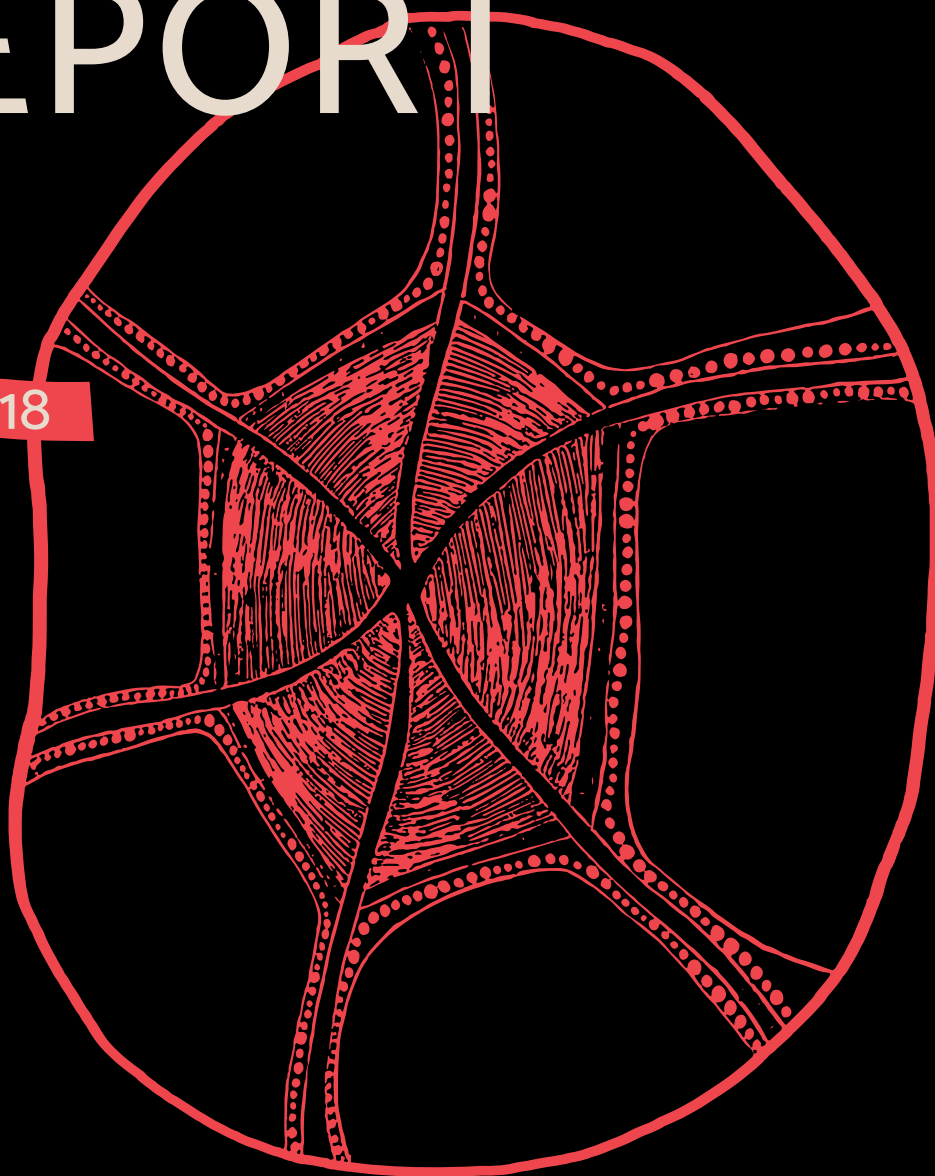


—

ANNUAL REPORT

—

2017-18



ACKNOWLEDGMENT

IBA pays respect to our Elders past, present and emerging.

We honour the resilience and continuing connection to country, culture and community by all Aboriginal and Torres Strait Islander people across Australia.

We recognise that the decisions we make today will impact the lives of generations to come.

INDIGENOUS BUSINESS AUSTRALIA ANNUAL REPORT

Edited and designed by Dreamtime Creative Pty Ltd, dreamtimecreative.com.au.

Artwork by Indigenous artist Penny Evans.

Printed by Print Junction.

IBA has taken all reasonable steps to ensure that the content of this publication is sensitive and considerate of Aboriginal or Torres Strait Islander people.

Throughout this document the term Indigenous refers to Aboriginal and Torres Strait Islander people.

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ISSN 133-945X (Print)

ISSN 206-9011 (Online)

For more information, visit IBA's website at iba.gov.au or call 1800 107 107.

LEGAL FRAMEWORK

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

IBA is accountable to the Australian Parliament through the Minister for Indigenous Affairs.

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19 September 2018

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 June 30 2018.

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

The report includes IBA's annual performance statements and audited financial statements, which were approved in accordance with a resolution of the Board on Thursday 13 September 2018.

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 meets IBA's needs and comply with Section 10 of the *Public Governance, Performance and Accountability Rule 2014*.

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

Yours sincerely

Eddie Fry
Chair



1

OVERVIEW

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ABOUT IBA

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

IBA serves, partners and invests with Aboriginal and Torres Strait Islander people who want to own their future. We go further than provide money; we invest in people, places and ideas that are ready. We help make them real.

We're deeply invested in the financial success and economic independence of Aboriginal and Torres Strait Islander people and communities. **It's why we exist.**

IBA's vision is for a nation in which Aboriginal and Torres Strait Islander people are economically independent and an integral part of the economy.



HELPING YOU FIND A HOME

YOU, INVESTED

Loans and financial services – affordable, simple and personalised. So you can take ownership of your home and your future.



HELPING YOU START OR GROW A BUSINESS

IDEAS, INVESTED

Finance and partnerships – from big ideas through to making them happen, we can provide the right mix of products, services, advice, networks and capability.



HELPING YOU INVEST IN YOUR FUTURE

FUTURES, INVESTED

Focused on making a strong, positive impact with a portfolio that provides responsible financial returns and a whole lot more for communities and our partners.



“
**WE PARTNERED WITH
IBA TO ACQUIRE THIS
RESORT FOR LONG-TERM
SUSTAINABILITY FOR
THE ADNYAMATHANHA
PEOPLE.**
”

**Vince Coulthard (Adnyamathanha
Yura) – Board Member, Wilpena
Pound Resort.**

CHAIR REVIEW



SUCCESS, OUTCOMES AND THE FUTURE

IBA is resolute in achieving our vision for a nation where Aboriginal and Torres Strait Islander people are economically independent and an integral part of the economy. While we have learnt many things on our journey, we will continue to seek new ways of adding value to the lives of Aboriginal and Torres Strait Islander people.

We acknowledge that IBA must adapt to change and continually strive for improvement to maintain a reputation for being professional and highly effective. While we recognise that IBA is not able to do everything, we can contribute meaningfully to increase economic participation and development.

This means we will continue to work with Aboriginal and Torres Strait Islander people to enable housing security, start or grow a business or make informed investments for the future.

The most immediate opportunities that exist for us are to:

- be highly customer focused in our teamwork and with our Aboriginal and Torres Strait Islander clients
- focus on looking forward
- deliver excellent customer experiences
- strive to be a go-to agency for Aboriginal and Torres Strait Islander people, providing products and solutions designed for success
- make ourselves available to support our customers and celebrate their success
- tackle complex challenges in collaboration with communities, government, private sector and individuals
- invest with our customers so their dreams become a reality
- reinvest and build long term wealth for Aboriginal and Torres Strait Islander communities.

It is the dedication and passion of our teams that demonstrates their commitment to the Aboriginal and Torres Strait Islander communities we serve through our products and services. This will contribute to our ongoing success into the future.

As Chair, I had a vision of what IBA could do and while those plans continue to expand, I believe this year surpassed that vision. Our accomplishments show the positive impact IBA has had in partnering with Aboriginal and Torres Strait Islander people in housing, business solutions and investments, and assets.

On behalf of the Board, I would like to express how proud we are to lead IBA with a workforce focused on excellence and deeply invested in delivering tangible benefits for Aboriginal and Torres Strait Islander people.

I would like to thank the IBA Board for their strategic insight and the IBA Executive and staff for their continued focus on innovation and success.

I am constantly reminded by Aboriginal and Torres Strait Islander leaders that it is not all about what you seek to achieve; it is equally about how you achieve it. By engaging our stakeholders, we help them achieve success.

Ending disparity is complex and challenging. Each of us is an integral part of the IBA ecosystem, interconnected and networking to profoundly impact the lives of Aboriginal and Torres Strait Islander people.

Eddie Fry
Chair

THE PAST
FINANCIAL YEAR
WAS A PERIOD
OF REFLECTION,
RE-BRANDING
AND CUSTOMER
FOCUS FOR IBA
WHILE ACHIEVING
RECORD RESULTS.

CEO REVIEW



In 2017–18, IBA set out to put our customers at the centre of our work, innovate in our offering and deliver valuable solutions to Aboriginal and Torres Strait Islander families, entrepreneurs, business owners and communities. We had an ambitious agenda to expand our reach and impact, working alongside Aboriginal and Torres Strait Islander people and communities.

Overall, IBA had its biggest year on record, investing or lending more than \$400 million in 2017–18 across all of its areas of work. This is a significant amount and represents more than 12 times the amount of funds IBA received from the government to use as capital for lending. As a predominantly self-funded organisation, IBA was able to achieve this by reinvesting returns from its loan and investment portfolios, as well as by injecting additional capital realised from previous investments.

We delivered a record 913 home loans with a total value of \$312 million. More than 95.7% of loans approved were for first home buyers, and more than 95.1% to lower income borrowers.

Our Business Solutions division delivered significant innovation including new products such as cash flow finance, film finance and performance bonds, accelerator programs and a new digital platform providing a community of support to Aboriginal and Torres Strait Islander women starting or in business.

We also approved 363 business finance applications to the value of \$51.5 million for Aboriginal and Torres Strait Islander entrepreneurs and businesses. This included 155 business loans and 208 other business finance products including equipment finance, cash flow finance, film finance and performance bonds.

We held our first ever Strong Women, Strong Business (SWSB) Conference which hosted over 180 business women from a range of backgrounds across urban, regional and remote Australia.

The conference showcased everything that IBA can be: impactful, contemporary and invested in our customers. I was privileged to have been able to attend and energised by the opportunity to support more women into business.

IBA's investment alongside Aboriginal and Torres Strait Islander organisations has continued to perform strongly, with a return of 7.0% for IBA and 7.4% for Indigenous co-investors.

IBA IS COMMITTED TO PARTNERING AND INVESTING WITH ABORIGINAL AND TORRES STRAIT ISLANDER PEOPLE, FAMILIES, AND COMMUNITIES TO OWN THEIR FUTURE.

During the year, IBA provided 122 Aboriginal and Torres Strait Islander organisations with investment related support, with 53 organisations now co-investing with IBA, holding total equity of \$184.1 million.

In rebranding, IBA made a concerted effort in putting Aboriginal and Torres Strait Islander people at the centre of business, staying true to our vision of a nation where Aboriginal and Torres Strait Islander people are economically independent and an integral part of the economy.

We also introduced a new engagement framework to guide the way we do business. The principles underpin a range of initiatives to build greater consistency and knowledge of all our products, ensuring we are connected to the communities we serve, and to take an evidence-based approach to our work.

Our 2018–2023 Strategic Plan outlines our vision for customer success, smart money, great people and strong systems whilst remaining focused throughout on being invested in our customers' journeys from opportunity to participation and inclusion.

Looking ahead, demand for IBA's solutions continues to grow as a result of a range of factors. This includes enhancements in our product suite, our new approach to engagement and partnerships, the impact of government stimulus such as the Indigenous Procurement Policy and increasing interest in Indigenous business and economic development. At the same time, we are witnessing continued tightening of credit conditions by mainstream lenders. Overwhelmingly, our customers still cannot access the capital or support they need from mainstream sources to buy a home, start or grow a business, or to access impactful investments.

IBA achieved a record capital outlay in 2017–18, supporting more people than ever before into home ownership, in business and investment, but our resources are finite. As reflected in our goals for 2018–19, we will need to access new sources of funding and develop new and innovative funding solutions in order to continue to meet growing demand into the future.

I would like to thank the Chair, Eddie Fry, and the Board for their guidance and support to the Executive Management

Team and staff throughout the year, bringing their vast experience, knowledge and skills across their respective areas of expertise.

I would also like to acknowledge the Executive Management Team for their leadership and commitment in achieving economic outcomes for Aboriginal and Torres Strait Islander people and communities.

Finally, I would like to acknowledge the passion and dedication of our staff who are consistently demonstrating their commitment to IBA's work, going above and beyond each day to ensure the best possible outcomes for our customers.

We continue to have an ambitious agenda ahead of us. In the year ahead, we will work hard to meet record levels of demand, develop innovative funding solutions and embrace new technologies to refine our customer experience.

Our focus will continue to be on building impactful partnerships, working with Aboriginal and Torres Strait Islander communities, businesses, organisations and corporate partners who share our vision.

We are proud of our achievements during 2017–18 and are striving to build on this momentum in the years ahead.

Rajiv Viswanathan
Chief Executive Officer

ANNUAL PERFORMANCE STATEMENTS

The IBA Board, as the accountable authority, presents the 2017–18 Annual Performance Statements, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

In the Board's opinion, these Annual Performance Statements are based on properly maintained records, accurately reflect the performance of IBA, and comply with subsection 39(2) of the PGPA Act.

IBA's budget is managed through the annual Portfolio Budget Statements of the Prime Minister and Cabinet portfolio. Our outcomes and outputs, and corresponding performance criteria, are described in the Portfolio Budget Statements, Corporate Plan and through a Funding Agreement with the Department of the Prime Minister and Cabinet.

IBA was established under the *Aboriginal and Torres Strait Islander Act 2015* (ATSI Act). Section 146 of the ATSI Act sets out IBA's purposes:

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

These purposes are included in the 2017–18 Corporate Plan and were achieved through IBA's single portfolio outcome:

Outcome 1: Improved wealth acquisition to support the economic independence of Aboriginal and Torres Strait Islander people through commercial enterprise, asset acquisition and access to concessional business and home finance.

Outcome 1 was delivered through three divisions: Housing Solutions, Business Solutions, and Investment and Asset Management.

IBA is invested in the economic independence of Aboriginal and Torres Strait Islander people and communities. While IBA is only one part of a bigger picture in the Indigenous affairs landscape, our role is vital in supporting our customers to own a home, start or grow a business, or make impactful investments.

During 2017–18, IBA either met or exceeded all but one of its targets as described in this report.



WALLY TALLIS (IBA), SHANE KENNELLY (KENNELLY CONSTRUCTIONS), AND RAJIV VISWANATHAN (IBA), WITH MINISTER FOR INDIGENOUS AFFAIRS, NIGEL SCULLION, AT OUR PERFORMANCE BONDS LAUNCH.



MINISTER FOR INDIGENOUS AFFAIRS, NIGEL SCULLION, WITH ADAM KENNELLY (KENNELLY CONSTRUCTIONS) AND OTHERS, LAUNCHING IBA'S PERFORMANCE BONDS.

HOMES - YOU, INVESTED

In responding to significant levels of demand, IBA supported 913 Aboriginal and Torres Strait Islander families to buy a home which is more than ever before. We did this by providing home loans at concessional interest rates which have low deposit requirements and flexible repayment terms.

95.1% of loans approved were to first home buyers, and 95.8% of loans approved were in the three lowest income bands [being (i) up to \$42,429, (ii) between \$42,430 to \$72,129 and (iii) between \$72,130 to \$118,802]. Overwhelmingly, these are to families otherwise unable to access mainstream lenders. Many face a range of barriers to owning a home including lower incomes, lack of deposit and/or credit history.

These factors all impact the credit assessment criteria of mainstream lenders. By owning their own home, Aboriginal and Torres Strait Islander families can obtain a secure and stable place to live and build intergenerational wealth. Often our customers are not just first home buyers but are the first in their family to achieve such an outcome which in turn is a catalyst for greater social impact through intergenerational economic building activities.

While investment in home loans exceeded our expectations, we were also able to support 7.2% (365) of our customers' transition to mainstream banks. Where this occurs, and the customer discharges their IBA home loan early, we can relend the loan capital to support more Aboriginal and Torres Strait Islander families into home ownership. In this way, IBA is contributing to close the gap between Indigenous and non-Indigenous home ownership rates (home ownership is recognised as an important indicator of wealth and saving and is part of the 'strategic areas for action' in the existing Closing the Gap policy framework).

Also in 2017-18 IBA successfully launched two new secure web applications, the online Expression of Interest and Housing Loan Application. These applications allow our customers to submit their application from their computer, device or smart phone including uploading supporting documents. This is a timely investment which has streamlined the process for customers who wish to apply for a home loan.

We also conducted a comprehensive customer survey to gather a fuller appreciation of customer need and demand. The results from nearly 600 responses will assist in future product development and enhancements to customer service, including online customer capabilities, and applications.

PERFORMANCE SUMMARY AND ANALYSIS

Table 01 shows IBA's achievements against the targets set out for the Indigenous Home Ownership Program.

The performance criteria measure the success of the program in providing home loans and related assistance to Aboriginal and Torres Strait Islander people, as appropriate to their circumstances and need, as well as measures to demonstrate the effective management of the loan portfolio.

IBA significantly exceeded all of its home ownership performance measures for 2017-18.

The total number of loans in the portfolio at 30 June 2018 was 5,037. This reflects a net increase of over 10% from 30 June 2017 and a significant net increase of 49% over the past decade (since 30 June 2008).

The average purchase price for homes funded through the Indigenous Home Ownership Program was \$361,200 in 2017-18, compared to \$350,400 in 2016-17, and the average loan amount was \$339,800 in 2017-18, compared to \$309,000 in 2016-17, reflecting the housing markets in which we operate.

Looking forward, IBA will continue with a program of planned reviews and continuous improvement projects aimed at ensuring the digital transformation of our application processes, enhancing our operating processes and refining our approach to identifying and supporting those customers who are ready and capable of transitioning their loan to a commercial bank.

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

TABLE 01: INDIGENOUS HOME OWNERSHIP PROGRAM PERFORMANCE

Performance criteria	Source (page)	Target	Result	Achieved
Number home ownership outcomes financed ¹	CP (23), PBS (159)	580	913	✓
Value of finance for home ownership outcomes approved in FY	CP (23), PBS (159)	\$175m	\$312m	✓
Percentage of housing customers who transition or are supported into mainstream lending ²	CP (23), PBS (159)	4.5%	7.2%	✓
Percentage of housing loans to applicants who are first home buyers	CP (23), PBS (159)	90.0%	95.1%	✓

CP = IBA Corporate Plan 2017–18, PBS = Prime Minister and Cabinet Portfolio Budget Statements 2017–18.

¹ Number of loans, guarantees and other finance products provided for new home acquisitions (including purchase of residential land), property settlement, refinance and essential home improvements.

² Transition to mainstream banking arises where the customer refinances home finance with a commercial lender. Support provided by IBA to access mainstream lending includes loans, guarantees, deposit assistance and other finance products that enable the customer to access finance with a commercial lender.



“
IF YOU CAN BACK
YOURSELF AND
PROVE THAT YOU
CAN DELIVER, IBA
WILL SUPPORT
YOU IN WHERE
YOU WANT TO GO.
”

Gavin Kelly (Girudala)
– Managing Director,
Islex Australia.

BUSINESS - IDEAS, INVESTED

Through our Business Solutions division, IBA invests in the development and growth of Aboriginal and Torres Strait Islander businesses. We provide a range of services and products to assist Aboriginal and Torres Strait Islander people to commence, acquire or grow a viable business. From entrepreneurs who are just starting their journey to well-established businesses wanting to expand, we can help make aspirations become a reality.

IBA is the only statutory authority and national provider offering end-to-end services throughout the business journey and the program provides a rich suite of products and services including tailored business support, capability building services, and a wide range of business finance solutions.

IBA's Business Solutions includes delivering the Business Development and Assistance Program via a Funding Agreement with the Commonwealth (Funding Agreement), but our full suite of services and products goes well beyond the requirements of the Funding Agreement.

In 2017-18, IBA provided 363 instances of business finance valued at \$51.5 million, a record in the history of the program.

As outlined in Table 02, which addresses the performance criteria established in the Funding Agreement, during 2017-18, IBA exceeded our targets for business support with over 1000 instances of support provided.

IBA continues to exceed performance targets that sit within the Funding Agreement and more broadly within the PBS, including an increase in the variety of relevant products offered and the number of services delivered.

PERFORMANCE SUMMARY AND ANALYSIS

Table 02 shows IBA's achievements against targets set out for the Business Solutions division.

The performance criteria measure the success of the program overall in providing business finance, assistance to start and to grow businesses, and related business support and employment opportunities to Aboriginal and Torres Strait Islander Australians. The criteria also measure the success of the program in helping to create and maintain sustainable businesses and have a specific focus on increasing the number of Aboriginal and Torres Strait Islander women into business.

Throughout 2017-18 IBA has seen strong and increasing demand for its products and services.

During March and April 2018, IBA received 63 applications for its Accelerator programs, with interviews and selection of the cohort taking place in April. The programs commenced in Alice Springs and Sydney in May 2018, in partnership with The Difference Incubator and Investible, respectively. Post-program support also continues to be delivered for Round 1 and Round 2 cohorts depending on the participants needs.

Also, in 2017-18, and based on customer need and feedback, IBA and the Department of the Prime Minister and Cabinet formed a Trust to enable IBA to provide performance bonds and to facilitate the provision of bank guarantees to eligible Aboriginal and Torres Strait Islander suppliers to enable those suppliers to win and fulfil major construction and engineering contracts.

IBA has been successful in working to initiate 11 strategic partnerships throughout 2017-18, which has enabled Aboriginal and Torres Strait Islander entrepreneurs to receive support in different locations and sectors.

The performance criteria also reflect a focus on start-up businesses, which is a strong element of IBA's service offering to our customers, with many products and services delivered and tailored to service this customer segment. IBA's customers are overwhelmingly start-up, early stage or emerging businesses (many of which are in regional and remote Australia), who may not be able to access finance from banks and other mainstream sources. IBA goes further than providing finance and supports these business and entrepreneurs with a range of support and capability development services.

To directly support start-up businesses, one of IBA's finance products is the "Start-up Finance Package". This package, which is up to \$100,000, is aimed at start-up businesses and consists of a low interest rate loan and a grant mix package. In 2017-18, 60 Start-up Finance Packages have been issued to a total value of \$3,960,630 which includes \$1,171,378 as a grant component.

In addition to the Start-up Finance Package, IBA's Business Solutions division also provided \$7 million in finance to start-up businesses during 2017-18, facilitated the delivery of Accelerator Programs to meet demand from the start-up business sector, and tailored workshops to meet the needs of new businesses (including the Start-up Workshop and Digital Marketing Workshop).

Strong interest in IBA's business related workshops continued throughout 2017-18 with 72 workshops held with 525 participants attending (and with 65% of the workshops held in regional and remote Australia).

The workshops provide a foundation for entry into business for new entrepreneurs as well as more sophisticated concepts for established customers, with a customer satisfaction of 95%.

Overall in 2017-18 the Business Solutions program approved \$51.5 million in business finance applications and provided strong support for supporting Aboriginal and Torres Strait Islander businesses achieve their aspirations through program products.

IBA's customers in the Business Solutions program are diverse in their need and location, with over 45% of IBA loan customers being in outer regional, remote and very remote areas.

The current proportion of Aboriginal and Torres Strait Islander women in IBA's customer base is 40%, which is higher than the representation of all women business owners in Australia (which is 34% of all businesses). IBA is working strongly to support more Aboriginal and Torres Strait Islander women into business and to increase the representation of women in our customer base.

A highlight of 2017-18 for the Business Solutions program was the successful delivery of the Strong Women Strong Business conference convened by IBA in May 2018 in Adelaide. Applications were received from 463 individuals, with over 180 attending and well over 100 women live-streaming in each day from around Australia. The Strong Women Strong Business Digital Platform was also launched on 28 June 2018 (www.strongwomenstrongbusiness.com). The platform will facilitate mentorship and build skills in relevant areas.

