 129,439 | 137,904 |

Investment property 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 \$1.403 million (2013: Decrement of \$4.950 million) for four properties and an increase in value of \$7.350 million (2013: Increment of \$0.156 million) for four properties and are included in the statement of comprehensive income.

Note 9E: Intangibles

| | | |
|--|--------------|--------------|
| Computer software: | | |
| Computer software purchased or developed - at cost | 3,537 | 2,780 |
| Accumulated amortisation | (1,765) | (1,293) |
| Total Computer software: | 1,772 | 1,487 |
| Other intangibles | | |
| Fishing licence | 5,812 | 6,326 |
| Accumulated impairment - fishing licence | (5,812) | (5,807) |
| Other | 6,370 | 5,829 |
| Accumulated impairment losses | (4,978) | (52) |
| Total other intangibles | 1,392 | 6,296 |
| Total intangibles | 3,164 | 7,783 |

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 9: Non-Financial Assets (continued)

| | Consolidated | |
|---|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Note 9F: Reconciliation of the opening and closing balances of intangibles | | |
| Opening Balance as at 1 July | | |
| Gross book value | 14,935 | 15,362 |
| Accumulated amortisation and impairment | (7,152) | (7,655) |
| Total as at 1 July | 7,783 | 7,707 |
| Additions: | | |
| By acquisition | 1,405 | 2,292 |
| From acquisition of entities or operations (including restructuring) | - | - |
| Reclassification | (13) | - |
| Amortisation | (645) | (291) |
| Other movements | (115) | - |
| Impairments recognised in the operating result | (4,737) | (1,906) |
| Disposals: | | |
| Other disposals - cost | (514) | (813) |
| Other disposals - accumulated depreciation | - | 794 |
| Total as at 30 June | 3,164 | 7,783 |
| Totals at 30 June represented by: | | |
| Gross book value | 15,719 | 14,935 |
| Accumulated amortisation and impairment | (12,556) | (7,152) |
| Total as at 30 June | 3,164 | 7,783 |
| Note 9G: Inventories | | |
| Inventories held for sale | | |
| Raw materials | 3,512 | 2,971 |
| Total inventories | 3,512 | 2,971 |

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 9: Non-Financial Assets (continued)

| | Consolidated | |
|--|--------------|--------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Note 9H: Other non-financial assets | | |
| Prepayments | 1,085 | 1,603 |
| Total other non-financial assets | 1,085 | 1,603 |

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 10: Payables

| | Consolidated | |
|----------------------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Note 10A: Suppliers | | |
| Trade creditors | 11,760 | 10,177 |
| Total suppliers | 11,760 | 10,177 |

Supplier payables expected to be settled within 12 months:

Suppliers in connection with:

| | | |
|------------------------|---------------|---------------|
| Related entities | 300 | 319 |
| External parties | 11,460 | 9,858 |
| Total suppliers | 11,760 | 10,177 |

Settlement is usually made within 30 days.

Note 10B: Tax liabilities

| | | |
|------------------------------|------------|-----------|
| Tax liabilities equivalent | 104 | 63 |
| Total tax liabilities | 104 | 63 |

All deferred tax liabilities are non-current.

Note 10C: Other payables

| | | |
|------------------------------|--------------|--------------|
| Salaries and wages | 1,522 | 1,221 |
| Superannuation | 108 | 96 |
| Separations and Redundancies | 47 | - |
| Unearned income | 3,056 | 2,117 |
| GST payable to ATO | 1,061 | 2,610 |
| Total other payables | 5,794 | 6,044 |

Total other payables expected to be settled in:

| | | |
|-----------------------------|--------------|--------------|
| No more than 12 months | 5,794 | 6,044 |
| Total other payables | 5,794 | 6,044 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 11: Interest Bearing Liabilities

| | Consolidated | |
|--------------------------------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Note 11: Loans | | |
| Secured loan facility | 12,077 | 11,516 |
| Total loans | 12,077 | 11,516 |
| Maturity schedule for loans payable: | | |
| In one to five years | 12,077 | 11,516 |
| Total loans | 12,077 | 11,516 |

As at 30 June 2014, \$11.500 million (30 June 2013: \$11.500 million) relates to amounts borrowed against security of land and buildings.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 12: Provisions

| | Consolidated | |
|--------------------------------------|--------------|--------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Note 12A: Employee provisions | | |
| Leave | 7,017 | 6,672 |
| Total employee provisions | 7,017 | 6,672 |

Employee provisions expected to be settled in:

| | | |
|----------------------------------|--------------|--------------|
| No more than 12 months | 4,132 | 3,899 |
| More than 12 months | 2,885 | 2,773 |
| Total employee provisions | 7,017 | 6,672 |

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

Note 12B: Other provisions

| | | |
|---|--------------|--------------|
| Restoration obligations | 540 | 624 |
| Distribution to Non Controlling Interests | 998 | 842 |
| Other | 926 | 952 |
| Total other provisions | 2,464 | 2,418 |

Other provisions expected to be settled in:

| | | |
|-------------------------------|--------------|--------------|
| No more than 12 months | 2,039 | 2,312 |
| More than 12 months | 425 | 106 |
| Total other provisions | 2,464 | 2,418 |

| | Consolidated | | | | | |
|-------------------------------------|-------------------------|--------------------------------|--------------|-------------------------|--------------------------------|--------------|
| | 2014 | | | 2013 | | |
| | Restoration obligations | Distribution/ other provisions | Total | Restoration obligations | Distribution/ other provisions | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Opening balance as at 1 July | 624 | 1,794 | 2,418 | 732 | 2,427 | 3,159 |
| Additional provisions made | 293 | 1,951 | 2,244 | - | 758 | 758 |
| Amounts used | (377) | (1,821) | (2,198) | (108) | (1,391) | (1,499) |
| Total as at 30 June | 540 | 1,924 | 2,464 | 624 | 1,794 | 2,418 |

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 \$0.54 million to reflect the present value of this obligation.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 13: Cash Flow Reconciliation

| | Consolidated | |
|--|---------------|---------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Reconciliation of cash and cash equivalents as per statement of financial position to Cash Flow Statement | | |
| Reported cash and cash equivalents as per: | | |
| Cash Flow Statement | 140,765 | 127,521 |
| Statement of Financial Position | 140,765 | 127,521 |
| Discrepancy | - | - |
| Reconciliation of net cost of services to net cash from operating activities: | | |
| Net cost of services | (43,538) | (26,619) |
| Add: revenue from Government | 34,012 | 34,168 |
| Less: income tax expense | (130) | (1,093) |
| Less: non cash write off | - | (754) |
| Adjustments for non-cash items | | |
| Depreciation and amortisation | 5,573 | 4,872 |
| Net write down of assets | 45,337 | 35,390 |
| Net loss on disposal of assets | 432 | (382) |
| Changes in assets/liabilities | | |
| (Increase)/decrease in net receivables | 244 | 4,865 |
| (Increase)/decrease in inventories | (541) | (46) |
| Increase/(decrease) in GST payable | 657 | (1,804) |
| Increase/(decrease) in employee provisions | 345 | 739 |
| Increase/(decrease) in supplier payables | 1,583 | 1,480 |
| Increase/(decrease) in other provisions | 53 | (741) |
| Increase/(decrease) in tax liabilities | 51 | (22) |
| Net cash from operating activities | 44,078 | 50,053 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 14: Contingent Liabilities and Assets

| | Consolidated | | | | | | | |
|--|----------------|----------------|----------------|----------------|-----------------------------|----------------|----------------|----------------|
| | Guarantees | | Indemnities | | Claims for damages or costs | | Total | |
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Contingent assets | | | | | | | | |
| Opening balance as at 1 July | - | - | - | - | 3,459 | 2,397 | 3,459 | 2,397 |
| New | - | - | - | - | 2,154 | 1,213 | 2,154 | 1,213 |
| Remeasurement | - | - | - | - | (731) | (1) | (731) | (1) |
| Assets recognised | - | - | - | - | (200) | - | (200) | - |
| Expired | - | - | - | - | (2,347) | (150) | (2,347) | (150) |
| Total as at 30 June | - | - | - | - | 2,335 | 3,459 | 2,335 | 3,459 |
| Contingent liabilities | | | | | | | | |
| Opening balance as at 1 July | - | - | 1,000 | 1,000 | - | 200 | 1,000 | 1,200 |
| New | - | - | - | - | 540 | - | 540 | - |
| Obligations expired | - | - | - | - | - | (200) | - | (200) |
| Total as at 30 June | - | - | 1,000 | 1,000 | 540 | - | 1,540 | 1,000 |
| Net contingent assets (liabilities) as at 30 June | - | - | (1,000) | (1,000) | 1,795 | 3,459 | 795 | 2,459 |

Quantifiable contingencies**Claims for damages or costs (contingent asset)**

It is considered possible that IBA will succeed in a number of legal matters, although the cases are continuing.

Guarantees and indemnities

IBA had no outstanding guarantees as at 30 June 2013 or 2014.

Guarantee and indemnity undertakings were made only to satisfy normal commercial funding conditions imposed by financiers and, at balance date, there were 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 \$1,000,000) arising from a performance guarantee provided by P&O Maritime Services to Mount Isa Mines Limited.

Claims for damages or costs (contingent liability)

The amount represents an estimate of IBA's liability based on a number of legal matters that are currently ongoing.

Significant Remote Contingencies

IBA has no significant remote contingencies as at 30 June 2013 or 2014.

Unquantifiable Contingencies

IBA has no significant unquantifiable contingencies as at 30 June 2013 or 2014.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 15: Directors' Remuneration

| | Consolidated | |
|---|----------------|----------------|
| | 2014 No. | 2013 No. |
| \$0 to \$29,999 | 5 | 6 |
| \$30,000 to \$59,999 | 8 | 5 |
| \$60,000 to \$89,999 | 2 | 1 |
| \$90,000 to \$119,999 | - | - |
| \$120,000 to \$149,999 | - | - |
| \$150,000 to \$179,999 | - | 1 |
| Total number of non-executive directors | 15 | 13 |
| | \$ | \$ |
| Total remuneration received or due and receivable by directors of IBA and subsidiaries | 612,411 | 544,763 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 16: Related Party Disclosure**Loans to directors and director-related entities**

There were no loans made to director-related entities in 2014.

| | Consolidated | |
|---|--------------|--------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Loans to director-related entities during the year: | | |
| Loan repayments during the year | - | 47 |
| Interest revenue included in operating result from loans to directors and director-related entities | - | 3 |

Other transactions with directors or director-related entities

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

- Mr Jason Eades (owner, Eades Consulting Group Pty Ltd) - \$44,870
- Ms Gail Reynolds-Adamson (owner, Kaata Tidje Pty Ltd) - \$17,533

The directors involved took no part in the relevant decisions.

Dr Dawn Casey was the Chairperson of IBA and the Indigenous Land Corporation (ILC) during the period. IBA received a total of \$41,992 from ILC in relation to the Banuba Cattle Corporation for services provided by IBA.

Loans made in the past to the following director related companies were paid in full during the previous year:

- Wuwan Foundation with Mr Ian Trust as Chairperson

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 17: Senior Executive Remuneration

| | Consolidated | |
|--|------------------|------------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Note 17A: Senior executive remuneration expenses for the reporting period | | |
| Executive remuneration | | |
| Short-term employee benefits: | | |
| Salary and allowances | 2,114,658 | 1,925,619 |
| Annual leave accrued | 162,304 | 150,839 |
| Performance bonuses | 50,000 | 50,000 |
| Total short-term employee benefits | 2,326,962 | 2,126,458 |
| Post-employment benefits | | |
| Superannuation | 293,389 | 271,844 |
| Total post-employment benefits | 293,389 | 271,844 |
| Other long-term employee benefits | | |
| Long-service leave | 64,713 | 37,852 |
| Total other long-term employee benefits | 64,713 | 37,852 |
| Total senior executive remuneration expenses | 2,685,064 | 2,436,154 |

Notes

1. Note 17A was prepared on an accrual basis, so the performance bonus expenses disclosed above differ from the cash 'Bonus paid' in Note 17B.

