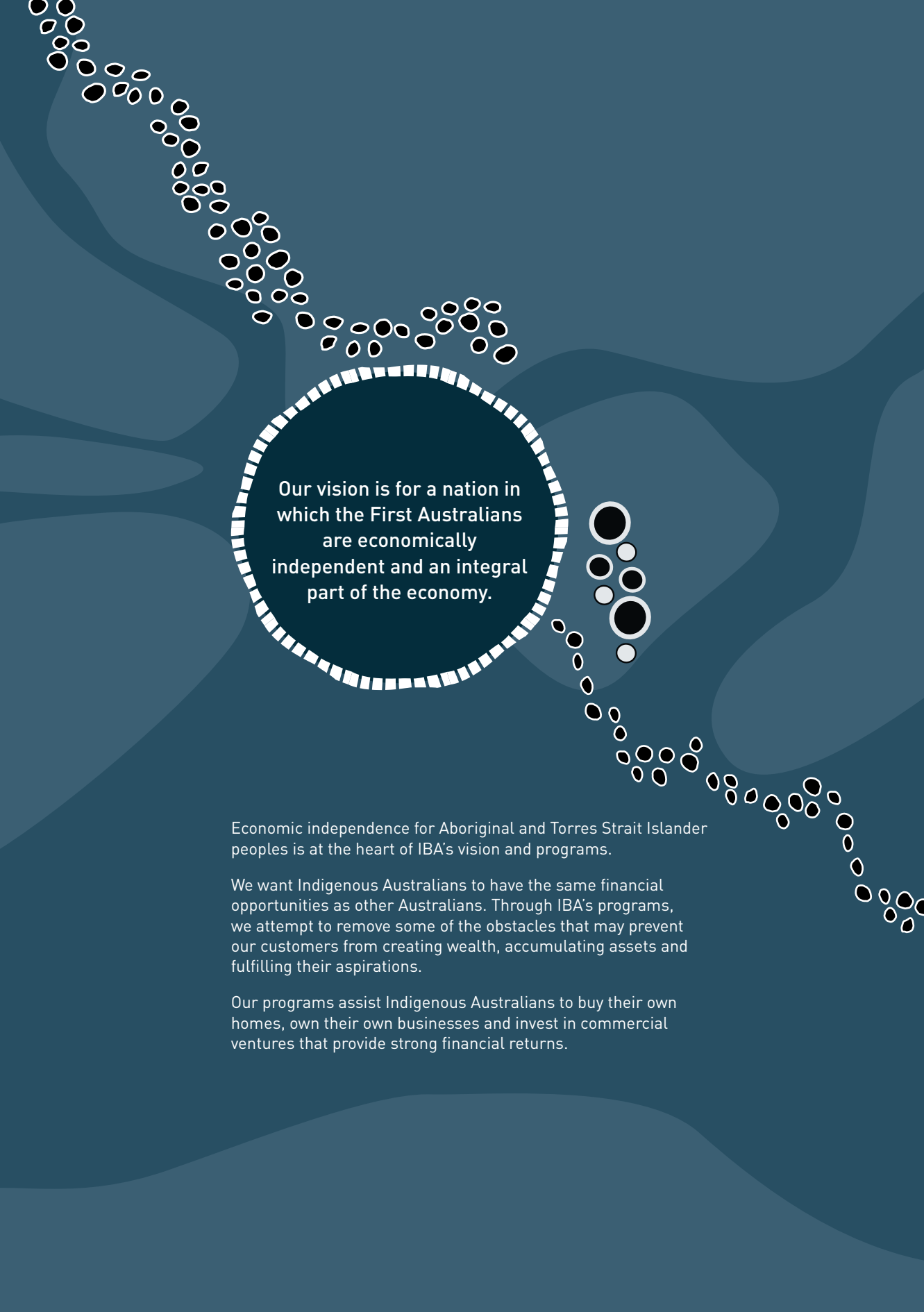




Australian Government
Indigenous Business Australia



ANNUAL REPORT 2015-16



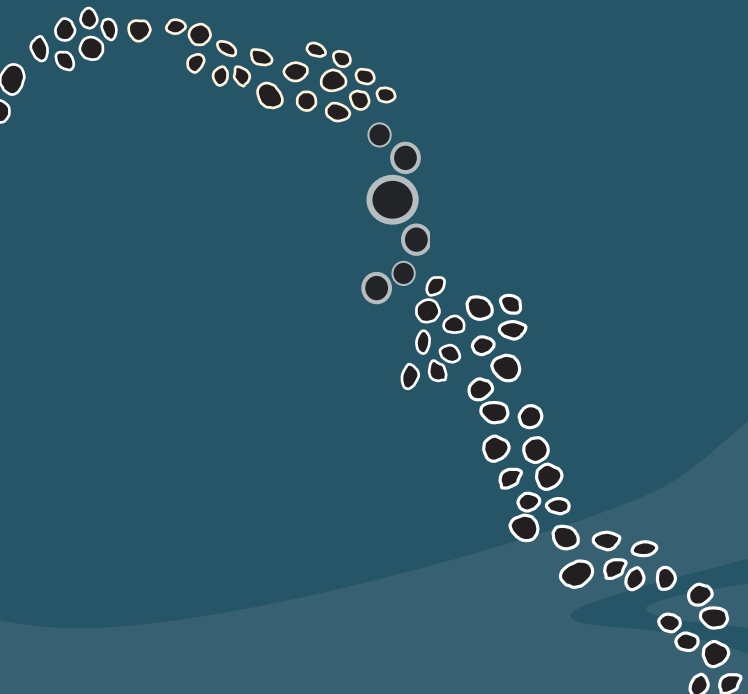
Our vision is for a nation in which the First Australians are economically independent and an integral part of the economy.

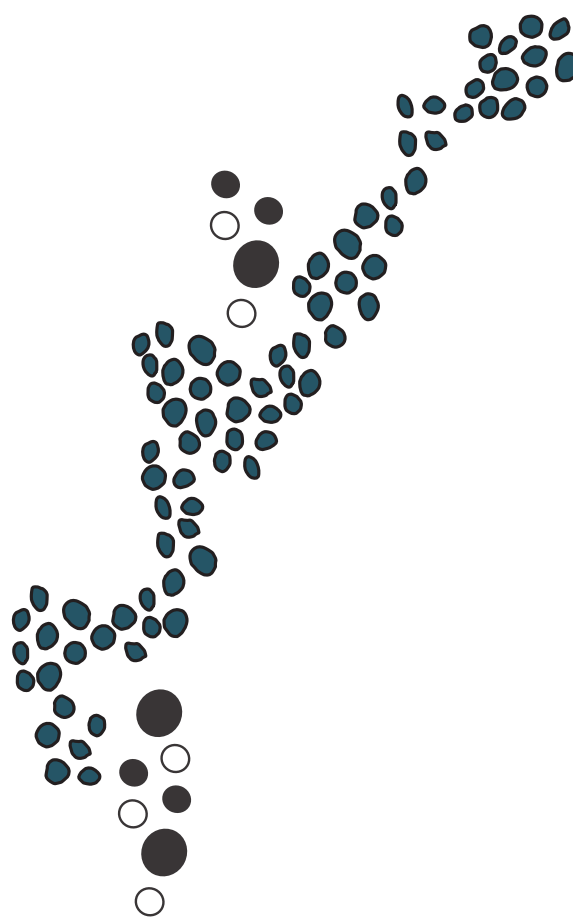
Economic independence for Aboriginal and Torres Strait Islander peoples is at the heart of IBA's vision and programs.

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

Our programs assist Indigenous Australians to buy their own homes, own their own businesses and invest in commercial ventures that provide strong financial returns.

INDIGENOUS BUSINESS AUSTRALIA
ANNUAL REPORT
2015-16





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



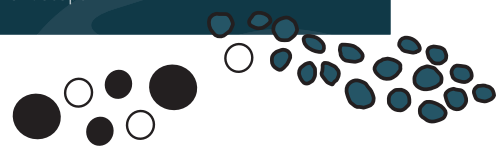
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Cover design

Gathering across Country, Mazart Design Studio

Mazart Design Studio is a Supply Nation certified small business. The studio's managing director and senior designer, Jodie Brennan, is a proud descendant of the Gomeri people of western New South Wales.

The cover design depicts the waterways and root systems which connect our community and our journeys across our lands. The black lines represent the flowing rivers and the blood line of our people, both past and present, who are the custodians of the land. The coloured shapes depict the roots of trees and rivers that meander together to create life, nourish our bodies and souls, and maintain our flourishing landscape.





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This report describes the operations and performance of IBA in the financial year ending 30 June 2016.

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Australian Government
Indigenous Business Australia

9 September 2016

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

Dear Minister

On behalf of the Board of Indigenous Business Australia, I am pleased to submit our annual report for the financial year ended 30 June 2016.

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 Friday 9 September 2016.

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

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

Yours sincerely

Eddie Fry
Chair, Indigenous Business Australia



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OVERVIEW

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HIGHLIGHTS

EVENTS

- JUL 2015** IBA hosted its **eighth annual breakfast event at NAIDOC Week**, in Adelaide (page 91)
- AUG 2015** The **Remote Indigenous Home Loan** package was launched to support the Australian Government's initiative to help Indigenous Australians to break into the home ownership market in nominated remote locations (page 23)
- NOV 2015** The **Indigenous Prosperity Funds** were launched to provide IBA and Indigenous co-investors with a means of creating intergenerational wealth via capital growth and income from a diversified investment portfolio (page 58)
- DEC 2015** An Australian National Audit Office **performance audit report** made recommendations for improvements to the Indigenous Home Ownership Program (page 24)
- The **Indigenous Investment Principles** were launched to provide a new framework for investment to achieve social and economic outcomes (page 53)
- MAR 2016** Presented at the **Indigenous Business Forum** on available support services and Indigenous business success stories (page 150)
- MAY 2016** Two **new Indigenous directors** were appointed to replace outgoing members of the IBA Board (pages 76-77)
- JUN 2016** The IBA Chair presented on the **Indigenous estate**, and the CEO and General Manager of Investments participated in a panel on **Investing for a Better Future**, at the Native Title Conference in Darwin (page 150)





ACHIEVEMENTS

489

NEW HOME LOANS
WERE APPROVED

989

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

49

BUSINESS LOANS WERE APPROVED,
INCLUDING NEW LOANS AND
INCREASES TO LOANS WITH
EXISTING CUSTOMERS

93%

OF HOME LOANS
WERE MADE TO
FIRST HOME BUYERS

77%

OF HOME LOANS
WERE IN REGIONAL
AND REMOTE
AREAS

428

ENTREPRENEURS WERE
SUPPORTED IN CAPABILITY
DEVELOPMENT ACTIVITIES

22%

OF IBA STAFF
WERE INDIGENOUS
AUSTRALIANS

\$6.4M

OF GOODS AND
SERVICES WERE
PROCURED FROM
INDIGENOUS
SUPPLIERS

69%

OF BUSINESS LOAN
CUSTOMERS WERE
STILL IN BUSINESS
AFTER THREE
YEARS

\$12.5M

WAS PROVIDED IN
REMUNERATION
AND TRAINING
FOR INDIGENOUS
AUSTRALIANS
THROUGH IBA
INVESTMENTS

ABOUT IBA

IBA is a commercially focused organisation that promotes and encourages self-management, self-sufficiency and economic independence for Aboriginal and Torres Strait Islander peoples. We deliver benefits to Indigenous Australians through the administration of three programs focusing on home ownership, business ownership and investments.

In 2015-16, IBA delivered a total of 49 business loans and 489 home loans, and supported 40 Indigenous co-investors. At 30 June 2016, IBA's net asset value was \$1.24 billion, measured at fair value.

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



CHRIS FRY, EDDIE FRY, MINISTER NIGEL SCULLION, PRIME MINISTER MALCOLM TURNBULL, AND CO-CHAIRS OF THE IIP DRAFTING GROUP, ROBYNNE QUIGGIN AND BRUCE MARTIN, AT THE LAUNCH OF THE INDIGENOUS INVESTMENT PRINCIPLES (IIP).



Role

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 persons and Torres Strait Islanders by accumulating and using a substantial capital asset for their benefit.

IBA has three programs:

- **Indigenous Home Ownership**, which facilitates increased levels of home ownership through housing loans to Indigenous Australians who have difficulty qualifying for housing finance, including in remote Australia
- **Business Development and Assistance**, which assists Indigenous Australians to access the capital, commercial expertise, supply chain and other opportunities required to start up, build and grow businesses
- **Equity and Investments**, which co-invests with Indigenous Australians in commercial ventures and assets, enabling them to access sound financial returns, build commercial capability, and generate employment, training and supply chain opportunities.

Under our purpose and through each program, IBA uses its capital for the benefit of Indigenous Australians—ensuring its capital base also accumulates, so that it is able to sustain and increase the impact of its activities.

Through effective engagement with customers and stakeholders, we foster valuable relationships that help us to direct our services, access new opportunities and explore new directions for improving service to customers. Outreach activities, such as conference sponsorships and public appearances, enable us to share ideas that contribute to the economic advancement of Indigenous Australians (key activities in 2015–16 are described in Appendix B).

Legal framework

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

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

History

IBA is one of the longest standing Indigenous-specific commercial organisations. Originally known as the Aboriginal and Torres Strait Islander Commercial Development Corporation, it was established in March 1990 under the *Aboriginal and Torres Strait Islander Commission Act 1989* (ATSIC Act).

In 2001, the corporation was renamed as Indigenous Business Australia through an amendment to the ATSIC Act. At that time the organisation was engaged in nineteen business ventures, with Indigenous organisations holding equity interests in fifteen of them.

Following the abolition of the Aboriginal and Torres Strait Islander Commission in 2005, IBA's role was expanded under the ATSIC Act, to include managing the existing Indigenous Home Ownership Program and Business Development and Assistance Program.

In 2015, the home loan program celebrated 40 years of providing Australian Government home loan assistance to Indigenous Australians, reaching a total of almost 17,000 loans provided. The investments and business programs assist to create wealth and jobs for Indigenous Australians.



CHAIR REVIEW

Future of the Indigenous estate

Everything that we do is to enhance the economic advancement of our customers. We have a vision for Indigenous Australians, and that is for them to be economically independent and an integral part of the economy.

The Indigenous population is growing at a faster rate than the non-Indigenous population, with an increasing youth demographic. It is estimated that Indigenous groups now own, or have rights to, around 40 per cent of Australia's land mass under various forms of tenure. The next great challenge is to convert these rights and interests into a means of generating wealth for current and future Indigenous generations.

Responsibly investing in the future and protecting the capital balance of Indigenous resources will maximise the returns. Creating partnerships and joint

ventures will develop a higher profile and reputation for IBA and its subsidiaries. Driving this more ambitious agenda is our goal of taking advantage of emerging markets and opportunities at hand.

Indigenous futures rely not on chance, but on creating a new fellowship among people, planning astutely, and harnessing the wider economy to the needs of the Indigenous community by using the many assets at its disposal.

This is our future at IBA and ultimately the future for the Indigenous estate.

Operating within a coherent commercial framework will reap social, cultural and environmental rewards. IBA and the Indigenous Land Corporation have already started collaborating for the benefit of the customer—working together builds on our strength.

What is the Indigenous estate?

The Indigenous estate comprises the assets held, or reasonably likely to be held, by or for the benefit of Indigenous people, whether by:

- traditional owner, native title and state/territory land rights based organisations
- federal, state and territory organisations, statutory bodies and funds established to act in the interest of Indigenous people, including the assets within IBA, the Indigenous Land Corporation, the Indigenous Land Account, Aboriginals Benefit Account and analogous structures under state/territory regimes
- commercial or not-for-profit organisations established by or for the benefit of Indigenous people.



Collaboration and change

In this constantly changing environment the one thing that has not changed is our purpose. The desire to assist and advance the economic prosperity of Indigenous Australians is defined in our enabling legislation, but more importantly it is our core organisational strength.

To remain relevant to our purpose, each and every one of us must deliver on our expected results, and collectively we must strive to be the very best service provider we can be for IBA's customers. Our expectation is to continually improve our performance each financial year.

IBA has a solid track record of achieving Indigenous economic advancement. Our programs deliver results for Indigenous Australians seeking to build wealth and self-employment through buying a home, growing a business and building investments.

Significant improvements to our programs have been a keen focus in 2015–16 and we have worked collaboratively with the Australian Government to ensure these align with their goals as well.

The Equity and Investments Program enhanced its asset and funds management platform, launching the Indigenous Prosperity Funds and continuing to grow the Indigenous Real Estate Investment Trust (I-REIT). It also expanded its asset leasing offer in 2015–16, with a focus on supporting regional and remote Indigenous businesses. Overall, the program generated more than \$23 million in financial benefit to Indigenous Australians through financial returns, salaries and wages, training benefits and procurement. Every direct investment employed Indigenous Australians, who represented an average of 27 per cent of total employees. In addition, the leasing solutions business supported 188 Indigenous jobs.