See Part 3 of the annual report for more information and analysis on the Business Solutions program.

The table below lists the performance criteria for the Funding Agreement with the Department of the Prime Minister and Cabinet, and so accordingly excludes other components of IBA's Business Solutions program.

TABLE 02: BUSINESS DEVELOPMENT AND ASSISTANCE PROGRAM PERFORMANCE

Performance criteria	Source	Target	Result	Achieved
Percentage of Indigenous people employed in delivery of the program	Funding Agreement (M1)	The number of Indigenous people employed in the delivery of the Funding Agreement should reflect the overall proportion of Indigenous staff employed by IBA	30% which reflects the overall proportion of Indigenous staff employed by IBA	✓
Number of customers provided with initial business support from IBA staff	Funding Agreement (A1)	600	746	✓
Number of customers provided with further support from IBA staff to develop their business idea		300	674 ¹	
Percentage of customers in regional and remote Australia receiving business support and/or loan services		30%	61%	
Number of customers receiving IBA capability development or other support (external)	Funding Agreement (A2)	200	339	✓
Percentage of customers in regional and remote Australia receiving business support and/or loan services		30%	55%	
Number of loans, leases and other finance products approved for new customers and existing customers	Funding Agreement (A3)	80	239	✓
Percentage of customers in regional and remote Australia receiving business support and/or loan services		30%	63%	
Value of Business Development and Assistance Program finance to customers	Funding Agreement (A4)	\$9.855m	\$41.530m	✓
Engagement and cooperation with relevant networks, service and business ecosystem partners (Partnership)	Funding Agreement (A5)	8	11	✓
Meets or exceeds the Australian survival rates for businesses with 1-4 employees as measured by ABS	Funding Agreement (A6)	69%	63%	✓ ³
Meets or exceeds the Australian survival rates for businesses with 5-19 employees as measured by ABS		77.8%	94.2%	
Meets or exceeds the Australian survival rates for businesses with 20-199 employees as measured by ABS		82.2%	100%	
Meets or exceeds the Australian survival rates for businesses with 200+ employees as measured by ABS		83.7%	N/A	
Increase participation of Aboriginal and Torres Strait Islander Women in Business	Funding Agreement (A7)	Project Operational	Achieved, see commentary	✓
Customer survey satisfaction	Funding Agreement (A8)	Annual KPI	92%	✓
Percentage of Early Stage Customers and Pre-bank Customer who receive IBA capability development or other support (internal and external) and funded through the capital component	Funding Agreement (A9)	80%	79% ²	N/A
Provide learning and development opportunity for women in business.	Funding Agreement (A10)	Before 30 June 2018	Achieved, see commentary and analysis	✓

Note: The measurements in this table reflect the first 12-months of a 24-month contract arrangement with the Department of the Prime Minister and Cabinet.

¹ 33 customers are continuing Internal Support from last FY.

² Targets not applicable until FY19.

³ Overall indicator is met according to the Funding Agreement.

INVESTMENTS - FUTURES, INVESTED

IBA assists Aboriginal and Torres Strait Islander people to achieve economic independence through investment and participation in commercial enterprises that produce financial returns and employment, training and supply chain opportunities.

We work with Aboriginal and Torres Strait Islander communities and organisations through direct management of businesses and investments, provision of managed investments, facilitating supply chain opportunities, provision of employment and training and other investment support.

During 2017–18, IBA partnered with 15 new and 6 existing Aboriginal and Torres Strait Islander investors investing \$49.3 million, bringing total Aboriginal and Torres Strait Islander co-investment with IBA to \$184.1 million (38.6%) from 53 investors. IBA achieved a return of 7% on its investments and delivered a strong return to co-investors of 7.4% this year.

The rolling 5-year return was marginally below target due to the continued effect of valuation impacts in 2013–14.

IBA facilitated new investments in renewable energy and student accommodation and facilitated two groups to assume majority ownership of profitable investments.

PERFORMANCE SUMMARY AND ANALYSIS

Table 03 shows IBA's achievements against the targets set out for the Investment and Asset Management division.

The performance criteria measure the program's success in sustaining positive financial returns to both IBA and Aboriginal and Torres Strait Islander co-investors, as well as broader contributions to Aboriginal and Torres Strait Islander people's economic self-sufficiency through increasing the number of groups IBA works with and assists.

In 2017–18, IBA actively pursued new investment opportunities through an Expression of Interest initiative resulting in 2 new investments to date and transferred equity to 4 Aboriginal and Torres Strait Islander co-investors, while significantly increasing Aboriginal and Torres Strait Islander people's co-investment in the Indigenous Prosperity Funds by \$49.3 million from 21 Indigenous investors. The division met 5 out of 6 of its performance criteria in 2017–18.

IBA's results for the investment portfolio return (7.0%) and returns to Aboriginal and Torres Strait Islander

“
**LIKE OUR KIDS SAY NOW,
'THIS IS OUR PLACE'.
AND THEY STAND PROUD
AND THAT'S JUST SO
AWESOME. THEY TAKE
OWNERSHIP.**

”

**Vince Coulthard (Adnyamathanha
Yura) – Board Member, Wilpena
Pound Resort.**



partners (7.4%) both exceeded their respective target, influenced by valuation increases across the portfolio and strong returns from the Indigenous Prosperity Funds, which now holds \$69.9 million of Indigenous co-investment. IBA's average return over the previous rolling 5 years (4.4%) was affected primarily by valuation impacts in 2013–14, mainly in IBA's tourism assets (in line with broader effects in the tourism market in that year). This will not affect the rolling 5-year return from 2018-19 onwards.

The investment portfolio is valued at \$477.1 million (at 30 June 2018), of which IBA's share is \$276.0 million (57.8%), with \$184.1 million (38.6%) held by Indigenous investors and \$17.0 million (3.6%) held by other private sector partners.

The investment portfolio generated more than \$34.0 million in comprehensive income for IBA and Aboriginal and Torres Strait Islander co-investors, including interest earned on IBA's cash holdings and investment loans. IBA's share of this income (after operating expenses), will be used to pursue new investment opportunities, and to reinvest in existing investments to enable their growth and support their ongoing plans.

Broader economic outcomes included supporting 217 jobs for Aboriginal and Torres Strait Islander people, being 31% of the total workforce supported by the direct investment portfolio, with total salaries, wages and job-relevant training benefits of over \$13.2 million also being delivered to Aboriginal and Torres Strait Islander people.

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

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

TABLE 03: EQUITY AND INVESTMENT PROGRAM PERFORMANCE

Performance criteria	Source (page)	Target	Result	Achieved
Portfolio return to Indigenous co-investors ^{1,2}	CP (23), PBS (159)	6.1% (CPI + 4%)	7.4%	✓
Portfolio return to IBA's investment portfolio (budget year) ^{2,3}	CP (23), PBS (159)	6.1% (CPI + 4%)	7.0%	✓
Portfolio return IBA's investment portfolio (rolling five years)	CP (23), PBS (159)	5.9% (CPI + 4%)	4.5%	X
Number of Indigenous co-investors and organisations who benefitted from the support of Investment's services ⁴	CP (22), PBS (159)	90	122	✓
Proportion of Indigenous investment in portfolio ⁵	CP (23), PBS (160)	30%	38.6%	✓
Wealth created for Indigenous co-investors ⁶	CP (23), PBS (160)	\$6.0m	\$11.6m	✓

CP = IBA Corporate Plan 2017-18, PBS = Prime Minister and Cabinet Portfolio Budget Statements 2017-18

¹ Portfolio return to IBA's Indigenous co-investors during the year is calculated as the after-tax comprehensive income (including valuation increments and decrements) generated by Indigenous co-investors' and beneficiaries' interests in the investment portfolio in the budget year, expressed as a percentage of the aggregate value of Indigenous co-investors' and beneficiaries' holdings.

² CPI refers to the average consumer price index for Australia during the measurement period. For example, if the realised CPI for 2017-18 is 1.7%, the expected return based on a target of CPI + 4% is 5.7% (1.7% + 4%).

³ Portfolio return to IBA during the year is calculated as the after tax comprehensive income (which includes valuation increments and decrements) generated by IBA's interests in the investment portfolio in the budget year, expressed as a percentage of the value of IBA's holdings. Portfolio return to IBA over a rolling five-year period (inclusive of the designated year) is calculated as the average of the portfolio return to IBA in each of the past five budget years.

⁴ Includes current Indigenous co-investors; Indigenous co-investors to whom investments were sold during the budget year; organisation participated in capability development activities such as investment strategies and investment information sessions; and Indigenous investors supported through investment's services.

⁵ Total equity held, in aggregate, by Indigenous co-investors and beneficiaries in the budget year, expressed as a percentage of the total investment portfolio value.

⁶ Is comprised of Indigenous co-investors' and beneficiaries' after-tax comprehensive income (including valuation increments and decrements).



**ALISON PAGE
PRESENTING AT THE
STRONG WOMEN
STRONG BUSINESS
CONFERENCE.**



OVERALL PERFORMANCE OF AN INVESTED IBA

PERFORMANCE SUMMARY AND ANALYSIS

In 2017–18 our spending on Aboriginal and Torres Strait Island suppliers totalled \$6.61m which exceeded the target by 76%. IBA is proud of this achievement as it means numerous Aboriginal and Torres Strait Islander suppliers were engaged and we continue to be a leader in Aboriginal and Torres Strait Island procurement. We believe a great example of this achievement is the IBA Sydney office relocation where 92.44% of the spend was on Aboriginal and Torres Strait Island businesses.

IBA and its wider groups supported 1,911 Aboriginal and Torres Strait Islander jobs through the business and finance portfolios. Our focused effort to increase Aboriginal and Torres Strait Islander people represented in our workforce at IBA resulted in 30.1% or 65 Aboriginal and Torres Strait Islander people being employed in 2017–18 (an increase from 26% in 2016-17).

In 2017-18 IBA delivered 146 capability and development workshops, exceeding the target of 140 by 4%.

These workshops are delivered by program areas and are an accumulation of:

- Housing Solutions program: 70
- Business Solutions program: 72
- Investment and Asset Management program: 4

Table 04 shows IBA's achievements against the performance targets for procurement, employment and capability development and support.

TOTAL

146 WORKSHOPS



70

HOME OWNERSHIP



72

BUSINESS OWNERSHIP



4

INVESTMENTS

TABLE 04: OVERALL PERFORMANCE OF AN INVESTED IBA

Performance criteria	Source (page)	Target	Result	Achieved	
Number of Aboriginal and Torres Strait Islander jobs created or supported by IBA ¹	CP (22), PBS (158)	57	65	✓	
Percentage of jobs held by Aboriginal and Torres Strait Islander people within IBA ¹	CP (22), PBS (158)	30.5%	30.8%	✓	
Number of Aboriginal and Torres Strait Islander jobs created or supported by IBA's associates, subsidiaries and program customers ²	CP (22), PBS (158)	1050	1911	✓	
Percentage of jobs created or supported by IBA's associates, subsidiaries and program customers held by Aboriginal and Torres Strait Island people ²	CP (22), PBS (158)	37%	43%	✓	
Total value of Aboriginal and Torres Strait Islander procurement	CP (22), PBS (158)	\$3.75m	\$6.6m	✓	
Percentage of suppliers that are Aboriginal and Torres Strait Islander	CP (22), PBS (159)	10%	13.8%	✓	
Number of capability and development workshops conducted ³	CP (23), PBS (159)	140	146	✓	
Total number of customers supported per regional area ⁴	CP (22)	Remote	775	1074	✓
	PBS (159)	Regional	3650	4741	✓
		Urban/metro	1400	2452	✓

CP = IBA Corporate Plan 2017–18, PBS = Prime Minister and Cabinet Portfolio Budget Statements 2017–18

¹ Is calculated as the sum of the rolling 12-month average of all Aboriginal and Torres Strait Island employees of IBA.

² Is calculated as the sum of (i) the rolling 12-month average of all Aboriginal and Torres Strait Island employees of IBA subsidiaries and associates (to incorporate seasonality changes); and (ii) the number of Aboriginal and Torres Strait Island employees within IBA's businesses finance customers (recorded annually).

³ Includes investment, business workshops and individual sessions and home ownership sessions.

⁴ Regional areas derived from ABS Remoteness Areas (coinciding with ARIA (Accessibility/Remoteness Index of Australia), with Remote and Very Remote collated into "remote", Outer and Inner Regional collated into "regional" and major cities classed as "urban/metro". Customers includes Aboriginal and Torres Strait Island co-investors, investment partners and those who receive investment related support, customers receiving business workshops, support or business finance, and customers receiving finance or support relating to home ownership.





2

YEAR IN REVIEW

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OUR HIGHLIGHTS

913

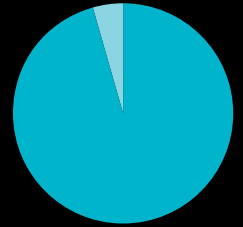
\$312M

NEW HOME LOANS



95.7%

NEW HOME LOANS TO FIRST HOME BUYERS



64,750

ABORIGINAL AND TORRES STRAIT ISLANDER PEOPLE HOUSED THROUGHOUT THE LIFE OF THE PROGRAM (BASED ON 3.5 PEOPLE PER HOUSEHOLD).

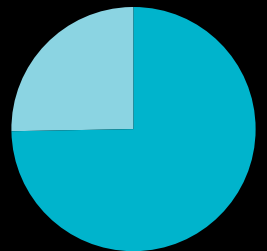


342

BUSINESS CUSTOMERS APPROVED FOR FINANCE SUPPORT

74.76%

BUSINESS LOAN CUSTOMERS STILL IN BUSINESS AFTER 3 YEARS



1,911

JOBS FOR INDIGENOUS AUSTRALIANS SUPPORTED BY INVESTMENT AND BUSINESS SOLUTIONS PORTFOLIO

746



NUMBER OF BUSINESS SUPPORTS PROVIDED (INTERNAL AND EXTERNAL)

2017-18 RESULTS



\$13.1M

(12 MONTH ROLLING AVERAGE)

TOTAL SALARIES AND WAGES FROM IBA SUBSIDIARIES TO ABORIGINAL AND TORRES STRAIT ISLANDER PEOPLE



\$51.5M

A RECORD BREAKING \$51.5 MILLION IN BUSINESS FINANCE HELPING MORE THAN 340 CUSTOMERS



363

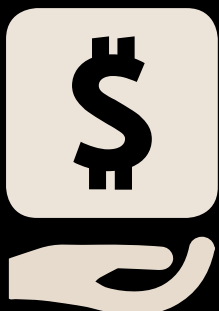


INSTANCES OF BUSINESS FINANCE



7.4%

PORTFOLIO RETURN TO INDIGENOUS CO-INVESTORS



\$6.6M

GOODS AND SERVICES PROCURED FROM INDIGENOUS SUPPLIERS



IBA STAFF IDENTIFIED AS ABORIGINAL AND TORRES STRAIT ISLANDER

ENVIRONMENT

IBA works in a dynamic and changing environment. As more Aboriginal and Torres Strait Islander people look to own their homes, get into business and invest for the future, IBA is experiencing increased demand for relevant and timely solutions. We also recognise that we can't be all things to all people and this is why our focus is on investing in those areas that mainstream lenders simply may not support.

Across private, not-for-profit and government sectors, there is an increased focus on changes in policy settings, market conditions, the economy and access to resources. The one constant in the work we do is the rate of change —IBA continues to keep sight on how these changes will impact and benefit our customers.

Our challenge is to keep pace with the changes, make sure that we continue to deliver relevant solutions, embrace new technologies, and support our customers to participate in and be included in the Australian economy.

While this seems like a lot to navigate, our experience over the past 12 months has given us more information, more customer feedback, greater sharing of knowledge and an increase in the level of accountability we expect of ourselves and our clients. Throughout the year, we asked a lot of questions, hosted focus groups, conducted surveys, had one-on-one and group discussions because we knew that unless we were informed about the challenges and opportunities our customers face then our ability to target our investment would be limited.

One of the interesting things we learnt along the way is that people want simple ways to connect with IBA, so we introduced digital platforms to enhance our customers' experience and broaden our reach.

We also learnt that people want to support more women and youth to participate and be included in economic opportunities.



**STRONG WOMEN
STRONG BUSINESS
CONFERENCE
ATTENDEES.**

STRATEGY

In 2017, the IBA Board agreed that greater structure, alignment and transparency within and across the organisation was a priority and the first step towards achieving this was to ensure a centralised, consistent, timely and transparent organisation wide approach to:

- strategic and corporate planning
- organisational performance, monitoring and reporting
- policy, advocacy and thought leadership
- social impact reporting
- socio-economic research and analysis
- identifying opportunities to innovate through thinking and application of technology, new processes and improved efficiencies.

The launch of the 5-year strategic plan covers the period 2019–2023 and highlights four strategic pillars: customer success, deadly people, smart money, and strong systems.

The launch of the strategic plan means that IBA can continue to remain responsive to financial, legislative, community and political influences and developments, and that it is implemented and monitored effectively.

As the plan is implemented, IBA expects to see stronger alignment with strategic frameworks at a national and international level resulting in the introduction of appropriate and relevant direction and capability across the organisation.

IBA has traditionally communicated the work we do annually through our corporate plan. The introduction of the 5-year strategic plan means there are now stronger and clearer links between what IBA does in the short (12 months), medium (3 years) and long term (5 years +) in line with our statutory purpose.

During NAIDOC Week 2018, the 5-year Strategic Plan was officially launched in the presence of Minister Scullion along with 150 guests representing businesses, home owners and co-investors from across Australia.



CUSTOMER SUCCESS

WE ARE A GO-TO AGENCY FOR ABORIGINAL AND TORRES STRAIT ISLANDER PEOPLE, PROVIDING THEM WITH PRODUCTS AND SOLUTIONS DESIGNED FOR THEIR SUCCESS. WE MAKE OURSELVES AVAILABLE TO SUPPORT OUR CUSTOMERS AND CELEBRATE THEIR SUCCESS.



DEADLY PEOPLE

IBA'S EMPLOYEES ARE CULTURALLY COMPETENT, TECHNICALLY CAPABLE AND DELIVER RESULTS.

OUR CUSTOMERS TRUST THAT OUR STAFF HAVE THE RIGHT SKILLS AND ARE THE BEST PEOPLE FOR THE JOB.



SMART MONEY

INVEST WITH OUR CUSTOMERS SO THEIR DREAMS BECOME A REALITY.

WE WILL REINVEST AND BUILD LONG TERM WEALTH FOR ABORIGINAL AND TORRES STRAIT ISLANDER COMMUNITIES.



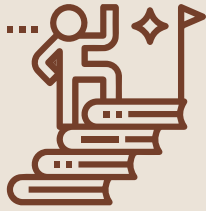
STRONG SYSTEMS

OUR CUSTOMERS EXPERIENCE AT IBA IS POSITIVE AND CONSISTENT.

STRATEGIC PLAN

WHY DO WE EXIST?

VISION A nation in which Aboriginal and Torres Strait Islander people are economically independent and an integral part of the economy.



CUSTOMER SUCCESS

WE ARE A GO-TO AGENCY FOR ABORIGINAL AND TORRES STRAIT ISLANDER PEOPLE, PROVIDING THEM WITH PRODUCTS AND SOLUTIONS DESIGNED FOR THEIR SUCCESS. WE MAKE OURSELVES AVAILABLE TO SUPPORT OUR CUSTOMERS AND CELEBRATE THEIR SUCCESS.



DEADLY PEOPLE

IBA'S EMPLOYEES ARE CULTURALLY COMPETENT, TECHNICALLY CAPABLE AND DELIVER RESULTS.

OUR CUSTOMERS TRUST THAT OUR STAFF HAVE THE RIGHT SKILLS AND ARE THE BEST PEOPLE FOR THE JOB.

Support Aboriginal and Torres Strait Islander entrepreneurs and businesses to build business knowledge, skills and capabilities.

Build useful and smart pathways for Aboriginal and Torres Strait Islander people to buy a home.

BY 2023, IBA WILL HAVE SUPPORTED:



Housing

70,000 Aboriginal and Torres Strait Islander people into stable and secure housing.

Employ more Aboriginal and Torres Strait Islander people and buy more from Aboriginal and Torres Strait Islander businesses.

IBA CUSTOMER JOURNEY:

OPPORTUNITY



PURPOSE IBA serves, partners and invests with Aboriginal and Torres Strait Islander people who want to own their future. We provide financial products and services, and we go further: we invest in people, places and ideas that are ready. We help make them real. We're deeply invested in the financial success and economic independence of Indigenous Australians. **It's why we exist.**

Keep making smart choices with our resources so more Aboriginal and Torres Strait Islander people benefit.



Business

Deliver business solutions to 5,000 additional Aboriginal and Torres Strait Islander entrepreneurs and businesses.



Investments

100 partnerships with Aboriginal and Torres Strait Islander co-investors investing at least \$250m alongside IBA to generate impact.

Partner with Aboriginal and Torres Strait Islander people to find new and innovative ways to invest in their future.

Use our technology and systems to ensure we provide the best possible customer experience online, over the phone or in person.



SMART MONEY

INVEST WITH OUR CUSTOMERS SO THEIR DREAMS BECOME A REALITY.

WE WILL REINVEST AND BUILD LONG TERM WEALTH FOR ABORIGINAL AND TORRES STRAIT ISLANDER COMMUNITIES.



STRONG SYSTEMS

OUR CUSTOMERS EXPERIENCE AT IBA IS POSITIVE AND CONSISTENT.



PARTICIPATION



INCLUSION

SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs) are an extensively adopted set of goals, targets and indicators to guide the global development agenda through to the year 2030. The SDGs are directed towards making tangible improvements to people's lives; they encompass social, environmental and economic aspects.

The SDGs and its goals and other frameworks, such as the United Nations Declaration on the Rights of Indigenous People, are relevant because IBA operates within a broad policy framework that has as its goal the ability of Aboriginal and Torres Strait Islander people to have the same life opportunities as other Australians. Aligning the social outcomes and the outputs generated by IBA's products and services with these frameworks provides IBA with an opportunity to understand and demonstrate how we are contributing to sustainable development both on a national and global context.