2. Note 17A excludes acting arrangements and part-year service where remuneration expense was less than \$195,000.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 17: Senior Executive Remuneration (continued)**Note 17B: Average annual reportable remuneration paid to substantive senior executives during the reporting period**

| Average annual reportable remuneration paid to substantive senior executives in 2014 | | | | | | |
|--|-------------------------------|--------------------------------|---|------------------------------------|-------------------------|-------------------------------|
| Average annual reportable remuneration ¹ | Substantive Senior Executives | Reportable salary ² | Contributed superannuation ³ | Reportable allowances ⁴ | Bonus paid ⁵ | Total reportable remuneration |
| | No. | \$ | \$ | \$ | \$ | \$ |
| Total remuneration: | | | | | | |
| Less than \$195,000 | 1 | 24,541 | 3,090 | - | - | 27,631 |
| \$195,000 to \$224,999 | 2 | 185,369 | 26,616 | - | - | 211,985 |
| \$225,000 to \$254,999 | 2 | 215,159 | 25,980 | - | - | 241,139 |
| \$255,000 to \$284,999 | 4 | 233,121 | 34,773 | - | - | 267,894 |
| \$375,000 to \$404,999 | 1 | 314,980 | 40,023 | - | 49,760 | 404,763 |
| Total | 10 | | | | | |
| Average annual reportable remuneration paid to substantive senior executives in 2013 | | | | | | |
| Average annual reportable remuneration ¹ | Substantive Senior Executives | Reportable salary ² | Contributed superannuation ³ | Reportable allowances ⁴ | Bonus paid ⁵ | Total reportable remuneration |
| | No. | \$ | \$ | \$ | \$ | \$ |
| Total remuneration: | | | | | | |
| Less than \$195,000 | 2 | 99,483 | 20,583 | - | - | 120,066 |
| \$195,000 to \$224,999 | 2 | 184,462 | 23,714 | - | - | 208,176 |
| \$225,000 to \$254,999 | 3 | 217,571 | 27,988 | - | - | 245,560 |
| \$255,000 to \$284,999 | 2 | 228,220 | 33,823 | - | - | 262,043 |
| \$375,000 to \$404,999 | 1 | 293,266 | 38,521 | - | 41,868 | 373,655 |
| Total | 10 | | | | | |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 17: Senior Executive Remuneration (continued)

Notes

1. This table reports on substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.
2. 'Reportable salary' includes the following:
 - a) gross payments (less bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
 - b) reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits); and
 - c) exempt foreign employment income.
3. The 'contributed superannuation' amount is the average actual superannuation contributions paid to senior executives in that reportable remuneration band during the reporting period, including any salary sacrificed amount, as per individual payslips
4. 'Reportable allowances' are the average actual allowances per the 'total allowances' line on individuals' payment summaries.
5. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to variation factors such as individuals commencing with or leaving entity during the financial year.
6. Various salary sacrifices arrangements were available to senior executives including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column, excluding salary sacrificed superannuation, which is reported in the 'contributed superannuation' column.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 17: Senior Executive Remuneration (continued)**Note 17C: Average Annual Reportable Remuneration Paid to Other Highly Paid Staff during the Reporting Period**

| 2,014 | | | | | | |
|---|-------------------------|--------------------------------|---|------------------------------------|-------------------------|-------------------------------|
| Average annual reportable remuneration ¹ | Other Highly Paid Staff | Reportable salary ² | Contributed superannuation ³ | Reportable allowances ⁴ | Bonus paid ⁵ | Total reportable remuneration |
| | No. | \$ | \$ | \$ | \$ | \$ |
| Total remuneration: \$195,000 to \$224,999 | 1 | 185,887 | 36,218 | - | - | 222,105 |
| Total number of other highly paid staff | 1 | | | | | |
| 2013 | | | | | | |
| Average annual reportable remuneration ¹ | Other Highly Paid Staff | Reportable salary ² | Contributed superannuation ³ | Reportable allowances ⁴ | Bonus paid ⁵ | Total reportable remuneration |
| | No. | \$ | \$ | \$ | \$ | \$ |
| Total remuneration: \$195,000 to \$224,999 | 2 | 177,803 | 30,365 | - | - | 208,168 |
| Total number of other highly paid staff | 2 | | | | | |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 17: Senior Executive Remuneration (continued)

Notes

1. This table reports staff:

- a) who were employed by IBA during the reporting period;
- b) whose reportable remuneration was \$195,000 or more for the financial period; and
- c) were not required to be disclosed in Table A, B or director disclosures.

Each row is an average figure based on headcount for individuals in the band.

2. 'Reportable salary' includes the following:

- a) gross payments (less bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
- b) reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits); and
- c) exempt foreign employment income.

3. The 'contributed superannuation' amount is the average actual superannuation contributions paid to senior executives in that reportable remuneration band during the reporting period, including any salary sacrificed amount, as per individual payslips.

4. 'Reportable allowances' are the average actual allowances per the 'total allowances' line on individuals' payment summaries.

5. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to variation factors such as individuals commencing with or leaving entity during the financial year.

6. Various salary sacrifices arrangements were available to senior executives including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column, excluding salary sacrificed superannuation, which is reported in the 'contributed superannuation' column.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 18: Remuneration of Auditors

| | Consolidated | |
|--|--------------|--------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |

Financial statement audit services were provided to IBA by the Australian National Audit Office (ANAO).

Fair value of the services provided

| | | |
|---|------------|------------|
| Financial statement audit services - IBA | 150 | 150 |
| Financial statement audit services - Subsidiaries | 383 | 352 |
| Total fair value of services received | 533 | 502 |

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 19: Financial Instruments

| | Notes | Consolidated | |
|--|-------|----------------|----------------|
| | | 2014 \$'000 | 2013 \$'000 |
| Note 19A: Categories of financial instruments | | | |
| Financial assets | | | |
| Held-to-maturity financial assets | | | |
| Term deposits | 8E | 137,565 | 150,032 |
| Total Held-to-maturity financial assets | | 137,565 | 150,032 |
| Loans and receivables financial assets | | | |
| Cash and cash equivalents | 8A | 140,765 | 127,521 |
| Goods and services | 8B | 7,127 | 7,008 |
| Other receivables | 8B | 362 | 723 |
| Total Loans and receivables financial assets | | 148,254 | 135,252 |
| Fair value through profit and loss - designated | | | |
| Business and Home loans | 8B | 638,646 | 578,937 |
| Total Fair value through profit and loss - designated | | 638,646 | 578,937 |
| Available-for-sale financial assets | | | |
| Business undertakings | 8E | - | 71 |
| Associates | 8D | 37,109 | 40,865 |
| Total Available-for-sale financial assets | | 37,109 | 40,936 |
| Carrying amount of financial assets | | 961,574 | 905,157 |
| Financial liabilities | | | |
| Other financial liabilities - at amortised cost | | | |
| Trade creditors | 10A | 11,760 | 10,177 |
| Other payables | 10C | 1,677 | 1,317 |
| Total Other financial liabilities - at amortised cost | | 13,437 | 11,494 |
| Borrowings secured by a floating charge | 11 | 12,077 | 11,516 |
| Total Borrowings secured by a floating charge | | 12,077 | 11,516 |
| Carrying amount of financial liabilities | | 25,514 | 23,010 |

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 19: Financial Instruments (continued)

| Notes | Consolidated | |
|---|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| 19B: Net Gains or Losses from financial assets | | |
| Held-to-maturity assets | | |
| Interest revenue | 3,657 | 8,441 |
| Net gain - held-to-maturity assets | 3,657 | 8,441 |
| Loans and receivables | | |
| Interest revenue | 4,668 | 3,535 |
| Net gain - loans and receivables | 4,668 | 3,535 |
| Fair value through profit and loss | | |
| Interest revenue | 44,267 | 41,471 |
| Changes in fair value | (17,561) | (19,947) |
| Net gains/(loss) - fair value through profit and loss | 26,706 | 21,524 |
| Available-for-sale assets | | |
| Interest revenue | 368 | 306 |
| Dividend revenue | 365 | 583 |
| Gain recognised in equity | (2,839) | 3,991 |
| Net gain on disposal | - | 176 |
| Net gain/(loss) - available-for-sale assets | (2,106) | 5,056 |
| Net gain on financial assets | 32,925 | 38,556 |
| 19C: Net Gains or Losses from financial liabilities | | |
| Financial liabilities - at amortised cost | | |
| Interest expense | 846 | 858 |
| Net losses - financial liabilities - at amortised cost | 846 | 858 |
| Net losses from financial liabilities | 846 | 858 |

Note 19: Financial Instruments (continued)

19D: Fair value of financial instruments

Loan receivables designated at fair value through profit and loss

Changes in the fair value of loans designated at fair value through profit and loss, that arose due to credit risk (method used AASB7.9(i) or 9c(ii)).

| | Consolidated | |
|--|----------------|----------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Maximum exposure to credit risk | 638,646 | 578,937 |
| Fair value changes due to credit risk: | | |
| During the period | 24,458 | 38,687 |
| Prior to the period | 247,352 | 208,665 |
| Cumulative change | 271,810 | 247,352 |

- IBA Home and Business loans, issued at lower than market rates, are fair valued against market interest rates benchmarked on commercial bank rates. The interest rate differential against which the discount is applied, is split into market discount and credit discount differentials. Movement in fair value is dependent on new loans settled, loans repaid and interest rate changes during the period. The credit risk impact measured below gives the fair value discount arising on the credit interest differential only.
- IBA has not utilised any instruments such as credit derivatives to mitigate its credit risk.