Substantial shifts in our Business Development and Assistance Program

'Mr Fry is challenging IBA to increase its impact, effectiveness, and reach—to provide increased economic benefits for Indigenous Australians now and into the future.'
Minister Scullion

were made to align with our customers' needs and the business life cycle. With such instrumental changes taking place across the internal enterprise network, the number of business loans provided, 49 (including new loans and increases to loans with existing customers), was lower than expected. The program did record 593 Indigenous people in jobs created or supported by IBA business loan customers.

The Indigenous Home Ownership Program responded to affordability issues faced by IBA's customers by continuing with the temporary measures put in place in March 2015, such as additional interest rate discounts. The Board approved a new policy, effective 1 July 2016, which takes the next appropriate steps to ensure that we are responsibly helping people into home ownership.

The financial year ended with 489 new home loans approved for Indigenous Australians, with a total value of \$161.9 million (up eight per cent on last year). The program also introduced a new product, the Remote Indigenous Home Loan, to improve opportunities for home ownership in remote areas. It was promoted in 20 remote communities.

Overall, IBA is in a strong financial position with net assets of \$1.24 billion, measured in fair value, and is steadily growing its portfolio. IBA has grown its surplus and remains well positioned to meet its operating commitments.

Acknowledgements

The year has been one of growth, challenge and change—none of which could be managed without the strength of hardworking individuals coming together via the government, the Board, the Executive Management Team and IBA staff.

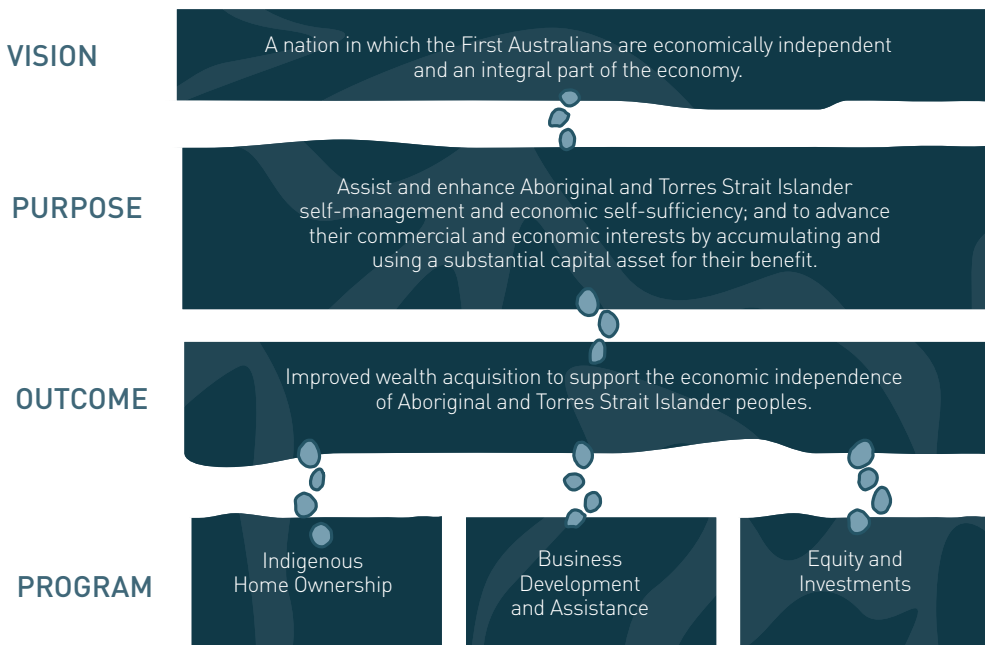
I honour the valued contributions of our outgoing directors, Glen Brennan and Nareen Young, who were much appreciated over the years for their advice and guidance. I welcome two new Indigenous board members, Scott Young and Aileen Shannon, who both come with strong business acumen.

I also acknowledge the support of Senator the Hon. Nigel Scullion, Minister for Indigenous Affairs, and the Australian Government. I look forward to continuing that relationship.

Finally, on behalf of the Board and the Executive Management Team, thank you to all those involved in achieving what we have to date and we look forward to further accomplishments in the future.

Eddie Fry
Chair

FIGURE 1: How IBA's programs achieve its purposes





ANNUAL PERFORMANCE STATEMENTS

The IBA Board, as the accountable authority of IBA, presents the 2015–16 annual performance statements of IBA, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In the Board's opinion, these annual performance statements are based on properly maintained records, accurately reflect the performance of IBA, and comply with subsection 39(2) of the PGPA Act.

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

IBA was established under the ATSI Act, of which section 146 sets out IBA's purposes:

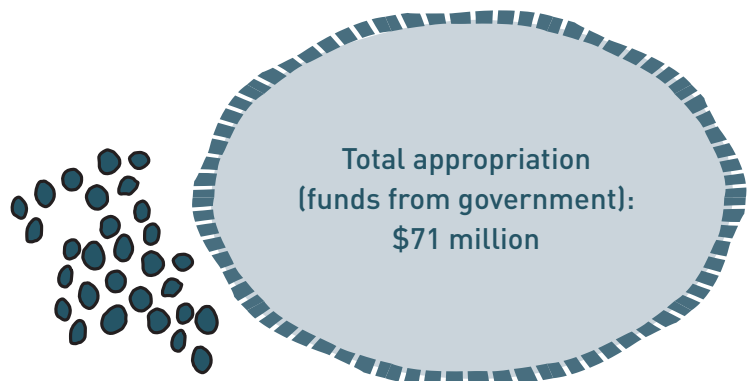
- *to assist and enhance Aboriginal and Torres Strait Islander self-management and economic self-sufficiency; and*
- *to advance the commercial and economic interests of Aboriginal persons and Torres Strait Islanders by accumulating and using a substantial capital asset for the benefit of the Aboriginal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

In 2015–16, these purposes were achieved through IBA's single portfolio outcome:

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

Outcome 1 was delivered through three programs: Indigenous Home Ownership, Business Development and Assistance, and Equity and Investments.

IBA ensures that when it uses its capital for the benefit of Indigenous Australians its capital base also accumulates, so that it is able to sustain and increase the impact of its activities.



Indigenous Home Ownership Program

Objective

This program aims to facilitate increased levels of home ownership through home loans to Indigenous Australians who have difficulty qualifying for housing finance, including in remote Australia.

Performance analysis

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

The performance criteria measure the success of the program in providing home loans and related assistance to Indigenous people, as well as demonstrating effective management of the loan portfolio. They also measure the success of the program in targeting lending and assistance to customers as appropriate to their circumstances and need, and facilitating home ownership in remote Indigenous communities.

IBA achieved most of its home ownership performance measures for 2015–16, yet fell below target for two criteria: number of new home loans and aggregate number of loans. The lower number of new loans (489) compared to the target (575) is the result of an increase in the average loan amount, which limited the number of loans that could be written within the amount budgeted for lending in 2015–16. This also impacted the ability to meet the target for the aggregate number of loans within the portfolio.

The average purchase price for homes funded through the program was \$357,700 in 2015–16, compared to \$354,100 in 2014–15. The average amount for loans written was \$331,400 in 2015–16,

compared to \$290,200 in 2014–15.

The increase in the average loan amount was a result of more customers taking up IBA's stimulus strategy, which raised the income threshold for full funding of loans to 165 per cent of IBA's Income Amount.

While the number of new loans overall was below target, the percentage of loans written for first home buyers was above target. The total number of loans in the portfolio at 30 June 16 (4,591) reflects an increase of 2.5 per cent over 2014–15 and 62 per cent over the last ten years.

IBA continually monitors the economy and a range of factors and has made changes to the program policy for 2016–17 to address structural changes in the housing market that impact on housing affordability and the ability of IBA's customers on lower incomes to break into the market.

IBA has also implemented strategies to stimulate demand, particularly in regional and remote areas, through a range of marketing initiatives and on-the-ground support. This includes the promotion of new products specifically for Indigenous people in remote locations such as the Remote Indigenous Home Loan.

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





TABLE I: Indigenous Home Ownership Program performance

Performance criterion	Source (page)	Target	Result	Achieved
Number of new home loans	CP (14), PBS (150)	575	489	✗
Aggregate loans in the portfolio	CP (14), PBS (150)	4,675	4,591	✗
Total capital base (\$m) ¹	CP (14), PBS (150)	1,060	1,062	✓
Percentage of loans to applicants who have an adjusted combined gross annual income of not more than 140% of IBA's Income Amount ²	CP (14), PBS (151)	80%	88%	✓
Percentage of loans to applicants who are first home buyers	CP (14), PBS (151)	90%	93%	✓
Number of remote Indigenous communities in which IBA is actively facilitating home ownership opportunities	CP (14), PBS (151)	12	20	✓
Appropriation ³		\$33.7m		

CP = IBA 2015–16 Corporate Plan, PBS = Prime Minister and Cabinet Portfolio Budget Statements 2015–16

- 1 Includes balance of active loans at face value, including accrued interest, plus the balance of funds held at bank or cash at agents, including unsettled progress payments.
- 2 The IBA Income Amount is equivalent to 100 per cent of the national average weekly male earnings, as calculated by the Australian Bureau of Statistics.
- 3 The appropriation for the Indigenous Home Ownership Program was made up of \$22.8 million equity injection (capital) and \$10.9 million departmental funding.

Business Development and Assistance Program

Objective

This program aims to assist Indigenous Australians to access capital, commercial expertise, supply chain and other opportunities required to start up, build and grow businesses.

Performance analysis

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

The performance criteria measure the success of the program overall in providing business loans, assistance to grow businesses, and related business support and employment opportunities to Indigenous Australians. They also measure the success of the program in

helping to create and maintain sustainable businesses.

In 2015–16, the program commenced a transition to a structure that could more effectively respond to the changing requirements of the market that IBA services. The program refocused the types of support offered in line with the various stages of a business life cycle, to include idea development, preparation, start up, growth, maturity and exit.

One of the key strategies to increase the commercial capability of Indigenous entrepreneurs was achieved by identifying the customer's stage in the business life cycle and tailoring support to meet specific needs, as well as through the development of e-learning tools.

The total active loans in the portfolio decreased from 277 in 2014–15 to 247 in 2015–16, because new loan approvals were fewer than loans paid out. The aggregate value at 30 June 2016 is \$52.7 million. A number of circumstances affected the ability of the program to meet the target of 60 new loans for 2015–16.

A total of 428 entrepreneurs were supported in a wide range of capability development activities in 2015–16. Participants (215) attended face-to-face *Into Business*TM workshops across Australia. Potential and existing business owners were provided with internal support from IBA staff and, in some cases, specialist expertise was provided through external consultants.

A redevelopment of the program saw it increase efforts and emphasis on building a team of in-house specialists to work with customers to determine what training, skills, experience and resources may be needed to enable customers to make an informed decision about buying, starting, growing or exiting a business. These processes ensured that customers who applied for a loan were better placed to service the loan and build a sustainable business.

IBA had a stronger focus on the quality of its decision making and the support we put in place to ensure that businesses are moving along viable development pathways. As the program services an emerging sector, its loan portfolio naturally carries higher risk than the portfolios of private sector banks. Yet IBA must be prudent not to provide loans to non-viable businesses.

In 2015–16, potential Indigenous entrepreneurs approached the Department of the Prime Minister and Cabinet (PM&C) to access the Indigenous Enterprise Development funding for financial support rather than approaching IBA in their early stages of business development. IBA provided expertise to PM&C in assessing the commercial viability of applications; however, this did not always result in the granting of a loan. IBA received \$140,000 in additional funding from PM&C to carry out commercial viability assessments for Indigenous Enterprise Development participants. A total of 90 commercial viability assessments were completed.

While not a portfolio budget statement target, the establishment of the commercial markets team to assist existing Indigenous businesses to broker contracts with government and large corporate entities resulted in four contracts with a value of \$19 million. Although below the target in the IBA 2015–16 Corporate Plan, the contracts represent a strong focus on the development of robust, viable Indigenous businesses.

IBA provides support to businesses that in turn provide substantial employment for Indigenous people. In 2015–16, IBA substantially exceeded its targets with respect to employment generally and Indigenous employment in particular. Recognising that loans are a means rather an end, IBA's broadened emphasis on business sustainability and growth is designed to protect and grow employment particularly in regional and remote communities.

IBA approved 13 increases to loans for existing customers and 14 new loans to existing customers. Accordingly IBA approved a total of 27 loans to existing customers to undertake expansion activity or realise growth opportunities.



Business survival rates remained steady and ahead of target, with 91 per cent of loan portfolio customers achieving their first year of trade, 76 per cent their second year, and 69 per cent their third. A slight downward movement was seen in the percentage of loan customers still in business two and three years after commencing in business. This will be monitored on a quarterly basis in 2016–17.

The business survival outcomes of IBA business loan customers remain ahead of those in the broader small business sector, reported by the Australian Bureau of Statistics (ABS) as 74 per cent for the first year, 59 per cent for the second and 50 per cent for the third (ABS Publication 8165.0, *Counts of Australian Business, including Entries and Exits, June 2011 to June 2015*).

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

TABLE 2: Business Development and Assistance Program performance

Performance criterion	Source (page)	Target	Result	Achieved
Number of new loans approved	CP (17), PBS (153)	60	36	✗
Number of increases to loans with existing customers	CP (17), PBS (153)	25	13	✗
Number of entrepreneurs supported in capability development activities ¹	CP (17), PBS (153)	600	428	✗
Number of jobs created/supported by IBA business loan customers ²	CP (17), PBS (153)	500	1,269	✓
Number of Indigenous people in jobs created/supported by IBA business loan customers ²	CP (17), PBS (153)	325	593	✓
Number of active loans in the portfolio	CP (17), PBS (153)	300	247	✗
Percentage of loan customers still in business one year after commencing business	CP (17), PBS (154)	85%	91%	✓
Percentage of loan customers still in business two years after commencing business	CP (17), PBS (154)	75%	76%	✓
Percentage of loan customers still in business three years after commencing business	CP (17), PBS (154)	65%	69%	✓
Number of supply chain contracts brokered ³	CP (17)	50	4	✗
Appropriation ⁴		\$37.1m		

CP = IBA 2015–16 Corporate Plan, PBS = Prime Minister and Cabinet Portfolio Budget Statements 2015–16

- 1 This was a new measure in 2015–16 to capture broader service delivery. Capability development initiatives cover pre- and post-loan business support and comprise: due diligence; business planning; workshops; trade events, marketing and promotion; mentoring; growth planning and budgeting; and assistance with contracts, tender writing and website development.
- 2 Data was collected during the loan approval stage and updated monthly to account for new loan approvals and loans exiting the portfolio. 'IBA business loan customers' refers to the total loan portfolio.
- 3 This measure was discontinued on 31 December 2015 so that staff could focus on other ways to support the Indigenous Procurement Policy, including new product development.
- 4 The appropriation for the Business Development and Assistance Program was made up of \$13.7 million equity injection (capital) and \$23.4 million departmental funding.

Equity and Investments Program

Objective

This program aims to co-invest with Indigenous Australians in commercial ventures and assets, enabling them to access sound financial returns, build commercial capability, and generate employment, training and supply chain opportunities.

Performance analysis

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

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

In 2015–16, IBA actively pursued new investment opportunities, and prudently exited from existing investments in order to re-use capital for further investments and transfer ownership to Indigenous co-investors. The program met four out of five of its performance criteria in 2015–16.

IBA's results for portfolio return (7.3 per cent) and returns to Indigenous partners (7.1 per cent) both exceeded their targets. IBA's average return over the previous rolling five years (3.0 per cent) was affected primarily by valuation impacts in 2013–14.

In line with the revised Investment Strategy approved by the IBA Board to commence from 1 July 2016, the method of calculating portfolio returns has changed to take account of the impact of changes in the valuation of investments. This reflects the approach taken by many investment funds to report total returns (incorporating both income from investments and valuation increments/decrements).

The investment portfolio is valued at \$407.9 million (at 30 June 2016), of which IBA's share is \$279.6 million (68.6 per cent), with \$108.7 million (26.6 per cent) held by Indigenous investors and \$19.4 million (4.8 per cent) held by other private sector partners. The portfolio generated a cash surplus of \$7.6 million to IBA (after meeting program expenses) for 2015–16, and remains well placed to deliver economic benefit for Indigenous Australians.

The portfolio generated more than \$20.7 million in income for IBA and its Indigenous co-investors (including interest earned on IBA's cash holdings and investment loans). IBA's share of this income will be used to meet operating expenses associated with the program, to pursue new investment opportunities, and to reinvest in existing investments to enable their growth and support their ongoing plans.

Broader economic outcomes included supporting 208 jobs for Indigenous Australians, with total salaries, wages and job-relevant training benefits to Indigenous Australians of over \$12.5 million. Indigenous Australians represented 26.8 per cent of the total workforce supported by the direct investments portfolio, which significantly exceeds the target of 22.5 per cent. In addition, the businesses to which IBA supplies leasing options employ around 188 Indigenous Australians. IBA's investments also procured more than \$5 million in goods and services from Indigenous suppliers.



The launches of the Indigenous Investment Principles and the Indigenous Prosperity Funds were significant achievements, demonstrating strong engagement with communities. The initiation of an impact-reporting tool to collect data from IBA's leasing solutions will help us to enhance the program to better serve our customers.