For more information about the SDG's, IBA invites you to visit www.un.org/sustainabledevelopment/sustainable-development-goals



**IBA'S STRONG WOMEN
STRONG BUSINESS
CONFERENCE WAS THE
FIRST OF ITS KIND.**



FIGURE 01: THE PRIMARY SUSTAINABLE DEVELOPMENT GOALS THAT IBA'S WORK CONTRIBUTES TO ARE:

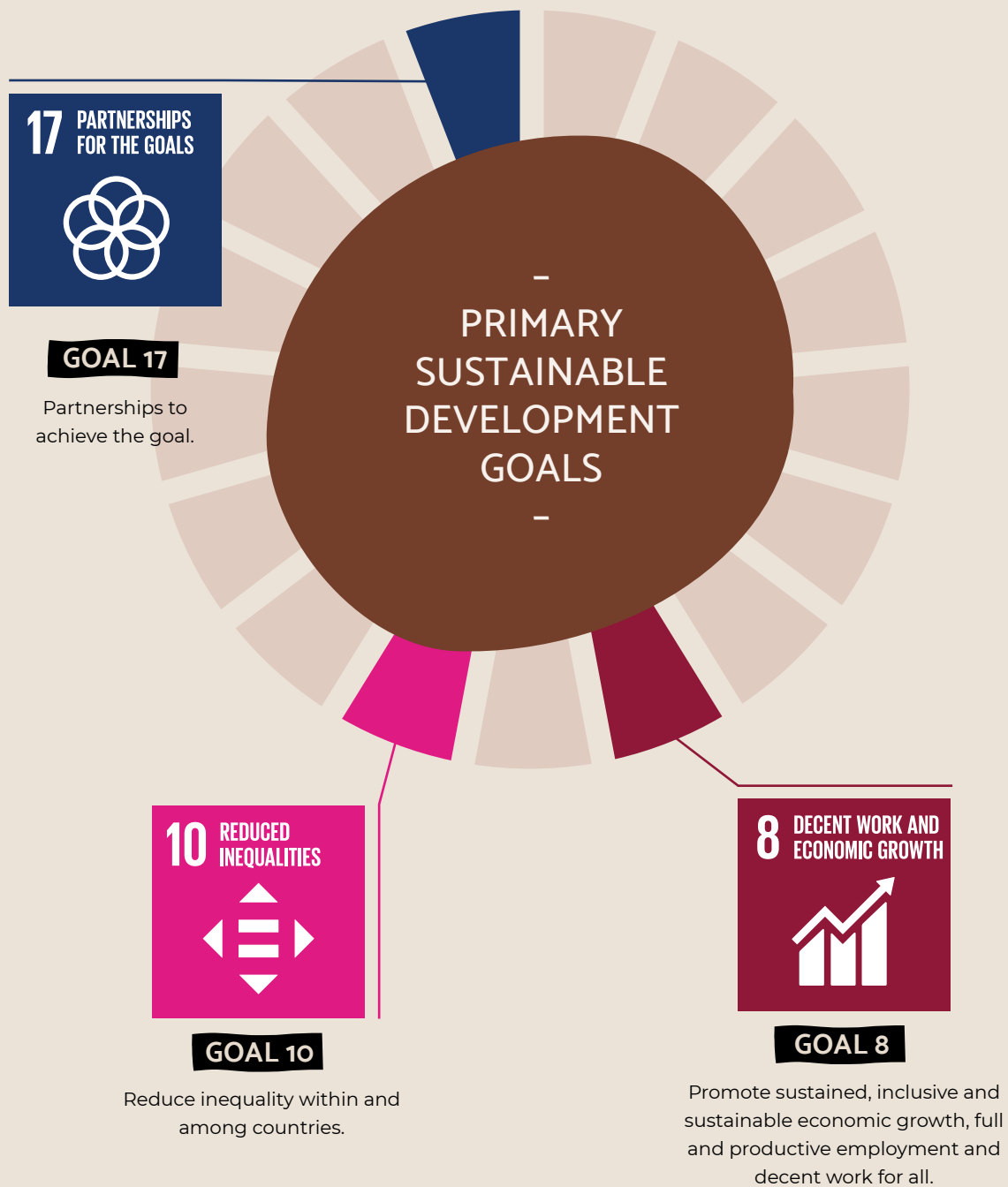


FIGURE 02: THE SECONDARY SUSTAINABLE DEVELOPMENT GOALS THAT IBA'S WORK CONTRIBUTES TO ARE:



Source: www.un.org/sustainabledevelopment/sustainable-development-goals

RISK MANAGEMENT

When our customers succeed, we are doing our job well. And doing our job well comes with risk.

Over the past year, the different risks we have been working through include:

- changes in economic conditions, property and share markets which could affect returns to IBA and Indigenous co-investors from our investments
- enhancements to our operations including new products and solutions
- the need to access new sources of funding to keep up with growing demand particularly for home loans
- the need to keep us with digital innovation and better ways of doing business that improve our customers experience.

IBA knows we cannot eliminate all risks. To keep the risks we've identified managed at an acceptable level, we continue to take a professional approach to managing risk in relation to our financial affairs as well as compliance, governance, reputation and operational matters.

Risk is not simply about our ability to manage it but also about educating our customers and making sure we are not setting them up to fail.

Because IBA can take on higher risk opportunities or ideas, we review, test and confirm if our risk continues to provide benefits that our customers cannot receive from mainstream lenders or investors. However, we seek to lend and invest responsibly, with the benefit of prudent due diligence.

IBA's Risk Management Framework is shown in the diagram below and highlights the processes of control that IBA has in place to manage risks that could occur in the next 12 months. We can't always control the risks but we can manage how they affect us so that we continue to deliver to our customers.

FIGURE 03: RISK MANAGEMENT FRAMEWORK

RISK TYPES

STRATEGIC

CREDIT

MARKET

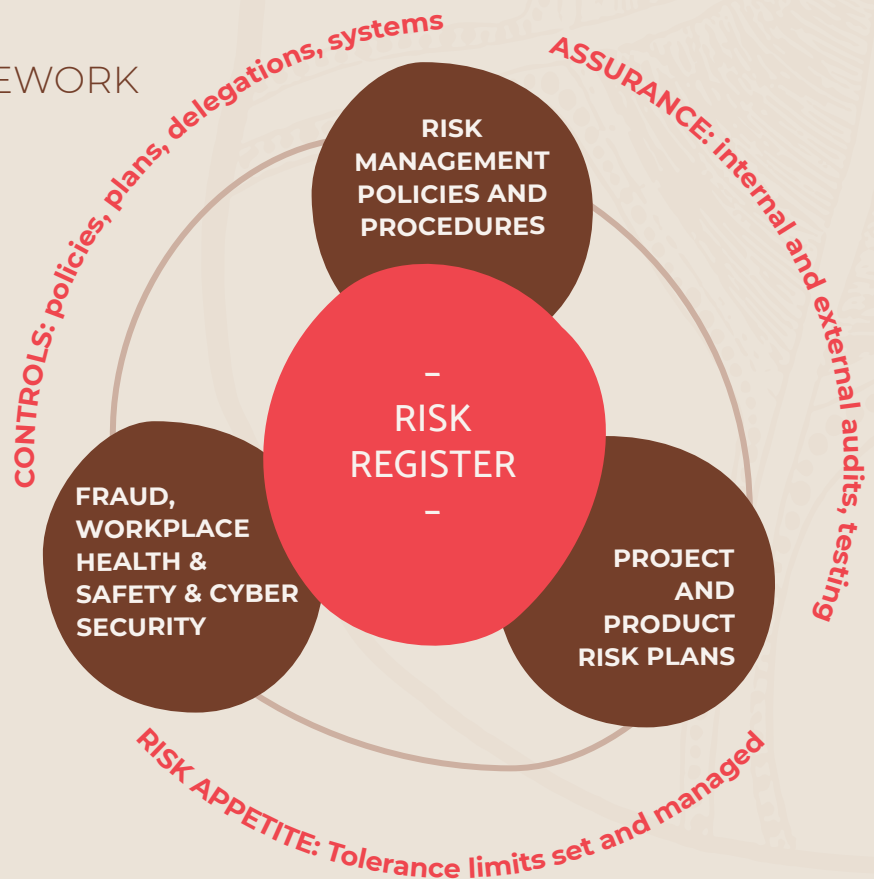
EQUITY

OPERATIONAL

LEGAL

FINANCIAL

REPUTATIONAL





**IBA STAFF AT THE
STRONG WOMEN
STRONG BUSINESS
CONFERENCE IN
ADELAIDE.**

OUTLOOK

As we look towards the next 12 months, we know that there is still a lot of work that needs to be done but we also believe that the tide is starting to turn. More Aboriginal and Torres Strait Islander people want to be involved; they want access to opportunities and resources to determine their own future and as we prepare for the rise in talented, capable young people we must continue to evolve.

Our 2018–19 Corporate Plan sets out our organisational priorities for the next 12 months.

CUSTOMER OUTCOMES

IBA will continuously strive to improve our customers end-to-end experience. Over the next 12 months we will:



HOUSING SOLUTIONS

Lend \$220m to support Aboriginal and Torres Strait Islander people into home ownership.

Support 4.5% of existing home loan customers to transition to a mainstream lender.

Design a long-term funding model that allows IBA to support more Aboriginal and Torres Strait Islander people into stable and secure housing.



BUSINESS SOLUTIONS

Support over 1000 customers to start or grow their businesses with access to business support and capability development.

Support our business customers to maintain a business survival rate that meets or exceeds the Australian average.

Provide \$40m in financing solutions to our customers.



INVESTMENT & ASSET MANAGEMENT

Deliver strong financial returns to IBA's co-investors of CPI+4.0%.

Achieve 40% Aboriginal and Torres Strait Islander employment across the IBA platform.

Procure \$4.5 million in goods and services from Aboriginal and Torres Strait Islander businesses across the IBA group.

SUPPORT FOR SUCCESS

Design and deliver a customer network to enhance connections to economic opportunities.

Design and deliver a Social Impact Tool to better measure our impact for Aboriginal and Torres Strait Islander people and communities.

YEAR ONE FOCUS

As we begin to bring our new strategic vision to life, over the next 12 months IBA will ask the following questions as we review our products, policies and processes.

Do our products meet our customers' needs?

Is our customers' experience positive and consistent?

Are we making the best use of money available?

Do we know what the social impact of our customer's journey is?

Are our people skilled to help our customers achieve their goals?



Enhance IBA's digital platform to improve customer experience.

Grow IBA's policy and thought leadership presence locally and globally by sharing our customers' success.

Streamline policies and processes across the organisation to improve our customers' experience.





3

PRODUCTS & MARKETS

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INVESTMENT & ASSET MANAGEMENT SNAPSHOT ..	49

OVERVIEW

IBA's Products and Markets group comprises three divisions: Housing Solutions, Business Solutions, and Investment and Asset Management.

IBA is focused on creating consistency and collaboration across IBA's solutions, creating a whole which is greater than the sum of its parts. It delivers innovative solutions for Aboriginal and Torres Strait Islander organisations, entrepreneurs, families and individuals, creating wealth and supporting economic self-management and self-sufficiency.

Our approach is to work with our customers to provide the services they need to realise their aspirations. IBA is not just about providing funds to Aboriginal and Torres Strait Islander people; we are investing in their ideas and working together to create long lasting change.

The case studies within this section highlight examples of how IBA's Products & Markets division has engaged with our customers, creating with them investments, businesses and homes that change people's lives.

RESULTS

HOUSING SOLUTIONS

913 

LOANS APPROVED (TARGET 580) MORE THAN ANY YEAR IN THE INDIGENOUS HOME OWNERSHIP PROGRAM OVER 40 YEARS

95% 

FIRST HOME BUYERS

\$312M

IN HOME LENDING (13 X COMMONWEALTH APPROPRIATION)

84%  

CUSTOMER SATISFACTION (UP FROM 77% PREVIOUS YEAR)

BUSINESS SOLUTIONS



363

FINANCE SOLUTIONS WORTH MORE THAN \$51M

72



WORKSHOPS



\$4M

IN START-UP PACKAGES



1000



OVER 1,000 ENTREPRENEURS PROVIDED CAPABILITY DEVELOPMENT AND BUSINESS SUPPORT

INVESTMENT AND ASSET MANAGEMENT

7.4%

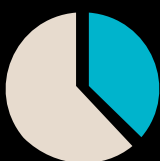


RETURN TO INDIGENOUS INVESTORS ON A PORTFOLIO VALUE OF \$184.1M

217



INDIGENOUS JOBS SUPPORTED BY IBA'S INVESTMENT PORTFOLIO (31% OF TOTAL WORKFORCE)



38.6%

PROPORTION OF INDIGENOUS INVESTMENT IN PORTFOLIO

\$49.3M



FROM 21 INDIGENOUS INVESTORS INTO IBA FUNDS PRODUCTS

TAMARA
SUTHERLAND
IS A PROUD
HOMEOWNER
THANKS TO IBA



WISEBERRY



FOR SALE

Something Special

4 2 2

667sqm



Simon Walkington
0432 584 568 | 4392 0700
wiseberrycharmhaven.com.au



HOMES SNAPSHOT

IBA's Housing Solutions' program is one of the longest standing programs successfully supporting self-management and economic self-sufficiency for Aboriginal and Torres Strait Islander people. Over the life of the program, more than 18,500 Indigenous families have been supported into home ownership, equating to more than \$2.1 billion in assets in Aboriginal and Torres Strait Islander hands.

In 2017–18, IBA succeeded in making home ownership a reality for 913 Indigenous families, 874 of which were to be first home buyers (95%) and low income earners (96%). This is a remarkable achievement which significantly exceeded the annual target of 580 housing loans and the program's five-year average of 554 home loans. This equates to over \$310 million in home lending (more than 13 times the Commonwealth contribution of \$22.85 million in capital), making it IBA's highest ever year of home lending on record.

We achieved this growth through more structured engagement and streamlining application processes and innovations. Online expressions of interest and housing loan applications were introduced through the IBA website.

IBA's capital base for home lending consists of its housing loan portfolio comprising 5,037 loans valued at nearly \$1.2 billion and the bank balances available for home lending. From 2016–17 to 2017–18, we achieved a net portfolio increase of 467 housing loans (10%) and \$145 million (14%) portfolio value.

In recognising the importance of reducing the barriers to home ownership in remote Australia, IBA broadened the eligibility for its Remote Indigenous Housing Loan and grant assistance. This is now available to applicants from all communities classified as remote or very remote under the broadly accepted Accessibility and Remoteness Index of Australia (ARIA). As a result, IBA was able to support 67 remote or very remote Aboriginal and Torres Strait Islander families to realise their dream of home ownership in 2017–18 compared to 50 in the previous financial year.

This year, IBA exceeded its performance target to transition or support 4.5% of customers into mainstream lending arrangements with 7.2% of IBA's loan customers establishing sufficient equity and credit histories to successfully refinance with mainstream lenders.

FIGURE 04: CUMULATIVE NUMBER OF HOME LOANS APPROVED OVER TIME

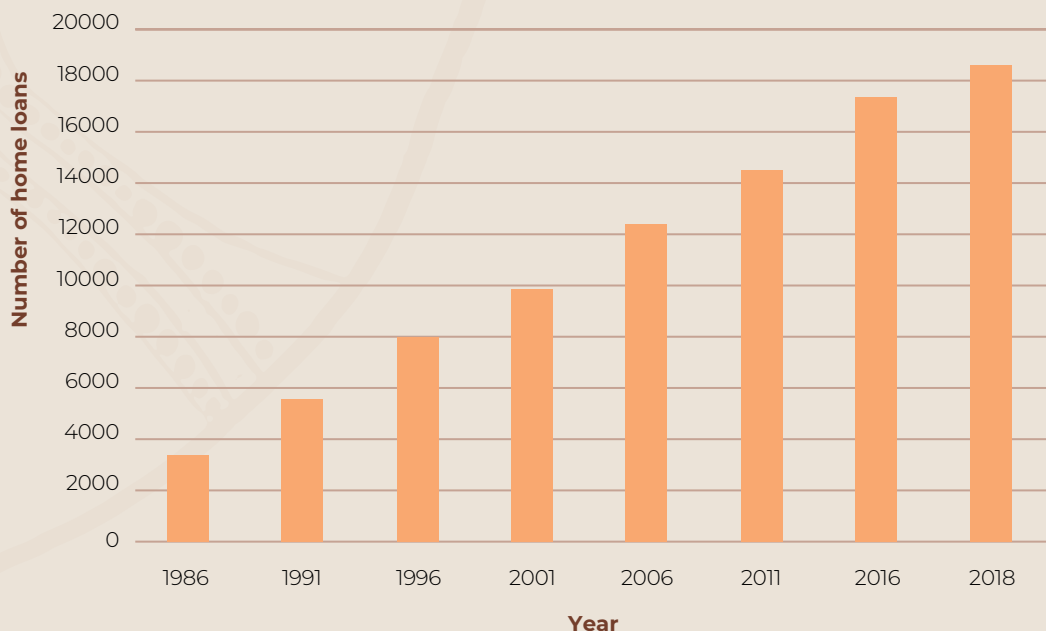


FIGURE 05: GEOGRAPHICAL DISTRIBUTION OF APPROVED HOUSING LOANS

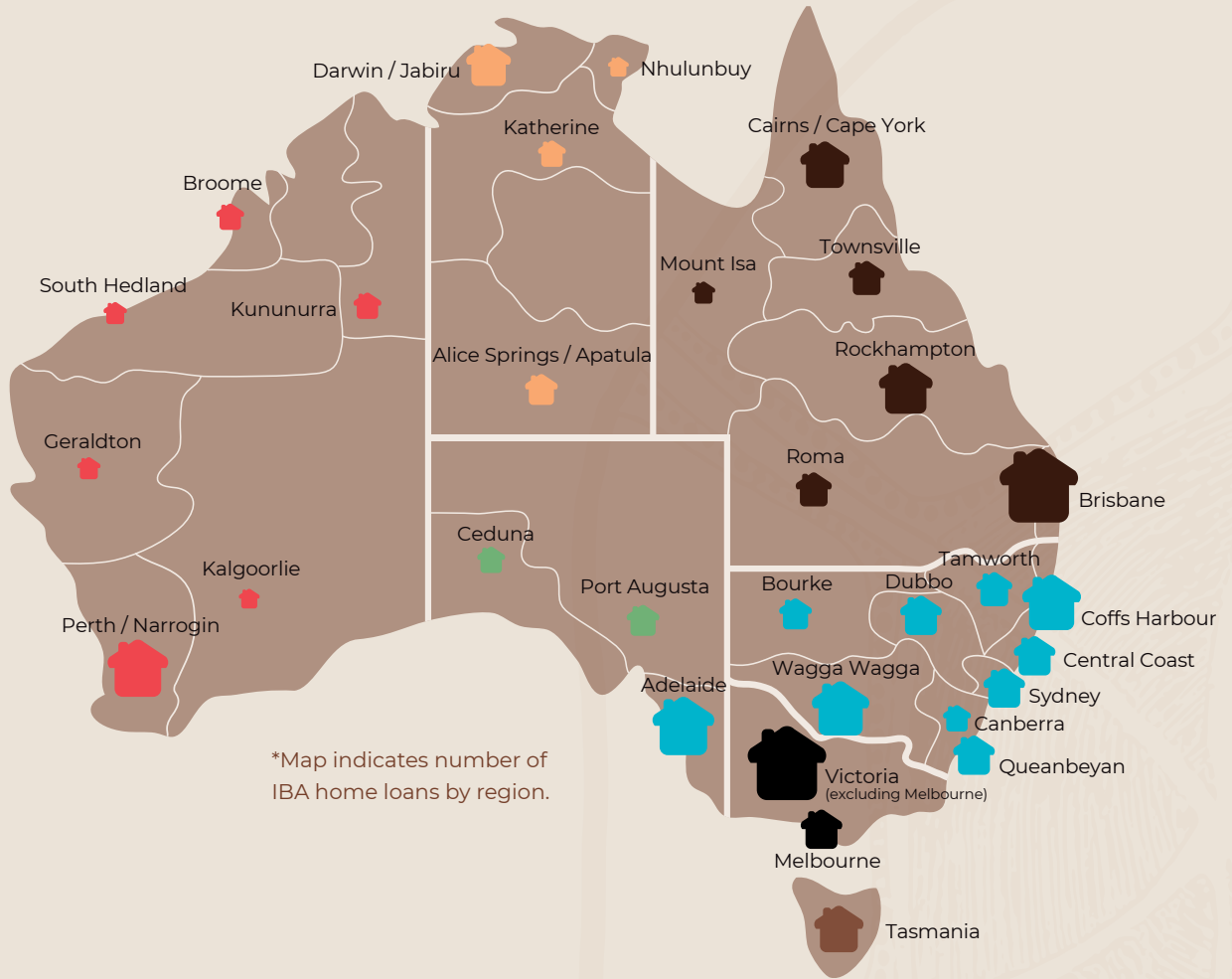
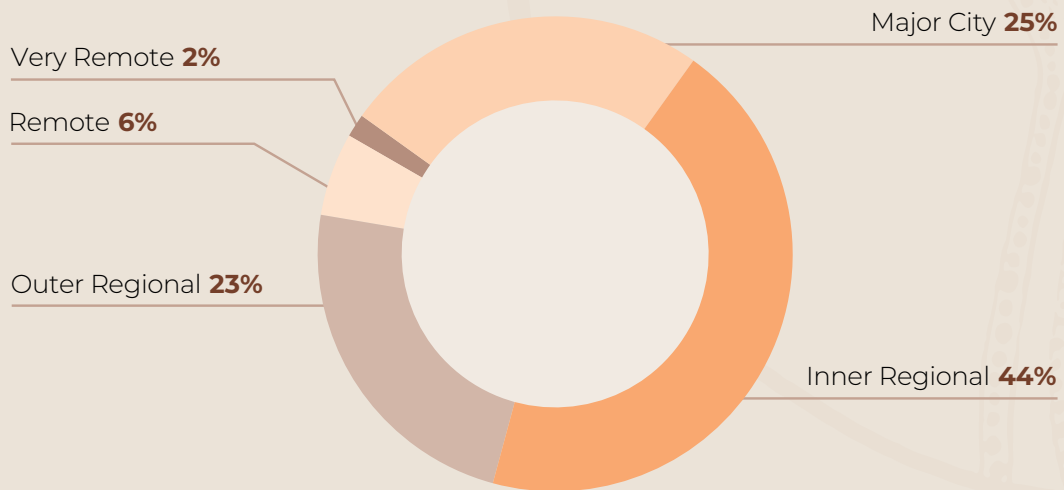


FIGURE 06: HOUSING LOAN APPROVALS BY ACCESSIBILITY AND REMOTENESS INDEX OF AUSTRALIA (ARIA)



THIS HAS BROUGHT OUR FAMILY TOGETHER



Paul and Korinna Walker submitted an Expression of Interest for an IBA home loan in April 2017 when they were advised that their rental property was being sold. The Walkers had rented for 20 years and decided that they wanted to build a home in Maryborough QLD to provide a stable base for their family. They have four children so saving for a deposit wasn't easy. Being first home owners, they were able to use the First Home Owner's Grant to provide the required equity. Building a home was challenging at times but well worth it. The Walkers moved into their new home just before Christmas 2017 and it has been a dream come true for them.

'We never thought that we would ever own our own home and to actually own our own home is just an amazing feeling. When we walked in with the keys in our hand it was a great weight lifted off our shoulders—we were very excited, and we were very emotional. This has brought our family together, we eat meals together, we have room to stretch out and move, we are more of a family now than we ever have been. This house has made our family perfect. Now two of the children are getting to an age where they could move out shortly and having our own home we can say you're always welcome home, no matter what happens in life we love you and you're always welcome back'.

- Korinna and Paul Walker

BUSINESS SOLUTIONS SNAPSHOT

The Business Solutions program built strongly on the momentum gained in the previous financial year, expanding its products and services to deliver innovative new products. The expanded offering, coupled with a more structure engagement process, saw a strong increase in service delivery outcomes with the focus remaining on those in the start-up or pre-bank phase.

We exceeded our contractual arrangement under the Business Development and Assistance Program, and in addition to the funds available under contract, committed further capital of over \$40 million to support the demand from business owners and entrepreneurs.

Overall, Business Solutions approved 363 instances of finance with total commitments of \$51.5 million, ran 72 workshops and delivered over 1,000 business supports to assist customers in building their business capabilities. We also expanded our partnerships to deliver additional services in remote areas.

This year, Business Solutions achieved new milestones:

- The first IBA invoice financing facilities were drawn, this allowed clients to unlock cash to help them grow their businesses.
- The new performance bond product enabled clients to take on additional contract work.
- 60 start-up package loans were approved to assist new owners into business and with their initial capital expenses.
- The Strong Women Strong Business (SWSB) project resulted in over 180 Aboriginal and Torres Strait Islander women attending a conference in Adelaide in May, and over 850 women engaged in the SWSB Facebook group. Aboriginal and Torres Strait Islander business women will continue to be supported through tailored mentoring and support via the SWSB Digital Platform.
- The Accelerator program saw over 30 Aboriginal and Torres Strait Islander business owners participate across three programs in Sydney and Alice Springs to validate their business ideas and pitch their businesses to the start-up eco-system.