Fair value measurements categorised by fair value hierarchy

IBA uses the following techniques for measuring fair value of assets and liabilities:

- Trade receivables are valued at realisable value, which in the absence of impairment is the same as carrying value.
- Trade and other payables and provisions are valued at their carrying values adjusted for any impairment.
- Investments are assessed for fair value against market-related inputs every year and an external valuation is performed once every three years.
- Loans receivables are assessed for fair value against market-related benchmarks on an ongoing basis.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 19: Financial Instruments (continued)**19E: 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 | |
|---|----------------|----------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Financial assets | | |
| Trade, other receivables and other financial assets | 7,489 | 7,731 |
| Loans receivables - Home | 597,525 | 542,631 |
| Loans receivables - Business Loans | 41,121 | 36,306 |
| Investments in associates treated as available-for-sale | 37,109 | 40,865 |
| Term deposits | 137,565 | 150,103 |
| Total | 820,809 | 777,636 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 19: Financial Instruments (continued)

19E: 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 2014 | Not past due nor impaired 2013 | Past due or impaired 2014 | Past due or impaired 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial assets: | | | | |
| Loans receivables - Home | 532,874 | 476,171 | 70,484 | 70,655 |
| Loans receivables - Business Loans | 33,128 | 28,216 | 25,612 | 20,948 |
| Total | 566,002 | 504,388 | 96,096 | 91,602 |

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

| | Consolidated 2014 | | | | |
|------------------------------------|-------------------|------------------|------------------|---------------|---------------|
| | 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 | 24,133 | 16,325 | 7,844 | 10,500 | 58,802 |
| Loans receivables - Business Loans | 137 | 1,430 | 1,059 | 1,961 | 4,587 |
| Total | 24,270 | 17,755 | 8,903 | 12,461 | 63,389 |

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

Loans receivables considered impaired

| | Consolidated | |
|------------------------------------|---------------|---------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Financial assets: | | |
| Loans receivables - Home | 11,683 | 9,304 |
| Loans receivables - Business Loans | 21,024 | 15,984 |
| Total | 32,707 | 25,289 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 19: Financial Instruments (continued)**19F: 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 2014 | | | | Total \$'000 |
|--|------------------------|----------------------------|---------------------------|------------------------|-----------------|
| | On demand \$'000 | Within 1 year \$'000 | 1 to 5 years \$'000 | > 5 years \$'000 | |
| Financial liabilities: | | | | | |
| Trade creditors | - | 11,760 | - | - | 11,760 |
| Other payables | - | 1,677 | - | - | 1,677 |
| Borrowings secured by a floating charge | - | - | 12,077 | - | 12,077 |
| Total | - | 13,437 | 12,077 | - | 25,514 |

| | Consolidated 2013 | | | | Total \$'000 |
|--|------------------------|----------------------------|---------------------------|------------------------|-----------------|
| | On demand \$'000 | Within 1 year \$'000 | 1 to 5 years \$'000 | > 5 years \$'000 | |
| Financial liabilities: | | | | | |
| Trade creditors | - | 10,177 | - | - | 10,177 |
| Other payables | - | 1,318 | - | - | 1,318 |
| Borrowings secured by a floating charge | - | - | 11,516 | - | 11,516 |
| Total | - | 11,495 | 11,516 | - | 23,011 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 19: Financial Instruments (continued)

19G: 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 2014 | | | | | |
|---|---------------|------------------------------|--------------------------------------|------------------------------|--------------------------------------|
| | 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 | 107 | -0.6 | (1,705) |

| Consolidated 2013 | | | | | |
|---|---------------|------------------------------|--------------------------------------|------------------------------|--------------------------------------|
| | 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 | (2) | -0.6 | (2,010) |

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

IBA home and business loans, issued at lower than market rates, are fair valued against market interest rates benchmarked on commercial bank rates. The quantum of interest rate differential determines the variance of the fair value from the face value.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 19: Financial Instruments (continued)**Note 19H: Assets pledged/or held as collateral**

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

| | Consolidated | |
|--|---------------|---------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Assets pledged as collateral | | |
| Financial liabilities | | |
| Borrowings secured by floating charge | 11,500 | 11,500 |
| Total assets held as collateral | 11,500 | 11,500 |

The assets held as collateral comprise the following:

- As at 30 June 2014, \$11.500 million (30 June 2013: \$11.500 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.

| | Consolidated | |
|--|------------------|------------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Assets held as collateral | | |
| Non-financial assets | | |
| Loans receivables - Home | 1,257,422 | 1,095,966 |
| Loans receivables - Business Loans | 112,403 | 100,075 |
| Total assets held as collateral | 1,369,825 | 1,196,041 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 20: Financial Assets Reconciliation

| Financial assets | Consolidated | |
|--|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Total financial assets as per statement of financial position | 963,198 | 907,137 |
| Less: non-financial instrument components | | |
| Deferred tax assets | (606) | (303) |
| GST receivable from the Australian Taxation Office | (1,018) | (1,676) |
| Total non-financial instrument components | (1,624) | (1,979) |
| Total financial assets as per financial instruments note | 961,574 | 905,158 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 21: 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 | |
|--------------------------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Opening balance as at 1 July | 4,148 | 4,025 |
| Interest received | 102 | 123 |
| Payments | - | - |
| Total amount at 30 June | 4,250 | 4,148 |

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 | |
|--------------------------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Opening balance as at 1 July | 335 | 325 |
| Interest received | 2 | 10 |
| Payments | (336) | - |
| Total amount at 30 June | 1 | 335 |

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 22: Reporting of Outcomes

Net cost of outcome delivery

| | Consolidated Outcome 1 | |
|--|---------------------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Expenses | 199,559 | 167,243 |
| Income from non-government sector | | |
| Commercial revenue | 156,021 | 140,625 |
| Net cost of outcome delivery | 43,538 | 26,619 |

Statement of financial position

| | | |
|-------------------|------------------|------------------|
| Total assets | 1,155,462 | 1,129,435 |
| Total liabilities | 39,216 | 36,890 |
| Net assets | 1,116,246 | 1,092,545 |

Statement of equity

| | | |
|----------------------------|------------------|------------------|
| Retained earnings | 198,770 | 213,084 |
| Asset revaluation reserves | 15,391 | 29,773 |
| Contributed equity/capital | 902,085 | 849,688 |
| Total equity | 1,116,246 | 1,092,545 |

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 23: New Housing Fund

As per section 189 (3) of the *ATSIA Act 2005* money held in the New Housing Fund may only be applied to make housing loans. Specific information on the New Housing Fund's operations and financial position, which has been included in the preceding statement and notes, is disclosed as follows:

New Housing Fund**Statement of comprehensive income**

for the year ended 30 June 2014

| | Notes | 2014 \$'000 | 2013 \$'000 |
|-------------------------------------|-------|----------------|----------------|
| Expenses | | | |
| Write-down of assets | 23A | 5,813 | - |
| Other | | 1,482 | 187 |
| Total expenses | | 7,295 | 187 |
| Less: Own-source income | | | |
| Revenue | | | |
| Interest | 23B | 30,152 | 30,602 |
| Other | | 390 | 294 |
| Total revenue | | 30,542 | 30,896 |
| Gains | | | |
| Valuation increment | 23C | - | 4,181 |
| Total gains | | - | 4,181 |
| Total own-source income | | 30,542 | 35,077 |
| Net contribution by services | | 23,247 | 34,890 |

New Housing Fund**Statement of Financial Position**

as at 30 June 2014

Assets

| | | | |
|-------------------------------|-----|----------------|----------------|
| Financial assets | | | |
| Cash | 23D | 29,409 | 33,054 |
| Receivables | 23E | 447,405 | 420,484 |
| Total financial assets | | 476,814 | 453,538 |
| Total assets | | 476,814 | 453,538 |
| Liabilities | | | |
| Payables | | 31 | - |
| Total liabilities | | 31 | - |
| Net assets | | 476,783 | 453,538 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 23: New Housing Fund (continued)

New Housing Fund

Statement of Financial Position (continued)

as at 30 June 2014

| | Notes | 2014 \$'000 | 2013 \$'000 |
|-------------------------------------|-------|----------------|----------------|
| Equity | | | |
| Parent entity interest | | | |
| Capital | | 429,397 | 429,397 |
| Accumulated surplus/(deficit) | | 47,386 | 24,141 |
| Total parent entity interest | | 476,783 | 453,538 |
| Total equity | | 476,783 | 453,538 |

New Housing Fund

Cash flow statement

for the period ended 30 June 2014

Operating activities

| | | | |
|---|-----|---------------|---------------|
| Cash received | | | |
| Interest | | 30,152 | 30,602 |
| Other | | 420 | 1,318 |
| Total cash received | | 30,572 | 31,920 |
| Net cash from operating activities | 23F | 30,572 | 31,920 |

Investing activities

| | | | |
|--|--|-----------------|----------------|
| Cash received | | | |
| Repayments of loans | | 74,712 | 49,855 |
| Total cash received | | 74,712 | 49,855 |
| Cash used | | | |
| Loans made | | 108,929 | 51,658 |
| Total cash used | | 108,929 | 51,658 |
| Net cash from investing activities | | (34,217) | (1,803) |
| Net increase or (decrease) in cash held | | (3,645) | 30,117 |
| Cash at beginning of reporting period | | 33,054 | 2,937 |
| Cash at the end of the reporting period | | 29,409 | 33,054 |

The above statements should be read with the accompanying notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 23: New Housing Fund (continued)

| | 2014 \$'000 | 2013 \$'000 |
|--|----------------|----------------|
| Note 23A: Write-down and impairment of assets | | |
| Value decrement | 5,813 | - |
| Total write-down and impairment of assets | 5,813 | - |
| Note 23B: Interest revenue | | |
| Interest on bank account | 624 | 720 |
| Interest on housing loans | 29,528 | 29,882 |
| Total interest revenue | 30,152 | 30,602 |
| Note 23C: Valuation increment | | |
| Gains from re-measuring financial instruments held at fair value through Profit and Loss | - | 4,181 |
| Total valuation increment | - | 4,181 |
| Note 23D: Cash | | |
| Cash at bank and on hand | 27,006 | 25,917 |
| Cash at agents | 2,403 | 7,137 |
| Total cash | 29,409 | 33,054 |
| Note 23E: Receivables | | |
| Trade debtors | - | - |
| Other debtors | - | - |
| Total other receivables | - | - |
| New Housing Fund only | | |
| At fair value - opening balance as at 1 July | 420,484 | 414,686 |
| Add: net loans movement at cost | 34,216 | 1,804 |
| Add/(Less): net movement on re-measurement at fair value through profit and loss | (5,813) | 4,181 |
| Less: impairment movement through profit and loss | (1,482) | (187) |
| At fair value closing balance as at 30 June | 447,405 | 420,484 |
| New Housing Funds loans (net) expected to be recovered | | |
| Current loans receivable | 6,651 | 5,567 |
| Non-current loans receivable | 440,754 | 414,917 |
| Total receivables | 447,405 | 420,484 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 23: New Housing Fund (continued)

| | 2014 | 2013 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Note 23F: Cash flow reconciliation | | |
| Reconciliation of net surplus to net cash from operating activities | | |
| Net contribution by services | 23,247 | 34,890 |
| Loans fair value adjustment | 7,295 | (3,995) |
| Changes in assets and liabilities | | |
| (Increase)/decrease in receivables | 30 | 1,025 |
| Net cash from operating activities | 30,572 | 31,920 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 24: Parent entity - Indigenous Business Australia

| | 2014 | 2013 |
|--|--------|--------|
| | \$'000 | \$'000 |

Note 24A: Statement of comprehensive income

| | | |
|---|----------|----------|
| Surplus after income tax on continuing operations | 30,378 | 9,898 |
| Total comprehensive income/(loss) | (24,309) | (18,345) |

Note 24B: Statement of Financial Position

| | | |
|---------------------|------------------|------------------|
| Current assets | 301,586 | 353,260 |
| Total assets | 1,096,084 | 1,050,909 |
| Current liabilities | 11,746 | 10,011 |
| Total liabilities | 13,617 | 12,158 |
| Net assets | 1,082,467 | 1,038,750 |

Note 24C: Statement of Equity

| | | |
|---------------------|------------------|------------------|
| Retained earnings | 256,075 | 227,843 |
| Reserves | (33,372) | (11,647) |
| Contributed equity | 859,764 | 822,554 |
| Total equity | 1,082,467 | 1,038,750 |

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**Note 24: Parent Entity - Indigenous Business Australia
(continued)**