The Equity and Investments Program does not receive annual budget appropriations

from the Australian Government. Its operating expenses are funded entirely from returns on IBA's investment portfolio. The funding for the leasing solutions is derived from a combination of asset transfers, program funding from other government agencies and seed capital from IBA.

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

TABLE 3: Equity and Investments Program performance

Performance criterion	Source (page)	Target	Result	Achieved
Portfolio return to IBA (budget year) ¹	CP (20), PBS (149)	5.1% ² (CPI+4%)	7.3%	✓
Portfolio return to IBA (rolling five years) ³	CP (20), PBS (149)	5.9% ⁴ (CPI+4%)	3.0%	✗
Number of Indigenous co-investors supported ⁵	CP (20), PBS (149)	30	40	✓
Portfolio return to Indigenous co-investors ⁶	CP (20), PBS (149)	5.1% (CPI+4%)	7.1%	✓
Proportion of Indigenous jobs supported by the investment portfolio ⁷	CP (20), PBS (149)	22.5%	26.8%	✓
Appropriation		-	-	

CP = IBA 2015–16 Corporate Plan, CPI = consumer price index, PBS = Prime Minister and Cabinet Portfolio Budget Statements 2015–16

- This measure indicates portfolio return to IBA during the year. It is calculated as the after-tax return generated by IBA's share of the investment portfolio in the budget year, expressed as a percentage of the average value of IBA's share of the investment portfolio during the budget year ('portfolio value'). It excludes IBA's financial investments and the interest earned thereon. Returns take account of the effect of valuation increments and decrements. This is a change from the methodology used in prior years.
- CPI for the year to 30 June 2016 was 1.1 per cent.
- This measure indicates portfolio return to IBA over a rolling five-year period (inclusive of the designated year). It is calculated as the average of the after-tax returns generated by the investment portfolio (expressed as a percentage of portfolio value) in each of the past five budget years. It excludes IBA's financial investments and the interest earned thereon. Returns take account of the effect of valuation increments and decrements in each of the prior years. This is a change from the methodology used in prior years.
- Average CPI for the five years to 30 June 2016 was 1.88 per cent.
- This measure includes current Indigenous co-investors, Indigenous co-investors to whom investments were sold during the budget year and Indigenous investors supported through IBA's advisory services. In addition, IBA leased assets to 49 Indigenous organisations.
- This measure indicates portfolio return to IBA's Indigenous co-investors during the year. It is calculated as Indigenous co-investors' share of the after-tax return generated by the investment portfolio in the budget year, expressed as a percentage of the average value of Indigenous co-investors' share of the investment portfolio during the budget year. Returns take account of the effect of valuation increments and decrements. This is a change from the methodology used in prior years.
- This measure shows the total number of Indigenous people employed by investment portfolio entities, expressed as a percentage of total workforce employed by investment portfolio entities, measured quarterly and averaged across those quarters to account for fluctuations in staffing levels intra-year. In addition, the businesses to which IBA supplies leasing options employ 188 Indigenous Australians (which are not reflected in the measure above).

Analysis of overall performance against purposes

Enhanced self-management and economic self-sufficiency

IBA enhanced the ability of Indigenous Australians to achieve their social and economic objectives. This was demonstrated by the proportion of business loan customers still in business one (91 per cent), two (76 per cent) and three (69 per cent) years after commencing. These results exceed those of the broader small business sector, as compared with the ABS data.

The number of Indigenous people in jobs created and/or supported by IBA's business loan customers (593) and investment portfolio (208) exceeded the program targets.

Advanced commercial and economic interests

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

The Business Development and Assistance Program further supported existing businesses with capability development activities. The Equity and Investments Program supported 40 Indigenous co-investors to build wealth.

Managed capital

IBA accumulated and used its capital for the benefit of Indigenous Australians by targeting return on investment, through both growth of the Indigenous Home Ownership Program capital base (\$1,062 million in face value as at 30 June 2016) and portfolio return (7.3 per cent) of the Equity and Investments Program.

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



PART 2
HOME
OWNERSHIP

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OBJECTIVE

The Indigenous Home Ownership Program facilitates Indigenous Australians into home ownership through providing access to affordable housing loan finance. The program aims to address barriers such as loan affordability, low savings, impaired credit histories and limited experience with long-term loan commitments.

For details of the program's results against 2015–16 performance measures, see Table 1 in Part 1.

ENVIRONMENT

Of the 209,000 Indigenous households recorded at the last census, in 2011, 37 per cent owned their homes. This was an increase from 33 per cent in 2001, but low when compared to the 70 per cent of non-Indigenous Australians who owned their homes in 2011. IBA faces the challenge of assisting in closing this gap while being mindful of the risks and challenges our customers confront in getting into the housing market.

Risks include possible declines in property prices and increases in interest rates and unemployment. Adjusting eligibility requirements to ensure that housing repayments are set at a level that does not cause financial stress (typically defined at around 30 per cent of gross income) is an appropriate policy response to escalating property prices. On the other hand, extending assistance to individuals who are more sensitive to economic change invites unacceptable risk.

Many first home buyers, particularly those living in major towns and cities who have access to educational and employment opportunities, would have sufficient income to service a mortgage. However, they may not have sufficient savings for the up-front capital costs of purchasing a home, including a deposit, stamp duty, conveyancing and other fees.



ACHIEVEMENTS

Customers

In 2015–16, IBA met its performance target to provide 80 per cent of loans to applicants who have a combined gross annual income of not more than 140 per cent of the IBA Income Amount. The IBA Income Amount is equivalent to 100 per cent of the national average weekly male earnings, as calculated by the ABS. At 30 June 2016, the IBA Income Amount was \$82,548.

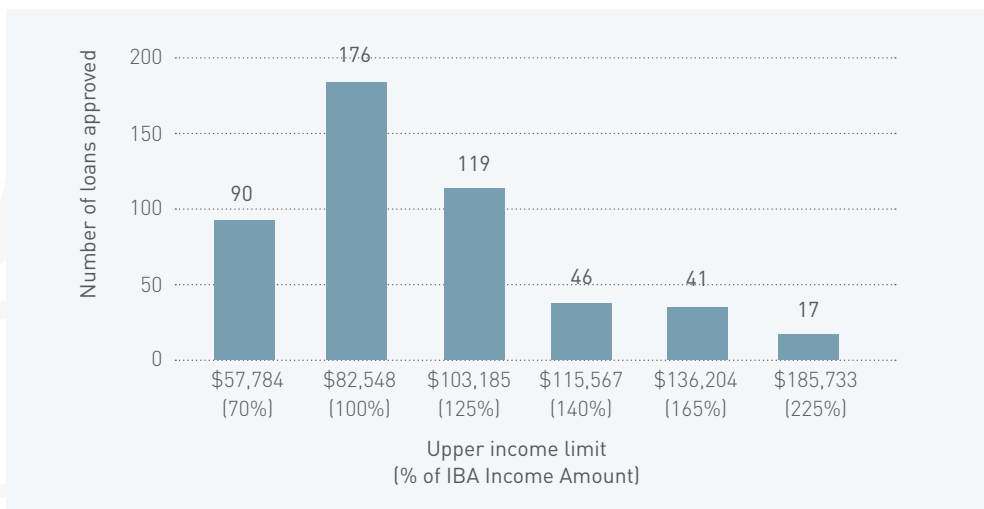
Figure 2 shows the number of IBA housing loans written in 2015–16, by customer income.

In 2015–16, IBA's performance target was to make at least 90 per cent of loans to first home buyers. IBA met this target, achieving 93 per cent of loans to first home buyers.

The typical IBA housing loan customer in 2015–16 was a couple with dependants, on a combined annual income of \$83,846. They were most likely to purchase their first home in a non-metropolitan area.

Approximately 45 per cent of IBA's housing loan customers were couples with dependent children. Other customers were single parents (12 per cent), couples with no dependants (25 per cent) or single people (18 per cent). The median age of customers was 32 years.

FIGURE 2: New housing loans, by combined gross annual income



RIHL OPTIONS



'There's such a big difference between owning and renting a house. Now that I own my home I feel much more positive about the future.'

Jamie, an Aboriginal woman from Narrabri, New South Wales, says that she learnt about IBA's Remote Indigenous Home Loan (RIHL) through word of mouth.

'My partner and I had been looking at buying our own home for a while but we didn't think we could afford a home loan, so when I heard about IBA I quickly organised a meeting with them in Narrabri', Jamie said.

'We were worried about biting off more than we could chew with the loan, but IBA helped get our finances in order and gave us tips on where we could save in our weekly budget so we could afford the loan.'

Jamie's life has changed significantly since the day her auntie told her about IBA. She says that the biggest change is the emotional difference home ownership has made to her and her family.



Funding

IBA has a limited capital pool from which it can fund new housing loans. The capital pool depends on the amount of customer repayments received by IBA, the value of loans that are discharged early, and additional capital injections to the program.

In 2015–16, the Indigenous Home Ownership Program received \$174.13 million in revenue, comprising \$150.13 million from loan repayments and early loan discharges, \$22.85 million from new appropriations and \$1.15 million from bank interest on funds held by IBA.

The total amount of funds budgeted for lending in 2015–16 was \$197.0 million, which included \$35.2 million in commitments carried forward from the previous year. The total amount of funds committed in 2015–16 was \$197.1 million. The total expenditure for the year was \$171.9 million. An amount of \$25.2 million in outstanding commitments will be carried forward to 2016–17.



Lending

IBA's target was to approve 575 new loans in 2015–16. IBA approved 489 new loans with a total value of \$161.9 million.

The average property purchase price was \$357,700 and the average loan amount was \$331,400; an increase from \$354,100 and \$290,200 respectively in 2014–15.

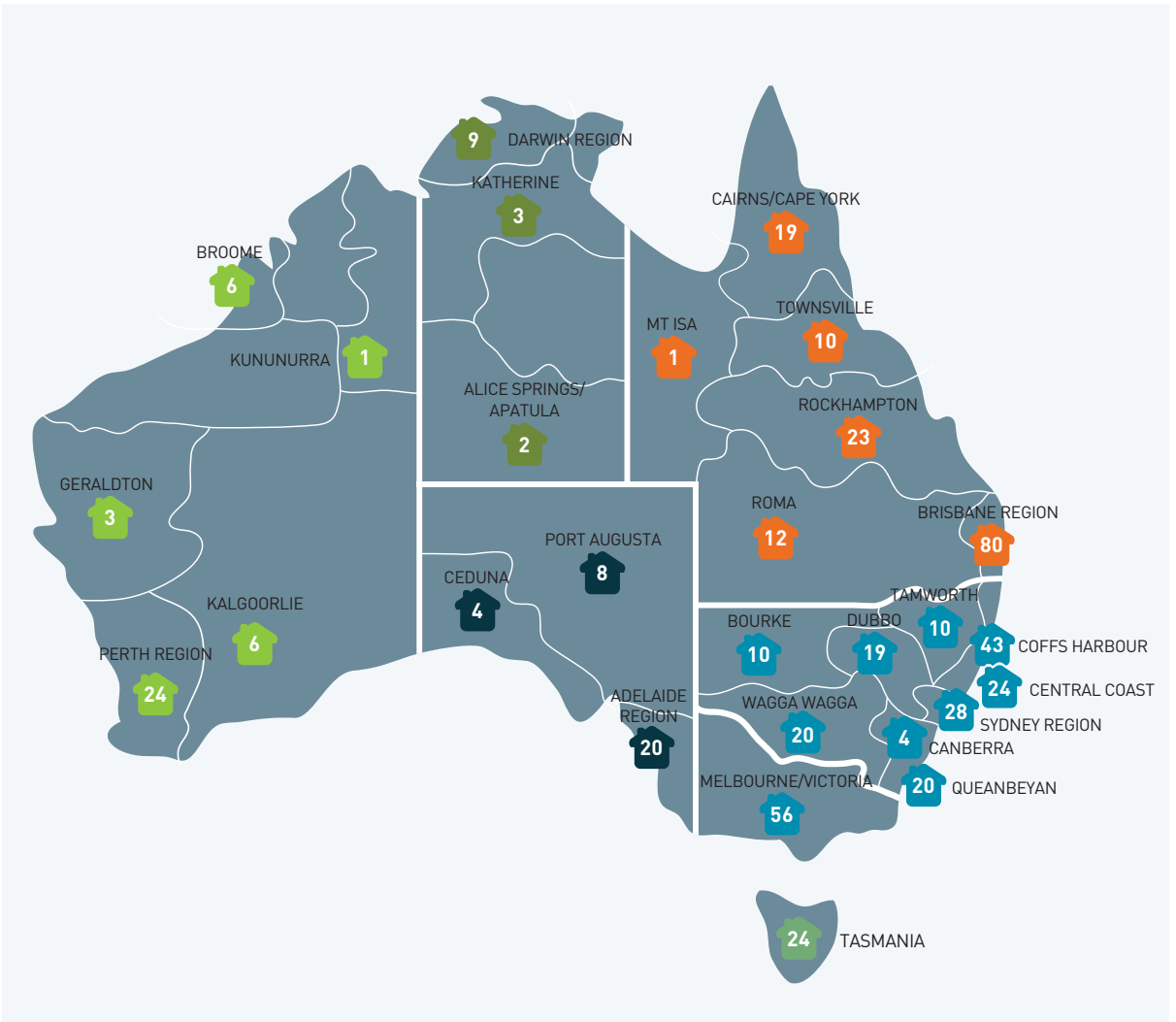
This new lending enabled 1,198 Indigenous Australians (including dependants) to enjoy the social and economic benefits of home ownership.

Depending on the customer's circumstances, particularly where they have a higher income, IBA may provide funds under a split loan arrangement. In these cases, IBA lends part of the funds needed to buy a home and the customer borrows the remaining funds from another lender. In 2015–16, 25 loans (5.1 per cent of the total number of loans approved by IBA) were funded under split loan arrangements. Through these arrangements, IBA effectively leveraged \$7.4 million in external funding, enabling more Indigenous Australians to purchase their own homes than otherwise would have been the case.

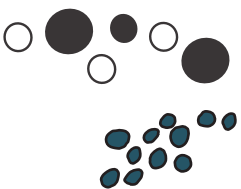
Figure 3 shows the distribution of new loans across geographical areas, demonstrating that the majority of loans were provided in regional Australia.



FIGURE 3: New housing loans, by geographic distribution



Note: Geographical areas are based on the ABS Australian Geographic Classification and Accessibility/Remoteness Index of Australia.





Regional and remote areas

In 2015–16, more than 77 per cent of new loans (375 loans) were approved for customers purchasing homes in regional and remote areas. Six per cent of new loans (30 loans) were approved for areas classified as Remote or Very Remote, based on the Accessibility/Remoteness Index of Australia (ARIA) classifications.

ARIA is an ABS-endorsed measure of remoteness, determined by road distance to the nearest ABS-defined Urban Centre. Figure 4 shows a breakdown of housing loans approved, by ARIA classification.

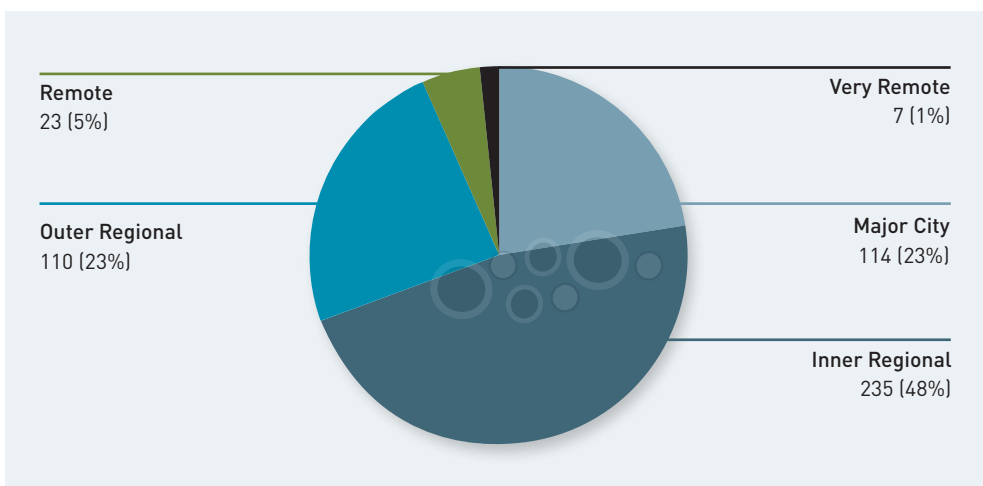
In August 2015, IBA amended its policy settings to align and merge the assistance previously provided to 'emerging market' communities into a single package of assistance, the Remote Indigenous Home Loan (RIHL). The assistance now available for eligible applicants includes a concessional interest rate loan, the Establishment Costs Grant (up to \$13,000) and the Remote Indigenous Home Buyer Grant (\$20,000, subject to an income means test).