FIGURE 07: BUSINESS SOLUTIONS SNAPSHOT

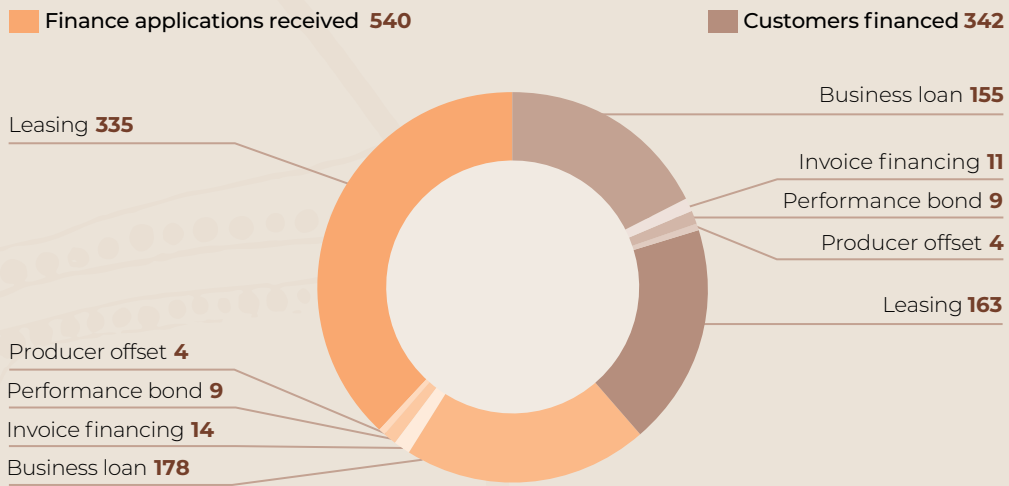
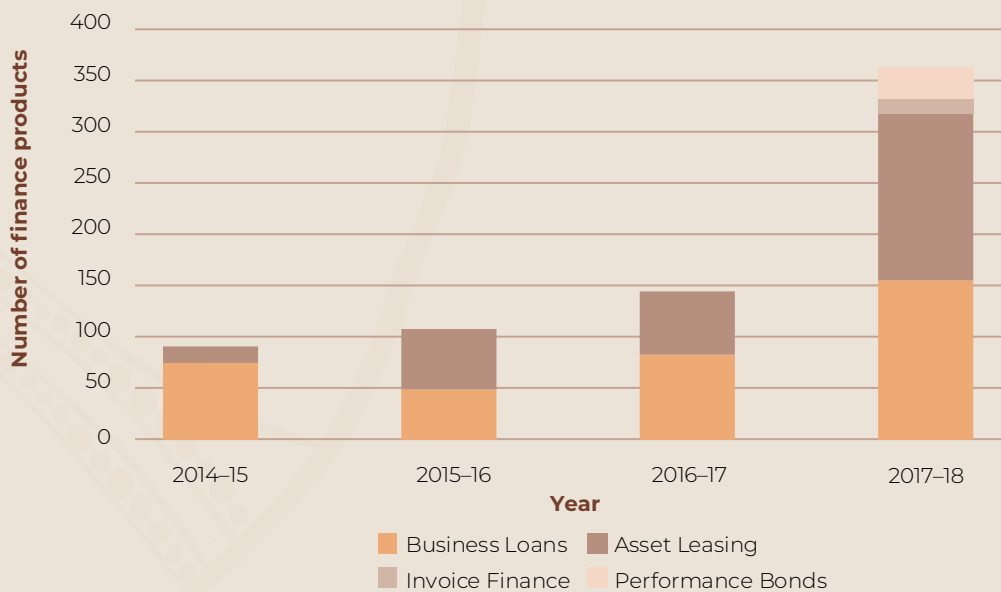


FIGURE 08: NUMBER OF BUSINESS FINANCE PRODUCTS APPROVED PER ANNUM



SECURE CASHFLOW TO EXPAND

GLOBE HILL KBSS JV PTY LTD



“
**THE SUCCESS AND PROFITABILITY
OF GHKJV WOULD NOT HAVE BEEN
ACHIEVED WITHOUT THE WORKING
CAPITAL SUPPORT OF IBA.**
”

Frances Hayes - GHKJV

Globe Hill Construction and Mining Services Pty Ltd (GHKJV) is located in Western Pilbara region and is majority owned by Frances Anne Hayes, a traditional owner of the Thalanyji people whose land surrounds Onslow and West Pilbara. The company entered into a joint venture with KBSS Engineering to provide labour hire and engineering services to the Wheatstone gas project. In July 2018, the contract value was 32 times the value of the original contract awarded in October 2016.

GHKJV's success in delivering their services resulted in the substantial increase in the contract value and the demand for more workers surged. This situation created a cashflow challenge as wages needed to be paid weekly while payments were received monthly.

Without additional cashflow, the business could not supply the additional staff. IBA provided an Invoice Finance solution to fund the cashflow and enable GHKJV to supply additional contractors including 40 staff and 10 apprenticeship positions for local Indigenous people. In total, 175 new jobs were created with IBA's support.

Frances Hayes said, 'The success and profitability of GHKJV would not have been achieved without the working capital support of IBA. IBA provided the platform on which GHKJV could grow rapidly and also establish an Indigenous apprenticeship program that will benefit the Indigenous communities for generations to come.'

INVESTMENT AND ASSET MANAGEMENT SNAPSHOT

The Investment and Asset Management program supports the creation of sustainable ventures that provide meaningful opportunities for Aboriginal and Torres Strait Islander people to accumulate wealth, develop their capacity to participate in Australia's economy, create jobs, increase training and skills development, and supply goods and services.

We do this by engaging with Aboriginal and Torres Strait Islander organisations to understand what their needs are and offering solutions including well-managed, competitively priced long-term investment funds and acquiring in partnership, direct investment businesses with the management expertise and engagement approaches to generate financial and social impact.

To deliver these outcomes, the program co-invests in a wide range of sectors and geographic locations with the principal investments held in 2017-18 shown on page 50.

Through products such as the Indigenous Real Estate Investment Trust (I-REIT) and the Indigenous Prosperity Funds (IPF), IBA is making investments more accessible for Indigenous partners. In 2017-18, across IBA's Investments and Asset Management division (and including new investment in the IPF), we had investment of \$54 million from 24 investors, which is the highest ever level of new investment into IBA ventures in any one year since its establishment.

At 30 June 2018, Aboriginal and Torres Strait Islander partners and beneficiaries held equity worth \$184.1 million

in aggregate in IBA's investment portfolio. Their proportion of total equity increased to 38.6% at 30 June 2018 from 30.2% at 30 June 2017.

The graph below illustrates the long-term trend towards increased Indigenous equity in the investment portfolio since 30 June 2013.

In addition to the strong financial return of 7.4% generated by IBA for its partners and investors in 2017-18, IBA utilised our investment portfolio to deliver meaningful social outcomes including:

- **Employment** – a total of 713 jobs were supported by IBA's direct investments of which 30% were jobs held by Aboriginal and Torres Strait Islander people.
- **Training and skills development** – 578 instances of training were delivered to Indigenous employees including formal skills development, on-the-job training, traineeships and mentoring.
- **Supply chain opportunities** – IBA's investments procured more than \$1.86 million of goods and services from Aboriginal and Torres Strait Islander suppliers.
- **Commercial capability development** – IBA used income generated by its investment portfolio to support initiatives to build capability in strategy development, governance and investment decision making including facilitating independent advice to investors and delivering Into-Investing Workshops.

FIGURE 09: INDIGENOUS EQUITY IN THE INVESTMENT PORTFOLIO

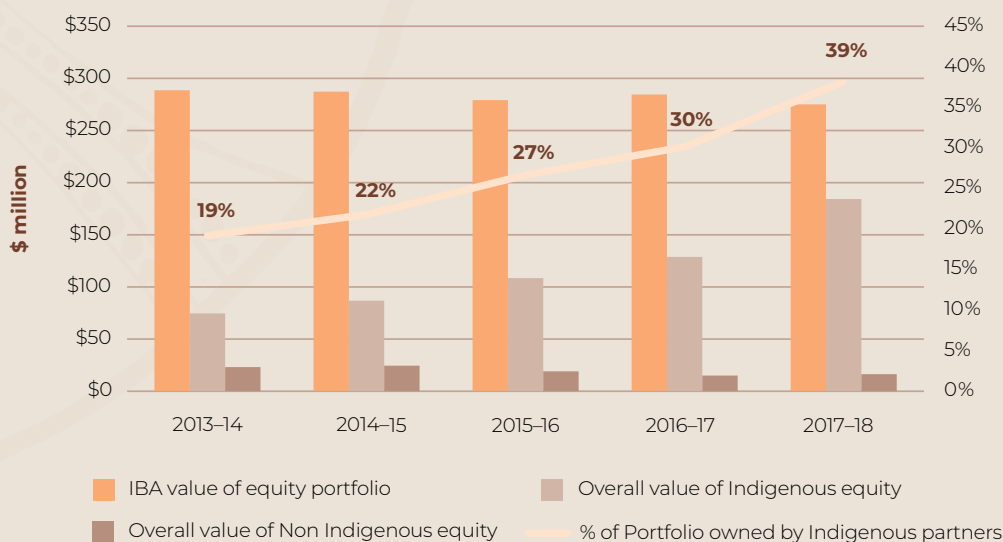
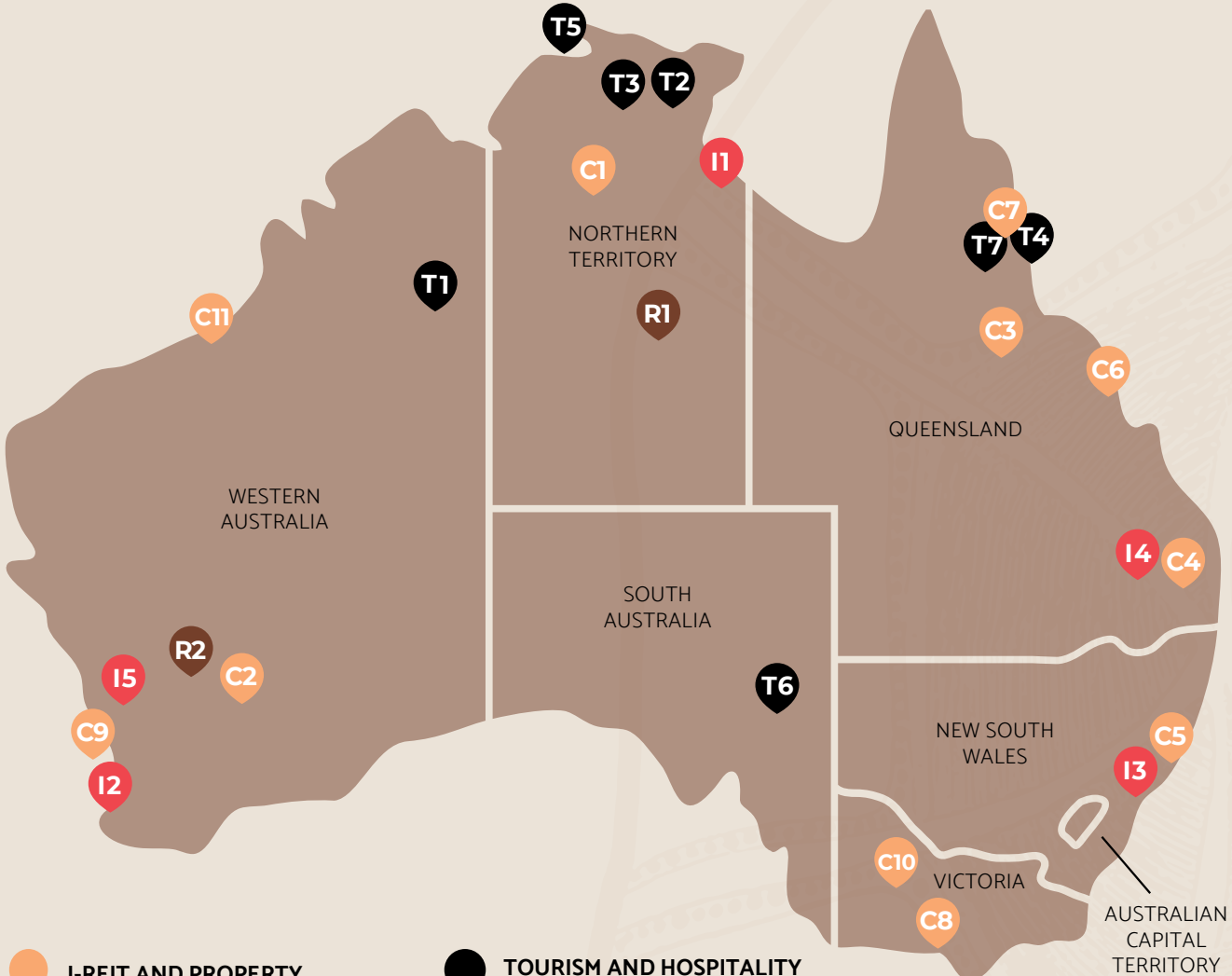


FIGURE 10: INVESTMENT PORTFOLIO



- I-REIT AND PROPERTY**
- C1 Katherine Government Centre
- C2 IBA Building
- C3 Townsville Central
- C4 Hemmant
- C5 Warabrook Shopping Centre
- C6 Walkerston Shopping Centre
- C7 Clifton Village Shopping Centre
- C8 Mitcham Industrial
- C9 Goldfields Building
- C10 Stony Creek Stores
- C11 Homestead Centre

- RETAIL**
- R1 Tennant Creek IGA
- R2 Merredin Supa IGA

- TOURISM AND HOSPITALITY**
- T1 Fitzroy River Lodge
- T2 Kakadu Croc Hotel
- T3 Cooinda Lodge
- T4 Tjapukai
- T5 Vibe Adina
- T6 Wilpena Pound Resort
- T7 MiHaven

- RENEWABLE AND INDUSTRIAL**
- I1 Carpentaria Shipping
- I2 Carey Mining
- I3 Message Stick
- I4 Anderleigh Quarry
- I5 Northam Solar

FIGURE 11: INVESTMENT IMPACT

SECTORS IN WHICH WE INVEST



SOCIAL IMPACT OUTCOMES (FY17-18)





NATURE'S DELIGHT
A HANDFUL OF NUTS EVERY DAY
DELIGHT
DELIGHT
A HANDFUL OF NUTS EVERY DAY

SPECIAL
CARROTS
1KG BAG
PRE-PACK
\$1.99
Save \$1.00
1000's OF WEEKLY SPECIALS

**GREGORY
BARNES
AT THE
TENNANT
CREEK IGA.**

JULALIKARI ACHIEVES 50% SHARE IN FOOD BARN

'After many years of Julalikari Council Aboriginal Corporation (Julalikari) and IBA working in collaboration, it gives us great pride and satisfaction that Julalikari has achieved a 50% share in the Tennant Creek food barn. This is an initiative of our elders past and present, which was to see good healthy quality food on our shelves. This is also an opportunity for Julalikari in utilising profits from its enterprises to create our own community programs and to also support other new enterprises within the Barkly region.' – Richard James, Traditional Owner and Julalikari Board representative.

The Tennant Creek IGA has been a mainstay of the remote Northern Territory town and surrounding region for almost 30 years. As the only supermarket for hundreds of kilometres, it provides essential supplies, fresh produce, and valuable employment to the local population of 3,300 people.

In 2008, IBA and the Julalikari Council Aboriginal Corporation went into partnership and acquired the Tennant Creek Food Barn (now Tennant Creek IGA). This allowed Julalikari to diversify its business interests and secure a source of income to support their local development goals for the area's Warumungu population. With an internal rate of return of 24% per annum since commencement, it has been an excellent investment for the partnership.

Today Julalikari and IBA's partnership is stronger than ever, with Julalikari becoming a 50% shareholder in the business this year, and on track to become the sole owner within the next five years. Through this partnership, the town of Tennant Creek has benefited from continuous investment in the store which provides a high standard of supermarket with prices comparable to Alice Springs. There is also the opportunity of jobs for the local Aboriginal and Torres Strait Islander community with 22 Aboriginal and Torres Strait Islander staff comprising over 30% of staff in the store.

This local economic development goes further than income for Julalikari. The store is using its procurement to grow other local Aboriginal and Torres Strait Islander businesses such as Manungurra, one of IBA's co-investment partners. Manungurra, which has established a market garden with local labour, is providing supplies of fresh fruit and vegetables to the store. Other Aboriginal and Torres Strait Islander suppliers include Dexter Barnes, a local electrical business.


'...the partnership we've developed with the Tennant Creek IGA has allowed us to build our market garden business and provide training and jobs for the area. As the supply agreement gets bigger and we develop capacity we will be able to expand our garden and product range and create more local opportunities.'
- Graeme Smith, Manungurra Development Corporation CEO.



**NORTH
STRADBROKE
ISLAND.**



SELF-DETERMINATION THROUGH INVESTMENTS



AN ACTIVE PARTNERSHIP BETWEEN IBA AND TRADITIONAL OWNER ORGANISATIONS CAN HAVE A LASTING IMPACT ON COMMUNITY.

The Quandamooka people have lived on Minjerribah (now known as North Stradbroke Island) for at least 25,000 years. There are three clans that comprise the people of the Quandamooka. They are the Nughi of Moorgumpin (now known as Moreton Island) and the Nunukul and Gorenpul of Minjerribah.

On 4 July 2011, the Federal Court made two native title consent determinations recognising the Quandamooka People's native title rights and interests over land and waters on, and surrounding North Stradbroke Island, and some islands in Moreton Bay. As part of the settlement, the trusteeship and responsibility for the holiday parks and beachfront camping areas were transferred to Quandamooka Yoolooburrabee Aboriginal Corporation (QYAC) which represents the Quandamooka people.

After this determination, QYAC and IBA formed a Partnership; Minjerribah Camping, which in turn entered into a 30-year agreement with QYAC to lease the holiday park areas and manage the beachfront camping areas and 4WD permits. IBA contributed equity to enable the upgrade and redevelopment of the business.

Over the five years of the partnership, QYAC were able to utilise lease fees and profits generated through the partnership and grew its equity in the business from 11% to 40%. In October 2017, QYAC obtained all of IBA's equity in the partnership and now owns 100% of Minjerribah Camping.

This investment is a highlight for IBA's Equity and Investments team as it demonstrates how an active partnership between IBA and Traditional Owner Organisations can have a lasting impact on community. This can be done through building viable business ventures that result in 100% community ownership over the medium to long term. In addition to this, the business provides ongoing employment and training opportunities for Quandamooka people on their island home.

'This signifies an important step for the Quandamooka in securing a sustainable economic future on their own land.' – Rajiv Viswanathan, CEO IBA





4

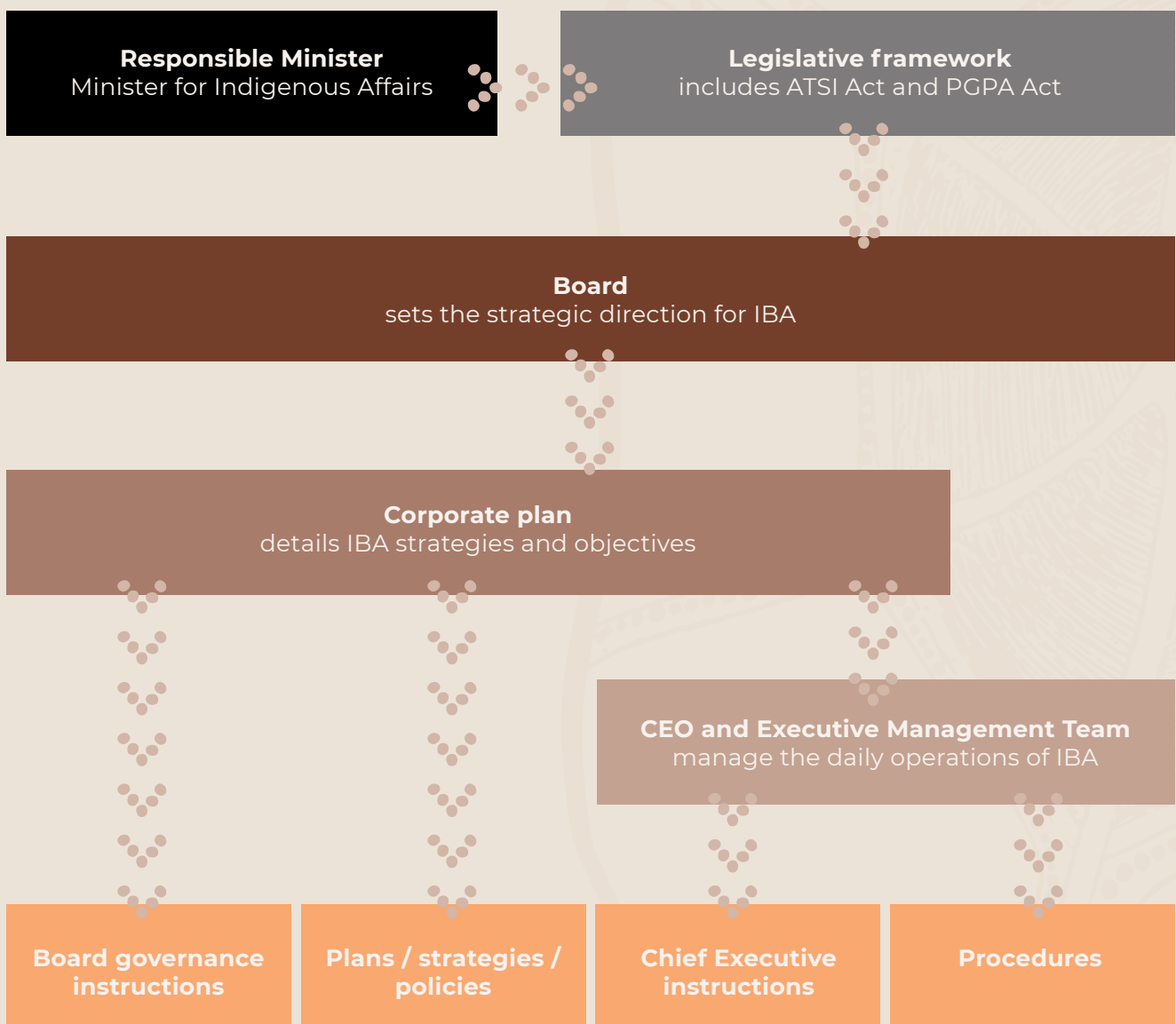
GOVERNANCE

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GOVERNANCE FRAMEWORK

IBA's corporate governance framework (Figure 12) is designed to ensure that we achieve our objectives in a transparent, accountable and efficient way.

FIGURE 12: IBA GOVERNANCE FRAMEWORK



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

ACCOUNTABILITY

IBA is established under the *Aboriginal and Torres Strait Islander Act 2005* (ATSI Act), which sets out our purposes, functions and powers. IBA is a corporate Commonwealth entity and the IBA Board is the accountable authority under the PGPA Act.

RESPONSIBLE MINISTER

IBA is accountable to the Australian Parliament through the Prime Minister and Cabinet portfolio and the Minister for Indigenous Affairs. In 2017–18, Senator the Hon. Nigel Scullion was Minister for Indigenous Affairs.

MINISTERIAL DIRECTIONS AND GOVERNMENT POLICY ORDERS

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

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

PORTFOLIO BUDGET STATEMENTS AND CORPORATE PLAN

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

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

THE IBA BOARD

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

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

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

APPOINTMENTS

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

MEMBERS

The members of the IBA Board have extensive and varied expertise, particularly in industry, commerce and finance, and Aboriginal or Torres Strait Islander communities and enterprises.

Seven of the nine Board members for 2017-18 identified as Aboriginal or Torres Strait Islander and four were female.

All Board members are non-executive directors.



Eddie Fry

(IBA Chair, Remuneration and Nomination Committee Chair)

Dagoman-Wardaman man from the Katherine region, Northern Territory.

Diploma in Business Management, University of South Australia, graduate of the International Lead and Zinc Study Group.

Chair of the Indigenous Land Corporation.

Specialist in Indigenous and native title issues as Executive Director of Gimbulki Ltd, a native title land access company he established in 2002, Chair of the Indigenous Advisory Board at Broadspectrum, Deputy Chair of the Aboriginal Foundation of South Australia Inc.

Extensive experience in the Australian resource sector including senior executive roles with Normandy Mining Ltd., establishing the company's Traditional Owner policy, later managing international logistics and marketing of Normandy's base-metal portfolio, and an investor-relations analyst.

Chair of Todd River Resources Limited, a former director and retained consultant of TNG Ltd, an Australian resource company focused on the exploration, evaluation and development of a multi-commodity resource portfolio in Northern Territory and Western Australia, and member of the development team for the TNG ferro/vanadium Mount Peake project in Northern Territory.

'I am proud to work with IBA which has undergone organisational transformation to become increasingly relevant to a wider Indigenous audience.'