Note 24D: Statement of IBA's holding in subsidiaries

| Name | Country of incorporation | Percentage of equity interest held by consolidated entity | |
|--|--------------------------|---|-----------|
| | | 2014 % | 2013 % |
| Anderleigh Quarry | Australia | 63 | 63 |
| Asset Leasing Trust | Australia | 100 | 100 |
| Bowen Basin Holdings Pty Limited * | Australia | 100 | 100 |
| Bowen Basin Investments Pty Limited * | Australia | 100 | 100 |
| Cape Don Pty Limited | Australia | 90 | 90 |
| Carpentaria Shipping Trust | Australia | 100 | 100 |
| CDC Nominees (McArthur River Shipping) Pty Limited * | Australia | 100 | 100 |
| CDC Nominees (TCTP) Pty Limited * | Australia | 100 | 100 |
| Consolidated Manufacturing Enterprises Pty Limited | Australia | 75 | 75 |
| Darwin Hotel Holdings Pty Limited | Australia | 100 | 100 |
| Darwin Hotel Holdings Trust | Australia | 100 | 100 |
| Darwin Hotel Holdings Trust #2 | Australia | 100 | 100 |
| Darwin Hotel Holdings #2 Pty Ltd | 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 Cooida Trust | Australia | 52 | 52 |
| Hotel Enterprises Pty Limited | Australia | 100 | 100 |
| Hotel Holdings Trust | Australia | 100 | 100 |
| Ikara Wilpena Enterprises Pty Ltd | Australia | 87 | 87 |
| Ikara Wilpena Holdings Trust | Australia | 87 | 87 |
| IBA Asset Management Pty Ltd | Australia | 100 | N/A |
| IBA Insurance Holdings Pty Limited | Australia | 100 | 100 |
| IBA Property Investments Pty Limited * | Australia | 100 | 100 |
| Indigenous Economic Development Trust | Australia | 100 | 100 |
| Indigenous Fishing Pty Limited * | Australia | 100 | 100 |
| Indigenous Fishing Trust | Australia | 100 | 100 |
| Indigenous Investment Participation Trust | Australia | 100 | 100 |
| Indigenous Real Estate Investment Trust - Head Trust | Australia | 80 | N/A |
| IREIT - Sub Trust | Australia | 100 | N/A |
| 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 | 91 | 91 |
| 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 | 89 | 89 |
| North Stradbroke Enterprises Pty Ltd | Australia | 100 | 100 |
| Port Botany Transfer Station Trust | Australia | 90 | 90 |
| South Hedland Indigenous Property Trust | Australia | 100 | 100 |
| Swanbrook Road Holding Trust | Australia | 75 | 75 |
| Tennant Creek Enterprises Pty Limited | Australia | 100 | 100 |
| Tennant Creek Enterprises Trust | Australia | 100 | 100 |
| Tennant Creek Land Holding Trust | Australia | 90 | 90 |
| Tennant Creek Supermarket Pty Limited | Australia | 90 | 90 |
| Tjapukai 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 Ltd | Australia | 87 | 87 |

*Non-trading

09

APPENDICES

240 A: CONSULTANTS' REPORT

243 B: SIGNIFICANT EVENTS

245 C: ECOLOGICALLY SUSTAINABLE
DEVELOPMENT COMPLIANCE

247 D: FREEDOM OF INFORMATION
SUMMARY

248 E: KEY SPONSORSHIP ACTIVITIES

250 F: IBA MEDIA RELEASES

A: CONSULTANTS' REPORT

Section 178 of the *Aboriginal and Torres Strait Islander Act 2005* (ATSIA Act) enables IBA to engage specialist consultancy services when skilled expertise is unavailable within IBA or when independent advice is required.

The terms and conditions on which consultants are engaged are determined by the Board in writing. IBA is not subject to the Commonwealth Procurement Rules and therefore engages its consultants in accordance with the requirements of an IBA CEO's instruction on procurement.

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

During 2013–14, 85 new consultancy contracts were entered into involving a total actual expenditure of \$1,076,180. In addition, 21 ongoing consultancy contracts were active during 2013–14, involving total actual expenditure of \$241,831.

The table below draws on the terminology in the Commonwealth Procurement Rules, and lists all consultant contracts entered into by IBA in 2013–14.

All contract prices include GST.

| Name of consultant | Description of services | Selection process ¹ | Justification ² | Contract price \$ |
|---|-------------------------|--------------------------------|----------------------------|-------------------|
| Aquila Corporate Advisory Pty Ltd | Professional services | Limited tender | b | 68,155 |
| Bowchung Consulting Pty Ltd | Business research | Open tender | c | 123,872 |
| South Australian Employers Chamber of Commerce and Industry | Audit services | Limited quotation | c | 19,050 |
| Catalyste Pty Ltd | Professional services | Limited quotation | b | 29,145 |
| Chamber of Commerce and Industry of Western Australia Inc | Audit services | Limited quotation | c | 18,221 |
| Charles Sturt University | Business research | Limited quotation | c | 50,000 |

| Name of consultant | Description of services | Selection process ¹ | Justification ² | Contract price \$ |
|--|-------------------------|-----------------------------------|----------------------------|-------------------|
| Deloitte Touche Tohmatsu | Professional services | Limited quotation | b | 35,585 |
| Ernst & Young | Professional services | Limited tender | b | 31,919 |
| Genpact International Inc | Project management | Limited quotation | b | 85,990 |
| Geoff Lovell | Professional services | Limited tender | b | 1,855 |
| Hexaware Technologies | Project management | Limited quotation | b | 16,938 |
| Inside Policy Pty Ltd | Business review | Limited quotation | c | 12,000 |
| KPMG Australia | Professional services | Limited quotation | c | 98,932 |
| KPMG Financial Advisory Services (Australia) Pty Ltd | Professional services | Limited tender, limited quotation | b | 79,375 |
| Lloyd Angove Soil Surveying & Drilling Pty Ltd | Professional services | Limited quotation | b | 6,675 |
| Mick Peterson & Associates Pty Ltd | Audit services | Limited tender, limited quotation | b and c | 27,692 |
| MicroChannel Services | Project management | Limited quotation | b | 70,104 |
| Mike Phillips Pty Ltd | Project management | Limited quotation | a | 77,477 |
| Nicholas R Minogue | Professional services | Limited quotation | b | 10,000 |
| Pacific Road Corporate Finance | Professional services | Limited quotation | b | 45,198 |
| Porter Matthews Pty Ltd | Professional services | Limited quotation | b | 4,200 |
| PricewaterhouseCoopers Securities Ltd | Professional services | Open tender, limited tender | b | 74,000 |
| PricewaterhouseCoopers | Professional services | Open tender | b | 5,000 |

| Name of consultant | Description of services | Selection process ¹ | Justification ² | Contract price \$ |
|--|-------------------------|--------------------------------|----------------------------|-------------------|
| Rich River Irrigation Developments Pty Ltd | Professional services | Limited quotation | b | 20,231 |
| SGA Property Consultancy Pty Ltd | Professional services | Open tender | c | 67,309 |
| Social Ventures Australia | Professional services | Limited quotation | a, b and c | 195,999 |
| SRK Consulting (Australasia) Pty Ltd | Professional services | Limited quotation | b | 18,821 |
| Te Anau Consulting Pty Ltd | Professional services | Limited quotation | c | 2,993 |
| Thinkplace | Professional services | Limited quotation | b | 21,274 |
| Total | | | | 1,318,010 |

1 Explanation of selection process terms drawn from the Commonwealth Procurement Rules (July 2012).

Open tender: A procurement procedure in which a request for tender is published, inviting all businesses that satisfy the conditions for participation to submit tenders.

Limited tender: A procurement procedure in which the procuring agency selects which potential suppliers are invited to submit tenders. This procurement process may only be used under certain defined circumstances.

Limited quotation: Refers to a procurement process in which IBA invites a potential supplier to quote.

Prequalified: An arrangement by which a number of suppliers, initially selected through an open tender process, may each supply property or services to an agency as specified in the panel arrangements.

Quotes are sought from suppliers that have prequalified on the agency panels to supply to the government. This category includes standing offers and supplier panels where the supply of goods and services may be provided for a predetermined length of time, usually at a pre-arranged price.

2 Justification for deciding to engage a consultant:

- a: skills currently unavailable within IBA
- b: need for specialised or professional skills
- c: need for independent research or assessment.

B: SIGNIFICANT EVENTS

IBA has notified the Minister of significant events as required under Section 15(1) of the *Commonwealth Authorities and Companies Act 1997* (CAC Act). These events relate to the Equity and Investments Program and are listed in the following table.

| Requirements under Section 15(1) of the CAC Act | Name of body | Event (including purpose of body) |
|--|--|--|
| (b) participate in a significant partnership, trust, unincorporated joint venture or similar arrangement | Indigenous Real Estate Investment Trust (IREIT) | Establishment of the IREIT, an unlisted investment fund for Indigenous investors |
| (c) acquire or dispose of a significant shareholding in a company | Larrakia Darwin Hotel Partnership | Divestment of 10 per cent equity in the Darwin Adina and Vibe Hotels |
| (d) acquire or dispose of a significant business | Not applicable | Acquisition of 520 Flinders Street, Townsville and transferral into the IREIT |
| | Not applicable | Divestment of 44 Waymouth Street, Adelaide (CPS Building) |
| | Not applicable | Divestment of 1141 Barmah Road, Moama (Cummeragunga Farm) and associated water access licences |
| | Bowen Basin Holdings Pty Ltd Bowen Basin Investments Pty Ltd Cape Don Pty Ltd Indigenous Fishing Pty Ltd Mungo Lodge Pty Ltd Mungo Lodge Holdings Pty Ltd IBA Insurance Holdings Pty Ltd | Approval for the deregistration of company |

| Requirements under Section 15(1) of the CAC Act | Name of body | Event (including purpose of body) |
|--|---|---|
| (d) acquire or dispose of a significant business (continued) | National Indigenous Property Trust | Approval for the winding up of the trusts |
| | National Indigenous Participation Trust | |
| | Indigenous Investment Trust | |
| | Indigenous Investment Participation Trust | |
| | Scarborough House Investment Trust | |
| | Scarborough House Office Trust | |
| | Mungo Lodge Trust | |
| | Bowen Basin Holding Trust | |
| | Bowen Basin Investment Trust | |
| (f) make a significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement | Carey Mining Pty Ltd | Convertible notes in Carey Mining |

C: ECOLOGICALLY SUSTAINABLE DEVELOPMENT COMPLIANCE

The table below details IBA's ecologically sustainable development (ESD) activities (discussed earlier on page 126) in accordance with Section 516A(6) of the *Environmental Protection and Biodiversity Conservation Act 1999* (EPBC Act).

| ESD reporting requirement | IBA response |
|--|---|
| How IBA's activities accorded with the principles of ESD | IBA developed an Environmental Strategy in 2010 and reviewed it in 2011 and 2012 with help from the Australian National University's Green Steps Program. The strategy focused on reducing IBA's carbon footprint through various methods such as more sustainable energy, water and waste management. IBA's Workplace Health and Safety Committee has general oversight of the strategy. |
| Outcomes contributing to ESD | IBA's single appropriations outcome – improving the economic independence of Indigenous Australians – focuses on economic and social outcomes rather than environmental outcomes and, as such, has no ESD implications. |
| Activities that affect the environment | IBA implemented programs at its national and regional offices to reduce environmental impacts. |

| ESD reporting requirement | IBA response |
|--|--|
| Measures taken to minimise the effect of activities on the environment | <p>IBA implemented a recycling plan in national and regional offices, resulting in a 20 per cent reduction in landfill contributions and a 135 per cent increase in recycling. IBA continued to provide awareness training to staff on how to reduce IBA's carbon footprint and adopted the Green Start Energy Rating and, as far as possible, NABERS (National Australian Built Environment Rating System) requirements for all new office fit-outs.</p> <p>IBA has completed rolling out a national video conferencing facility to reduce the need for air travel. In April 2014, IBA relocated its national office to a 6-star energy-rated building. A Green Lease Schedule (GLS) is incorporated in the new IBA lease at 15 Lancaster Place, Majura Park. The GLS requires a Building Management Committee (BMC) to be formed for the site, an Energy Management Plan to be produced for the site and target NABERS ratings to be achieved for the base building and tenancy.</p> |
| Mechanisms to review and increase the effectiveness of measures to minimise the environmental effect of activities | <p>The Environmental Strategy has identified a number of metrics for monitoring IBA's carbon footprint and environmental improvements in the workplace (such as electricity and paper usage, consumables and staff travel). The strategy is reviewed annually. IBA is committed to continually improving its environmental performance management. The new IBA site at Majura Park has a requirement to achieve a tenancy and base building NABERS ratings of 4.5 stars respectively. Quarterly reports will analyse the performance of the base building and tenancy energy consumption in relation to the NABERS targets. Performance and improvement measures will be discussed at the quarterly BMC meetings.</p> |