The number of locations eligible for assistance was expanded under the RIHL to include 28 communities that

are nominated communities under the Australian Government's Remote Indigenous Housing Strategy. During the year, IBA extensively marketed and promoted the RIHL in sixteen of those designated remote locations, conducting a total of 40 community visits. As a result, IBA approved eighteen loans in those locations. The number of remote locations being visited will be extended in 2016–17.

IBA also works with communities on community-titled land to explore opportunities for home ownership, usually involving 99-year leases. In 2015–16, IBA made a total of ten visits to four remote communities (in addition to the sixteen RIHL locations noted above): Wurrumiyanga in the Northern Territory, and Hope Vale, Palm Island and Yarrabah in Queensland. Two loans were approved for customers in Yarrabah. This result was significantly less than expected in these communities. The initial interest in purchasing social housing stock in Palm Island and Yarrabah in particular dissipated during the year, due to community concerns about the valuation methodology for determining sale prices of existing residential properties.

FIGURE 4: New housing loans, by accessibility/remoteness



Temporary stimulus strategy

In 2014–15, IBA implemented a temporary stimulus strategy for lending which allowed new housing loans approved between 1 March 2015 and 30 June 2016 to:

- be provided for full funding of up to 100 per cent of required loan finance (no split lending) for customers earning up to 165 per cent of the IBA Income Amount
- include a discount of 0.5 per cent to the standard introductory rate, reducing the commencing rate to 4.0 per cent, for customers earning up to 140 per cent of the IBA Income Amount (in August 2015 this threshold was increased to 165 per cent of the IBA Income Amount).

These temporary measures addressed the immediate affordability issues faced by many of IBA's customers. The temporary measures will be largely superseded by formal policy changes that take effect on 1 July 2016.

Audit recommendations

The Australian National Audit Office undertook a performance audit of the Indigenous Home Ownership Program at the beginning of 2015–16. The report was tabled on 3 December 2015, with recommendations which aligned with IBA's understanding of the challenges of delivering the program. IBA developed and commenced an action plan to implement the report's recommendations.

The audit recommended improvements to IBA's policies and operations aimed at increasing lending to lower income earners, making service delivery more responsive to the needs of customers, increasing the efficiency and effectiveness

of business practices, and enhancing performance reporting.

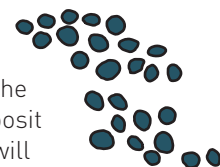
IBA developed and commenced an action plan to implement the report's recommendations. In 2016, significant work was done to:

- develop a new home ownership policy (effective 1 July 2016) to align the program more to lower income earners by including: a revised income test, strengthened testing to determine that potential customers cannot obtain commercial home loans, a reduced commencing interest rate applicable to lower income earners, a new assets test and income-tiered deposit requirements
- streamline the program's application processes, including developing online self-assessment and application lodgement capabilities to supplement existing paper-based application processes
- develop a customer survey to garner feedback from customers about IBA's housing loan products and services.

Deposit bond

IBA has entered an agreement with the major company in the Australian deposit bond market, Deposit Power, which will significantly enhance the service that IBA provides to its customers.

From 1 July 2016, the agreement will allow IBA to, where necessary, process a deposit bond approval for a customer at the same time as the loan approval. This will enable customers to access a deposit bond in one simple process and reduce the risk of customers losing a property due to delays in securing a deposit bond. Deposit bonds are provided at a relatively low cost (1.3 per cent of the deposit amount required) and have up to six months validity.





Marketing and promotion

The outreach marketing approach trialled in 2014–15 was successfully continued in 2015–16. A total of 16 per cent (761) of all new home lending enquiries were directly attributable to the regional and promotional activities, as detailed in Figure 5.

A key component of the approach is engaging in joint marketing arrangements with corporates, government and Indigenous entities. During 2015–16, promotional activities were jointly undertaken with:

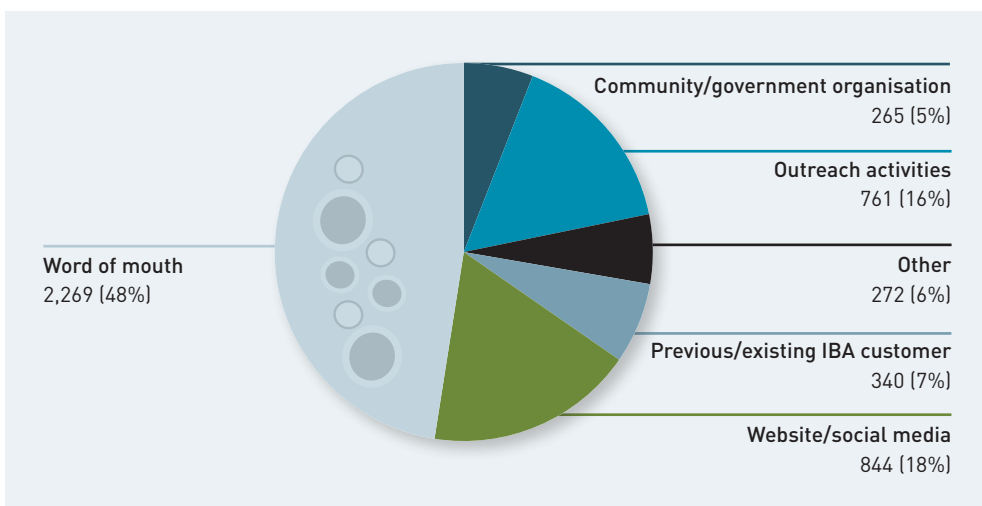
- Indigenous employees and contractors with Australia Post, Coles, the New South Wales Police Force, the Queensland Police Service, Centrelink, Charles Sturt University and the National Aboriginal and Torres Strait Islander Health Worker Association
- Indigenous players with the Australian Football League
- Indigenous tenants of the NSW Aboriginal Housing Office, and Indigenous customers of Aboriginal health services.

These information sessions reached over 2,000 Indigenous Australians during the year.

Marketing activities to promote opportunities for home ownership to a broader Indigenous audience included IBA being featured in interviews on regional radio and the National Indigenous Radio Service. The recent Australian National Audit Office report observed that IBA needed to further market the program, because 'a wider audience of Indigenous Australians may not be aware of the assistance on offer by IBA'.

Notwithstanding the increased marketing and promotion undertaken by IBA, home loan enquiries fell by 14 per cent. IBA believes the work being done to streamline the application process will assist customers and improve the enquiry process.

FIGURE 5: Home lending enquiries, by source



DARWIN DREAMS COME TRUE



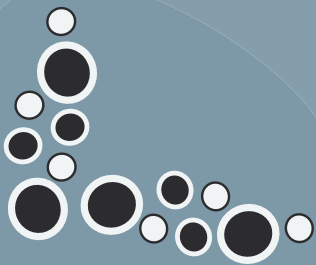
'My two little kids get to grow up in Darwin, which I've always wanted, I get to stay in Darwin, which I've always wanted, along with my missus and you look forward to something to come home to after work and it's a bit of an incentive to stay at work as well.'

Home ownership always seemed an unreachable dream for Edward and Sophie.

'For a while there we didn't think that we would be able to get into the home market in Darwin', the couple said.

'But with the help from IBA, we have been able to build a home for our young family in the area that we both grew up in.'

They are now putting the finishing touches on the new home that they will share with their children, Edward and Nalani.





STRATEGY

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

The program sets interest rates, deposit requirements and other support arrangements at appropriate levels to assist people who may otherwise not be able to afford home ownership.

Interest rates

The IBA Home Loan Rate (5.25 per cent at 30 June 2016) is benchmarked against a range of other lenders' standard variable interest rates for owner-occupied properties and is adjusted from time to time to assist customers to enter the home ownership market. The commencing interest rates for IBA housing loans may vary in response to customers' circumstances and loan requirements.

The standard introductory interest rate (4.0 per cent for 2015–16) for first home buyers is capped for a minimum period of twelve months and then increases by 0.5 per cent on 1 January each year until it reaches the IBA Home Loan Rate. First home buyers who obtain part of their funds from an external lending institution generally receive a starting interest rate of 4.0 per cent on their IBA loan, capped for three years. At the end of this period, the rate increases by 0.5 per cent on

1 January each year until it reaches the IBA Home Loan Rate. Customers on lower incomes (up to 70 per cent of the IBA Income Amount—\$57,784 at 30 June 2016) may have a starting interest rate of 3.0 per cent.

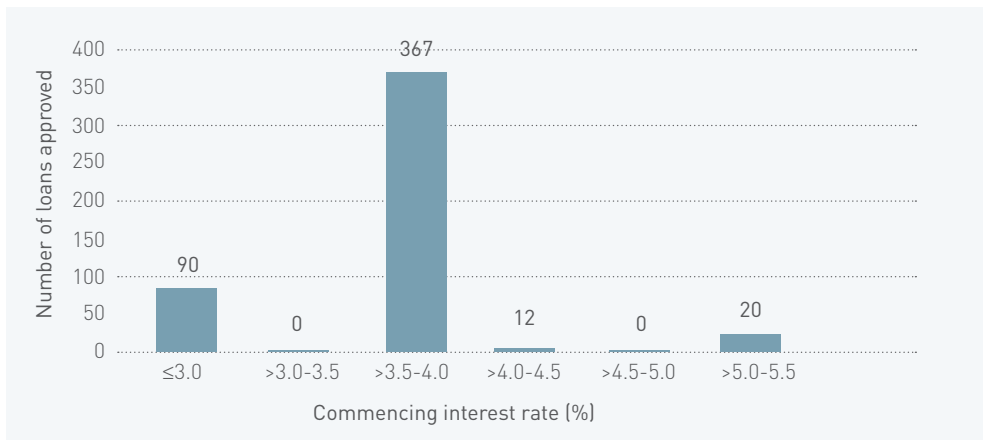
In 2015–16, 367 (75 per cent) new IBA customers received loans at starting interest rates of 4.0 per cent; a further 90 (18 per cent) customers received loans at a starting interest rate of less than or equal to 3.0 per cent.

In response to continuing pressure on loan affordability, from 1 July 2016 customers on lower incomes will have access to a commencing interest rate of 2.0 per cent (up to \$41,694) or 3.0 per cent (between \$41,695 and \$70,879).

Figure 6 shows the number of loans approved by commencing interest rates at 30 June 2016.



FIGURE 6: New housing loans, by commencing interest rate



Deposits

In 2015–16, IBA customers borrowed, on average, 92.6 per cent of the funds required to purchase their homes.

IBA expects customers to provide the highest amount of deposit they can reasonably afford, including any first home owner assistance they receive from their state or territory government. IBA's targeted customers typically do not have sufficient savings to meet the minimum deposit requirements of commercial lenders. Therefore, IBA will accept a significantly lower minimum deposit in order to assist customers into home ownership. IBA also does not require its customers to take out lenders mortgage insurance.

To ensure that IBA provides an appropriate level of assistance for customers, on 1 July 2016 IBA's deposit requirements will increase for higher income earners, who have a greater capacity to save a deposit. As a result, customers earning more than \$116,742 per year will need to provide a deposit of 3 per cent of the purchase price, and customers earning more than \$137,589 per year will need to provide a deposit of 5 per cent.

Loan terms

IBA's standard housing loan term is 32 years. However, loan terms often vary to align with the maximum monthly loan repayment the customer can afford, taking into account their overall living expenses. As their circumstances change, many customers make additional repayments or maintain their repayments at a higher level, enabling them to repay their loans sooner.

Figure 7 shows the remaining loan terms of the active loan portfolio at 30 June 2016.

Most IBA home loan borrowers discharge their loans early—on average, after approximately ten years. Having established adequate equity in their homes, IBA customers often turn to other lenders when they want to trade up to a larger home to accommodate changing family circumstances.

In 2015–16, 401 customers discharged their IBA loans, an increase from 376 customers in 2014–15. The majority of these customers transitioned to the mainstream finance sector to either refinance their existing home loan or upgrade to a new home. Figure 8 shows the trends in IBA housing loan discharges over the last ten years.



FIGURE 7: Total remaining loan term of the active housing loan portfolio

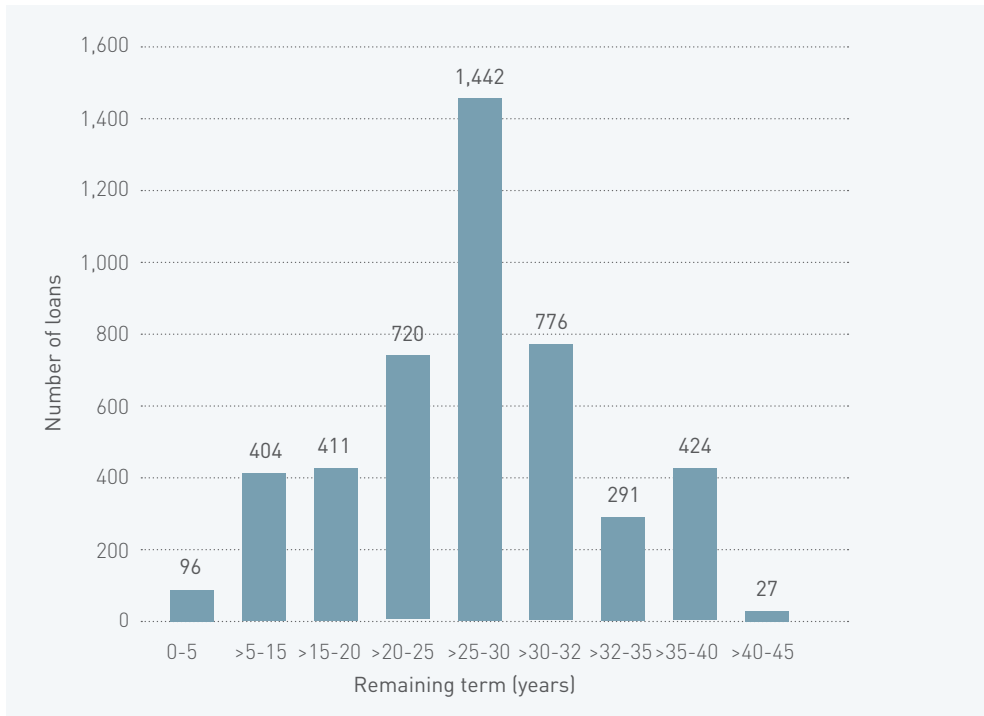
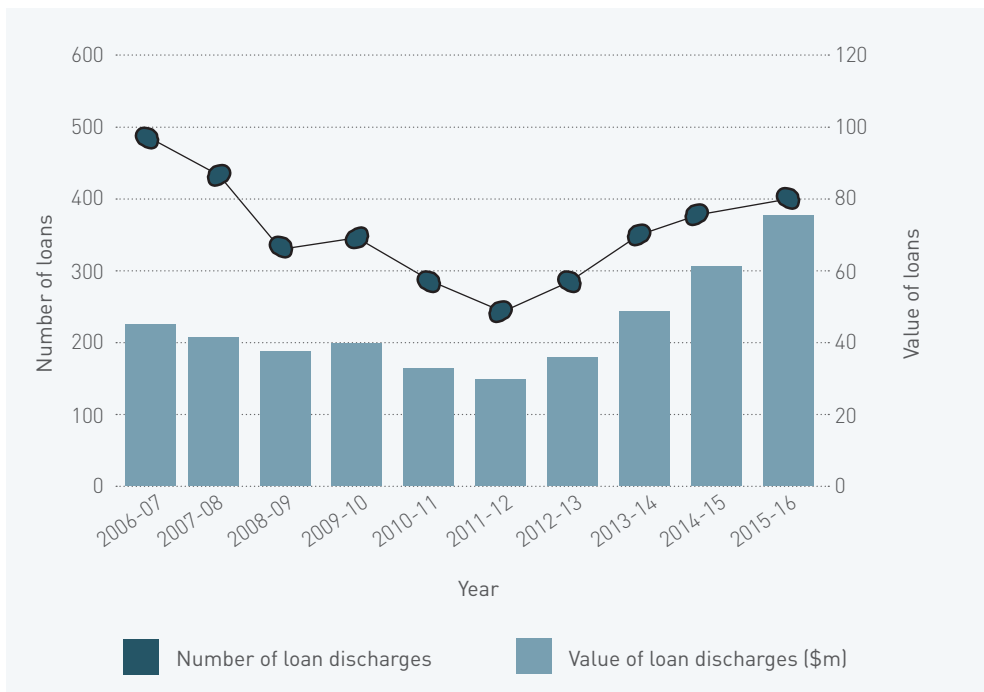


FIGURE 8: Total value and number of housing loans discharges, over ten years



PORTFOLIO

Preservation of IBA's loan portfolio asset base is paramount in ensuring that sufficient funds are available for future lending.