Anthony Ashby

(IBA Deputy Chair, Finance Investment and Performance Committee Chair, Remuneration and Nomination Committee Member)

Gamilaraay-Yuwaalaraay man from north-western New South Wales.

Chartered Accountant and Registered Company Auditor.

Director of the Indigenous Land Corporation, the National Centre of Indigenous Excellence Ltd and the Hunter New England Central Coast Primary Health Network Ltd.

Ex-officio member of the Supply Nation Audit and Risk Committee.

Own public accounting practice with wife Vanessa since 2004, providing a mix of taxation, assurance, accounting and consultancy services.

‘It is a privilege to be part of an organisation that listens to and embraces change for the community it serves.’



Richard (Rick) Allert AO

(IBA Director, Audit and Risk Committee Chair)

Chartered Accountant with many years’ experience in the corporate sector.

Director of Genesee and Wyoming Australia Pty Ltd, Chairman of Voyages Indigenous Tourism Australia Pty Ltd, Chairman of Kakadu Tourism (GLC) Pty Ltd and Kakadu Tourism (GCH) Pty Ltd, and Chair of AMP Superannuation Ltd and NM Superannuation Pty Ltd.

2011 recipient of the Ernst & Young Champion of Entrepreneurship Award, Central Region, for outstanding entrepreneurial achievement and contribution to the community.

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

‘IBA plays a pivotal role in the betterment of outcomes for Indigenous Australians in business, investment, and housing, such that it is a privilege to be a member of the Board.’

THE IBA BOARD



Roy Ah See

(IBA Director, Audit and Risk Committee Member)

Wiradjuri man, born and raised on Nanima Reserve, near Wellington, New South Wales.

Qualifications in social welfare with experience working at various government agencies and Aboriginal community-controlled organisations.

Chairperson of NSW Aboriginal Land Council and Co-Chair of the Prime Minister's Indigenous Advisory Council.

Presented at the United Nations Permanent Forum on Indigenous Issues in New York and the United Nations Expert Mechanism on the Rights of Indigenous Peoples in Geneva on issues including economic empowerment for Aboriginal people.

Works in a voluntary capacity to help Aboriginal men who are experiencing challenges with drugs and alcohol.

'Land rights and connection to country are integral to the spiritual healing and cultural empowerment of Aboriginal peoples.'



Kerryne Liddle

(IBA Director, Finance, Investment and Performance Committee Member)

Arrernte woman from Central Australia.

MBA, BA, AICD, VFF.

Executive Leader tourism and hospitality.

Corporate Team Leader oil and gas industry.

Successful small business owner (20+ years).

Management, business, governance, media, engagement and communications specialist.

Experienced, qualified, government, NFP Board Director.

'It's a privilege to contribute to building economic independence through home ownership and business ownership.'



Shirley McPherson

(IBA Director, Audit and Risk Committee Member)

Yamatji and Nyoongar woman from the Perth and Murchison regions of Western Australia.

Chartered Accountant with experience in program delivery and business development at all levels of government.

National Business Development and Engagement Manager for AFL SportsReady.

Group Manager of Indigenous Strategy and Business with Leighton Contractors Pty Ltd, consultant to the mining industry in negotiating land use agreements in Western Australia.

Former member of the Australian Government delegation to the United Nations Permanent Forum on Indigenous Issues.

'I'm really proud to be involved with IBA as we organised the first National Aboriginal Women in Business Conference.'



Aileen Shannon

(IBA Director, Audit and Risk Committee Member)

A descendant of the Yankunytjatjara Central Desert and Adnyamathanha Flinders Ranges Country.

Partner and Director of Wiltja Constructions Pty Ltd, Quorn, South Australia.

Member of the South Australian Aboriginal Advisory Council.

'In 2012, IBA assisted us with a Start-Up business loan for our idea as a remote Indigenous building company employing local Anangu in their local construction industry. It's been a wonderful journey and learning curve from IBA Applicant to IBA Director, and being part of an organisation that can assist Aboriginal families and individuals onto a pathway to home ownership and/or business entrepreneur.'

THE IBA BOARD



Claire Woodley

(IBA Director, Finance, Investment and Performance Committee Member, Remuneration and Nomination Committee Member)

Tertiary qualifications in occupational therapy, psychology and project management, and Graduate of the Australian Institute of Company Directors.

General Manager, Business Banking Victoria, Commonwealth Bank of Australia.

Experience in business banking, governance, risk management, strategic planning, policy development, business re-engineering, and project and program management.

'I feel incredibly privileged to be a part of the never ending pursuit of IBA to become increasingly relevant to Indigenous Australia.'



Scott Young

(IBA Director, Finance, Investment and Performance Committee Member)

Koa man from the Winton area, Central West Queensland.

Bachelor of Civil Engineering, University of Southern Queensland, MURRA Indigenous Business Master Class Program, University of Melbourne.

Co-founder and Managing Director of a national specialised labour company, Young Guns Container Crew.

Director of First Grade Group and All Things Containers.

Member of the Supply Chain and Logistics Association of Australia and The Executive Connection.

2015 Young Business Person of the Year in the Brisbane Lord Mayor's Business Awards.

'It's a privilege to be involved in an organisation that is truly invested in the economic future of Indigenous Australians.'

MEETINGS

In 2017–18, the Board held six scheduled meetings and one out-of-session meeting. Details of attendance by directors at meetings of the Board are in Table 05.

CHARTER

The Board has adopted a governance charter with four objectives:

- to outline the respective roles and responsibilities of the Board and IBA management
- to enable the efficient and effective exercise of key Board functions including ethical and responsible decision making
- to set sound Board governance processes that facilitate the achievement of IBA objectives
- to provide a framework for continuous improvement in Board processes.

The charter includes a code of conduct for directors, and rules and processes for dealing with conflicts of interest and related party transactions.

TABLE 05: BOARD MEETING ATTENDANCE

Name	Position		Attendance
Eddie Fry	Chair	7/7	
Anthony Ashby	Deputy Chair	7/7	
Rick Allert	Director	7/7	
Roy Ah-See	Director	3/7	
Kerryne Liddle	Director	7/7	
Shirley McPherson	Director	5/7	
Aileen Shannon	Director	5/7	
Claire Woodley	Director	7/7	
Scott Young	Director	7/7	

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

COMMITTEES

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

The Audit and Risk Committee provides independent assurance and advice to the Board on IBA's risk, control and compliance framework, financial statements, and performance reporting responsibilities. The committee is chaired by Rick Allert.

Maria Storti has been an independent member of the Audit and Risk Committee since September 2014. She is an experienced senior executive who was a partner in a professional services firm and has held other senior management and consulting roles across the private and public sectors.

The Finance, Investment and Performance Committee monitors IBA's performance against budget and key performance indicators, reviews IBA's significant financial policies, and provides advice and recommendations to the Board in relation to significant new business, products, investments or other financial transactions. The committee is chaired by Anthony Ashby.

The Remuneration and Nomination Committee provides advice to the Board on CEO and Board appointments and CEO performance and remuneration as required. The committee is chaired by Eddie Fry.

Directors' committee memberships in 2017–18 are set out in their biographies.

REVIEW PROCESSES

IBA's Board charter is required to be continuously updated in response to internal and external reviews and variations in IBA's operating environment. In 2017 a comprehensive review of the governance charter including the Board Committee charters was undertaken.

INDEMNITY AND INSURANCE

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

INTERNAL GOVERNANCE

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

The organisational structure of IBA at 30 June 2018 is set out in Figure 13 on page 68.

SIGNIFICANT ACTIVITIES AND CHANGES

During 2017–18, IBA implemented a new executive structure and introduced the positions of Executive Director, Products & Markets, and Executive Director, Strategy & Innovation alongside existing executive team members and roles. Key appointments were also made to the heads of the commercial programs and the General Counsel role.

ETHICAL BEHAVIOUR AND FRAUD CONTROL

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

The IBA fraud control plan is in accordance with section 10 of the Public Governance, Performance and Accountability Rule 2014.

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

INTERNAL AUDIT

The Audit and Risk Committee oversaw the 2017–18 Internal Audit Program. The program was conducted by an outsource provider.

RELATED PARTY TRANSACTIONS

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

The Board governance charter sets out the decision-making processes for managing related party transactions and broader conflicts of interest for IBA directors. The charter restricts an IBA director from entering into a prohibited related party transaction while a member of the Board and for six months after leaving the Board. Prohibited related party transactions include the provision of loans or business support to IBA directors, their spouses and dependent family members as well as entities in which IBA directors hold a significant interest.

The Board instruction on management of conflicts of interests sets out the decision-making processes for key management personnel including the Executive Management Team. Board members and the Executive Management Team provide annual declarations of interest.

In 2017–18, there were no related party transactions that involved an IBA director or key management personnel.

In 2017–18, there were a total of 7 transactions where IBA paid other Commonwealth-related entities for goods or services, with a combined value of \$162,153. Those transactions were approved in accordance with IBA's decision making framework described above.

Note 13 to the financial statements sets out IBA's related party disclosure for 2017–18.

COMPLIANCE

IBA has a control framework to ensure compliance with relevant legislation.

In 2017–18, there were no significant issues reported to the responsible Minister under section 19 of the PGPA Act that related to non-compliance by IBA with the PGPA Act or Rule or an Appropriation Act.

COMPLAINTS HANDLING

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

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

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

CONSULTANCIES

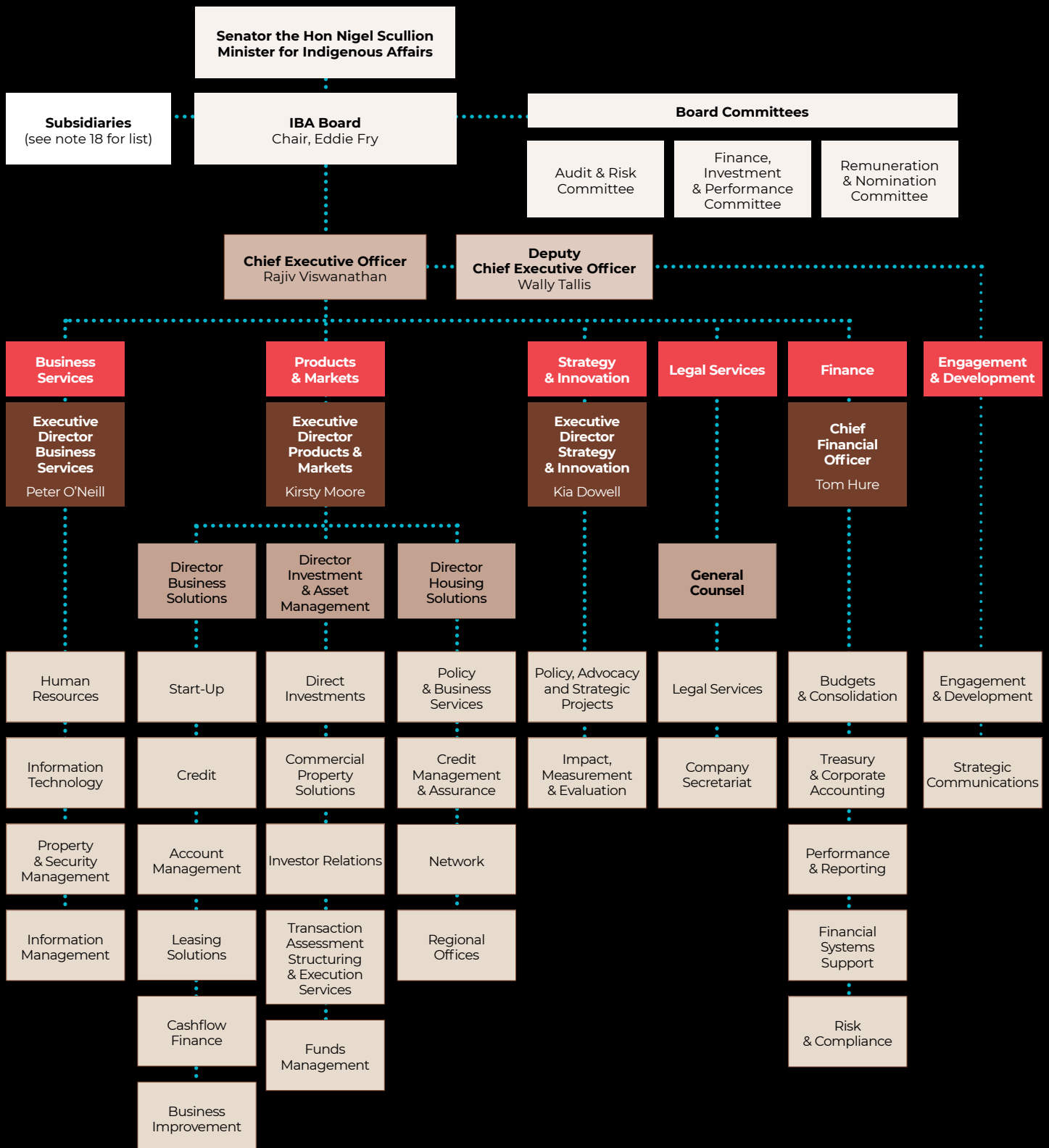
Consultants are distinguished from other contractors by the nature of the work they perform. A consultant is an individual, a partnership or a corporation engaged to provide professional, independent and expert advice or services.

Section 178 of the ATSI Act enables IBA to engage as consultants who have suitable qualifications and experience.

IBA follows guidance issued by the Department of Finance when determining whether an arrangement should be classified as a consultancy.

Details of consultancies in 2017–18 are in Appendix A.

FIGURE 13: THE ORGANISATIONAL STRUCTURE OF IBA AT 30 JUNE 2018



EXTERNAL SCRUTINY

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

We are also required to report on a number of obligations including compliance with legislation such as the PGPA Act, *Freedom of Information Act 1982* (FOI Act), *Public Interest Disclosure Act 2013* and the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*.

EXTERNAL AUDIT, JUDICIAL DECISIONS AND REVIEWS BY EXTERNAL BODIES

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

During 2017–18, the ANAO commenced an audit of the Implementation of the Australian Government Workplace Bargaining Framework. IBA was one of seven audited entities and the report is expected to be tabled in Parliament in November 2018.

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

The Commonwealth Ombudsman notified IBA of two complaints made against it during 2017–18. One is currently being investigated and the other was closed by the Ombudsman without findings against IBA.

PARLIAMENTARY AND MINISTERIAL OVERSIGHT

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

FREEDOM OF INFORMATION

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

IBA received 21 requests for information under the FOI Act in 2017–18.

ENVIRONMENTAL PERFORMANCE

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

ECOLOGICALLY SUSTAINABLE APPROACH

IBA is committed to the principles of ecologically sustainable development as outlined in section 3A of the EPBC Act.

We seek and adopt innovative approaches to sustainably meet the growing demand for our products and services and the expectations of Aboriginal and Torres Strait Islander people, in a rapidly changing business environment.

IMPACT ON THE ENVIRONMENT

The main contributors to IBA's impact on the natural environment are our corporate operations including administration operations and property management. In 2017-18, IBA conducted our operations in a manner which minimised their environmental impact.

This was partly achieved with the introduction of 'follow me printers' which allowed the user more control over their printing and stopped any wastage on printed paper no longer required. IBA has also moved closer to Digital 20/20 with more staff using electronic record filing over paper-based files.

We also reduced our printed media by providing more information online and in social media, and with the Housing Solutions division moving Expression of Interest forms to an online application form.

IBA and the Indigenous Land Corporation continued to share office space in three tenancies and will continue to look for collective spaces over the next 12 month period.

TABLE 06: MEASURES TO MINIMISE ENVIRONMENTAL IMPACT

Area of impact	Measures and results
Energy	<p>IBA's lease for its Canberra office contains a green lease schedule, which includes requirements for the ongoing monitoring and measurement of energy consumption. IBA engages Evolve FM (an Indigenous facilities management provider) to manage its Green Lease Schedule (GLS) obligations. IBA works further with Evolve FM to develop measures to create energy savings at this site.</p> <p>The Canberra office tenancy has a current rating of 5.6 starts under the National Australia Built Environment Rating System (NABERS).</p> <p>Examples of specific measures to minimise energy consumption in 2017–18 include the use of energy-efficient technologies, such as sensor lighting and T5 fluorescent tubes in the Canberra and Sydney offices.</p> <p>IBA encourages each office to participate in Earth Hour by switching off tenancy lights and office equipment where possible.</p> <p>IBA's total energy consumption in 2017-18 met the requirements of the Energy in Efficiency in Government Operations Policy (EEGO) at 3,753 per person (against a target of 7,500 megajoules). This is a decrease of 508pp from 2016-17 with the improved performance following shared accommodation with the Indigenous Land Council (ILC) in the Perth and Adelaide offices.</p>
Water	<p>IBA tenancies are fitted with water-saving fixtures where possible, including sensor taps, dual flush toilets and motion sensor urinals in bathrooms.</p> <p>IBA staff are encouraged to implement strategies to save water, such as ensuring dishwashers are full prior to use.</p>
Waste	<p>IBA is committed to reducing waste going into landfill by reducing paper use and encouraging good recycling practices.</p> <p>Measures to reduce paper use across IBA include:</p> <ol style="list-style-type: none"> 1. Installing multifunction printers which requires employees to scan an access pass to collect printing which enable the employees to discard any unwanted printing. 2. IBA is working towards a paperless organisation by encouraging staff to save records in the electronic records management system and creating electronic files rather than paper-based files. 3. IBA has moved towards an electronic Expression of Interest (EOI) form for Home Loans, again reducing the need for paper-based and online applications. <p>To further increase the effectiveness of waste management, IBA has implemented segregated waste streams for general waste, commingled recycling and paper and cardboard recycling. IBA uses battery, mobile phone and toner cartridge recycling programs to ensure that these items do not go to landfill.</p>
Greenhouse gas emissions	<p>IBA has one company owned vehicle for remote travel within Western Australia, however this is not frequently used.</p> <p>IBA provide staff with the use of video conferencing facilities to limit the need for staff to travel when possible.</p>



5 PEOPLE MANAGEMENT

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WORKPLACE PROFILE

OUR PEOPLE

In 2017–18, IBA continued to develop and support our dedicated staff to be as culturally competent and technically capable as they can be to deliver the very best outcomes for our customers.

Our presence in Queensland, Western Australia and Victoria increased to align with our growing customer base and demand in these states.

TABLE 07: STAFF NUMBERS BY CLASSIFICATION AND LOCATION

Classification	ACT	NSW	NT	QLD	SA	VIC	WA	Total
CEO	-	1	-	-	-	-	-	1
Deputy CEO	-	-	-	1	-	-	-	1
ED/CFO	1	1	-	-	-	-	2	4
IBA 7	6	8	-	10	-	3	2	29
IBA 6	15	10	-	11	-	1	1	38
IBA 5	13	12	5	17	2	2	6	57
IBA 4	9	9	2	14	2	2	2	40
IBA 3	8	6	1	10	1	1	1	28
IBA 2	4	1	-	2	-	2	-	9
IBA 1	2	1	-	-	-	1	-	4
Total	58	49	8	65	5	12	14	211

CEO = Chief Executive Officer, CFO = Chief Financial Officer, ED = Executive Director

Australian Public Service Executive Levels 1 and 2 are equivalent IBA Levels 6 and 7

TABLE 08: STAFF CHARACTERISTICS OVER FIVE YEARS

	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018	
Actual Staff	229	227	210	194	211	%
Continuing staff	194	193	179	152	167	79%
Temporary staff	35	34	31	42	44	20.1%
Indigenous staff	58	54	46	50	65	31%
Female staff	126	125	112	106	118	56%
Male staff	103	102	98	88	93	44%
Average age (years)	42	43	43	43	42	
Average duration of IBA service (years)	5	5	5.8	5.1	4.82	

DIVERSITY

IBA is committed to having and valuing a diverse workforce, representative of the Aboriginal and Torres Strait Islander communities we serve.

Aboriginal and Torres Strait Islander employees are now over 30% of IBA's total workforce, an increase from 26% last year and 22% on 1 July 2016.

In 2017-18, IBA:

- developed strategies to drive new outcomes in Indigenous employment, engagement, and procurement
- became a signatory to the Memorandum of Understanding on Indigenous Employment with the Australian Public Service Commission, opening new pathways into IBA for Indigenous job-seekers
- supported 73 staff to further develop their cultural capability through workshops and cultural education experiences
- celebrated days of cultural significance and supported staff to participate in NAIDOC and reconciliation week events.

IBA's Galambany Indigenous Employees Network held a national members conference to discuss culturally capable ways of doing business, both now and into the future, and developed new concepts to position itself as an employer of choice for people from all backgrounds.

CAPABILITY DEVELOPMENT

IBA expanded our capability development offering in 2017-18 by introducing new online training modules and enhancing our study assistance scheme.

Under the improved study assistance scheme, staff continue to receive support to undertake study towards a nationally recognised qualification including Indigenous leadership. Eight staff accessed IBA studies assistance in 2017-18 including two staff studying at Masters level. In addition, three Indigenous graduates completed a Certificate IV in Management and Leadership.

IBA inducts new employees through a two-day induction program which includes cultural awareness training. This year, IBA focused on providing cultural immersion activities as part of the induction process which involves engaging with a local Traditional Owner or custodian to provide local knowledge and insights.

A new program of compliance training was also developed and implemented to ensure that all staff can access quality information about their duties and obligations as public officials.

INDIGENOUS EMPLOYMENT



STAFF SUPPORTED TO DEVELOP THEIR CULTURAL CAPABILITY

EMPLOYEE WELLBEING

The provision of a safe and healthy workplace is critical for our staff and the IBA Board.

During 2017–18:

- All new starters received information about Work Health and Safety responsibilities and arrangements as part of IBA's Induction program.
- Our Employee Assistance Provider continued to provide confidential face-to-face and online support services to IBA employees and family members experiencing professional or personal related issues impacting on their mental or physical wellbeing. We supported and promoted R U OK? Day throughout September 2017, a national day of action aiming to prevent suicide by encouraging Australians to connect with someone they care about.
- IBA's Health & Safety Committee met on four occasions during the year. An area of focus for the Committee was the training and appointment of Workplace Contact Officers. The Committee reflects a representative cross section of the organisation by gender, background, metropolitan/regional office, program, classification level, and age. Members have been trained to act as a first point of contact and to provide guidance and resources information to employees.
- IBA continues its commitment to early intervention and the provision of rehabilitation assistance to ill and injured workers to ensure a safe and healthy workplace and that staff can return to work as soon as possible.
- Five workplace incidents were reported during 2017–18. Thirty-three days were lost due to these incidents. One compensation claim for physical injury was submitted and accepted resulting in nine days absence and minor medical expenses. There were no notices given under Part 10 of the Act and no investigations were conducted.
- At the Galambany Staff Network's annual conference held in March 2018, participants split into men's and women's business to talk about Aboriginal and Torres Strait Islander health and wellbeing with Preston Campbell and the Indigenous Wellbeing Centre.