D: FREEDOM OF INFORMATION SUMMARY

| Activity | Number |
|--|--------|
| Requests | |
| On hand as at 1 July 2013 | 0 |
| New requests received | 2 |
| Total requests handled | 2 |
| Total requests completed as at 30 June 2014 | 2 |
| Action on requests | |
| Access granted in full | 0 |
| Access granted in part | 1 |
| Access refused | 0 |
| Access transferred in full | 0 |
| Requests withdrawn | 0 |
| No records | 1 |
| Response times | |
| 0-30 days | 1 |
| 0-60 days | 1 |
| Internal review | |
| On hand as at 1 July 2013 | 0 |
| Requests received | 0 |
| Decisions affirmed | 0 |
| Decisions amended | 0 |
| Requests withdrawn | 0 |
| Review by Administrative Appeals Tribunal | |
| Applications received | 0 |
| Review by the Office of the Australian Information Commissioner | |
| Applications received | 0 |

E: KEY SPONSORSHIP ACTIVITIES

| Conference, event or award | IBA's involvement |
|--|--|
| The NAIDOC on the Peninsula, 6 July 2013, Canberra, ACT | Organised by the Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS), this event is considered to be the largest Indigenous event in the Australian Capital Territory, attracting approximately 4,000 people. IBA sponsored this event and provided staff to work at the IBA stall on the day. |
| The Aboriginal Hostels Limited (AHL) annual NAIDOC luncheon, 12 July 2013, Canberra, ACT | This annual event is considered the marquee NAIDOC event in the Australian Capital Territory. It provides Indigenous stakeholders with the opportunity to celebrate Indigenous achievement. |
| AEMEE Annual Conference, 19–20 September 2013, Surfers Paradise, Qld | IBA was the Morning Tea and Afternoon Tea sponsor of this event which supports an organisation which encourages Indigenous economic development in the resources industry. |
| 6th Indigenous Economic Development Forum, 21 October 2013, Alice Springs, NT | IBA was a silver sponsor of this bi-annual event that is recognised as one of the key events of its kind in the Northern Territory. It is targeted at Indigenous and non-Indigenous stakeholders in economic development that have an impact on the emerging Indigenous business landscape. |
| The 2013 Northern Territory Tourism Awards (Brolgas), 16 November 2013, Darwin, NT | IBA has sponsored the Indigenous Tourism Award category at this event for a number of years as it recognises the achievements of Indigenous tourism businesses in the Northern Territory. The award was presented by IBA's CEO. |
| The 2013 Ecotourism Australia Awards, 18–20 November 2013, Noosa, Qld | IBA sponsored the Indigenous Tourism Award category at these awards. A number of participants in IBA's Indigenous Tourism Champions Program (ITCP) are members of Ecotourism Australia. Sponsorship of the award also contributes to building awareness of the ITCP. |

| Conference, event or award | IBA's involvement |
|--|--|
| The Saltwater Freshwater Festival, 26 January 2014, Kempsey, NSW | This was IBA's third year sponsoring this event, which is organised by the Saltwater Freshwater Arts Alliance Aboriginal Corporation. IBA reached 3,500 attendees through brand awareness activities, staff participation at a stall and a panel discussion facilitated by IBA's CEO, a home loan customer and a business loan customer. |
| The 2013 Qantas Australian Tourism Awards, 7 February 2014, Sydney, NSW | This is the third time IBA has sponsored the Indigenous Tourism Award category at this event, which is considered the pinnacle of achievement for the tourism industry across Australia. The award was presented by IBA's Senior Tourism Portfolio Manager. |
| 2014 Queensland Reconciliation Awards, 27 May 2014, Townsville, Qld | IBA sponsors the Business category of this award, which encourages and rewards businesses and individuals who strive to actively promote reconciliation in Queensland. |
| Supply Nation Connect 2014 Conference, 27 May 2014, Sydney, NSW | IBA sponsored the Supplier of the Year category of the Supply Nation Connect 2014 Supplier Diversity Award. IBA's CEO made a keynote address and staff members managed a stall at the Indigenous Business Tradeshow. |
| 14th National Native Title Conference, 2-4 June 2014, Coffs Harbour, NSW | IBA's sponsorship allowed the organisation to participate in an event that promotes public discussion about Native Title and Indigenous Australians' interests in land, water, and community and economic development. IBA's Senior Manager, Traditional Owner and Native Title Unit, also presented at the conference. |

F: IBA MEDIA RELEASES

| Title of media release | Date |
|---|------------|
| Helping Indigenous business owners understand the Law Way | 2/09/2013 |
| IBA's Indigenous scholarships now open for 2014 | 2/09/2013 |
| Indigenous Social Enterprise Fund pilot commences | 6/09/2013 |
| Community Business Finance Partnership to benefit Indigenous Australians | 4/10/2013 |
| IBA's first scholarship recipients graduate | 22/10/2013 |
| The Indigenous business reality: IBA CEO Chris Fry is keynote speaker | 22/10/2013 |
| IBA cultivating Indigenous business growth | 14/11/2013 |
| First Australia-wide Indigenous Real Estate Investment Trust established | 12/12/2013 |
| Credit Suisse Australia and IBA – developing a pathway to prosperity for Indigenous Australians | 19/12/2013 |
| Closing the Gap through Indigenous economic development | 17/02/2014 |
| IBA Chair calls for release of Ernst & Young report to end merger speculation | 1/05/2014 |
| IBA showcased at international economic development forum | 21/05/2014 |
| Indigenous Home Ownership Program reaches \$2 billion in lending | 26/05/2014 |
| IBA receives industry accolades for annual reporting excellence | 28/05/2014 |
| Cummeragunga Farm returned to traditional owners | 18/06/2014 |

Additionally, there were numerous media releases throughout the year regarding *Into Business*[™] workshop dates and Indigenous home ownership information sessions across various regions of Australia.

10

REFERENCES

| | |
|-----|----------------------------|
| 252 | GLOSSARY |
| 254 | ABBREVIATIONS AND ACRONYMS |
| 256 | COMPLIANCE INDEX |
| 264 | FIGURES AND TABLES INDEX |
| 267 | ALPHABETICAL INDEX |

GLOSSARY

| Term | Meaning |
|----------------------------------|--|
| appropriation | An authorisation by Parliament to spend moneys from the Consolidated Revenue Fund for a particular purpose. |
| assets | Future economic benefits controlled by an entity as a result of past transactions or other past events. |
| Business Development Initiatives | The process of identifying and promoting small business opportunities within an industry, community or geographical location. |
| corporate governance | The process by which agencies are directed and controlled. Corporate governance is generally understood to encompass authority, accountability, stewardship, leadership, direction and control. |
| Enterprise Agreement | Details IBA's employment conditions and is approved by the Fair Work Commission. |
| estimates | An agency's expected revenues, expenses, assets, liabilities and cash flows. They are prepared for each output in the agency's budget, in consultation with the Department of Finance. |
| expenses | The full costs of an activity; that is, the total value of all the resources consumed in producing goods and services, or the loss of future economic benefits in the form of asset reductions or increases in the entity's liabilities. Expenses include cash items such as salary payments, as well as expenses incurred, such as accrued employee entitlements that will be paid in the future. |
| IBA Home Loan Rate | The variable housing loan interest rate for owner-occupied properties set by IBA from time to time. |
| IBA Income Amount | Equivalent to 100 per cent of the national average weekly male earnings, as calculated by the Australian Bureau of Statistics. |
| loan-to-valuation ratio (LVR) | This ratio is calculated by dividing the housing loan amount by the value of the property. For example, a \$50,000 loan against a home that is worth \$100,000 has an LVR of 50 per cent. The closer the LVR is to 100 per cent, the riskier it is viewed by lenders. |
| loss salvage | The number and value of defaulted loans and loans for which a payout has been demanded (including by selling the security). |
| NAIDOC Week | NAIDOC stands for National Aborigines and Islanders Day Observance Committee. This Committee was once responsible for organising national activities during NAIDOC Week and its acronym has since become the name of the week itself. |

| Term | Meaning |
|--------------------------------|---|
| outcomes | The Australian Government's objectives for the PMC portfolio. Outcomes are desired results, impacts or consequences for the Australian community as influenced by the actions of the Australian Government. The outcomes are assessments of the end results or impacts actually achieved. |
| performance information | Evidence about performance that is collected and used systematically. Evidence may relate to appropriateness, effectiveness and efficiency. It may be about outcomes, factors that affect outcomes, and what can be done to improve them. |
| Portfolio Additional Estimates | Changes in funding requirements that occur after the Australian Government Budget is presented. These changes to funding require the House of Representatives and the Senate to consider the Additional Estimates. |
| Portfolio Budget Statements | Budget papers that inform senators and members of Parliament of the proposed allocation of resources to government outcomes by agencies within the portfolio. |
| program | An activity or group of activities that delivers benefits or services, or that transfers payments to individuals, industry, businesses or the community as a whole. Programs are the primary vehicles for government agencies to achieve the intended results of their outcome statement. |
| revenue | The total value of resources earned or received to cover the production of goods and services. |
| Standard & Poor's | Standard & Poor's is a provider of financial market information and analysis. |
| statutory authority | A government agency set up by an Act of Parliament, more or less independent of day-to-day ministerial control, usually not bound by public service procedures to the same extent as ordinary departments, and ultimately responsible to Parliament. |

ABBREVIATIONS AND ACRONYMS

| Term | Meaning |
|-----------|--|
| ABS | Australian Bureau of Statistics |
| AEMEE | Aboriginal Enterprises in Mining Exploration and Energy |
| AIATSIS | Australian Institute of Aboriginal and Torres Strait Islander Studies |
| ALT | Asset Leasing Trust |
| ANTaR | Australians for Native Title and Reconciliation |
| ARIA | Accessibility/Remoteness Index of Australia |
| ATSI Act | <i>Aboriginal and Torres Strait Islander Act 2005</i> |
| ATSIC | Aboriginal and Torres Strait Islander Commission |
| ATSIC Act | <i>Aboriginal and Torres Strait Islander Commission Act 1989</i> |
| ATSISN | Aboriginal and Torres Strait Islander Staff Network |
| BDI | Business Development Initiatives |
| CAC Act | <i>Commonwealth Authorities and Companies Act 1997</i> |
| CDC | Aboriginal and Torres Strait Islander Commercial Development Corporation |
| CDEP | Community Development Employment Projects |
| CEIs | Chief Executive Instructions |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| CGPR | Corporate Governance Principles and Recommendations |
| CoA | Confirmation of Aboriginal or Torres Strait Islander Descent |
| COO | Chief Operating Officer |
| EPBC Act | <i>Environmental Protection and Biodiversity Conservation Act 1999</i> |
| ESD | ecologically sustainable development |
| FCA | Fellow Chartered Accountant |
| FOI | freedom of information |
| FOI Act | <i>Freedom of Information Act 1982</i> |
| GAICD | Graduate of the Australian Institute of Company Directors |
| GC | General Counsel |
| GM | General Manager |

| Term | Meaning |
|-------------|---|
| GRD | good renter's discount |
| ICT | Information Communications and Technology |
| IEDT | Indigenous Economic Development Trust |
| IES | Indigenous Employment Strategy |
| IHOp | Indigenous Home Ownership program |
| IFT | Indigenous Fishing Trust |
| ILT | Indigenous Leasing Trust |
| IPS | Information Publication Scheme |
| IREIT | Indigenous Real Estate Trust |
| ISEF | Indigenous Social Enterprise Fund |
| ITCP | Indigenous Tourism Champions Program |
| KPI | key performance indicator |
| LVR | loan-to-valuation ratio |
| MAICD | Member of the Institute of Company Directors Business |
| MBS | Melbourne Business School |
| MURRA | Murra Indigenous Master Class Program |
| NAB | National Australia Bank |
| NABERS | National Australian Built Environment Rating System |
| NAIDOC | National Aborigines and Islanders Day Observance Committee |
| NRAHOS | New South Wales Remote Aboriginal Home Ownership Scheme |
| PGPA Act | <i>Public Governance, Performance and Accountability Act 2013</i> |
| PID | public interest disclosure |
| PID Act | <i>Public Interest Disclosure Act</i> |
| PMC | <i>Department of the Prime Minister and Cabinet</i> |
| RAP | Reconciliation Action Plan |
| RARD | Requirements for Annual Reports for Departments |
| SEDI | Strategic Economic Development Initiative |
| SES | Senior Executive Service |
| SVA | Social Ventures Australia |
| WAITOC | Western Australian Indigenous Tourism Operators Council Inc |