Growth

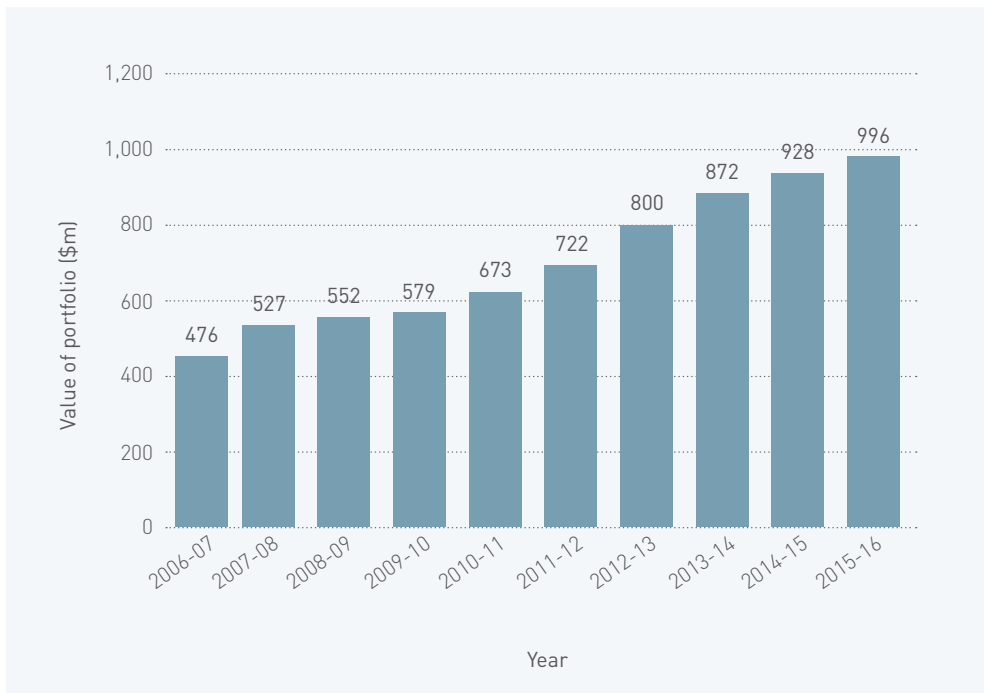
IBA's target was to grow its housing loan portfolio to 4,675 loans in 2015-16. At 30 June 2016, the portfolio consisted of 4,591 active loans, slightly less than the target.

In 2015-16, the loan portfolio grew by \$68.0 million (7.3 per cent), bringing the total value of the portfolio to \$996.3 million. IBA's loan portfolio has grown by \$520.0 million (109 per cent) over the last ten years, as shown in Figure 9. Interest charged on loans during the year was \$42.4 million.

The value of the portfolio after accounting adjustments for recognising assets at their fair value was \$681.5 million.

The fair value assessment is an accounting adjustment made to reflect the value of the portfolio based on market expectations of risk and return.

FIGURE 9: Total value of the housing loan portfolio, over ten years





Geographic distribution

Over 64 per cent of IBA's home loan customers are in New South Wales (34 per cent) and Queensland (30 per cent). IBA's loans are predominantly made to customers in regional and remote locations (77 per cent).

Figure 10 shows the spread of loans by state or territory, and Figure 11 shows the spread of loans by ARIA classification.

FIGURE 10: Total housing loans, by state or territory

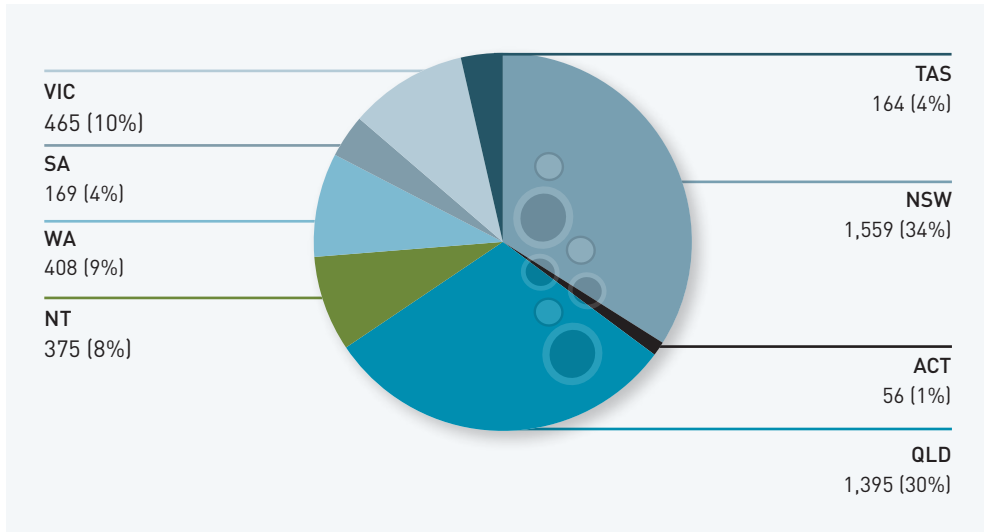
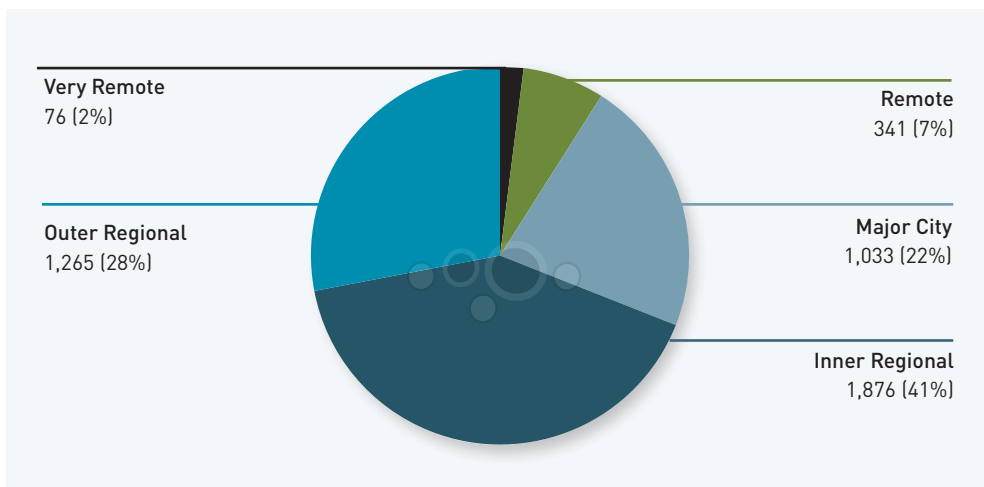


FIGURE 11: Total housing loans, by accessibility/remoteness



Loan-to-valuation ratio

The majority of IBA's new customers have a high loan-to-valuation ratio (LVR) due to the low deposits they are able to contribute to their home acquisition.

Over 73 per cent of loans in IBA's housing loan portfolio have a LVR of 75 per cent or more, while in the broader lending market only 30 per cent of loans are in this category (this proportion may include investment property purchases). The weighted average LVR for IBA's loan portfolio in 2015–16 was 87 per cent, compared to an industry average of 59 per cent (industry comparisons are sourced from the Standard & Poor's *Residential Mortgage-Backed Securities Performance Watch Report*, March 2016).

Arrears and loan recovery

IBA has comprehensive arrears management processes and loan after-care arrangements that allow for early intervention and management of arrears cases. The relationship between the loan officers and the customers is maintained throughout the course of a loan. IBA's personalised ongoing support for customers operates beyond the normal mandate of a bank or other financial institution.

Where a customer is unable to maintain loan repayments due to unemployment, illness or other genuine event of hardship, IBA may assist by varying loan repayments, adjusting the loan term or interest rate, or agreeing to a short-term deferment of loan repayments.

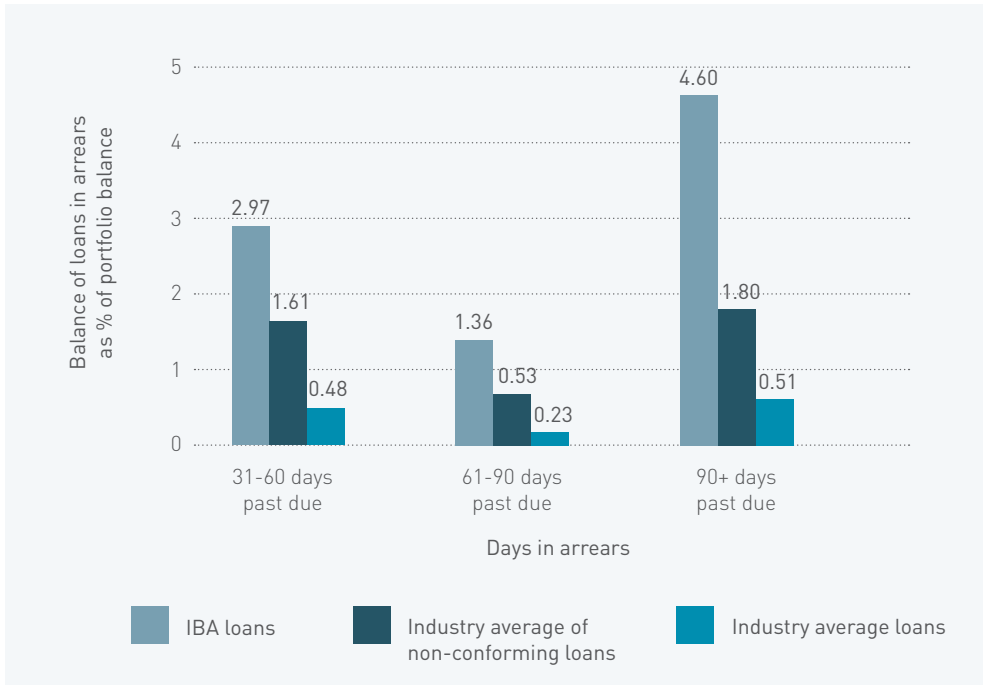
While IBA takes every possible step to ensure that customers have the capacity and intent to service loans, some arrears and losses are inevitable. At 30 June 2016, IBA loans that were more than 30 days and 90 days in arrears comprised 8.9 per cent and 4.6 per cent respectively of the total value of the loan portfolio. This compares to the industry average of non-conforming loans of 3.9 per cent and 1.8 per cent respectively. IBA's rate of non-conforming loans is higher than that of other lenders, because IBA typically lends to higher risk customers and IBA focuses on assisting low-income first home buyers who are susceptible to economic downturns.

At 30 June 2016, 47 loans (1.0 per cent) were subject to repayment arrangements, and IBA had taken possession of 26 properties under mortgagee-in-possession arrangements. Before exercising its mortgagee powers, IBA worked extensively with each customer to ensure that they were given every possible opportunity to retain their home. Figure 12 shows the comparison of IBA arrears rates to those of the broader housing loan industry.

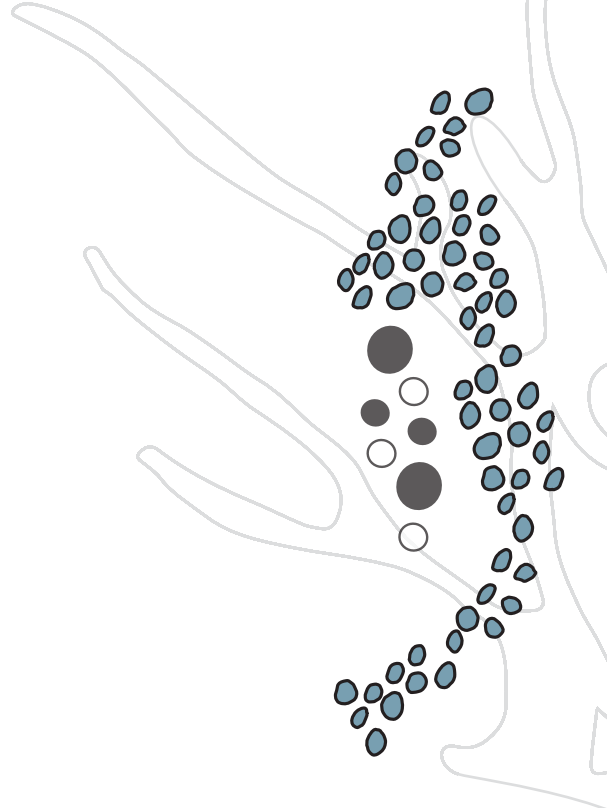
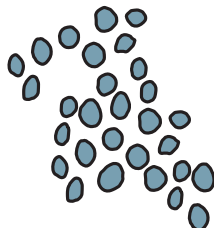
In 2015–16, IBA sold 23 properties under its mortgagee-in-possession powers, for a net loss of \$2.0 million. This loss in large part reflects the economic slowdown in regional Australia, particularly in the mining and manufacturing sectors. IBA will pursue repayment arrangements with customers as appropriate to recover its losses.



FIGURE 12: Comparison of housing loan arrears balances of IBA and commercial lenders



Note: Industry comparisons are sourced from the Standard & Poor's *Residential Mortgage-Backed Securities Performance Watch Report*, March 2016.



RISK MANAGEMENT

IBA manages risk by having prudent lending policies and processes, employing experienced staff to oversee lending activities, and adopting a flexible approach whereby each case is considered on its merits.

Although IBA's loan receivables are considered riskier than those of mainstream lenders, IBA is conscious of its fiscal obligations to maintain and grow a capital base to support future home lending and achieve our core objective of increasing Indigenous home ownership. IBA accepts a lower rate of return than commercial home lenders would accept given the same level

of risk. The risk and return characteristics that IBA accepts are reflected in the fair valuation of its loan portfolio, detailed in the accompanying financial statements.

To manage external risks, including changes in market conditions, IBA conducts routine risk identification and assessment, and implements controls to minimise the occurrence and impact of risk.

OUTLOOK

The projected revenue and new appropriations will allow IBA to support an estimated 530 new home loans in 2016–17. The total home loan portfolio is expected to increase to 4,730 loans.

In 2016–17, IBA will continue to implement the recommendations from the performance audit of the Indigenous Home Ownership Program. Supporting the Australian Government's initiatives to provide incentives to take up home ownership will be a particular focus, such as to eligible applicants in remote areas, including those relocating to stronger labour markets. IBA will also continue to give priority to applicants seeking to purchase or construct homes in remote communities.

As part of IBA's forward-looking strategic approach, we will continue, with the Australian Government, to examine innovative ways to access capital so as to expand the number of home loans facilitated by IBA, along with ways to broaden our product and service offerings in partnership with banks and other lenders.





PART 3
BUSINESS
OWNERSHIP

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OBJECTIVE

IBA plays an important role in the development and growth of Aboriginal and Torres Strait Islander businesses through the delivery of the Business Development and Assistance Program. The program provides a range of assistance to Indigenous Australians to acquire, establish and grow their businesses successfully.

For details of the program's results against 2015–16 performance measures, see Table 2 in Part 1.

ENVIRONMENT

Growing a pipeline of emerging Indigenous business operators and potential IBA customers has been constrained by a range of factors. The program redevelopment, along with wider market trends, like a decrease in the mining sector, contributed to some performance measures not meeting target.

IBA's historical learnings and experience of business failures significantly informed the re-engineering of the program's processes and service delivery. IBA recognised a need to place greater emphasis on assessment and pre-loan support around business knowledge, acumen and implementation.

We increased our focus on supporting aspiring entrepreneurs to better understand the capabilities and business acumen needed for successful and sustainable business ownership, in addition to the skills required to be successful in business. As a result, a number of individuals chose not to pursue business immediately, and were supported in building their capabilities.

Externally, continuation of modest growth in the economy has impacted on demand. Continued slowing in the resources sector has affected business activity in several states, especially Western Australia, where the transition to a more diversified economy is still under way. IBA practises responsible lending and takes into account a realistic view of the economic conditions when assisting Indigenous entrepreneurs to start or grow their businesses.





ACHIEVEMENTS

Through a period of structural changes, IBA continued to support individuals and new businesses to develop their capability and provide them with a platform to start and grow commercially viable businesses.

Strengthening IBA's internal capability to support customers in a more agile and cost-effective manner is allowing IBA to play a stronger role in building our current and future customer bases while maintaining a strong focus on the customers. This was a major achievement of IBA staff in 2015–16.

Staff worked closely with customers from a variety of industry sectors across the country, including farming, retail, accommodation and construction, and positive outcomes were achieved.

Workshops

In the first half of the financial year, IBA offered free *Into Business*[™] workshops for aspiring Indigenous entrepreneurs who were new to business or new to an industry. *Into Business*[™] workshops helped participants to fully investigate and research their business ideas.

Through the workshops, customers worked with a business specialist to learn how to research their business idea to determine whether it was commercially viable, and what was required to manage a business on a daily basis.

The three one-day, self-paced workshops were spaced over the course of several weeks, and were held in locations around Australia, including in regional and remote areas. This year there were 215 participants, at eighteen locations across all states and territories. Delivery of the workshops in this format ceased in December 2015.

IBA will be delivering an online option for *Into Business*[™] workshops in 2016–17, which is expected to enhance the experience of our customers. Online delivery will enable participants to tailor their workshop content and the timing and pace of their participation to suit their individual needs, without the necessity to travel or take time out from families, studies, workplaces and businesses.

The online workshops will form part of a broader suite of workshops including information sessions, start up workshops, growth workshops, and procurement workshops.