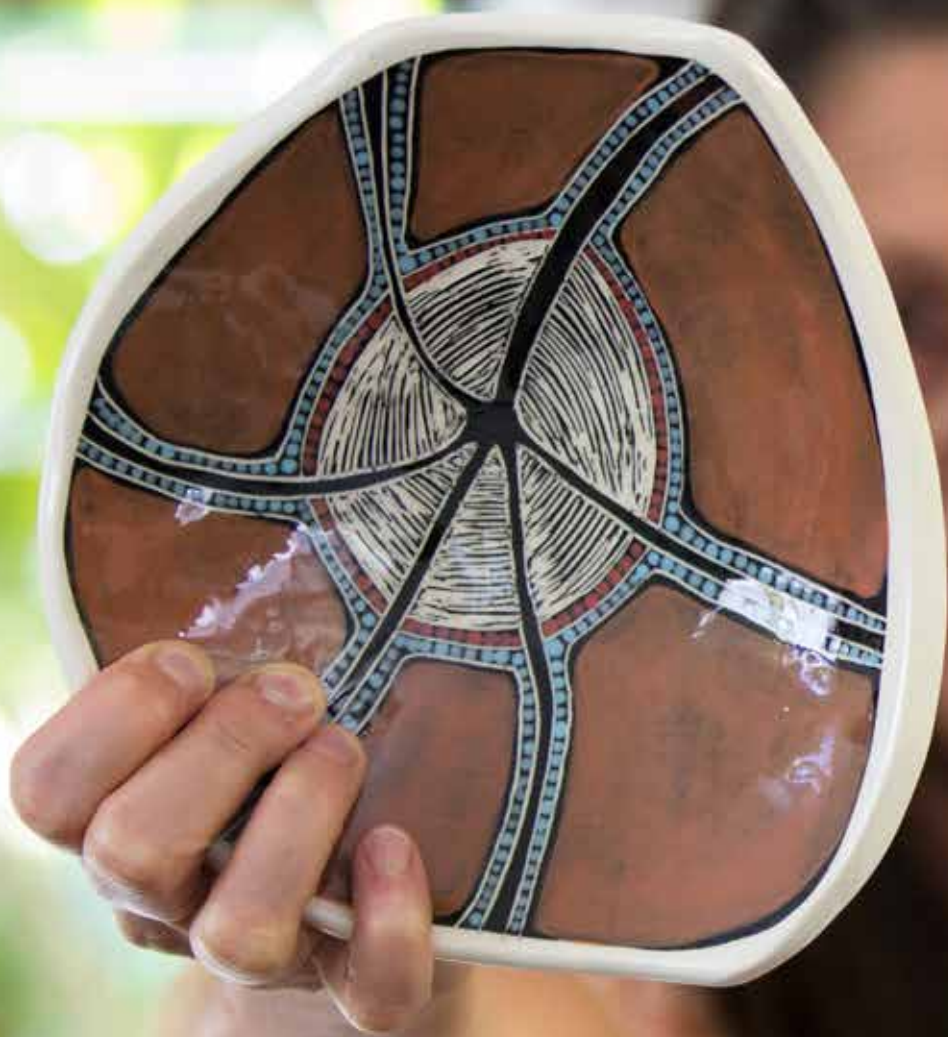
OUTLOOK

In 2018–19, IBA will continue to focus on increasing Aboriginal and Torres Strait Islander staff representation and building workforce capability. People priorities will align to IBA's 5-year Strategic Plan and include:

- continue to support staff to further develop cultural capability through targeted workshops, coaching and cultural immersion activities
- enhance performance management arrangements to support a culture of high performance through a strengths-based approach
- develop and support the leadership development of its middle and senior managers
- support employee wellbeing through strategies to promote health outcomes
- continue to draw on staff feedback to inform people strategies
- ensure recruitment approaches (including entry level) align with workforce plans.

THE SESSION WAS VERY RELATABLE AS IT GAVE ME A LOT OF INSIGHT TO MY OWN HEALTH AND WELLBEING. THEY ALSO PROVIDED ADVICE TO HOW I CAN HELP OTHERS AS WELL!

- COURTNEY LIVERMORE



6

FINANCIAL PERFORMANCE

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FINANCIAL SNAPSHOT

ECONOMIC BACKGROUND

Interest rates have remained steady during the 2017–18 financial year with the Reserve Bank of Australia last cutting the benchmark interest rate by 25 basis points to 1.5 per cent in August 2016. This has enabled IBA to maintain the same commencing interest rate offered to first home buyers as last year, depending upon their income. The significant increase in home loans provided in comparison to that budgeted has materially increased IBA's fair value discount expense, though this has been offset somewhat by higher than budgeted loan repayments and discharges.

Whilst interest rates have remained stable, credit conditions continue to tighten, including as a result of the Royal Commission into Misconduct in the Banking and Financial Services industry. As borrowing from main lenders becomes challenging, this creates increasing demand on IBA's solutions. However, our resources and capital are finite, meaning IBA will need to access new funding solutions to keep pace with growing demand.

The value of IBA's investment portfolio has increased following the strong performance of the IPF and the increase of property values in the I-REIT. The value of the portfolio has further benefited from increases in the value of the tourism and retail portfolios.

FINANCIAL RESULTS

The financial statements are presented on a consolidated basis with its subsidiaries which operate businesses spread across tourism, mining, services, renewables, retail, and investment property.

The 2017–18 cash operating surplus was \$79.4m against \$59.1m for the previous year. The consolidated operating surplus for IBA is \$12.8 million against the previous year's operating surplus of \$38.4 million. The difference is mostly attributed to a non-cash item - the increased fair value discount expense associated with IBA's home loan portfolio which provided significantly more home loans this year than in previous years.

Total income has increased from \$210.2 million last financial year to \$218.2 million due to increased grant revenue offset by non-recurring gains made last year, which also impacted goods and services income, through the disposal of subsidiaries in the previous and current financial year.

Total expenses increased from \$171.6 million last year to \$205.5 million due mostly to material increase in fair value discount expense on the home loan portfolio caused by the significant increase in home loans provided, as well as a decrease in supplier expenditure resulting from disposal of subsidiaries in the previous and current financial year.

IBA's total consolidated assets as at 30 June 2018 are \$1.5 billion, an increase of \$89 million over the previous year, primarily due to an increase in the home loan portfolio and value of investment properties held. IBA's net assets of \$1.4 billion are \$81 million higher than last year, driven by equity appropriation from government and increased equity contribution from Indigenous groups.

FIGURE 14: NET ASSET GROWTH

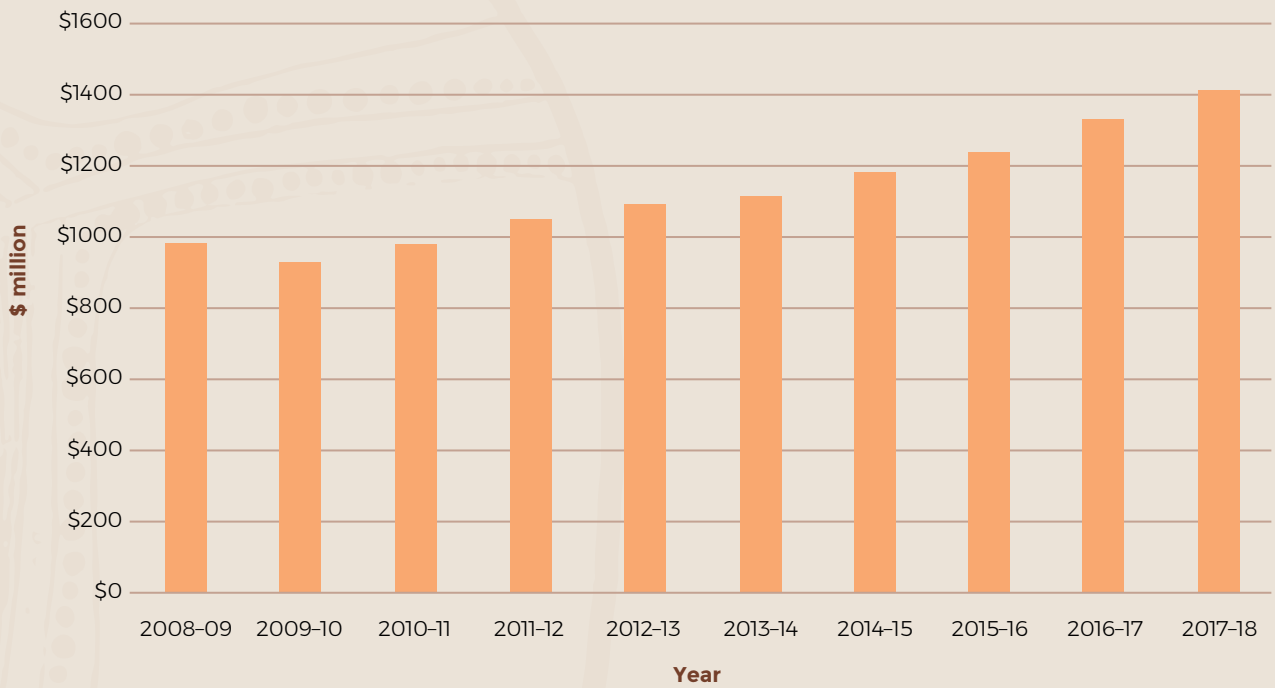
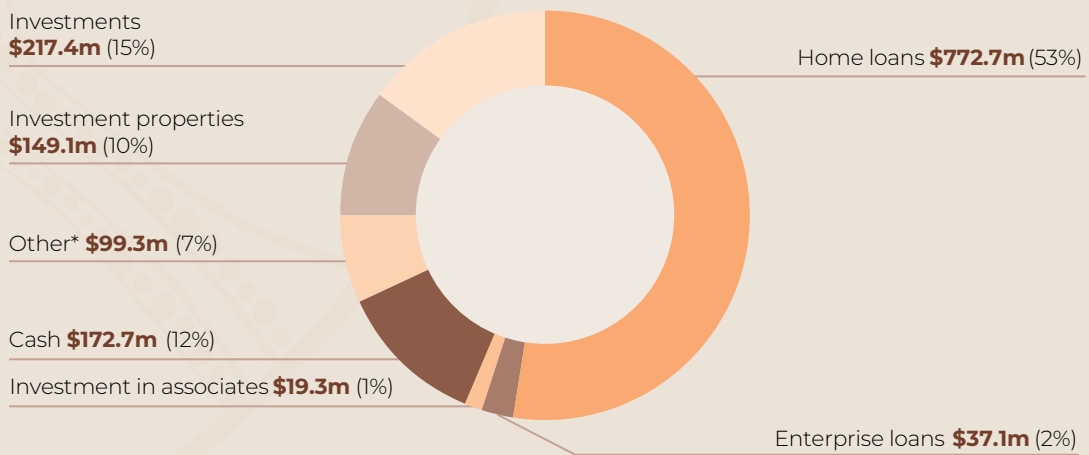


FIGURE 15: CONSOLIDATED TOTAL ASSETS



* includes additional business finance products such as performance bonds, invoice finance and asset leasing.

FUNDING

The income base of the consolidated IBA group comprises both grant and appropriation revenue from the Commonwealth as well as self-generated revenue. In 2017–18, IBA received \$40.6 million in grant receipts, \$10.1 million by way of appropriation, and \$163.2 million in self-generated revenue.

The self-generated revenue consists mostly of interest earnings from the loan portfolio, rental receipts from investment properties, and goods and services income from subsidiaries.

IBA also received \$22.9 million by way of equity injection from the Commonwealth for use in providing home loans.

LEGAL AND FINANCIAL FRAMEWORK

IBA's financial statements must be read in the context of its enabling legislation, the *Aboriginal and Torres Strait Islander Act*, and the impact of Australian Accounting Standards, particularly in respect to the valuation of its financial assets.

The *Aboriginal and Torres Strait Islander Act* requires that funds available under the New Housing Fund including interest earnings, are to be used exclusively for housing loans. Consequently, income earned from the New Housing Fund is not available for operational expenses but rather utilised for new home loans under that Fund. The financial statements for the New Housing Fund are provided separately under Note 17.

Australian Accounting Standards require that the financial assets of IBA be recorded at their fair value. Loans in relation to the housing and business loans portfolio are

issued at concessional interest rates. A market valuation requires discounting the portfolio value to equate interest earned to market yield for comparable risk. The annual incremental discount is a non-cash expenditure item, recorded in the Statement of Comprehensive Income under write-down and impairment of assets.

For the investment portfolio, valuation at fair market value results in cyclical movements in property and business valuations being recorded in the Statement of Comprehensive Income.

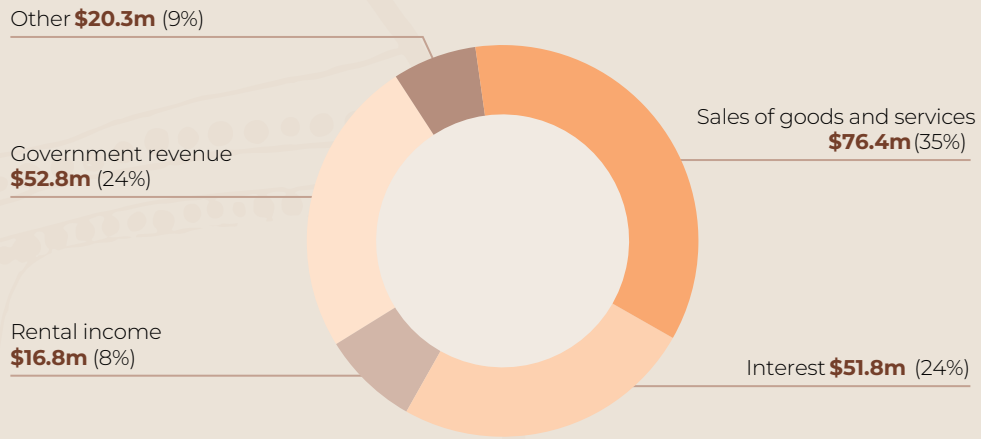
OUTLOOK

Demand for IBA's solutions continues to grow. In 2017–18, IBA was able to utilise its reserves to meet increase demand beyond its government funding, resulting in a net cash outflow of \$105m. However, as a predominantly self-funded agency, IBA's resources and capital are finite. New sources of funding and innovative funding solutions are required to sustain increased performance and keep pace with demand. Any volatility in economic conditions including interest rates, would impact IBA's asset valuations and operating results.

We will continue to invest in cost-effective information management systems to improve our customer support activities and document management systems. There will be a strong focus on reducing the cost of services that support the Housing Solutions, Business Solutions and Investment and Asset Management Programs.

IBA's net asset base is expected to continue its steady growth during 2018–19, with total assets budgeted at \$1.5 billion as at 30 June 2019. Total consolidated revenue is budgeted to be \$201.2 million including grant receipts of \$30.2 million and appropriations of \$9.8 million.

FIGURE 16: CONSOLIDATED INCOME





INDEPENDENT AUDITOR'S REPORT

To the Minister for Indigenous Affairs

Opinion

In my opinion, the financial statements of Indigenous Business Australia and controlled entities (together the consolidated entity) for the year ended 30 June 2018:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the consolidated entity as at 30 June 2018 and its financial performance and cash flows for the year then ended.

The financial statements of the consolidated entity, which I have audited, comprise the following statements as at 30 June 2018 and for the year then ended:

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

Basis for Opinion

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

Accountable Authority's Responsibility for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Australian National Audit Office



Ron Wah
Audit Principal

Delegate of the Auditor-General

Canberra
18 September 2018



Indigenous Business Australia and controlled entities

STATEMENT BY DIRECTORS, CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2018 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of PGPA Act.

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

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

Eddie Fry
Chair
13 September 2018

Anthony Ashby
Deputy Chair
13 September 2018

Rajiv Viswanathan
Chief Executive Officer
13 September 2018

Tom Hure
Chief Financial Officer
13 September 2018

STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2018

	Notes	Consolidated	
		2018 \$'000	2017 \$'000
NET COST OF SERVICES			
Expenses			
Employee benefits	2A	48,846	50,197
Supplier expenses	2B	76,097	82,629
Grants		6,730	3,189
Depreciation and amortisation	2C	6,480	6,207
Finance costs		789	807
Write-down and impairment of assets	2D	64,836	26,601
Losses from asset sales		799	1,067
Other expenses		907	899
Total expenses		205,484	171,596
Own-source income			
Own-source revenue			
Sale of goods and rendering of services	3A	76,401	87,382
Interest	3B	51,816	51,468
Dividends		11,140	1,436
Rental income	3C	16,828	16,570
Other revenue	3D	44,858	18,921
Total own-source revenue		201,043	175,777
Gains			
Sale of assets		2,013	6,100
Other gains	3E	5,055	14,266
Total gains		7,068	20,366
Total own-source revenue		208,111	196,143
Net contribution of services		2,627	24,547
Revenue from Government	3F	10,133	14,037
Surplus / (deficit) before income tax on continuing operations		12,760	38,584
Income tax expense		-	144
Surplus / (deficit) after income tax on continuing operations		12,760	38,440
Surplus / (deficit) attributable to non-controlling interests		3,756	682
Surplus / (deficit) attributable to the Australian Government		9,004	37,758
Other comprehensive income			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation reserves		-	868
Items subject to subsequent reclassification to net cost of services			
Gains/(Losses) on available-for-sale financial assets		(72)	(2,524)
Total other comprehensive income / (loss) after income tax		(72)	(1,656)
Total comprehensive income / (loss)		12,688	36,784
Total comprehensive income / (loss) attributable to non-controlling interests		3,756	1,548
Total comprehensive income / (loss) attributable to Australian Government		8,932	35,236

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

STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	Notes	Consolidated	
		2018 \$'000	2017 \$'000
Assets			
Financial assets			
Cash and cash equivalents	6A	172,733	277,758
Trade and other receivables	6B	35,991	13,438
Loan receivables	6C	809,804	709,469
Investments	6D, 6E	239,016	219,636
Deferred tax assets		628	646
Total financial assets		1,258,172	1,220,947
Non-financial assets			
Land and buildings	7A	27,201	26,708
Property, plant and equipment	7A	16,986	15,094
Investment property	7B	149,086	99,856
Operating lease	7A	6,480	6,036
Intangibles	7A	5,862	6,188
Inventories		2,272	2,426
Prepayments		1,628	1,693
Total non-financial assets		209,515	158,001
Total assets		1,467,687	1,378,948
Liabilities			
Payables			
Suppliers	8A	11,825	13,328
Tax liabilities		58	48
Other	8B	9,483	11,517
Total payables		21,366	24,893
Interest bearing liabilities			
Loans	9	17,504	11,500
Total interest bearing liabilities		17,504	11,500
Provisions			
Employee provisions	10A	6,727	5,628
Other	10B	6,353	2,117
Total provisions		13,080	7,745
Total liabilities		51,950	44,138
Net assets		1,415,737	1,334,810
Equity			
Parent entity interest			
Contributed equity		1,033,386	1,010,243
Reserves		5,121	3,082
Retained earnings		265,426	257,452
Total parent entity interest		1,303,933	1,270,777
Attributed to non-controlling interests			
Contributed equity		110,269	59,166
Reserves		1,446	2,368
Retained earnings		89	2,499
Total non-controlling interests		111,804	64,033
Total equity		1,415,737	1,334,810

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

STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2018

	Consolidated							
	Retained earnings		Reserves		Contributed equity/capital		Total equity	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance								
Balance carried forward from previous period	259,950	219,987	5,452	10,382	1,069,408	1,012,079	1,334,810	1,242,448
Reclassification*	(3,860)	3,706	1,824	(2,180)	(1,513)	186	(3,549)	1,712
Adjusted opening balance	256,090	223,693	7,276	8,202	1,067,895	1,012,265	1,331,261	1,244,160
Comprehensive income								
Other comprehensive income - asset revaluations	-	-	-	868	-	-	-	868
Other comprehensive income - available for sale financial assets	-	-	(72)	(2,524)	-	-	(72)	(2,524)
Surplus / (deficit)	12,760	38,440	-	-	-	-	12,760	38,440
Total comprehensive income	12,760	38,440	(72)	(1,656)	-	-	12,688	36,784
of which is:								
Attributable to the Australian Government	9,004	37,759	(72)	(2,524)	-	-	8,932	35,235
Attributable to non-controlling interests	3,756	681	-	868	-	-	3,756	1,549
Transactions with owners								
Distribution to owners								
Return on capital	-	-	-	-	-	-	-	-
Transfers	-	1,198	(637)	(1,096)	(1,356)	(102)	(1,993)	-
Dividends	(3,335)	(3,380)	-	-	-	-	(3,335)	(3,380)
Other movement:								
Attributable to the Australian Government	-	-	-	-	-	-	-	-
Attributable to non-controlling interests	-	-	-	-	-	-	-	-
Contribution by owners								
Equity injection	-	-	-	-	22,850	38,540	22,850	38,540
Other (equity contribution from non-controlling interests)	-	-	-	-	54,266	18,706	54,266	18,706
Total transactions with owners	(3,335)	(2,182)	(637)	(1,096)	75,760	57,144	71,788	53,866
Closing balance as at 30 June	265,515	259,951	6,567	5,450	1,143,655	1,069,409	1,415,737	1,334,810
Less: non-controlling interests	(89)	(2,499)	(1,446)	(2,368)	(110,269)	(59,166)	(111,804)	(64,033)
Closing balance attributable to the Australian Government	265,426	257,452	5,121	3,082	1,033,386	1,010,243	1,303,933	1,270,777

* The general nature of the reclassification are opening balance adjustments undertaken by Subsidiaries.

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

CASH FLOW STATEMENT

for the period ended 30 June 2018

	Notes	Consolidated	
		2018 \$'000	2017 \$'000
Operating Activities			
Cash received			
Receipts from Government		10,133	10,602
Grants receipts		37,500	23,086
Goods and services		67,349	97,129
Interest		51,816	51,166
Dividends		1,970	850
GST received		1,597	1,329
Other revenue		15,414	18,975
Total cash received		185,779	203,137
Cash used			
Employees		48,101	51,454
Suppliers		70,678	86,100
Borrowing costs		789	807
Other expenses		6,730	3,189
Total cash used		126,298	141,550
Net cash from operating activities		59,481	61,587
Investing Activities			
Cash received			
Proceeds from sales of property, plant and equipment, and investment properties		6,379	66,641
Investments redeemed		87,126	46,095
Other - repayment of loans receivable		157,029	154,894
Total cash received		250,534	267,630
Cash used			
Purchase of property, plant and equipment		61,582	24,385
Purchase of other non-financial assets		1,799	415
Investments purchased		100,335	65,905
Other - loans and advances made		331,574	165,148
Total cash used		495,290	255,853
Net cash used by investing activities		(244,756)	11,777
Financing Activities			
Cash received			
Contributed equity		74,246	38,246
New borrowing		6,004	19,084
Total cash received		80,250	57,330
Cash used			
Repayment of borrowings		-	11,485
Dividends paid		-	3,260
Total cash used		-	14,745
Net cash from financing activities		80,250	42,585
Net increase in cash held		(105,025)	115,949
Cash and cash equivalents at the beginning of the reporting period		277,758	161,809
Cash and cash equivalents at the end of the reporting period	6A	172,733	277,758

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

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Note 1: Overview

1.1 Objectives of Indigenous Business Australia

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

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

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

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

1.2 Basis of preparation of the financial report

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

The financial statements have been prepared in accordance with:

- a) Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR) for reporting periods ending on or after 1 July 2017; and
- b) Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

This is the first time the general purpose financial statements have been prepared selectively applying applicable Reduced Disclosure Requirements of the Australian Accounting Standards. The Tier 2 reporting complies with the FRR and Australian Accounting Standards and Interpretations - Reduced Disclosure Requirements 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 which have been recognised at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

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

Unless an alternative treatment is specifically required by an accounting standard or the FRR, assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow to the entity or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executor contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the Schedule of Commitments or the Schedule of Contingencies.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.3 Significant accounting judgements and estimates

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

- The fair value of property, plant and equipment, investment properties and other investments is based upon market inputs, backed by periodic external valuations.
- The fair value of the loans portfolio is based on market-derived inputs.

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

1.4 Changes in Australian Accounting Standards

Adoption of new Australian Accounting Standards requirements

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

- AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107
- AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle

The impact of the above standards did not, nor is expected to, have a material impact on the results of IBA. 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 2014 (Principal)
- AASB 15 Revenue from Contracts with Customers - October 2015 (Compilation)
- AASB 16 Leases - February 2016 (Principal)
- AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15
- AASB 2015-3 Amendments to Australian Accounting Standards - Effective Date of AASB 15
- AASB 2016-3 Amendments to Australian Accounting Standards - Clarifications to AASB 15
- AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.5 Revenue

Revenue from the sale of goods is recognised when:

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

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

The revenue is recognised when:

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

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

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

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

Resources received free of charge

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

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

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

Revenues from Government

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

Grant Income

Amounts received as government grants during the year are recognised as income on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate, except where the Grant received is considered non-reciprocal, or when IBA has obtained control of the contribution, in which case it is recognised immediately.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.6 Gains

Resources received free of charge

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

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

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

Sales of assets

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

1.7 Transactions with the Government as owner

Equity injections

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

Restructuring of administrative arrangements

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

Other Distributions to Owners

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

1.8 Employee benefits

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

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

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

Leave

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

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

Amounts received under the Parental Leave Payments Scheme by IBA not yet paid to employees are presented on a gross basis as both cash received and corresponding liability.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.8 Employee benefits continued

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), Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or other scheme they nominate.