COMPLIANCE INDEX

IBA is bound by various legislative requirements to disclose certain information in its annual report. The main requirements are detailed in the Commonwealth Authorities (Annual Reporting) Orders 2011 (CA Orders 2011) and the *Aboriginal and Torres Strait Islander Act 2005* (ATSI Act)

IBA's commitment to better practice in its annual reporting is demonstrated through its compliance, while not mandatory, with some additional principles from the:

- Requirements for Annual Reports for Departments (RARD), Executive Agencies and FMA Act Bodies, 2014 Department of the Prime Minister and Cabinet
- Corporate Governance Principles and Recommendations (CGPR) with 2010 Amendments, 2nd edition Australian Securities Exchange (ASX) Corporate Governance Council

TABLE 14: LIST OF MANDATORY OR OPTIONAL REPORTING REQUIREMENTS, BY REFERENCE AND PAGE LOCATION

| Mandatory as per the CA Orders 2011 or the ATSI Act | | |
|---|--|--|
| Requirement | Reference | Detail and page listing of compliant information |
| New Housing Fund financial statements | ATSI Act subsection 189 (2) | 232 |
| Consultants engaged | ATSI Act, subsection 189 1(b) | 240 |
| Approval by directors | CA Orders 2011, clause 6 | 2 |
| Details of exemptions granted by Finance Minister in regard to reporting requirements | CA Orders 2011, clause 7 | 98 |
| Parliamentary standards of design | CA Orders 2011, clause 8 | Throughout |
| Plain English and clear design | CA Orders 2011, clause 9 | Throughout |
| Enabling legislation, functions and objectives | CA Orders 2011, clause 10 | 98 |
| Responsible minister | CA Orders 2011, clause 11 | 100 |
| Ministerial directions | CA Orders 2011, subclause 12, ref ATSI Act, sections 151 and 189 | 100 |
| General Policy Orders | CA Orders 2011, clause 12. | 100 |
| Work health and safety | CA Orders 2011, clause 12, ref <i>Work Health and Safety Act 2011</i> , Schedule 2, Part 4 | 138 |

| Mandatory as per the CA Orders 2011 or the ATSI Act | | |
|--|--|--|
| Requirement | Reference | Detail and page listing of compliant information |
| Disability Reporting Mechanisms | CA Orders 2011, clause 12 | 126 |
| Ecologically sustainable development and environmental performance | CA Orders 2011, clause 12, ref <i>Environment Protection and Biodiversity Conservation Act 1999</i> , section 516A | 126, 245 |
| Information Publication Scheme Statement | CA Orders 2011, clause 12, ref <i>Freedom of Information Act 1982</i> , Part II | 124, 247 |
| Other legislation | CA Orders 2011, clause 12 | 125 |
| Information about directors | CA Orders 2011, clause 13 | 103–107 |
| Organisational structure (for IBA and subsidiaries) | CA Orders 2011, clause 14 | 112–113 |
| Location of major activities and facilities | CA Orders 2011, clause 14 | Principal investment sites [48–49] |
| Contact information | | ii, inside back cover |
| Board committees and their responsibilities | CA Orders 2011, clause 14 | 110–111 |
| Education and performance review processes for directors | CA Orders 2011, clause 14 | 108 |
| Ethics and risk management policies | CA Orders 2011, clause 14 | 116–117 |
| Statement on governance | CA Orders 2011, clause 14 | 97–126 |
| Related entity transactions | CA Orders 2011, clause 15 | 108 |
| Review of performance | CA Orders 2011, clause 16 | 10–13, 23–96 |
| Significant events under section 15 of the CA Act | CA Orders 2011, subclause 16(a) | 126, 243–244 |
| Operational and financial results | CA Orders 2011, subclause 16(b) | 10–13 |
| Key changes to IBA's state of affairs or principal activities | CA Orders 2011, subclause 16(c) | 23 - 96 |
| Amendments to IBA's enabling legislation and to any other legislation directly relevant to its operation | CA Orders 2011, subclause 16(d) | None |
| Significant judicial or administrative tribunal decisions | CA Orders 2011, clause 17(a) | 125 |

| Mandatory as per the CA Orders 2011 or the ATSI Act | | |
|---|--|---|
| Requirement | Reference | Detail and page listing of compliant information |
| Reports made about IBA | CA Orders 2011, clause 17(b) | 124 |
| Obtaining information from subsidiaries | CA Orders 2011, clause 18 | All relevant material provided by subsidiaries |
| Indemnities and insurance premiums for officers | CA Orders 2011, clause 19 | 110 |
| Compliance index | CA Orders 2011, clause 21 | 256 |
| Fraud risk assessment and control | Commonwealth Fraud Control Guidelines 2002 | 117 |
| Financial statements | Subclause 1(b) and subclause 2(1) of Schedule 1 to the CA Act. Finance Ministers' Orders for Financial Reports July 2009 | 157, 162 |
| Financial statements certification: Auditor-General's Report | Subclause 1(c) and Part 2 of Schedule 1 to the CA Act | 162 |
| Financial statements certification: a statement signed by the directors | Subclause 2(3) of Schedule 1 to the CA Act | 164 |
| Optional as RARD | | |
| Requirement | Reference | Detail and page listing of compliant information |
| Table of contents | RARD, Attachment A, fifth item | 1 |
| Index | RARD, Attachment A, fifth item | 267 |
| Glossary | RARD, Attachment A, fifth item | 252 |
| Contact officers | RARD, Attachment A, fifth item | Inside back cover |
| Internet home page and internet address for report | RARD, Attachment A, fifth item | Inside back cover |
| Review by CEO | RARD 9(1) | 18–21 |

| Optional as RARD | | |
|--|------------------|---|
| Requirement | Reference | Detail and page listing of compliant information |
| Outlook for following year | RARD 9(2) | 17, 21, 51, 78, 96, 139 |
| Roles and functions | RARD 10(1) | 4–7 |
| Where outcome and program structures differ from Portfolio Budget | | |
| Statements/Portfolio Additional Estimates Statements or other portfolio statements accompanying any other additional appropriation bills (other portfolio statements), details of variation and reasons for change | RARD 10(2) | 10–13 |
| Actual performance in relation to deliverables and KPIs set out in Portfolio Budget Statements/Portfolio Additional Estimates Statements or other portfolio statements | RARD 11(2) | 10–13 |
| Where performance targets differ from the Portfolio Budget Statements/Portfolio Additional Estimates Statements, details of both former and new targets, and reasons for the change | RARD 11(2) | |
| Performance against service charter customer service standards, complaints data, and response to complaints | RARD 11(5) | 125 |
| Contribution of risk management in achieving objectives | RARD 11(3) | 37, 78, 96, 116 |
| Social inclusion outcomes | RARD 11(4) | 126 |
| Agency resource statement and summary resource tables by outcomes | RARD 11(8) | 10–13 |
| Names of the senior executives and their responsibilities | RARD 12(3) | 119–123 |
| Senior management committees and their roles | RARD 12(3) | 114 |
| Corporate and operational planning and associated performance reporting and review | RARD 12(3) | 99 |
| Policy and practices on the establishment and maintenance of appropriate ethical standards | RARD 12(3) | 117 |
| Significant developments in external scrutiny | RARD 12(4) | 124–125 |

| Optional as RARD | | |
|---|------------------|---|
| Requirement | Reference | Detail and page listing of compliant information |
| How nature and amount of remuneration for senior executive service officers is determined | RARD 12(3) | 115 |
| Training and development undertaken and its impact | RARD 12(6) | 134 |
| Statistics on staffing | RARD 12(7) | 129, 133 |
| Impact and features of enterprise or collective agreements, individual flexibility arrangements, determinations, common law contracts and Australian Workplace Agreements | RARD 12(6) | 135 |
| Assessment of effectiveness of assets management | RARD 12(10)-(11) | 74 |
| Assessment of purchasing against core policies and principles | RARD 12(12) | 117 |

Note: Since optional requirements are in addition to those legislatively mandated, any double-ups are stated once only within the mandatory requirements.

| Optional as CGPR | | |
|---|------------------|---|
| Requirement | Reference | Detail and page listing of compliant information |
| Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions. | CGPR1.1 | 101-102 |
| Companies should disclose the process for evaluating the performance of senior executives. | CGPR1.2 | 134 |
| Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties. | CGPR2.1 | 101 |
| A majority of the board should be independent directors. | CGPR2.2 | 101 |
| The roles of chair and chief executive officer should not be exercised by the same individual. | CGPR2.3 | 101 |

| Optional as CGPR | | |
|--|-----------|--|
| Requirement | Reference | Detail and page listing of compliant information |
| The board should establish a nomination committee. | CGPR2.4 | Not applicable as Minister appoints directors |
| Companies should disclose the process for evaluating the performance of the board, its committees and individual directors. | CGPR2.5 | 108 |
| Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. | CGPR3.1 | 108 |
| Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving diversity and to assess annually both the objectives and progress in achieving them. | CGPR3.2 | 132 |
| Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them. | CGPR3.3 | Not applicable as no such measurable objects |
| Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board. | CGPR3.4 | 101, 133 |
| The board should establish an audit committee. | CGPR4.1 | 111 |

| Optional as CGPR | | |
|---|-----------|--|
| Requirement | Reference | Detail and page listing of compliant information |
| <p>The audit committee should be structured so that it:</p> <ul style="list-style-type: none"> • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the board • has at least three members. | CGPR4.2 | 111 |
| The audit committee should have a formal charter. | CGPR4.3 | 111 |
| Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies. | CGPR5.1 | Not applicable as IBA is not subject to ASX Listing Rule |
| Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. | CGPR6.1 | 142 |
| Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies. | CGPR7.1 | 116 |
| The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks. | CGPR7.2 | 116 |

| Optional as CGPR | | |
|---|-----------|--|
| Requirement | Reference | Detail and page listing of compliant information |
| The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the <i>Corporations Act 2001</i> is founded on a sound system of risk management and internal control and that the system is operating effectively. | CGPR7.3 | Not applicable as IBA is not subject to section 295A of the <i>Corporations Act 2001</i> |
| The board should establish a remuneration committee. | CGPR8.1 | 111 |
| The remuneration committee should be structured so that it: <ul style="list-style-type: none"> • consists of a majority of independent directors • is chaired by an independent chair • has at least three members. | CGPR8.2 | Not applicable |
| Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives. | CGPR8.3 | 109, 115 |