Business planning and support

IBA provides business planning and support to a range of customers across all stages of the business life cycle. IBA can tailor its support services to meet individual business needs and provide access to expert advice, information and guidance on matters such as:

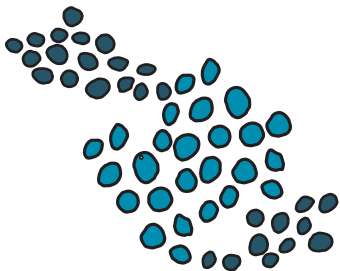
- business planning
- procedural and compliance requirements for new contracts
- tender writing and website development
- marketing and branding
- financial skills development
- cash flow management
- succession planning
- selling and/or exiting a business.

In certain circumstances, a consultant may be engaged to assist a business that may be underperforming by analysing its operations, financial information and markets, and developing strategies to resolve any issues.

Impaired loans reduction strategy

The program's priorities for the year included reducing impaired loans via the impaired loans reduction strategy, which involves the close monitoring and management of arrears and credit risk to prevent further deterioration beyond 60 days past due. This strategy has successfully reduced provisioning and arrears to the lowest levels in four years (see Figure 19). We continue to focus on identifying and assisting growth-stage customers.

The impaired loans reduction strategy also helped viable businesses under temporary stress to turn around for the better, which resulted in 23 loans with a combined value of \$4.04 million improving after negotiation and remedial support. The strategy also assisted and supported thirteen customers to voluntarily exit their businesses. The strategy reflects IBA's commitment to support customers throughout the entire business life cycle.



Development initiatives

IBA's business development initiatives assist individual business owners within a region or industry, including by supporting existing business owners to build networks by participating in trade events, business conferences and industry forums.

To support the development of the Indigenous tourism sector, IBA worked in partnership with Tourism Australia and state and territory tourism offices to deliver the Indigenous Tourism Champions Program. In 2015–16, IBA provided mentor support for 31 businesses, to the value of \$375,000, with Tourism Australia providing complementary marketing and trade event support.

Since 2009, IBA has contributed more than \$4.8 million in direct and in-kind contributions to Indigenous Tourism Champions Program participants, in the form of capital seed funding and capability development to assist in embedding Indigenous tourism businesses into the mainstream tourism sector. The program has evolved as customer and industry needs have changed, from requiring support for the establishment of an Indigenous tourism sector to requiring tailored support for individual businesses.

The program ceased in 2016, but IBA will continue to provide tailored support for Indigenous tourism businesses within our product and service offerings.



STRATEGY

Several strategies have been put in place to add value to the services provided to our customers and, accordingly, the outcomes of the program. They include:

- providing closer one-on-one support to customers, and targeted and specific business support services
- planning a suite of workshops targeted at the conceptual and start up stages of the business life cycle, including online capability development approaches
- delivering guidance on developing business plans and preparing finance-related proposals to support identified business establishment needs.

These changes resulted from an internal assessment, ongoing feedback from customers, and goals for further improvement to our cultural capability service delivery. IBA customers asked to receive face-to-face support and to be mapped throughout the business life cycle, with a particular focus on

understanding risks and business acumen up front.

Staff work with each customer to develop a pathway for entering business according to the customer's individual needs. IBA can assist customers to define, develop, understand, refine and test a business concept's commercial viability. This may involve collaborating with other agencies and organisations to increase a customer's readiness for entering business and hence their likelihood of success.

In addition, staff regularly provide customers with information on networking, tendering and growth opportunities in their industries and regions, as such opportunities are identified.

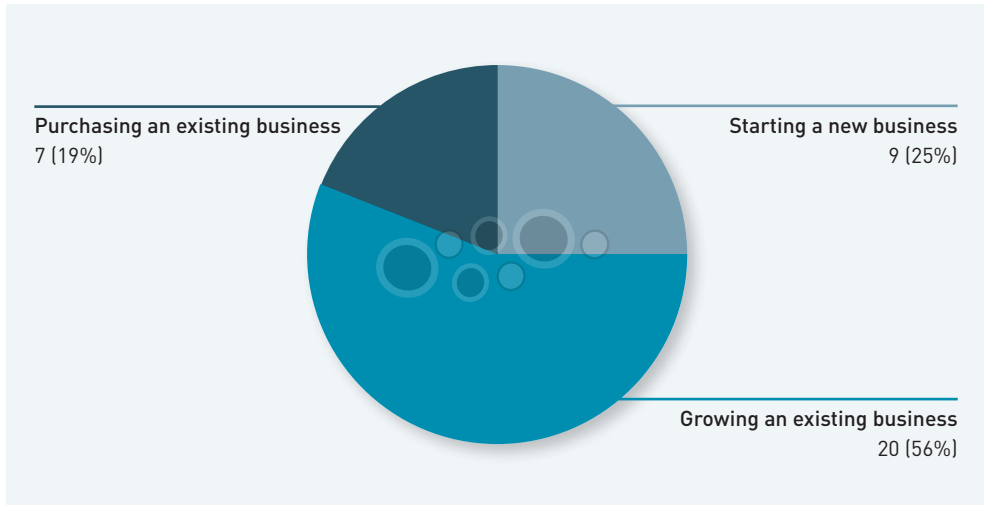
PORTFOLIO

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

Of the new loans approved in 2015–16, the majority were provided for existing businesses to pursue growth opportunities. This result reflects a shift away from start-ups, which were more prevalent in past years. The total value of loans in 2015–16 was \$11.9 million, with an average value of \$246,025. Figure 13 shows the distribution of new business loans by purpose. The total principal repayments received from the loan portfolio in 2015–16 was \$13.9 million and interest totalling \$3.3 million.

Factors contributing to the shift include market changes and IBA's change in risk appetite for business lending. To offset this, IBA's leasing solutions provide the opportunity for new businesses without sufficient capital to enter the small and medium enterprise market without taking out a loan. (For more information on IBA's leasing solutions, see Part 4.)

FIGURE 13: New business loans, by purpose



Loan parameters

IBA's risk appetite in business lending has changed from 'seeking' to 'accepting'. Risk 'seeking' is defined as actively taking on new or increased levels of risk in order to generate more returns and/or meet customer needs. The new direction is to actively manage exposure to risk within predefined limits or parameters.

IBA manages its exposure to business lending within defined limits, in pursuit of lower lending losses. Although willing to accept some concentrations of business lending exposures across regions and industries, IBA seeks to manage exposures to start-up businesses within tolerances.

IBA offers business loans of up to \$2 million at concessional interest rates that are generally 2.5 per cent (per year) below the comparable rates offered by leading Australian banks. Those rates were reduced by IBA in May 2015 and have remained unchanged since then. Business loans over \$2 million are subject to funds availability and approval by the IBA Board. The loan amount is determined based on the borrower's minimum deposit/security requirements and loan serviceability.

Loan terms and conditions are generally consistent with private sector loans and based on sound business principles. The main difference is that IBA does not require the same level of equity holding or security cover as mainstream lenders do, and IBA loans do not attract establishment or ongoing service costs.

Portfolio value

The total portfolio decreased from 294 loans with a face value of \$59.4 million at 30 June 2015 to 262 loans with a face value of \$52.7 million at 30 June 2016. The total portfolio is a combination of the active loan portfolio (247) and impaired loan losses on which full recovery is not expected (15). Figure 14 shows the value of the business loan portfolio from 2012 to 2016.

IBA has a provision for doubtful debts of \$8.2 million, as shown in Figure 15. Provisioning continues its downward trend after peaking in 30 June 2014, mainly due to the impact of the impaired loans reduction strategy, which commenced in April 2015.



FIGURE 14: Total business loan portfolio, over five years

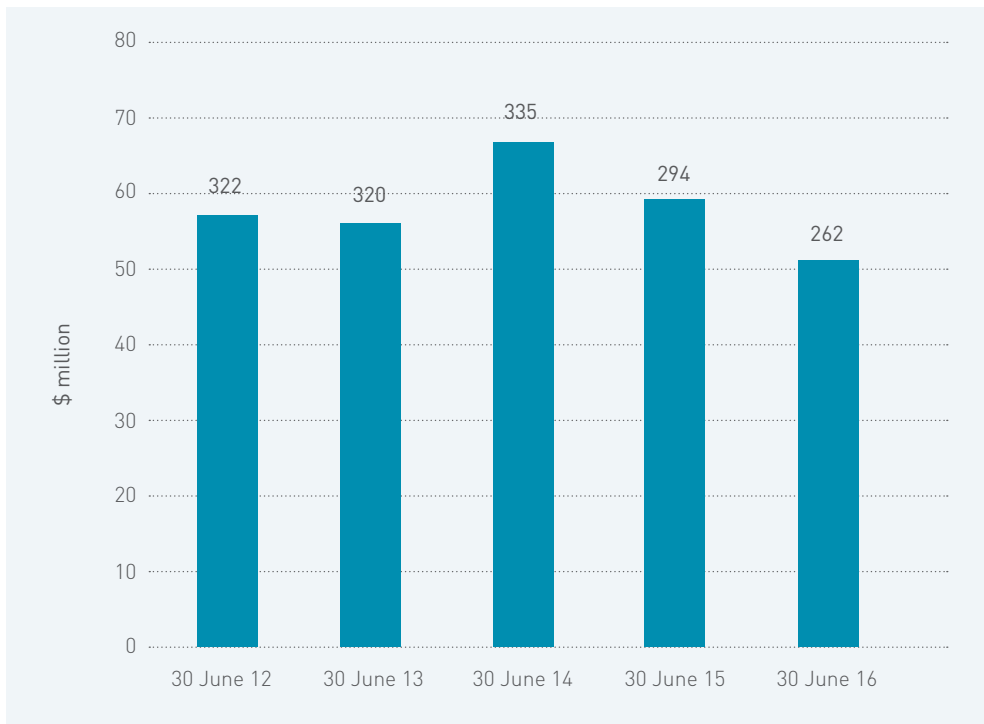
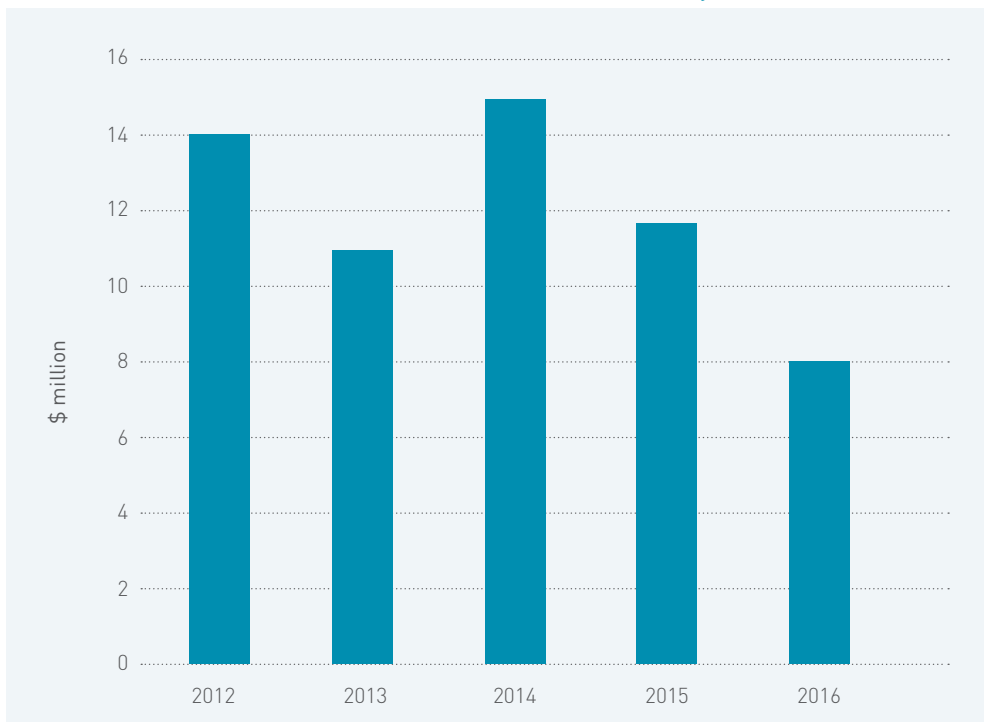


FIGURE 15: Provision for business loan doubtful debt, over five years



Geographic distribution

All states and territories are represented in IBA's business loans portfolio, with the greater proportion of businesses widely dispersed in the eastern states. Of the 36 loans approved in 2015–16, almost 50 per cent came from south-eastern Australia. The geographic distribution of the loan portfolio by state or territory, and by regional or remote classification, is shown in Figure 16 and Figure 17 respectively. Loans for Tasmania are managed out of the Victoria office so the two are combined in the total.

According to 2011 ABS data, 35 per cent of the Indigenous population is located in major cities. While the loan statistics show similar trends with major cities, they are not necessarily indicative of the locations of Indigenous people who are seeking to go into business. The breakdown of the business loan portfolio based on ARIA classifications, shown in Figure 17, demonstrates that IBA is providing assistance in a wide range of locations.

FIGURE 16: Total business loans, by state and territory

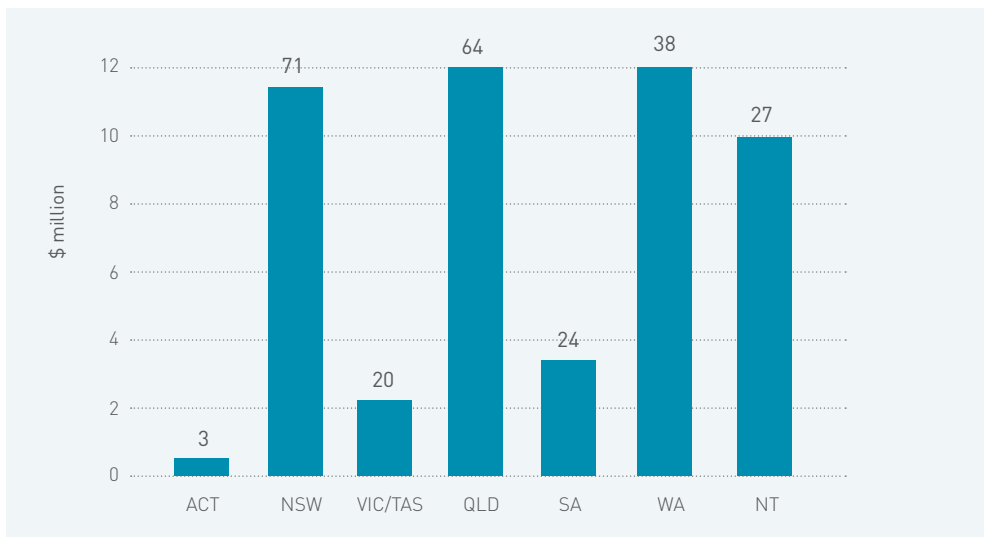
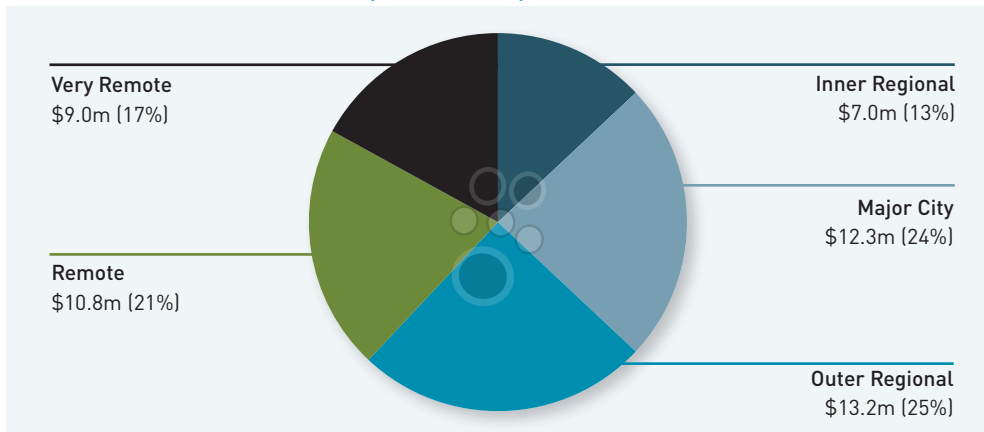