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's schedules and notes.

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

The liability for superannuation recognised at year end 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 assets. An operating lease is a lease that is not a finance lease. For operating leases, the lessor effectively retains substantially all such risks and benefits.

Lessee Accounting

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.

Lessor - Finance Leases

Leases where IBA has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases. The leased asset is derecognised and the present value of the lease receivable is recognised on the balance sheet and included in trade and other receivables. The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income. The finance income is recognised in the Statement of Comprehensive Income on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in the Statement of Comprehensive Income on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable. Initial direct costs incurred by IBA in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in the Statement of Comprehensive Income over the lease term on the same basis as the lease income.

Lessor - Operating Leases

Leases of assets where IBA retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases is recognised in the Statement of Comprehensive Income on a straight-line basis over the lease term. Initial direct costs incurred by IBA in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in the Statement of Comprehensive Income over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in the Statement of Comprehensive Income when earned.

1.10 Borrowing costs

All borrowing costs are expensed as incurred.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.11 Fair Value Measurements

IBA did not have any transfers between the fair value hierarchy during 2017-18 or 2016-17.

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.

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 2017 to 30 June 2018 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.

Subsidiary companies are entities over which IBA has control, this is generally accompanied by a shareholding giving rise to voting rights above 50%. Associated companies are entities over which IBA has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

IBA's investment in associates and joint venture entities is accounted for as 'Available for Sale' financial instruments under AASB 139 *Financial Instruments: Recognition and Measurement*. These assets are fair valued as at reporting date and distribution income received from them recognised as dividend. Associates' carrying values and income are detailed in Note 6D.

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. The 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 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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.15 Financial assets continued

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 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 consolidated entity 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.

Trade and other receivables

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

Categorisation of financial assets

IBA's financial assets have been categorised as follows:

- Cash and cash equivalents 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 'Trade and other receivables'.

Valuation of financial assets

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

Impairment of financial assets

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.16 Investments in associates

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

1.17 Financial liabilities

Financial liabilities are classified as either 'financial liabilities at fair value through profit 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*.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.21 Land and building, property, plant and equipment

Asset recognition threshold

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

Make good

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

Revaluations

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

Valuations

Fair value less cost to sell for each class of asset 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
Heritage and cultural	Market selling price

Following initial recognition at cost, assets are carried at fair value less accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. Revaluation adjustments are based on an asset class basis. Any revaluation increment is credited to equity under reserves except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised through Statement of Comprehensive Income. Revaluation decrements for a class of assets are recognised directly through Statement of Comprehensive Income except to the extent that they reverse a previous revaluation increment for that class.

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

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

Depreciation

Depreciable property, plant and equipment assets are written off to their estimated residual values over their estimated useful lives 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	2018	2017
Leasehold improvements	Lease term	Lease term
Plant and equipment	3 to 5 years	3 to 5 years

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.21 Land and building, property, plant and equipment continued

Impairment

All assets were assessed for impairment at 30 June 2018. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

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

Derecognition

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

Heritage and cultural assets

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

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

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

1.22 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which is based on active market prices, adjusted if necessary for any difference in the nature, location or condition of the specific asset at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

When measuring fair value, IBA is required to maximise the use of observable inputs. IBA has used the Level 2 fair value hierarchy - inputs other than quoted price that are observable either directly or indirectly. IBA has used a market based valuation technique incorporating recently observed market data for similar properties and future earnings discounted at market capitalisation rates. IBA uses independent qualified valuers to value major properties annually and all other properties at least once every three years.

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

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

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

1.23 Intangibles

IBA's intangibles comprise internally developed software for internal use and goodwill. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful life of IBA's software is three years.

All software assets and goodwill were assessed for indications of impairment as at 30 June 2018.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.24 Inventories

Inventories held for sale are valued at the lower of cost and net realisable value. Inventories held for distribution are valued at cost, adjusted for any loss of service potential.

Costs incurred in bringing each item of inventory to its present location and condition are assigned as follows:

- Raw materials and stores: purchase cost on a first-in, first-out basis
- Finished goods and work in progress: cost of direct materials and labour plus attributable costs that are capable of being allocated on a reasonable basis.

Inventories acquired at no cost or for a nominal consideration are initially measured at current replacement cost at the date of acquisition.

1.25 Taxation

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

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

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

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

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

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

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

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

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

Competitive neutrality

IBA does not have any competitive neutrality obligations.

1.26 Events After the Reporting Period

There are no potential significant events that will affect the ongoing structure and financial activities of IBA after 30 June 2018.

Note 2: Expenses

	Consolidated	
	2018 \$'000	2017 \$'000
Note 2A: Employee benefits		
Wages and salaries	37,979	40,960
Superannuation:		
Defined contribution plans	4,075	4,112
Defined benefit plans	759	816
Leave entitlements	4,081	1,910
Other entitlements	1,952	2,399
Total employee benefits	48,846	50,197
Note 2B: Supplier expenses		
Cost of goods sold	39,440	46,270
Consultants	4,966	4,917
Investment property management expenses	6,900	8,240
IT expenses	3,827	3,928
Legal expenses	2,404	1,906
Office related expenses	3,572	3,265
Travel expenses	3,319	3,106
Other suppliers	7,992	7,481
Total goods and services - supplied or rendered	72,420	79,113
Goods and services supplied		
Goods supplied	20,075	29,138
Services rendered	52,345	49,975
Total goods and services - supplied or rendered	72,420	79,113
Other supplier expenses		
Operating lease rentals - related entities	312	252
Operating lease rentals - external entities	2,954	2,683
Workers compensation expenses	411	581
Total other supplier expenses	3,677	3,516
Total supplier expenses	76,097	82,629
Note 2C: Depreciation and amortisation		
Depreciation		
Property, plant and equipment	4,851	5,247
Land and buildings	697	315
Total depreciation	5,548	5,562
Amortisation		
Intangibles	932	645
Total amortisation	932	645
Total depreciation and amortisation	6,480	6,207
Note 2D: Write-down and impairment of assets		
Asset write-down and impairments from		
Write-down on non-financial assets	1,135	4,822
Impairments on loans	7,585	5,640
Valuation decrements on financial instruments - loans and receivables financial assets	51,999	15,857
Valuation decrements on financial instruments - fair value through profit or loss: designated	805	-
Other	3,312	282
Total write-down and impairment of assets	64,836	26,601

Note 3: Income

	Consolidated	
	2018	2017
	\$'000	\$'000
Own-source revenue		
Note 3A: Sale of goods and rendering of services		
Sale of goods	74,243	85,366
Rendering of services	2,158	2,016
Total sale of goods and rendering of services	76,402	87,382
Note 3B: Interest		
Loans	47,358	46,206
Deposits	4,458	5,262
Total interest	51,816	51,468
Note 3C: Rental income		
Operating lease		
Investment properties	12,755	13,162
Other	4,073	3,408
Total rental income	16,828	16,570
Note 3D: Other revenue		
Grant Income	42,696	16,395
Other	2,162	2,526
Total other income	44,858	18,921
Note 3E: Other gains		
Change in fair value of non-financial assets	5,055	4,170
Change in fair value of financial assets	-	10,096
Total other gains	5,055	14,266
Note 3F: Revenue from Government		
Department of Prime Minister and Cabinet		
Corporate Commonwealth Entity payment item	10,133	14,037
Total revenue from Government	10,133	14,037

Note 4: Reclassification of Income

	Consolidated	
	2018	2017
	\$'000	\$'000

Reclassification Adjustments

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

Noongar Property Trust	374	-
Total reclassification adjustments of other comprehensive income	374	-

Note: Noongar Property Holdings Pty Limited as trustee for Noongar Property Trust divested 10% of its units to Indigenous partners, resulting in a loss on sale of \$374,246 in 2017-18. There were no associate entities divested during 2016-17.

Note 5: Fair Value Measurements

Note 5A: Fair Value Measurements, Valuation Techniques and Inputs Used

Fair value measurements at the end of the reporting period by hierarchy for assets and liabilities for 2018

	Fair value measurements at the end of reporting period				
	2018 \$'000	2017 \$'000	Category Level	Valuation Technique(s)	Inputs Used
Financial assets					
Designated at fair value through profit and loss					
Loan receivables - Home	772,708	679,277	Level 2	Cashflows discounted at the risk adjusted market rate of interest	Yield curve, Loan to Value ratio, expected life and benchmark rates
Loan receivables - Business	37,096	30,192	Level 2	Cashflows discounted at the risk adjusted market rate of interest	Yield curve, Loan to Value ratio, expected life and benchmark rates
Bonds and fund investments	193,639	147,928	Level 1	Fund quoted market values	Fund quoted market values
Available for sale					
Associates	19,324	18,723	Level 2	Future earnings discounted at risk adjusted market rates	Earnings forecast, rates of return on capital
Total financial assets	1,022,767	876,120			
Non-financial assets					
Land & Buildings	27,201	26,708	Level 2	Market approach using recently observed market data for similar properties and discounted earnings method	Market approach using recently observed market data for similar properties and discounted earnings method
Investment Property	149,086	99,856	Level 2	Market approach using recently observed market data for similar properties and discounted earnings method	Market sales data, future earnings and market capitalisation rate
Operating lease assets	6,480	6,036	Level 2	Market approach using recently observed market data for similar plant and equipment and discounted earnings method	Market sales data, future earnings and market capitalisation rate
Property, Plant & Equipment	16,986	15,094	Level 2	Market approach using recently observed market data for similar properties and discounted earnings method	Market sales data, future earnings and market capitalisation rate
Total non-financial assets	199,753	147,694			

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

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

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

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

Note 6: Financial Assets

	Consolidated	
	2018 \$'000	2017 \$'000
Note 6A: Cash and cash equivalents		
Parent Entity		
Home Loan Capital	32,921	52,175
New Housing Fund	56,705	70,969
Other cash held or on deposit	37,884	93,515
Subsidiaries	45,223	61,099
	172,733	277,758

Note 6B: Trade and other receivables

Goods and services receivables		
Goods and services	19,110	11,211
Finance lease receivable	7,484	1,912
Total receivables for goods and services	26,594	13,123
Payment is usually made within 30 days.		
Other receivables		
Other	9,397	315
Total other receivables	9,397	315
Total trade and other receivables	35,991	13,438

Credit terms for goods and services were within 30 days (2017: 30 days).

Note 6C: Loans receivable

Reconciliations of movements of loans receivable		
Loans - Home Ownership Program		
At fair value - opening balance as at 1 July	679,277	675,820
Add: net loans movement at cost	148,830	16,358
Less: net movement on remeasurement at fair value through profit or loss	(50,991)	(7,689)
Less: impairment movement through profit and loss	(4,408)	(5,212)
At fair value - closing balance as at 30 June	772,708	679,277
Loans - Business Development and Assistance Program		
At fair value - opening balance as at 1 July	30,192	33,991
Add: net loans movement at cost	11,087	(4,426)
Add/(Less): net movement on remeasurement at fair value through profit or loss	(1,007)	1,055
Less: impairment movement through profit and loss	(3,176)	(428)
At fair value - closing balance as at 30 June	37,096	30,192
Total home and business loans	809,804	709,469

Reconciliation of loans carrying value

Loans - Home Ownership Program (as shown above)		
Face value as at 30 June	1,158,236	1,011,978
Less: Discount on concessional loans on remeasurement at fair value through profit or loss	(373,452)	(322,461)
Less: Impairment allowance	(12,076)	(10,240)
Carrying value as at 30 June	772,708	679,277
Loans - Business Development and Assistance Program (as shown above)		
Face value as at 30 June	57,250	47,782
Less: Discount on concessional loans on remeasurement at fair value through profit or loss	(10,479)	(9,471)
Less: Impairment Allowance	(9,675)	(8,119)
Carrying value as at 30 June	37,096	30,192
Total home and business loans	809,804	709,469

Note 6: Financial Assets: Continued

	Consolidated	
	2018	2017
	\$'000	\$'000
Note 6C: Loans receivable: Continued		
Reconciliation of movement in impairment allowance account		
Loans - Home Ownership Program		
Opening balance as at 1 July	10,240	6,919
Allowance resolved	(2,663)	(4,018)
Allowance pertaining to loans written off	(2,226)	(1,886)
	5,351	1,016
New accounts	4,169	8,417
Change in impairment allowance for accounts existing at 1 July	2,556	808
	6,725	9,225
Closing balance as at 30 June	12,076	10,240
Loans - Business Development and Assistance Program		
Opening balance as at 1 July	8,119	8,174
Allowance resolved	(908)	(785)
Allowance pertaining to loans written off	(366)	(318)
	6,845	7,071
New accounts	1,556	850
Change in impairment allowance for accounts existing at 1 July	1,274	198
	9,675	8,119
Total impairment allowance account	21,751	18,359

Loans are made under the Home Ownership Program, that is in accordance with the annual Ministers direction. The loans are for periods up to 30 years. Security is generally required in the form of the mortgage over the residential property. Principal is repaid in full at maturity. Interest rates were variable. Effective interest rates are measured at amortised cost using the effective interest method less impairment. Loans are measured at Fair Value.

Loans made under the Business Development and Assistance Program were made under the *Jobs, land and economy programme*, directed by the Department of Prime Minister and Cabinet for periods up to 7 years. Security is generally required in the form of a personal guarantee and / or security against assets. Principal is repaid in full at maturity. Interest rates were variable. Effective interest rates are measured at amortised cost using the effective interest method less impairment. Loans are measured at Fair Value.

Note 6: Financial Assets (continued)

	Consolidated	
	2018	2017
	\$'000	\$'000
Note 6D: Investments in associates		
Investments in associates	19,324	18,723
Total investments in associates	19,324	18,723
Investments in associates that are expected to be recovered in:		
More than 12 months	19,324	18,723
Total investments in associates	19,324	18,723

Interests in associates

Interests are held in the following associated companies

Associated company	Principal activities	Ownership interest		Voting power		Carrying amount of investment	
		2018	2017	2018	2017	2018	2017
		%	%	%	%	\$'000	\$'000
Carpentaria Shipping Services Pty Ltd	Transportation	18	18	25	25	945	810
Fitzroy River Lodge Partnership	Accommodation provider	26	26	25	25	2,100	2,100
Message Stick Communications Pty Ltd	Communication service provider	31	31	31	31	2,160	4,404
MiHaven Social Impact Property Fund No. 1	Property developer & Registered training organisation	17	-	0	-	2,300	-
Ngarda Civil & Mining Pty Ltd	Civil engineering & mining services	25	25	25	25	1,219	1,219
Noongar Property Trust	Property	27	37	7	7	6,210	8,510
Northam Solar Project Partnership	Renewable energy	45	-	33	-	2,780	-
Port Hedland Investment Trust	Property	70	70	50	50	1,610	1,680
						19,324	18,723

All associates operate within Australia

	Consolidated	
	2018	2017
	\$'000	\$'000
Note 6E: Other investments		
Deposits	20,200	47,110
Other - bonds and interest in business undertakings	199,492	153,803
Total other investments	219,692	200,913
Investments expected to be recovered in:		
No more than 12 months	219,692	200,913
More than 12 months	-	-
Total other investments	219,692	200,913
Total investments	239,016	219,636

Note 7: Non-Financial Assets**Note 7A: Reconciliation of the opening and closing balances of property, plant and equipment (PP&E) and intangibles**

	Consolidated 2018					Total \$'000
	Land & Building \$'000	Other PP & E \$'000	Operating lease assets \$'000	Computer software \$'000	Other intangibles \$'000	
Opening balance						
Gross book value	29,678	27,242	7,958	4,686	5,706	75,270
Accumulated depreciation and impairment	(2,970)	(12,148)	(1,922)	(3,709)	(495)	(21,244)
Total as at 1 July	26,708	15,094	6,036	977	5,211	54,026
Additions:						
By purchase	2,997	6,626	2,024	1,931	-	13,578
Reversal of impairments recognised in net cost of services - cost	-	-	-	-	-	-
Reversal of impairments recognised in net cost of services - accumulated depreciation	-	-	-	-	-	-
Impairment recognised in the operating result - cost	(100)	-	(34)	-	(1,025)	(1,159)
Impairment recognised in the operating result - accumulated depreciation	-	-	-	-	-	-
Reclassification - at cost	-	(158)	-	-	564	406
Reclassification - accumulated depreciation	-	-	-	-	-	-
Depreciation expense	(697)	(3,566)	(1,285)	(821)	(111)	(6,480)
Other movements:						
Opening balance adjustment - cost	-	-	-	-	-	-
Opening balance adjustment - accumulated depreciation	-	-	-	-	-	-
Disposals:						
Other disposals - cost	(1,788)	(2,064)	(623)	(195)	(920)	(5,590)
Other disposals - accumulated depreciation	81	1,054	362	98	153	1,748
Total as at 30 June	27,201	16,986	6,480	1,990	3,872	56,529
Net book value as at 30 June represented by:						
Gross book Value	30,787	31,646	9,325	6,422	4,325	82,505
Accumulated depreciation and impairment	(3,586)	(14,660)	(2,845)	(4,432)	(453)	(25,976)
Total as at 30 June	27,201	16,986	6,480	1,990	3,872	56,529

Note 7: Non-Financial Assets (continued)

	Consolidated	
	2018	2017
	\$'000	\$'000
Note 7B: Investment property		
Opening balance as at 1 July		
Gross book value	99,856	151,069
Opening balance adjustments	-	93
Disposals	(69)	(61,917)
Additions:		
By acquisition	46,516	13,392
Net gain/(loss) from fair value adjustments	2,783	(2,781)
Total as at 30 June	149,086	99,856

IBA subsidiaries revalued investment properties during the year in accordance with the revaluation policy stated in Note 1.22.

Revaluations recorded included:

- Darwin Hotel Holdings Pty Limited: increment of value of \$1,000,000 (2017: decrement of \$1,925,000)
- Indigenous Economic Development Trust: increment of value of \$435,000 (2017: increment of value \$4,706,000)
- Indigenous Real Estate Investment Trust - increment of value of \$1,348,000 (2017: \$0)

Note 8: Payables

	Consolidated	
	2018	2017
	\$'000	\$'000
Note 8A: Suppliers		
Trade creditors	11,825	13,328
Total suppliers	11,825	13,328

Settlement is usually made within 30 days.

Note 8B: Other payables

Salaries and wages	1,197	1,202
Superannuation	108	112
Separations and redundancies	66	-
Unearned income	7,726	9,677
GST payable to ATO	386	526
Total other payables	9,483	11,517
Total other payables expected to be settled in:		
No more than 12 months	9,483	11,517
Total other payables	9,483	11,517

Note 9: Interest Bearing Liabilities

	Consolidated	
	2018	2017
	\$'000	\$'000
Note 9: Loans		
Secured loan facility	17,504	11,500
Total loans	17,504	11,500
Maturity schedule for loans payable:		
Less than one year	6,000	-
In one to five years	11,504	11,500
Total loans	17,504	11,500

The secured loan facility relates to amounts borrowed against investment properties.

Two subsidiaries of IBA, have loan facilities with external financial institutions:

- Indigenous Real Estate Investment Trust: \$6,000,000 loan facility with the National Australia Bank, which has been extended to 10 September 2018, whilst the terms of the loan are being reviewed.
- Darwin Hotel Holdings Pty Limited (Darwin Adina Vibe): \$11,504,000 loan facility with Bankwest.

Note 10: Provisions

	Consolidated	
	2018	2017
	\$'000	\$'000
Note 10A: Employee provisions		
Leave	6,727	5,628
Total employee provisions	6,727	5,628

Note 10B: Other provisions	Consolidated					
	2018			2017		
	Restoration obligations	Distribution/ other provisions	Total	Restoration obligations	Distribution/ other provisions	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July	414	1,703	2,117	628	2,442	3,070
Additional provisions made	222	4,014	4,236	(214)	(739)	(953)
Amount used	-	-	-	-	-	-
Total as at 30 June	636	5,717	6,353	414	1,703	2,117

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 \$636,325 to reflect the present value of this obligation.

Note 11: Contingent Liabilities and Assets

	Guarantees		Indemnities		Consolidated Claims for damages or costs		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Contingent assets								
Opening balance as at 1 July	-	-	-	-	992	736	992	736
New	-	-	-	-	1,679	992	1,679	992
Assets recognised	-	-	-	-	(992)	(736)	(992)	(736)
Expired	-	-	-	-	-	-	-	-
Total as at 30 June	-	-	-	-	1,679	992	1,679	992
Contingent liabilities								
Opening balance as at 1 July	-	-	1,000	1,000	-	-	1,000	1,000
New	-	-	3,585	-	-	-	3,585	-
Obligations expired	-	-	-	-	-	-	-	-
Total as at 30 June	-	-	4,585	1,000	-	-	4,585	1,000
Net contingent assets (liabilities) as at 30 June	-	-	(4,585)	(1,000)	1,679	992	(2,906)	(8)

Quantifiable contingencies

Claims for damages/costs (contingent asset)

The claims for damages or costs at 30 June 2018 relate to loans within the Indigenous Home Ownership program. There are no other contingent assets as at 30 June 2018.

Guarantees and indemnities

Guarantee and indemnity undertakings were made only to satisfy normal commercial funding conditions imposed by financiers and, at balance date, there are no grounds to believe that a liability will arise.

IBA has a cross indemnity agreement with P&O Maritime Services, a partner with IBA in respect to one of its associates, 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.

Unquantifiable contingencies

IBA has no significant unquantifiable contingencies as at 30 June 2017 or 2018.

Note 12: Key Management Personnel Remuneration

	2018	2017
	\$'000	\$'000
Key management personnel expenses for the reporting period		
Short-term employee benefits		
Salary and other allowances	2,295	2,442
Total short-term employee benefits	2,295	2,442
Post-employment benefits		
Superannuation	286	307
Total post-employment benefits	286	307
Other long-term employee benefits		
Annual leave	136	163
Long-service leave	43	50
Total other long-term employee benefits	179	213
Termination benefits		
Voluntary redundancy payments	-	121
Total termination benefits	-	121
Total senior executive remuneration expenses	2,760	3,083

The total number of key management personnel included in the above table is 21 (2016-17: 24)

Note 13: Related Party Disclosure

Related Party Relationships

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

A number of Directors of IBA hold or have held positions in other companies or government related entities (personally or through related entities) where it is considered they control or significantly influence the financial or operational policies of those entities.

IBA Directors Mr Edward Fry and Mr Anthony Ashby are also Directors of Indigenous Land Corporation (ILC). Mr Anthony Ashby is also a Director of National Centre of Indigenous Excellence (NCIE) Board. IBA Director Richard Allert is the Chairman and Director of Voyages Indigenous Tourism Australia Pty Ltd. IBA Director Kerryne Liddle is the Executive General Manager of Voyages Indigenous Tourism Australia.

Related Party Transactions with Key Management Personnel

Loans to directors and director-related entities

	2018 \$'000	2017 \$'000
Loans to director-related entities outstanding at year-end	-	-
Loans to director-related entities during the year	-	-
Loan repayments during the year	-	-
Interest revenue included in operating result from loans to directors and director-related entities	-	-

There were no loans made to any director-related entities during the financial year (2017: nil).

Other transactions with directors or director-related entities

There were no other transactions with directors or director-related entities during the financial year (2017: nil).