FIGURES AND TABLES INDEX

List of Figures

| | |
|---|----|
| Figure 1: Number and percentage of investments with beneficial impacts | 31 |
| Figure 2: Value and percentage of Indigenous equity in the investment portfolio and percentage owned by Indigenous partners | 33 |
| Figure 3: IBA's investment life cycle | 35 |
| Figure 4: IBA's share investment portfolio by sector and percentage, as at 30 June 2014 | 40 |
| Figure 5: Value of IBA's share of investment portfolio by metropolitan, regional and remote areas, as at 30 June 2014 | 41 |
| Figure 6: Principal investment sites by asset cluster and location, as at 30 June 2014 | 48 |
| Figure 7: Barriers to home ownership for Indigenous Australians | 60 |
| Figure 8: Number of loans by Accessibility/Remoteness Index of Australia classifications, 2013–14 | 61 |
| Figure 9: Distribution of new loans across geographical areas, 2013–14 | 62 |
| Figure 10: New loans approved by income band | 67 |
| Figure 11: New loans approved by commencing interest rate, 2013–14 | 70 |
| Figure 12: New loans approved by loan term, 2013–14 | 71 |
| Figure 13: Value of loans in portfolio over 10 years to 2013–14 | 74 |

| | |
|---|-----|
| Figure 14: Geographical distribution of loans by state as at 30 June 2014 | 75 |
| Figure 15: Distribution of loans by major city, and regional and remote classifications as at 30 June 2014 | 75 |
| Figure 16: Arrears loan balances comparison of IBA and mainstream lenders | 76 |
| Figure 17: Number of business loans used to start a new business, acquire an existing business, or grow and consolidate an existing business in 2013–14 | 88 |
| Figure 18: Number, value and location of business loans as at 30 June 2014 | 94 |
| Figure 19: Number, value and industry classification of business loans as at 30 June 2014 | 95 |
| Figure 20: Value of loans in reportable arrears and value of repayments in reportable arrears | 95 |
| Figure 21: IBA organisational chart as at 30 June 2014 | 112 |
| Figure 22: IBA's maturity rating for the strategy element as assessed by Ernst & Young | 116 |
| Figure 23: Net asset growth as at June 2014 | 159 |
| Figure 24: Consolidated total assets as at 30 June 2014 (\$m) | 159 |
| Figure 25: Consolidated income 2013-14 (\$m) | 160 |

List of Tables

| | |
|---|----|
| Table 1: Equity and Investments Program performance summary, measured against the IBA Portfolio Budget Statements revised targets for 2013–14 | 26 |
| Table 2: Factors taken into account when selecting investments | 36 |
| Table 3: IBA commercial property portfolio overview | 42 |
| Table 4: IBA industrial portfolio overview | 43 |
| Table 5: IBA retail portfolio overview | 44 |

| | | |
|-----------|--|-----|
| Table 6: | IBA tourism and hospitality portfolio overview | 45 |
| Table 7: | Indigenous Home Ownership program performance summary, measured against the IBA Portfolio Budget Statements' revised targets for 2013–4. | 55 |
| Table 8: | Business Development and Assistance Program performance summary, measured against the IBA Portfolio Budget Statements' revised targets for 2013–14 | 82 |
| Table 9: | Value of services and number of transactions provided to directors | 109 |
| Table 10: | IBA staff numbers, by classification and location, as at 30 June 2014 | 129 |
| Table 11: | IBA's four-year staffing history | 129 |
| Table 12: | IBA staff numbers, by classification and gender, as at 30 June 2014 | 133 |
| Table 13: | Keynote speeches and significant presentations | 154 |
| Table 14: | List of Mandatory or Optional reporting requirements by reference and page location | 256 |

ALPHABETICAL INDEX

Page range references in **bold** type refer to major discussions of a topic.

A

- abbreviations and acronyms, 254–255
- Aboriginal and Torres Strait Islander Act 2005* (ATSI Act), 98, 100, 102, 161
- Aboriginal and Torres Strait Islander Commercial Development Corporation (CDC), 7
- Aboriginal and Torres Strait Islander Commission Act 1989* (ATSIC Act), 7
- Aboriginal and Torres Strait Islander employees, 20–21, 139
- Aboriginal and Torres Strait Islander Staff Network, 21, 132, 135
- accountability *see* corporate governance
- Affordable Housing Inquiry, 152
- Anangu Pitjantjatjara Yankunytjatjara (APY) Lands Regional Procurement Strategy, 150
- Angus, Patricia (Trish), 104
- Anti-Money Laundering and Counter Terrorist Financing Act*, 124
- APS Statistical Bulletin*, 126
- Archer Capital, 20
- arrears management (IHOp), 76–77
- Ashby, Anthony, 14–18, 104
- assessment criteria (IHOp), 66
- Asset Leasing Trust (ALT), 27, 40, 50
- assets
 - contingent, 212
 - financial, 161, 198–202, 229
 - held in trust, 230
 - management (IHOp), **74–77**
 - non-financial, 203–207
 - outlook, 161
 - total, 158
- audit, 118, 162–163
- Audit and Risk Committee, 111
- auditors, remuneration of, 220
- Aurukun Development Corporation Strategic Support, 150
- Australia Day Achievement Awards, 135
- Australian Government policy orders, **100**
- Australian Institute of Aboriginal and Torres Strait Islander Studies (AIATSIS), 137
- Australian Research Council, 151
- Australian Tourism Export Council's National Indigenous Tourism Task Force, 143
- Australians for Native Title and Reconciliation (ANTaR), 137
- awards, 135, 144

B

- banking partnerships, 20, 92, **146**
- Bator, Leo, 120
- BDAP *see* Business Assistance and Development Program (BDAP)
- Better Practice Guide, 125
- Board *see* IBA Board
- Boulton, Graeme, 120
- budget
 - allocation, 21
 - management, 10
 - obligation, 99
- Business Assistance and Development Program (BDAP), **79–96**
 - see also* loans, business
 - banking partnerships, 20
 - business planning and support, **87**
 - Into Business* workshops, **86**
 - key performance indicators, 82
 - loan portfolio, **94–96**
 - objectives, **80**
 - outlook, **96**
 - overview, 13, 14–15, 19
 - partnerships, **92**
 - performance, **81–82**
 - risk management, **96**
 - transition to the broader economy, **93**
- Business Development Initiatives (BDIs), 81, 83
- business loans *see* loans, business
- Business Opportunity Fair (Texas), 92
- business planning, **87**
- business support services, 20, **87, 145**

C

- CareerTrackers Indigenous internship program, 16, 20, 131, 139
- Casey, Dr Dawn, 103
- cash distributions from investment, 25
- cash flow
 - reconciliation, 211
 - statement, 170–171
- CEI Code of Conduct, 117
- CEO *see* Chief Executive Officer (CEO)
- Chair, 103
 - review, **14–18**
- changes in equity statement, 169
- Charter of Governance, 102
- Cherbourg Material Recycling Facility, 150
- Chief Executive Officer (CEO), 119
 - Award, 135
 - review, **18–20**
 - role, 114
 - statement, 164
- Chief Financial Officer's statement, 158
- Clements, Colin, 121
- Code of Conduct for Directors, 108

collaborations, 19–20
 Comcare investigations, 138
 Comcover Risk Management Benchmarking Program, 117
 commercial property portfolio, 25, 41–43, 48–49, 158
 commitments schedule, 172–174
 committees
 Board, **110–111**
 internal management, 114
 Commonwealth Authorities and Companies Act 1997 (CAC Act), 98, 124
 Commonwealth Bank of Australia, 88, 92, 146
 Commonwealth Disability Strategy, 126
 Commonwealth Portfolio Budget Statements, 10
 Community Business Finance Package, 146
 Community Development Employment Projects (CDEP), 29
 Community Volunteer Day, 136–137
 complaints handling, 125
 compliance assurance, 117–118
 compliance index, 256–263
 Compliance Project Working Group, 118
 comprehensive income statement, 165–166
 conferences, 92, 132
 Confirmation of Aboriginal or Torres Strait Islander descent (CoA), 16
 Connect 2014 conference, 92
 consultants' report, 240–242
 contacts, *inside back cover*
 contingencies schedule, 175
 contingent liabilities and assets, 212
 Core Skills workshops, 132, 134, 139
 corporate governance, **97–113**
 Australian Government policy orders, **100**
 Board *see* IBA Board
 legislation *see* legislation
 Ministerial directions, **100**
 corporate plan, **99**
 Cultivate program, 20, 145
 cultural awareness workshops, 132, 139
 Cultural Engagement and Education Framework, 132, 135
 customer interactions, 15
 Customer Service Charter, 125

D

Department of Communications, 92
 Department of the Prime Minister and Cabinet, 10, 20, 92, 152
 deposits, housing loans, 71
 Digital Business Program, 92
 Directors *see* IBA Board
 disability reporting, 126
 Dominican Indigenous Education Trust (DIET), 27, 40, 51
 doubtful debts, 94

E

Eades, Jason, 105
 ecologically sustainable development (ESD), 126, 245–246
 economic independence, 33

education, 51
 efficiency, 16, 19
 electronic document and record management system, 19
 emerging markets, 64, 72–73
 employees *see* staff
 employment opportunities, 21, 34
 enabling legislation, 98, 161
 Enterprise Agreement, 117, 135, 139
 entrepreneurs, 87
Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act), 126
 environmental protection, **126**
 equity, 169
 Equity and Investments Program, **23–52**
 investment portfolio *see* investment portfolio
 investment selection, 36
 key areas of impact, **32–34**
 key performance indicators, 26
 objectives, **24**
 outlook, **52**
 overview, 11, 14, 15, 18
 performance, **25–27**
 risk management, **37**
 strategy, **35–36**
 trusts, **50–51**
 ethics, 108, 117
 event sponsorship, 92, 143, 248
 Executive Committee, 114
 executive management, **119–124**
 expenses, 190–191
 external risks, 78
 external scrutiny, **124–125**

F

Facebook, 153
 fair value measurements, 196–197
Fair Work Act 2009, 118
 Fast Track Business Support service, 20, 145
 Finance and Investment Committee, 111
 financial assets, 161, 198–202, 229
 financial institution partnerships, 146
 financial instruments, 221–228
 financial loss, 15, 19
 financial performance, **157–237**
 funding, 160
 legislation, 161
 outlook, 161
 overview, 27
 results, 158–159
 statements *see* financial statements
 financial position statement, 167–168
 financial results, 158–159
 financial statements, 165–175

cash flow statement, 170–171
schedule of commitments, 172–174
schedule of contingencies, 175
statement of changes in equity, 169
statement of comprehensive income, 165–166
statement of financial position, 167–168
First Home Owner Grant, 71–72
food supply, investment in, 44–45
Forrest Review, 21, 152
fraud control, 117
Fraud Control Plan, 117
freedom of information (FOI), 124–125, 247
Freedom of Information Act 1982 (FOI Act), 124
Frontline Management program, 134
Fry, Chris, 18–20, 119
funding
 see also income
 IHO, 56–57
 regional projects, 149
 source, 160

G

Garma festival, 132
general policy orders, 100
glossary, 252–253
governance
 corporate *see* corporate governance
 external reviews, 115–116
 internal *see* internal management
Governance, Assurance and Compliance Framework, 37
Governance Charter, 102
government agencies, cooperation with, **152**
government policy orders, 100
Gowans, Kirsty, 121
Graduate Program, 20
grocery retail, 44
Growing with Governance Forum, 38–39