FIGURE 17: Total business loans, by accessibility/remoteness





Industry concentration

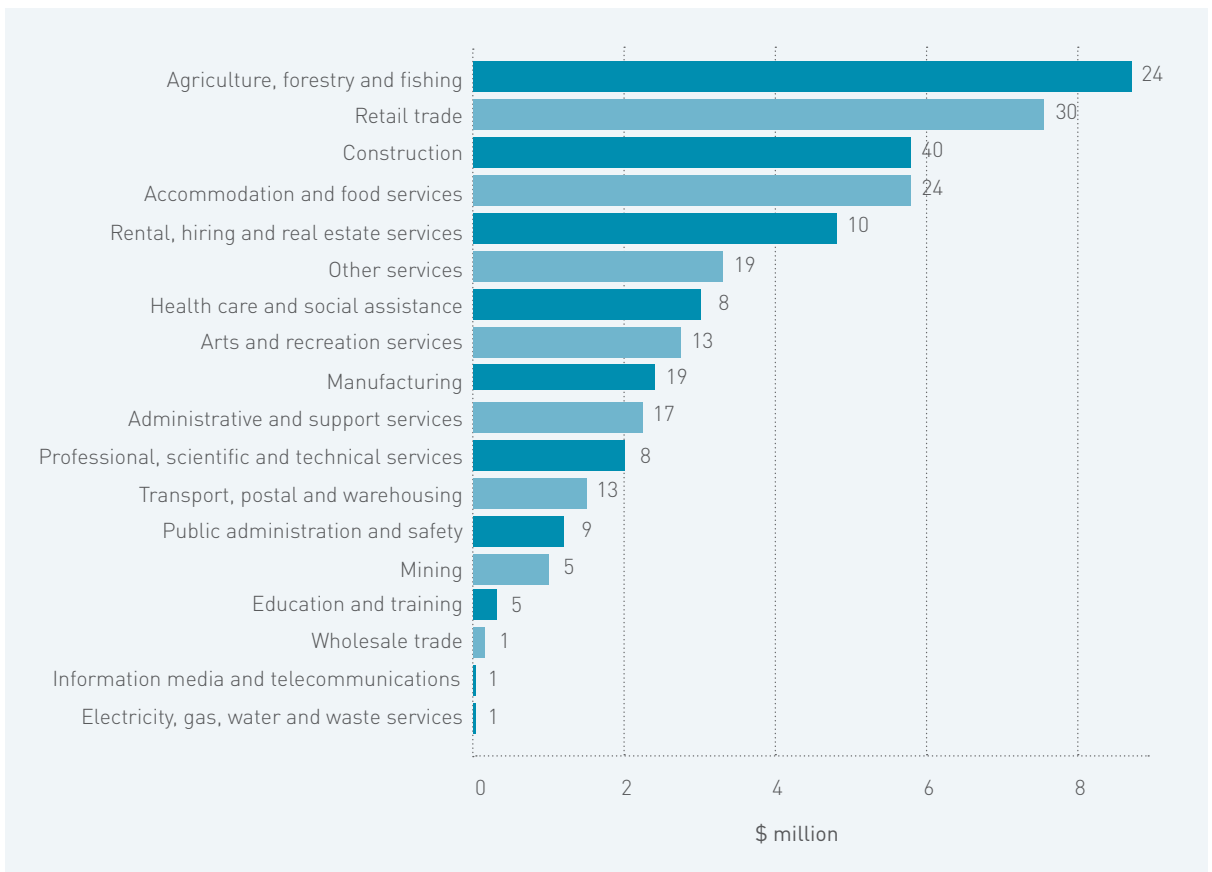
Almost all industry groups are represented within the portfolio, with the exception of financial and insurance services.

IBA's top four industry exposures—agriculture, forestry and fishing; retail trade; construction; and accommodation and food services—collectively make up 53 per cent of active portfolio value.

Mining exposure has halved by number of loans and value since 2014–15 and is now one of IBA's lowest exposures, representing just two per cent of the portfolio by value (\$1.1 million) and number (five loans).

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

FIGURE 18: Active business loan portfolio, by industry concentration



MAKING THE TUFF YARDS



'That's when it went from me being an average Joe with a ute to buying machinery, hiring staff and so on.'

Stephan took out an IBA business loan in 2008. He was a small business landscaper doing ground maintenance in southeast Queensland, and the loan was to expand the business and buy some equipment to do commercial work.

Stephan's goal was to diversify to take advantage of potential opportunities. Stephan was provided with business support to assist him to tender for council work, which helped him to successfully gain contracts and expand his customer base.

'I'm always talking to people and getting ideas. You just have to ask what you want to know!', Stephan said.

As well as paying off his loan, Stephan has put the experience he gained to work for him and his community. Eight years on, he now owns two business entities (Tuff Yards and Blow It All) and is able to employ family and Indigenous staff.



Arrears

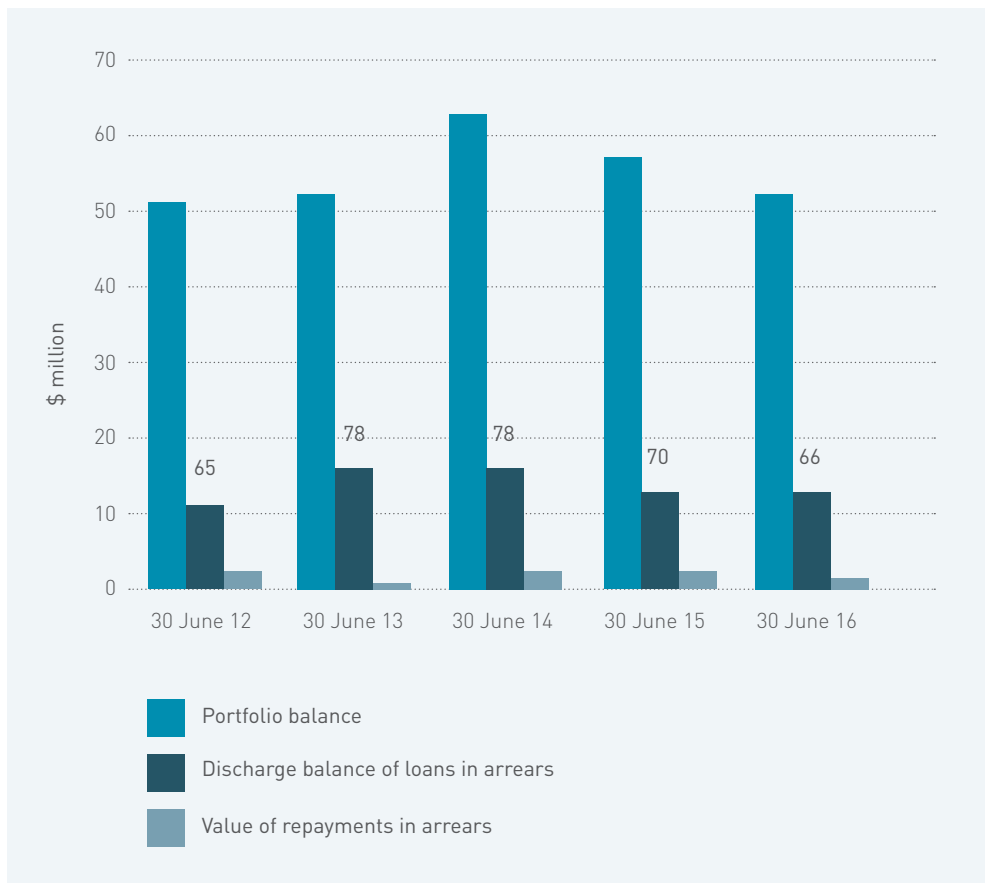
After a significant increase in arrears in the business loan portfolio to February 2016, the number of accounts, value and percentage of the total arrears decreased by almost ten per cent to their lowest level by the end of 2015–16 since 2013 as Figure 19 shows.

The accounts in arrears peaked in number at 85 accounts (in February 2016) and in value at \$17.4 million (in March 2016).

By 30 June, those levels had been reduced to 66 accounts and \$13.0 million respectively or 4.6 per cent as a proportion of the total portfolio.

The reduction in arrears was the result of targeted activities undertaken through the impaired loans reduction strategy and the adoption of a more moderate approach to risk and security coverage as prescribed by IBA's credit policy.

FIGURE 19: Business loan arrears, over five years



RISK MANAGEMENT

While IBA's lending and debt recovery practices are modelled on sound commercial principles, the overall portfolio is characterised by high gearing, low security and, in some cases, customers with little experience in business operation. In addition, many accounts in IBA's portfolio are in industry sectors which require relatively low levels of training or professional development, meaning that IBA's customers are frequently operating in highly competitive commercial environments, such as the retail, food and construction sectors.

IBA aims to offset the risk inherent in lending to its customer base by ensuring that business proposals are commercially viable, or have the potential to become viable, and by providing appropriate planning and support throughout the life cycle of the business. This is delivered by enabling access to business planning and mentoring support; partnering and monitoring arrangements; hardship provisions, where difficulties arise; and support to either turn around or exit a business.

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

All of these risk management activities are the subject of ongoing review and redevelopment to ensure that efficiencies are achieved and outcomes continue to minimise the potential harm to customers arising from small business ownership risks, and the potential loss of loan capital for IBA.



OUTLOOK

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

IBA, in close consultation with the Australian Government, is shaping its services to better develop our customers to succeed in business.

To increase the commercial capability of Indigenous entrepreneurs throughout the business life cycle stages, we will provide a range of assistance in 2016–17, including educational workshops, business development expertise and finance for viable businesses.

The Australian Government's Indigenous Procurement Policy has the potential to accelerate the increase and success of Indigenous business, through a target

of three per cent procurement from Indigenous enterprises by 2020. IBA and its partners will play a vital role in fulfilling the supply side, in their development and assisting the controlled growth of existing businesses. IBA is gearing up its capability-building activities to assist in the achievement of this target.

As well as providing greater assistance across the business development life cycle, our frontline staff based in the regions will focus on finding, developing and supporting Indigenous entrepreneurs as they look to establish and grow businesses.



IBA BUSINESS CUSTOMER DION DEVOW FROM DARKIES DESIGN DEVELOPED OUR NEW CAPS WHICH WERE DISTRIBUTED AT NAIDOC WEEK AROUND THE COUNTRY.

EVOLVING FOR THE FUTURE



Evolve FM is a joint venture of Pacific Services Group Holdings—a 100% Indigenous-owned company—and Jones Lang LaSalle.

Evolve FM provides facility and property management support services for IBA's office premises across Australia. Evolve FM successfully secured the contract, in a competitive tender process, due to the company's very strong focus on Indigenous economic development and the development of its Indigenous staff.

'Evolve FM is the only Indigenous majority-owned, full service facilities management company in Australia, and we think we can make a real difference by maximising the engagement of other Indigenous businesses in our supply chain', said CEO John Owens.

James Tonkin, Chief Operating Officer, noted, 'In the first ten days of taking over the IBA contract, we had already placed work orders with Indigenous businesses, and appointed two more Indigenous businesses on twelve-month contracts to deliver services to IBA nationwide'.

Evolve FM parent company Pacific Services Group Holdings received the Supply Nation Supplier Diversity award for Certified Supplier of the Year in 2016.

'From humble beginnings in 2011, we've now reached the point where PSGH is one of the best known Indigenous businesses in Australia.'

**Mark Coleman,
Pacific Services
Group Holdings**

Pictured above: Troy Rugless from Pacific Services Group Holdings and Michelle Garra from award sponsor Telstra, with host Luke Carroll at the presentation of the Supply Nation Supplier Diversity Awards for 2016.





PART 4
INVESTMENTS

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OBJECTIVE

IBA's Equity and Investments Program identifies, develops, and participates in investment opportunities that promote economic independence for Indigenous Australians.

The investment portfolio comprises three main segments: direct investments, asset and funds management, and leasing solutions. Across these segments, IBA co-invests in a wide range of investments, sectors and geographic locations, seeking

to provide strong financial returns as well as employment, training and supply chain outcomes for Indigenous Australians.

For details of the program's results against 2015–16 performance measures, see Table 3 in Part 1.

ENVIRONMENT

IBA's business environment is influenced by macroeconomic developments as well as the needs of our Indigenous partners. The uncertain economic environment of 2015–16 proved challenging and continues to influence investment decisions going forward.

The Equity and Investments Program must actively adapt to changing environmental conditions to ensure that it is able to deliver on IBA's vision. IBA has broadened its Indigenous engagement considerably, through focus on Indigenous Investment Principles and the launch of pooled investment vehicles.

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

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





ACHIEVEMENTS

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

The impact and innovation analysis of IBA's investments includes:

- **employment opportunities**—a total of 776 jobs were supported by IBA's direct investments in 2015–16, 208 (26.8 per cent) for Indigenous Australians and 568 (73.2 per cent) for non-Indigenous Australians
- **leasing impact**—188 Indigenous people were employed through the businesses that IBA leases to
- **training and skills development**—406 instances of training were delivered to Indigenous employees in 2015–16, including job-relevant training such as formal skills development, on-the-job training, traineeships and mentoring
- **supply chain opportunities**—IBA's investments procured more than \$5 million worth of goods and services from Indigenous suppliers, a 4 per cent increase from \$4.8 million in 2014–15

- **innovation**—IBA launched the Indigenous Prosperity Funds in November 2015, providing IBA and Indigenous co-investors with a means of creating intergenerational wealth via capital growth and income from a diversified investment portfolio
- **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, such as the launch of the Indigenous Investment Principles and the formation of teams to deliver investment and governance advice.

IBA is trustee of the Dominican Indigenous Education Trust, which supports Indigenous education through grants and scholarships. Through investment in the I-REIT, the trust has available funds of \$50,000 to award to Indigenous students in the Bathurst region of New South Wales.



Leasing solutions

In 2015–16, IBA developed an impact-reporting tool to collect data from its leasing activities. The purpose was to develop a better understanding of the strong economic and social impacts that leasing solutions provide for individuals, businesses and communities, and ways in which the program can be enhanced to better serve our customers.

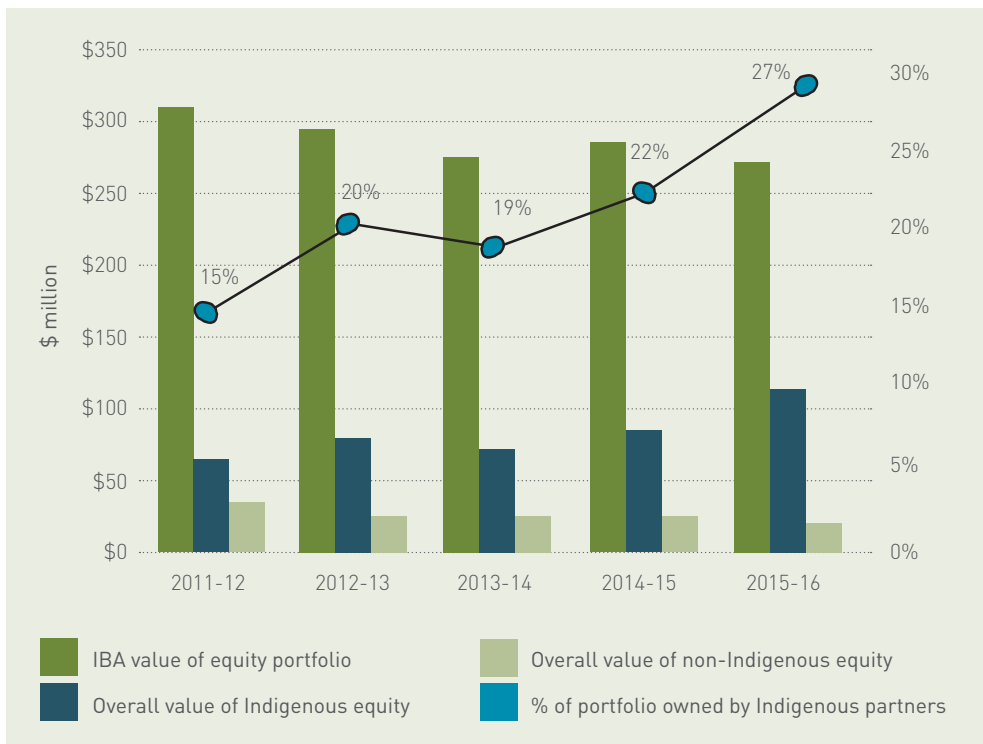
Survey results indicated a high customer satisfaction rating, with 44 per cent of responding customers reporting that they would be unable to access leasing services if not for IBA. Of those who were able to access services elsewhere, many indicated that using an alternative provider would be of equal value (63 per cent) or more expensive (37 per cent) than IBA, and most (91 per cent) said that they chose to support IBA's leasing solutions because it supports other Indigenous organisations.

Indigenous equity

Indigenous partners and beneficiaries held equity in the portfolio worth \$109 million in aggregate; their proportion of total equity increased to 27 per cent on 30 June 2016 from 22 per cent on 30 June 2015. Figure 20 illustrates the long-term trend towards increased Indigenous equity in the investment portfolio since 30 June 2009.

By introducing more flexible products, such as the Indigenous Real Estate Investment Trust (I-REIT) and the Indigenous Prosperity Funds, into the portfolio, IBA is making investment more accessible for Indigenous partners. IBA aims to sell or issue \$30 million in equity to Indigenous partners in 2016–17.

FIGURE 20: Value and ownership of the investment portfolio, over five years





Indigenous Investment Principles

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

Representatives from more than 40 Indigenous organisations worked together to create the principles, which address some of the common identified challenges and opportunities their respective organisations have faced in establishing effective governance and investment strategies.

Since the launch, IBA has been working hard towards the implementation and uptake of the principles in organisations

and communities across Australia. To assist with this process, a membership framework is being developed to encourage the uptake of the principles in different capacities:

- **founding members**—implementation and strategy group members who contributed to the development of the principles
- **signatories**—Indigenous organisations that publicly endorse the principles
- **affiliates**—non-Indigenous organisations that support the principles.