Related Party Transactions with Government Related Entities

Entity	Nature of the transaction	2018 \$'000	2017 \$'000
National Disability Insurance Agency	IBA received a compensation payment from the National Disability Insurance Agency relating to a sublease arrangement between the two entities.	-	755
Indigenous Land Corporation	Coordinate strategic projects which were concluded during the reporting period. The ILC reimbursed IBA for identified costs incurred in relation to the projects.		
	Payments received from ILC	25	62
	Payments made to ILC	-	-
Indigenous Land Corporation	In order to harness efficiencies in accommodation, the ILC sub-leased space from IBA in Canberra, and IBA sub-leased space from ILC in Adelaide and Perth. In each case the sub-lessee bears the cost of the space it occupies in accordance with the terms of the sub-lease:		
	Payments received from ILC	160	131
	Payments made to ILC	162	86
Indigenous Land Corporation	IBA and ILC worked together to explore the development of a shared services unit, to encompass key corporate functions. Each party reimbursed the other for identified costs incurred in relation to the projects:		
	Payments received from ILC	38	76
	Payments made to ILC	-	49
Indigenous Land Corporation	Secondment of selected personnel during the financial year to assist with project based work:		
	Payments received from ILC	131	21

Note 14: Financial Instruments

	Notes	Consolidated	
		2018 \$'000	2017 \$'000
Note 14A: Categories of financial instruments			
Financial assets			
Cash and cash equivalents			
Cash and cash equivalents	6A	172,733	277,758
Total cash and cash equivalents		172,733	277,758
Held-to-maturity			
Term deposits & bonds	6E	23,800	51,410
Total held-to-maturity financial assets		23,800	51,410
Loans and receivables financial assets			
Goods and services	6B	26,594	13,123
Other receivables		11,650	1,889
Total loans and receivables financial assets		38,244	15,012
Fair value through profit or loss: designated			
Investments in market funds	5A	193,639	147,928
Business and home loans	6C	809,804	709,469
Total fair value through profit or loss: designated		1,003,443	857,397
Available-for-sale financial assets			
Associates	6D	19,324	18,723
Total available-for-sale financial assets		19,324	18,723
Carrying amount of financial assets		1,257,544	1,220,301
Financial liabilities			
Other financial liabilities - at amortised cost			
Trade creditors	8A	11,825	13,328
Other payables	8B	1,428	1,361
Total other financial liabilities - at amortised cost		13,253	14,690
Borrowings secured by a floating charge	9	17,504	11,500
Total borrowings secured by a floating charge		17,504	11,500
Carrying amount of financial liabilities		30,757	26,190

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

Note 14: Financial Instruments (continued)

	Notes	Consolidated	
		2018 \$'000	2017 \$'000
Note 14B: Net Gains or Losses from financial assets			
Held-to-maturity assets			
Interest revenue		1,223	2,052
Net gain: held-to-maturity assets		1,223	2,052
Loans and receivables			
Interest revenue		3,919	3,717
Net gain: loans and receivables		3,919	3,717
Fair value through profit or loss			
Interest revenue		47,229	45,190
Changes in fair value		5,055	11,324
Net gains/(loss) - fair value through profit or loss		52,284	56,514
Available-for-sale financial assets			
Interest revenue		124	508
Dividend revenue		11,139	1,436
Net gain on disposal		1,930	6,035
Gain recognised in equity		(72)	(2,524)
Net gain/(loss) - available-for-sale assets		13,121	5,455
Net gain on financial assets		70,547	67,738
Note 14C: Net Gains or Losses from financial liabilities			
Financial liabilities - at amortised cost			
Interest expense		789	807
Net losses - financial liabilities - at amortised cost		789	807
Net losses from financial liabilities		789	807

Note 14: Financial Instruments (continued)

Note 14D: Fair value of financial instruments

Loan receivables designated at fair value through profit or loss

Changes in the fair value of loans designated at fair value through profit and loss, that arose due to credit risk (method used either AASB 7 Financial Instruments: Disclosures 9(i) or 9c(ii)).

	Consolidated	
	2018 \$'000	2017 \$'000
Maximum exposure to credit risk	809,804	709,467
Fair value changes due to credit risk:		
During the period	49,922	(734)
Prior to the period	340,528	341,262
Cumulative change	390,450	340,528

- 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 that is 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.

Note 14E: 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	
	2018 \$'000	2017 \$'000
Financial assets		
Trade, other receivables and other financial assets	38,244	15,012
Loans receivables - Home	772,708	679,495
Loans receivables - Business	37,096	29,972
Investments in market funds	193,639	147,928
Investments in associates treated as available-for-sale	19,324	18,723
Term deposits & bonds	23,800	51,410
Total	1,084,811	942,540

Note 14: Financial Instruments (continued)

Note 14E: 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 2018 \$'000	Not past due nor impaired 2017 \$'000	Past due or impaired 2018 \$'000	Past due or impaired 2017 \$'000
	Financial assets			
Loans receivables - Home	696,193	590,982	85,450	96,042
Loans receivables - Business	33,306	24,404	11,241	11,702
Total	729,499	615,386	96,691	107,744

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

	Consolidated 2018				
	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
	Financial assets				
Loans receivables - Home	36,663	14,098	5,134	12,660	68,555
Loans receivables - Business	1,385	418	377	4,461	6,641
Total	38,048	14,516	5,511	17,121	75,196

	Consolidated 2017				
	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
	Financial assets				
Loans receivables - Home	37,619	16,865	8,653	12,991	76,128
Loans receivables - Business	465	1,595	558	1,008	3,626
Total	38,084	18,460	9,211	13,999	79,754

Loans receivables considered impaired

	Consolidated	
	2018 \$'000	2017 \$'000
Financial assets		
Loans receivables - Home	16,895	19,914
Loans receivables - Business	4,600	7,840
Total	21,495	27,754

Note 14: Financial Instruments (continued)**Note 14F: Assets pledged/or held as collateral**

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

	Consolidated	
	2018	2017
	\$'000	\$'000
Asset pledged as collateral		
Financial liabilities:		
Borrowings secured by floating charge	17,504	11,500
Total assets held as collateral	17,504	11,500

The assets held as collateral comprise the following:

- As at 30 June 2018, \$17.5 million (30 June 2017: \$11.5 million) relates to the amount borrowed against security of land and buildings.

In relation to IBA's gross credit risk, the following collateral is held against Home and Business loans.

	2018	2017
	\$'000	\$'000
Assets held as collateral		
Non-financial assets:		
Loans receivables - Home	1,539,784	1,367,163
Loans receivables - Business	134,285	117,902
Total assets held as collateral	1,674,069	1,485,065

Note 15: 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	
	2018	2017
	\$'000	\$'000
Opening balance as at 1 July	2,114	2,084
Interest received	32	30
Total amount at 30 June	2,146	2,114

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	
	2018	2017
	\$'000	\$'000
Opening balance as at 1 July	1	1
Total amount at 30 June	1	1

Monies received are placed in a separate bank account and are granted to parties in accordance with the Grant Agreement. These monies are not available to IBA and are not recognised in the financial statements.

Note 16: Reporting of Outcomes

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

	Consolidated	
	2018	2017
	\$'000	\$'000
Expenses	(205,484)	(171,596)
Income from non-government sector		
Commercial revenue	208,111	196,143
Net cost of outcome delivery	2,627	24,547
Statement of financial position		
Total assets	1,467,687	1,378,948
Total liabilities	(51,950)	(44,138)
Net assets	1,415,737	1,334,810
Statement of equity		
Retained earnings	265,515	259,950
Reserves	6,567	5,452
Contributed equity	1,143,655	1,069,408
Total equity	1,415,737	1,334,810

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 17: New Housing Fund

As per section 181 (3) of the Aboriginal and Torres Strait Islander Act 2005 (ATSIC Act) money held in the New Housing Fund may only be applied to make housing loans. Section 189 (2) of the ATSIC Act requires specific information on the New Housing Fund's operations and financial position, as disclosed below. This information has been included in the preceding statement and notes:

New Housing Fund

Statement of Comprehensive Income

for the period ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Expenses			
Write-down and impairment of assets	17A	17,134	4,355
Total expenses		17,134	4,355
Less: own-source income			
Revenue			
Interest	17B	30,144	30,206
Other		1,013	-
Total revenue		31,157	30,206
Gains (Losses)			
Other	17C	-	3,251
Total gains (losses)		-	3,251
Total own-sourced income		31,157	33,457
Net cost of services		14,023	29,102

New Housing Fund

Statement of Financial Position

as at 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Assets			
Financial Assets			
Cash & cash equivalents	17D	56,705	70,970
Loan and other receivables	17E	499,262	470,973
Total financial assets		555,967	541,943
Total assets		555,967	541,943
Liabilities			
Payables		-	-
Total liabilities		-	-
Net assets		555,967	541,943
Equity			
Parent entity interest			
Contributed equity		429,396	429,396
Accumulated surplus/(deficit)		126,571	112,547
Total parent entity interest		555,967	541,943
Total equity		555,967	541,943

Note 17: New Housing Fund (continued)**New Housing Fund****Cash flow statement**

for the period ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Operating activities			
Cash received			
Interest		30,144	30,206
Other		90	-
Total cash received		30,234	30,206
Cash used			
Other		-	263
Total cash used		-	263
Net cash from operating activities	17F	30,234	29,943
Investing activities			
Cash received			
Loan repayments		104,138	98,187
Total cash received		104,138	98,187
Cash used			
Loans advances made		148,637	82,702
Total cash used		148,637	82,702
Net cash from investing activities		(44,499)	15,485
Net increase or (decrease) in cash held		(14,265)	45,428
Cash at beginning of reporting period		70,970	25,542
Cash at the end of the reporting period		56,705	70,970

The above statements should be read with the accompanying notes.

Note 17: New Housing Fund (continued)

Notes	2018 \$'000	2017 \$'000
Note 17A: Write-down and impairment of assets		
Valuation decrement on financial instruments	13,226	-
Impairment of assets	3,908	4,355
Total write-down and impairment of assets	17,134	4,355
Note 17B: Interest revenue		
Interest on bank account	843	892
Interest on housing loans	29,301	29,314
Total interest revenue	30,144	30,206
Note 17C: Other gains		
Change in fair value of other assets	-	3,251
Total valuation increment	-	3,251
Note 17D: Cash		
Cash at bank and on hand	53,989	66,185
Cash at agents	2,717	4,785
Total cash	56,705	70,970
Note 17E: Loan and other receivables		
Loan Receivables	499,061	470,682
Other debtors	201	291
Total receivables	499,262	470,973
New Housing Fund only		
Carrying value - 1 July	470,682	487,272
Add: net loans movement at cost	45,512	(15,486)
Add/(Less): net gain/(loss) on re-measurement at fair value through profit and loss	(13,226)	3,251
Less: impairment movement through profit and loss	(3,908)	(4,355)
Carrying value 30 June	499,061	470,682
New Housing Fund loans (net) expected to be recovered		
Current loans receivable	11,754	10,835
Non-current loans receivable	487,306	459,847
Total receivables	499,061	470,682
Note 17F: Cash flow reconciliation		
Net cost of services	14,023	29,102
Total write-down and impairment of assets	17,134	-
(Increase)/Decrease in receivables	(923)	(263)
Net cash from operating activities	30,234	28,839

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 18: Parent Entity - Indigenous Business Australia

	2018	2017
	\$'000	\$'000

Note 18A: Statement of Comprehensive Income

Surplus / (loss) after income tax on continuing operations	(5,321)	45,091
Total comprehensive income/(loss)	(22,316)	28,625

Note 18B: Statement of Financial Position

Current assets	289,903	300,663
Total assets	1,267,929	1,253,577
Current liabilities	20,077	16,561
Total liabilities	22,111	18,488
Net assets	1,245,818	1,235,089

Note 18C: Statement of Equity

Retained earnings	253,224	265,345
Contributed equity	992,594	969,744
Total equity	1,245,818	1,235,089

Note 18: Parent Entity - Indigenous Business Australia (continued)**Note 18D: Statement of IBA's holding in subsidiaries**

Name	Country of incorporation	2018 %	2017 %
Anderleigh Quarry	Australia	63	63
Carpentaria Shipping Trust	Australia	100	100
CDC Nominees (McArthur River Shipping) Pty Limited *	Australia	100	100
CDC Nominees (TCTP) Pty Limited *	Australia	100	100
Darwin Hotel Holdings Pty Limited *	Australia	100	100
Darwin Hotel Holdings Trust	Australia	100	100
Dominician Indigenous Education Trust	Australia	100	100
Fitzroy Lodge Investments Pty Limited	Australia	100	100
Gagudju Crocodile Hotel Trust	Australia	70	70
Gagudju Lodge Cooinda Trust	Australia	52	52
Hotel Enterprises Pty Limited *	Australia	100	100
Hotel Holdings Trust *	Australia	100	100
Ikara Wilpena Enterprises Pty Limited	Australia	87	87
Ikara Wilpena Holdings Trust	Australia	87	87
IBA Asset Management Pty Limited	Australia	100	100
IBA Northam Solar Pty Limited*	Australia	100	-
IBA Northam Solar Trust	Australia	100	-
IBA Retail Asset Management Pty Limited	Australia	100	100
IBA Retail Property Trust	Australia	100	100
IBA Tourism Asset Management Pty Limited	Australia	100	100
Indigenous Prosperity Fund - Cash Fund	Australia	92	100
Indigenous Prosperity Fund - Growth Fund	Australia	50	87
Indigenous Prosperity Fund - Income Fund	Australia	56	91
Indigenous Real Estate Investment Trust	Australia	61	61
Kakadu Tourism (GCH) Pty Limited	Australia	70	70
Kakadu Tourism (GLC) Pty Limited	Australia	52	52
Leonora Investments Trust *	Australia	100	100
Leonora Investments Pty Limited *	Australia	100	100
Li Ar Yalug Land Holding Trust	Australia	89	89
Minjerribah Camping Pty Limited **	Australia	-	82
Mungo Lodge Pty Limited *	Australia	100	100
Mungo Lodge Holdings Pty Limited *	Australia	100	100
Mungo Lodge Trust *	Australia	100	100
North Stradbroke Enterprises Trust	Australia	100	100
Performance Bonds Trust	Australia	100	-
Tennant Creek Enterprises Pty Limited *	Australia	100	100
Tennant Creek Enterprises Trust *	Australia	100	100
Tennant Creek Land Holding Trust	Australia	50	90
Tennant Creek Supermarket Pty Limited	Australia	50	90
Tjapukai Aboriginal Cultural Park Partnership	Australia	100	100
Tjapukai Pty Limited *	Australia	100	100
Wildman Wilderness Lodge Pty Limited *	Australia	100	100
Wildman River Lodge Trust *	Australia	100	100
Wilpena Pound Aerodrome Services Pty Limited	Australia	87	87

*Non-trading

**Entities deregistered or divested before end of financial year





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APPENDICES & REFERENCES

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APPENDIX A: CONSULTANTS

Name of consultant	Description of services
ACIL Allen Consulting (VIC)	Business Research
Addisons	Professional Services
Aegis9 Pty Ltd	Professional Services
AGS Fees Barton	Professional Services
Allens Linklaters	Professional Services
Allens Patent & Trade Mark Attorneys	Professional Services
Altus Page Kirkland	Professional Services
Andrew Niven	Other
Armistead Herro	Professional Services
Arnold Bloch Leibler	Professional Services
Australian Corporate Advisory	Other
AVAIL Information Management Services	Professional Services
Axiom Associates (Aust) Pty Ltd	Professional Services
Beach House Media	Professional Services
Better Work Health	Professional Services
Big River Consulting Pty Ltd	Professional Services
BoardRoom Pty Ltd	Professional Services
Budsoar Pty Ltd	Professional Services
Care Incorporated	Professional Services
Clayton Utz Lawyers	Professional Services
Consortio Pty Ltd	Professional Services
Coolamon Advisors	Professional Services
Corporate Property & Consulting Services Pty Ltd	Other
Deloitte Access Economics	Professional Services
Deloitte Touche Tohmatsu (NSW)	Audit Services
Dentons Australia Pty Ltd	Professional Services
Dezigna Impression	Professional Services

Name of consultant	Description of services
Dialog Information Technology	Professional Services
Ekistica Pty Ltd	Professional Services
Energetics Pty Ltd	Professional Services
Ernst & Young	Professional Services
Euan Brown	Professional Services
Evolve FM	Professional Services
Expert360 Pty Ltd	Professional Services
Fiftyfive5 Pty Ltd	Professional Services
Gadens	Professional Services
Good Foundations Consulting	Audit Services
Grant Sarra Consultancy Services	Professional Services
Grant Saunders T/A Sonic Nomad	Professional Services
Hames Sharley (WA) Pty Ltd	Professional Services
HopgoodGanim Lawyers	Professional Services
IA Group Pty Ltd	Professional Services
Indigenous Consumer Assistance Network	Professional Services
Intelligent Risks Pty Ltd	Professional Services
JLF (Principle Advisory) Pty Ltd	Professional Services
Johnson Winter & Slattery	Professional Services
Karen Smith-Pomeroy	Professional Services
Kate Cam	Professional Services
King & Wood Mallesons	Professional Services
KPMG Australia	Audit Services
KPMG Forensic Pty Ltd	Audit Services
Kylie Smith Design	Professional Services
Kyrn Stevens	Professional Services
Marcel Australia	Professional Services

Name of consultant	Description of services
MiCorp Property Pty Ltd	Professional Services
Minter Ellison Lawyers	Professional Services
MJE Corp Pty Ltd	Professional Services
Mountain Media Pty Ltd	Professional Services
Mozaic Management Consultants Pty Ltd	Professional Services
Norton Rose Fulbright Australia	Professional Services
Ogilvy Public Relations Pty Ltd	Professional Services
ORIMA Research Pty Ltd	Professional Services
Outback Global Australia	Professional Services
Penny Evans	Professional Services
Plum Solutions Pty Ltd	Professional Services
Read Property & Advisory	Professional Services
Reason Group Pty Ltd	Professional Services
Red Ridge (Interior Queensland) Limited	Professional Services
Richard Thompson	Professional Services
Roscomare Capital Management Pty Ltd	Professional Services
RP Data Pty Ltd	Professional Services
Sagacity Solutions	Professional Services
SLR Consulting Australia Pty Ltd	Professional Services
Social Outcomes Pty Ltd	Professional Services
TAG Asset Consulting Group Pty Ltd	Professional Services
The Boston Consulting Group Pty Ltd	Professional Services
The Press Garage Pty Ltd	Professional Services
Traction Group Pty Ltd	Professional Services
Urbis Pty Ltd	Professional Services
Veriment Pty Ltd	Professional Services
WordsWorth Writing	Professional Services
WTP Australia Pty Ltd	Professional Services

APPENDIX B: KEY OUTREACH ACTIVITIES

TABLE B1: KEYNOTE SPEECHES AND SIGNIFICANT PRESENTATIONS

Date	Event	Details
5-Aug-2017	Garma Festival Gulkula, Arnhem Land, NT	CEO undertook a presentation and panel discussion
4-Sep-2017	Aboriginal Housing Office, Sector Conference	Panel discussion
27-Sep-2017	Aboriginal Housing Office, Sector Conference	CEO presentation and panel discussion
27-Sep-2017	VACCHO Sector Conference	Deputy CEO undertook a presentation regarding IBA products and services
1-Oct-2017	NACCHO Conference	Deputy CEO undertook a presentation regarding IBA products and services
3-May-2018	Strong Women, Strong Business Conference	Board Director Kerryne Liddle gave conference opener and Board Director Shirley McPherson gave closing address.
5-8-June-2018	National Native Title Conference, Broome	IBA Chair Eddie Fry provided opening address and a presentation regarding IBA
8-Jun-2018	ANZLF Indigenous Business Sector	Deputy CEO and IBA representatives undertook discussion on Australian Indigenous Business Sector

TABLE B2: MEDIA RELEASES

Date	Title of media release
9-Aug-2017	IBA partnership approach benefits Indigenous Australians in NQ
5-Sep-2017	New invoice finance product to benefit Indigenous businesses
10-Oct-2017	Indigenous home ownership off to a flying start
24-Nov-2018	Quandamooka take 100% ownership of Straddie Camping
23-Nov-2017	Supporting Indigenous businesses to win contracts and grow
8-Dec-2018	Reappointment of Chair of Indigenous Business Australia
10-Jan-2018	Indigenous tourism operators to benefit from IBA and WAITOC partnership
6-Feb-2018	Virtual accelerator to connect Indigenous entrepreneurs to business leaders
22-Feb-2018	Supporting Indigenous businesses to win contracts and grow
5-Mar-2018	IBA launches first-ever conference exclusively for Aboriginal and Torres Strait Islander business women

TABLES AND FIGURES

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COMPLIANCE INDEX

IBA is bound by legislative requirements to disclose certain information in its annual report. The majority of the requirements are detailed in Subdivision B (Annual report for corporate Commonwealth entities) of Division 3A of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) and the *Aboriginal and Torres Strait Islander Act 2005* (ATSI Act).

MANDATORY REQUIREMENTS

Requirement	Reference	Page
Financial statements	<i>Public Governance, Performance and Accountability Act 2013</i> (PGPA Act), section 43 and PGPA (Financial Reporting) Rule 2015	87 - 129
Financial statements certification: Auditor General's report	PGPA Act, section 43(4)	84
Financial statements certification: a statement signed by the directors	PGPA Act, section 42	86
Fraud risk assessment and control	<i>Public Governance, Performance and Accountability Rule 2014</i> , section 10	34, 65
Approval by accountable authority	PGPA Rule, section 17BB	iv
Parliamentary standards of presentation	PGPA Rule, section 17BC	Throughout
Plain English and clear design	PGPA Rule, section 17BD	Throughout
Legislation establishing the body	PGPA Rule, section 17BE(a)	Inside front cover, 8, 59
Objects, functions and purposes	PGPA Rule, section 17BE(b)	2, 8, 59
Responsible minister	PGPA Rule, section 17BE(c)	59
Ministerial directions	PGPA Rule, section 17(d) and ATSI Act, section 189(1)(a), Schedule 2, Part 4	59
Government policy orders	PGPA Rule, section 17BE(e)	59
Details of any non-compliance with government policy orders, ministerial directions or finance law	PGPA Rule, section 17BE(f),(h),(i)	67
Annual performance statements	PGPA Rule, section 39(1) and (2) PGPA Rule, section 17BE(g)	8 - 21
Information about the accountable authority, including each director's name, qualifications, experience and number of meetings attended	PGPA Rule, 17BE (j)	60 - 65
Organisational structure (for IBA and subsidiaries)	PGPA Rule, 17BE (k)	68
Location of major activities and facilities	PGPA Rule, 17BE (l)	74, inside back cover
Main corporate governance practices used by the entity	PGPA Rule, 17BE (m)	58-59, 65-67
Related entity transactions	PGPA Rule, 17BE (n)(o)	65, 66
Significant activities and changes that affected the operations or structure of the entity	PGPA Rule, 17BE (p)	66

Requirement	Reference	Page
Significant judicial or administrative tribunal decisions	PGPA Rule, 17BE (q)	69
External reports made about IBA	PGPA Rule, 17BE (r)	69
Obtaining information from subsidiaries	PGPA Rule, 17BE (s)	[Not applicable; all relevant material was provided by subsidiaries]
Indemnities and insurance premiums for officers	PGPA Rule, 17BE (t)	65
Compliance index	PGPA Rule, 17BE (u)	137 - 138
New Housing Fund financial statements	ATSI Act, subsection 189(2)	125 - 127
Consultants engaged	ATSI Act, subsection 189(1)(b)	67, Appendix A
Work health and safety	<i>Work Health and Safety Act 2011</i> , Schedule 2, Part 4	77
Ecologically sustainable development and environmental performance	<i>Environment Protection and Biodiversity Conservation Act 1999</i> , section 516A	70 - 71
Information Publication Scheme statement	<i>Freedom of Information Act 1982</i> , Part II	69

CONTACT INFORMATION

IBA staff work at the following locations across Australia, in IBA offices or co-located in Indigenous Coordination Centres. Co-located offices are marked with an asterisk.

For more information, visit IBA's website at iba.gov.au or call 1800 107 107.

AUSTRALIAN CAPITAL TERRITORY

Canberra

Level 2, 15 Lancaster Place
Majura Park ACT 2609

NEW SOUTH WALES

Sydney

Level 21, 66 Goulburn Street
Sydney NSW 2000

Coffs Harbour

140 West High Street
Coffs Harbour, NSW 2450

Tamworth

Suite 6, Shop 7
Atrium Business Centre
345 Peel Street
Tamworth NSW 2340

Wagga Wagga

70 Baylis Street
Wagga Wagga NSW 2650

NORTHERN TERRITORY

Darwin*

Jacana House
Level 4, 39-41 Woods Street
Darwin NT 0800

Alice Springs

Desert Knowledge Precinct
475 Stuart Highway
Alice Springs NT 0871

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