H

Hardy, Judy, 105
Harvard ManageMentor, 134
hazard reports, 138
health and safety, **138**
Health and Safety Committee, 138
highlights, **8–9**
history of IBA, 7
Home Loan Rate, 67
home loans *see* loans, housing
home ownership *see* Indigenous Home Ownership program (IHO)
Hope Vale, 18, 68–69
hospitality portfolio, 45, 48–49

- IBA Board, **101–113**
 - access to information and advice, 110
 - committees, **110–111**
 - development and review, 108
 - ethical standards, 108
 - Governance Charter, 102
 - indemnity and insurance, 110
 - profiles, 103–108
 - related entity transactions, 108–109
 - remuneration, 109, 213
 - role, 102
 - statement by Directors, 164
- IBA Consolidated, 158
- IBA Corporation, 236–237
- ‘IBA Stars’ award, 135
- IHO_p *see* Indigenous Home Ownership program (IHO_p)
- improvement notices, 138
- incident reports, 138
- income
 - comprehensive, 165–166, 195
 - own source revenue, 192–194
 - self-generated, 160
- income tax expense, 195
- indemnity coverage, 110
- Indigenous Advancement Strategy, 17
- Indigenous Business Success Study, 151
- Indigenous Communities in Business, 149
- Indigenous Economic Development Trust (IEDT), 27, 28–29, 40, 50
- Indigenous Economic Impact reporting tool, 30
- Indigenous Employment Strategy (IES), 132, 135
- Indigenous Entrepreneur Microenterprise Program, 146
- Indigenous Graduate Program, 16
- Indigenous Home Ownership program (IHO_p), **53–78**
 - asset management, **74–77**
 - banking partnerships, 20
 - barriers to home ownership, 57
 - funding, 56–57
 - home ownership statistics, 8
 - impact and challenges, **55–56**
 - key performance indicators, 55
 - loans *see* loans, housing
 - objectives, **54**
 - outlook, **78**
 - overview, 12, 14
 - performance, **54–55**
 - regional and remote areas, 61–63
 - risk management, **78**
 - targeting, 60
- Indigenous Leasing Trust (ILT), 50
- Indigenous Prequalification Support Program Pilot, 150
- Indigenous Real Estate Investment Trust (IREIT), 15, 27, 30, 40, 41, 51
- Indigenous Social Enterprise Fund (ISEF), 149

- Indigenous staff, 20–21, 139
- Indigenous tourism, **143**, 158
- Indigenous Tourism Champions Program (ITCP), 143–144
- Indigenous Tourism Group, 143
- induction, Board members, 108
- industrial portfolio, 43–44, 48–49
- Information Communications and Technology (ICT), 115
- information technology strategy, 19
- insurance, 110
- interest bearing liabilities, 209
- interest rates
 - IHO, 67, 70
 - national, 158
- internal management, **114–118**
 - audit, 118
 - committees, 114
 - compliance assurance, 117–118
 - ethical behaviour, 117
 - executive, **119–124**
 - fraud control, 117
 - risk management, 116–117
- internships, 16, 20, 130–131
- Into Business* workshops, 19, 83, **86**
- investment portfolio, **40–49**
 - see also* Equity and Investments Program
 - commercial property portfolio, 41–43
 - financial results, 158
 - grocery retail, 44
 - hospitality portfolio, 45
 - industrial portfolio, 43–44
 - property portfolio, 41–43
 - retail portfolio, 44–45
 - return, 25–27
 - statistics, 9
 - tourism portfolio, 45
 - value, 27
- investments
 - see also* Business Assistance and Development Program (BDAP); Equity and Investments Program
 - advice, 10
 - principles, 33, 39
 - selection, 36
- ITCP, 149

J

- Jawun Indigenous Corporate Partnerships, 20
- job creation, 34
- Jobs, Land and Economy program, 17
- Jones Lang LaSalle real estate services firm, 20
- judicial decisions, 125

K

- key performance indicators
 - BDAP, 82
 - Equity and Investments Program, 26
 - IHO, 55
 - overview, 13
- Kimberley Land Council, 39
- Kumar, Satish, 122

L

- Leadership Development Program, 132, 134
- Learning and Development Framework, 134
- leasing trusts, 50
- legislation, **98**, 117–118, 124, **125–126**, 161
- Leighton Contractors, 20
- letter of transmittal, 2
- liabilities
 - contingent, 212
 - interest bearing, 209
- LinkedIn, 153
- loan arrears, 94
- loan portfolio (BDAP), **94–96**
- loan portfolio (IHO)
 - balances, 74
 - geographical distribution, 75
 - number of loans, 65
- loan-to-valuation ratio (IHO), 76
- loans, business, **88**
 - see also* Business Assistance and Development Program (BDAP)
 - portfolio, **94–96**
 - statistics, 9
 - transition to the broader economy, 93
- loans, housing, **66–73**
 - see also* Indigenous Home Ownership program (IHO)
 - amounts, 66–67
 - assessment criteria, 66
 - deposits, 71
 - emerging markets, 72
 - geographical distribution, 62–63
 - interest rates, 67, 70
 - overview, 18, 57
 - products, 66
 - refinancing, 64
 - statistics, 8
 - terms, 70–71
 - transitioning, 64
- Local Leadership Group, 135
- loss, financial, 15, 19

M

- Macklin, Hon. Jenny, 100
- McQueen, Kirsti, 122

management *see* corporate governance; internal management
management training, 139
mature-aged students, 16
maturity framework, 115, 116
media releases, 250
Melbourne Business School (MBS), 16, 92
mentoring program, 139
micro-loans, 88
mining sector, 150
Minister, 4
Ministerial directions, **100**
Ministerial oversight, 124
Murra Indigenous Business Master Class Program (MURRA), 16, 92

N

NAIDOC Week, **148**
National Aborigines and Islanders Day Observance Committee (NAIDOC), 135, 148
National Apology, 136–137
National Australia Bank, 88, 92, 146
National Disability Strategy 2010–20, 126
National Minority Supplier Development Council Conference, 92
Native Title, 39, 150
New Housing Fund, 161, 232–235
New South Wales Aboriginal Land Council, 19, 20, 39, 92
New South Wales Department of Family and Community Services, 152
New South Wales Government, 18
New South Wales Remote Home Ownership Scheme, 152
nonfinancial assets, 203–207
North East Arnhem Land Timber Milling, 150
Northern Territory Government, 19, 92
Nyamba Buru Yawuru, 39

O

objectives of IBA, 5–6
Ombudsman, 124
O'Neill, Peter, 123
Optum, 138
organisational structure, 112
outcome reporting, 231
outlook
BDAP, **96**
Equity and Investments Program, **51–52**
financial, 161
IHO, **78**
overview, 17, 21
staffing, **139**

P

parliamentary oversight, 124
Parliamentary Standing Committee on Public Works, 124
partnerships

banks, **146**
 BDAP, **92**
 benefits, 19–20
 payables, 208
 Performance Management and Development System, 135
 performance summary, **10–13**
 points-based loan assessment processes, 78
 population growth, 56
 Portfolio Additional Estimates Statements, 10
 portfolio management model, 35
 Portfolio Review Committee, 114
 PPC Worldwide, 138
 presentations, 154–156
Privacy Act 1988, 118, 125
 professional development, 16, **134**
 property portfolio, 41–43
 property trusts, 30, 51
 provisions (financial statements), 210
Public Governance, Performance and Accountability Act 2013 (PGPA Act),
 98, 118, 152
Public Interest Disclosure Act 2013 (PID Act), 117, 118
 Public Management Reform Agenda (PMRA) Project Board, 152
Public Works Committee Act 1969, 124

R

Reconciliation Action Plan (RAP), 20, 132, **147**
 Reconciliation Australia, 147, 149
 record management system, 19
 red tape reduction, 115
 refinancing, 64, 66
 regional and remote areas, 61–63
 related entity transactions, 108–109
 related party disclosures, 214
 Remote Australia Strategies, 17
 remote community home ownership, 18, 57, 61–64, 152
 remuneration

- auditors, 220
- Directors, 109, 213
- senior executive, 215–219

 Remuneration and Nomination Committee (Board), 111
 Remuneration Committee, 115
 reporting of outcomes, 124, 231
 research projects, **151**
 retail portfolio, 44–45, 48–49
 revenue *see* income
 Review of Indigenous Business Australia and the Indigenous Land
 Corporation, 152
 Review of Indigenous Training and Employment Programmes (Forrest
 Review), 152
*Review of the Indigenous Land Corporation and Indigenous Business
 Australia*, 17, 115
 reviews, external, 125
 Rewards and Recognition Framework, 135

Reynolds-Adamson, Gail, 106
risk management
 BDAP, **96**
 Equity and Investments Program, **37**
 IHO, **78**
 internal management, 116–117
Risk Management Plan, 116
role of IBA, 4
'Round of Applause' award, 135

S

safety, workplace, **138**
schedule of commitments, 172–174
schedule of contingencies, 175
scholarship program, 16
Scholarships Committee, 114
scrutiny, external, **124–125**
Scullion, Hon. Nigel, 4, 100
secondments, 133
self-employed workers, 12
senior executive remuneration, 215–219
Senior Executive Staff (SES) Remuneration Committee, 115
service delivery model, 19
significant events, 243–244
skills development, 34
small-business loans, 88
social enterprise assistance projects, 150
social media, 153
Social Ventures Australia (SVA), 149
South of Embley Bauxite Project, 150
speeches, 154–156
split loan arrangements, 66
sponsorship, 92, 143, 248–249
staff, **127–140**
 development, **134**
 diversity, **132–133**
 health and safety, **138**
 Indigenous, 20–21, 139
 numbers, 129, 133
 outlook, **139**
 profiles, **129**
 relations, **135**
 superannuation, 135
Stakeholder Engagement Strategy, 142
stakeholders, **142**
stamp duty, 72
State of the Service Report, 126
statement by Directors, 164
statement of changes in equity, 169
statement of comprehensive income, 165–166
statement of financial position, 167–168
statutory requirements *see* legislation

Strategic Economic Development Initiative (SEDI) Committee, 114
 Strategic Economic Development Initiatives Program, **149–150**
 Strategic Economic Development Initiatives (SEDIs), 81, 83
 ‘Stretch’ RAP, 147
 superannuation, 135
 supply chain projects, 34, 93, 150
 Supply Nation, 20, 34, 87, 92, 145
 Supported Studies Assistance 2013–14, 134

T

TAFE NSW Western Institute, 92
 Tasmanian Investment Corporation, 39
 Thomas, Peter, 106
 Torres Strait Regional Authority, 19, 39, 92
 tourism, **143**, 158
 tourism portfolio, 25, 45, 48–49
 Traditional Owner and Sustainability Unit, 32
 Traditional Owner rights, 32, 52
 training, 34, 132, 134, 139
 Trust, Ian, 103
 trusts, **50–51**
 Twitter, 153

U

Understanding Indigenous Business study, 151

V

Valuation Committee, 114
 values of IBA, 7
 Virtual Advisor Program, 92
 Viswanathan, Rajiv, 123
 volunteer day activities, 132, 136–137

W

wealth creation, 65
 Wilcannia Community Shed, 29
 Woodley, Claire, 107
 work health and safety, **138**
 workers compensation, 138
 workforce *see* staff
 Workplace Consultative Committee, 114, 135
 workplace diversity, **132–133**
 Workplace Health and Safety Committee, 114
 workplace relations, **135**
 workshops, 19, 32, 83, **86**, 134

Y

Yamatji Marlpa, 39
 Yolngu people, 150
 Young, Nareen, 107

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