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

PRODUCTS AND SERVICES

IBA's Equity and Investments Program operates a portfolio through three areas:

- **direct investments**, through which IBA invests alongside Indigenous organisations in operating businesses in a range of sectors, such as tourism, grocery, retail, mining services and manufacturing
- **asset and funds management**, through which IBA establishes, manages and invests alongside Indigenous organisations in funds such as the Indigenous Prosperity Funds, the I-REIT and other unlisted property trusts
- **leasing solutions**, through which IBA provides affordable property, vehicle and equipment leases to Indigenous businesses, organisations and service providers, mainly in regional and remote Australia.

Figure 21 shows where IBA's principal investments are located.

ENGAGEMENT LEADS TO SUCCESS



Located in South Australia's Ikara-Flinders Ranges National Park, Wilpena Pound Resort is a joint venture of IBA and the Adnyamathanha Traditional Lands Association.

As part of a management agreement between the two organisations, IBA Tourism Asset Management works closely with the Adnyamathanha people (Yura) to help them achieve their goal of creating a sustainable economic future.

The Yura Engagement Strategy, developed to drive the social outcomes at the resort, has demonstrated great success.

Over 500 paying visitors have enjoyed Ikara culture walks since January 2016. Terrance Coulthard (pictured here) is one of the guides at the resort.

Aboriginal people now make up 59 per cent of staff at the resort. A focus on training outcomes, a key pillar of the engagement strategy, has seen a growing number of Yura staff members step up to work in key roles, such as the front office, for the first time.

Showcasing the local culture is another key feature of the relationship. Activities such as guided walks and Welcome to Country ceremonies have provided an extra source of employment for Aboriginal people and revenue for the resort.



FIGURE 2I: Investment sites, by asset cluster and location



Direct investments

The direct investments portfolio incorporates investments across Australia in a broad range of sectors, including tourism and hospitality, retail, and industrial (manufacturing, mining services and primary industries). These investments generate financial returns, as well as employment, training and supply chain benefits for Indigenous Australians.

At 30 June 2016, the total value of the direct investments portfolio was \$122.4 million. The total value owned by the thirteen Indigenous co-investors/beneficiaries invested in the direct investments portfolio was \$28 million.

IBA is also considering investments in new sectors which can provide financial and economic benefits for Indigenous Australians, including renewable energy and healthcare. The renewable

energy sector will provide sustainable opportunities for Indigenous communities and organisations to benefit from solar and other renewable energy development on their land, in particular through the offsetting of costs of diesel generators in remote communities.

Investments in regional and remote areas make up more than 70 per cent of IBA's share of the direct investments portfolio, as shown in Figure 22.

Table 4 shows annualised returns to Indigenous investors over one, three and five year periods from IBA's direct investments portfolio (inclusive of valuation impacts). The return for 2015–16 was strong at 10.1 per cent. Average returns over three and five years were affected by underperformance and valuation impacts in 2013–14.

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

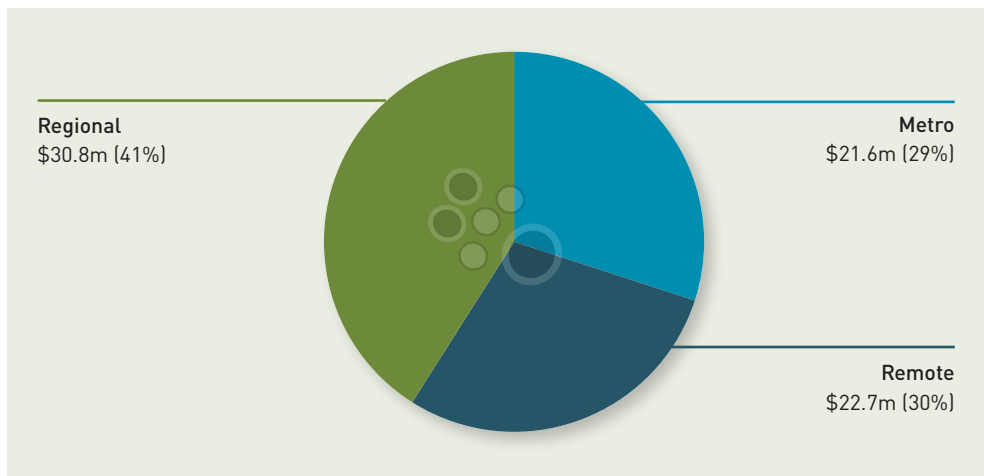




TABLE 4: Direct investments return

Direct investments	1 year	3 years	5 years
Return per annum for Indigenous co-investors	10.1%	3.2%	5.6%

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

Tourism and hospitality

Tourism and hospitality is a key sector of the Australian economy and well suited to providing strong economic benefits for Indigenous Australians. It is labour intensive, creating opportunities for employment and training, and enables Indigenous employees to connect to and promote their culture.

IBA Tourism Asset Management Pty Ltd was established after a review of the tourism and hospitality sector strategy in 2014–15. It currently provides management, marketing, financial and other services for Wilpena Pound Resort and Tjapukai Aboriginal Cultural Park, with the aim of creating economies of scale, synergies and access to dedicated specialist resources. The company will actively seek to grow this customer base over the coming year.

The tourism and hospitality investment strategy focuses on offering Australian and international visitors the opportunity to engage with and experience Indigenous cultures and peoples in an ethical, authentic and dynamic context. In line with that strategy, Holiday Inn Townsville was sold during 2015–16, releasing funds to build the tourism portfolio in line with IBA's revised investment strategy and the expectations of Indigenous co-investors.

IBA also divested Cicada Lodge in Katherine to its Indigenous co-investor, Nitmiluk Tours. The lodge was developed and opened in 2013 and is now under Indigenous ownership, supplying local employment and cultural engagement.

Retail

IBA continues to refine its retail strategy, which aims to create economies of scale through a network approach to acquisitions while delivering beneficial economic outcomes for local communities.

As part of the strategy, IBA established a subsidiary company, IBA Retail Asset Management Pty Ltd, which provides the necessary governance, skills and experience to successfully implement the strategy and reach the scale required to create sustainable assets.

IBA Retail Asset Management has partnered with a leading independent grocery supplier to ensure competitive pricing across the portfolio. This has resulted in stronger revenues as well as significant cost savings for customers. The increase in affordability and the consistent provision of fresh and quality produce have delivered much-needed food security outcomes in regional and remote communities.

Industrial

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

Asset and funds management

IBA establishes, manages and invests alongside Indigenous organisations in property vehicles such as the I-REIT and other unlisted property trusts, and more recently the diversified Indigenous Prosperity Funds.

At 30 June 2016, the total net asset value of the I-REIT, Indigenous Prosperity Funds and specialised investments was \$206 million. The total value owned by the seventeen Indigenous co-investors/beneficiaries invested in these funds was \$43.4 million.

Table 5 shows the performance return for IBA and Indigenous co-investors for asset and funds management.

Indigenous Prosperity Funds

IBA's engagement with a range of Indigenous organisations around Australia has indicated that many groups, particularly smaller and remote groups, lack access to prudent investment advice and well-managed portfolios. Without proper investment planning and access to good investment advice and solutions, many of these groups lack the ability to create a stable asset base that can generate returns to support local community development and other initiatives.

The Indigenous Prosperity Funds were launched in November 2015 to provide Indigenous investors with the opportunity to invest alongside IBA in a diversified portfolio of investments including exposure to Australian and international shares, bonds, property and cash, as a means of building long-term wealth.

IBA's establishment of the structure and co-investment has enabled its co-investors to access well-governed, prudently managed portfolios by leading investment managers around the world.

Indigenous Real Estate Investment Trust

The I-REIT was launched in October 2013 to give Indigenous investors the opportunity to invest in an actively managed commercial property fund alongside IBA and other Indigenous organisations.

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

In addition to financial returns, the I-REIT aims to generate sustainable social and economic outcomes by partnering with external stakeholders to achieve employment, training and procurement outcomes through management and operational arrangements.

At 30 June 2016, the I-REIT holds six commercial property assets at a net asset value of \$104.5 million, and has unitholders comprising twelve Indigenous investors and IBA. The units owned by Indigenous investors were valued at more than \$30 million at 30 June 2016.

IBA has engaged JANA Investment Advisers Pty Ltd, a leading asset consultant with \$300 billion under advice, as investment adviser to the funds. One Investment Group, a leading independent provider of trustee services, acts as trustee of the funds.

At 30 June 2016, a total of \$77.8 million was invested in the Indigenous Prosperity Funds, by two Indigenous investors and IBA. The value of the funds under management is shown in Table 6.



Specialised investments

'Specialised investments' is a significant asset class for Indigenous investors with a strong desire to invest in assets that have strategic or community significance within their local area. The portfolio diversifies across industry sectors (office, retail and industrial) and geographic locations nationally.

In 2015–16, the Aboriginal-owned IBN Corporation Pty Ltd took sole ownership of the Commonwealth Centre in South Hedland, Western Australia, by purchasing IBA's 50 per cent share in the commercial property.

TABLE 5: Asset and funds management return

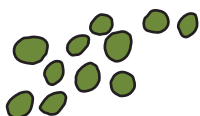
Funds	1 year	2 years	Since inception
I-REIT total return per annum ¹	21.9%	15.6%	16.7%
Indigenous Prosperity Funds total return ² – Growth Fund	-	-	0.3%
Indigenous Prosperity Funds total return ² – Income Fund	-	-	1.2%
Indigenous Prosperity Funds total return ² – Cash Fund	-	-	1.3%
Specialised investments	1 year	3 years	5 years
Return per annum generated for Indigenous co-investors	10.3%	4.5%	5.4%

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

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

TABLE 6: Value of the Indigenous Prosperity Funds

Fund	Focus	Value
Growth Fund	Growth assets such as Australian and international shares	\$46.6m
Income Fund	Defensive assets such as bonds and debt securities	\$21.1m
Cash Fund	Bonds, cash and short-term debt securities	\$10.1m



Leasing solutions

IBA provides asset leasing solutions to Australian Government departments, Indigenous businesses and other providers of services to Indigenous communities. The funding is derived from a combination of asset transfers, program funding from other government agencies and seed capital from IBA. The solutions are delivered through the Indigenous Economic Development Trust and IBA Leasing. In total, around 85 per cent of the leasing product is delivered to businesses in rural and remote regions across Australia.

Indigenous Economic Development Trust

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

The largest source of funding is \$19.5 million from the Department of the Prime Minister and Cabinet for the leasing of assets under the Community Development Program. At 30 June 2016, around half of that funding had been deployed as new assets; the remainder is forecast to be used by 30 June 2017.

The other major component of the trust's asset base is properties, collectively valued at \$15.2 million, which are managed on behalf of other government

agencies. The agencies fund the purchase of the properties and provide the trust with ownership. This arrangement assists the agencies to focus on their core business (for example, the provision of health services) by outsourcing property management and maintenance. The Australian Government retains control of the properties, and the agencies are able to ensure that the properties are used for their intended purposes.

IBA leasing

IBA provides leasing solutions directly to Indigenous small businesses from IBA seed capital. The leases offer competitive terms on a range of assets (usually vehicles and equipment) to help people establish, consolidate or expand commercially viable businesses.

IBA had accumulated a portfolio with a written-down value of around \$27.8 million at 30 June 2016. Table 7 provides an overview of the leasing services provided by IBA.





TABLE 7: Overview of leasing services provided by IBA leasing

Assets	Source of assets	No. of assets	Written down value of assets	Services provided
Commercial property (mostly sheds and small office premises in remote towns)	Various government agencies	20	\$5.3m	Management, construction, refurbishment and project management services
Residential property	Department of Health IBA funding	14	\$5.2m	Management of rental properties, including maintenance and refurbishment
Residential rehabilitation facilities	Department of the Prime Minister and Cabinet	3	\$4.6m	Management, construction, refurbishment and project management services
Vehicles	Department of the Prime Minister and Cabinet (Community Development Program) IBA funding	189	\$8.5m	Operating leases
Other assets (such as equipment and machinery)	Department of the Prime Minister and Cabinet (Community Development Program) IBA funding	134	\$4.2m	Operating leases
Total		360	\$27.8m	







COMMUNITY STAYS ON COUNTRY



IBA and the Manungurra Aboriginal Corporation worked together to provide two Aboriginal communities near Tennant Creek in the Northern Territory with solar power.

Supplied and installed by Aboriginal-owned business Allgrid, solar panels and batteries have allowed the communities of Ngurrara and Kurnturlpara to shift to a renewable power source that is about 50 per cent cheaper than diesel generators.

That shift has contributed to the communities' growing to full capacity, from two permanent adults to 30–40 adults and children who are now able to live more independently on their own country.

This transition was made possible through IBA's asset leasing program, which purchased the solar panels and batteries and leased them to Manungurra.

Manungurra invested some of its royalties from the Bootu Creek manganese mine in IBA's Indigenous Real Estate Investment Trust (I-REIT). This well-managed investment gives Manungurra the income stability it needs in order to pursue community development projects such as the solar power leasing project.



RISK MANAGEMENT

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

The performance of each individual investment is monitored using indicators appropriate to the specific investment, which may include (among other measures) return on equity, internal rate of return, debt to total capital ratio (gearing) and, where relevant, appropriate metrics regarding employment, training or procurement.

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

OUTLOOK

In 2016–17, IBA will continue to promote the Indigenous Investment Principles and develop investment opportunities, with a focus on Indigenous engagement across multiple product and service areas.

Research and market commentary indicate that overall economic conditions are expected to remain subdued in 2016–17, with a continued low interest rate environment, and volatility in equity markets affected by ongoing economic instability in parts of Europe and continued moderation of China's growth rate. Against this background, IBA expects competition for quality assets to remain high as investors seek higher yields relative to cash and fixed income.

A pipeline of compelling investment opportunities presented themselves in the first half of 2016. IBA expects the program's level of acquisition activity

to increase as it seeks opportunities to allocate capital in 2016–17 in line with the investment strategy. As IBA adapts to changing conditions, the program will explore opportunities across current targeted sectors (retail and tourism) as well as future growth sectors such as renewable energy and sustainable housing.

IBA will also continue to pursue initiatives to reposition its portfolio through diversification, implementing better management structures for its tourism and retail portfolios, and divesting non-core assets.

The background is a vibrant red with various white and light red abstract shapes. There are large, flowing, organic forms that resemble coral or branching structures. A prominent feature is a large, circular, textured pattern in the center-left, composed of concentric rings of small squares or rectangles. To the right of this circle, there are several clusters of small, dark circles, some with white outlines, arranged in a somewhat linear fashion. The overall aesthetic is modern and artistic.

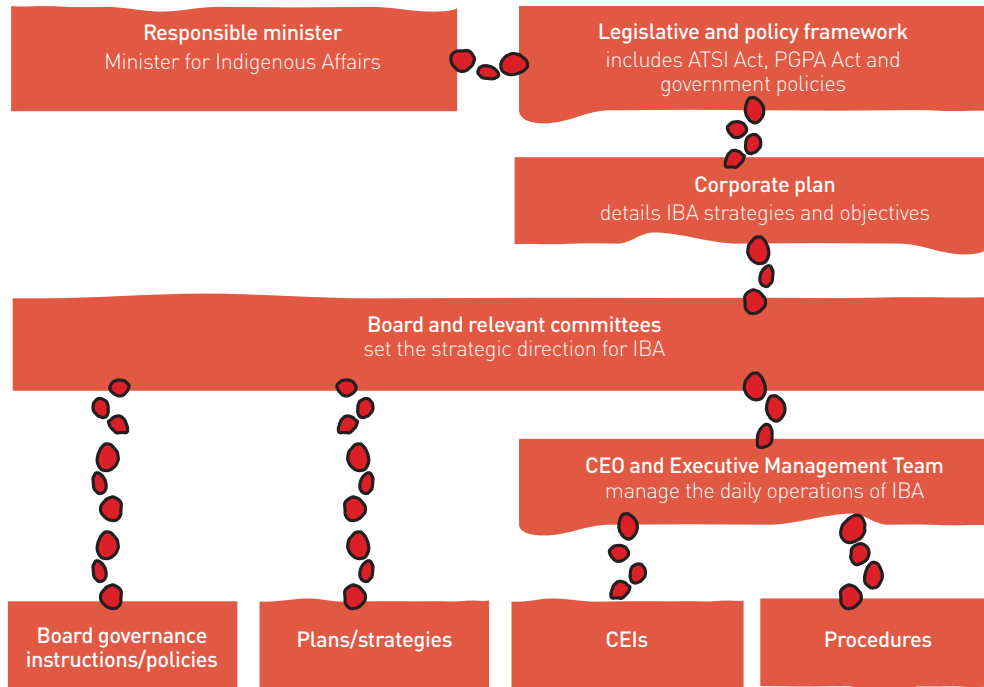
PART 5 GOVERNANCE

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GOVERNANCE FRAMEWORK

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

FIGURE 23: Corporate governance framework



ATSI Act = *Aboriginal and Torres Strait Islander Act 2005*, CEIs = Chief Executive Instructions, CEO = Chief Executive Officer, PGPA Act = *Public Governance, Performance and Accountability Act 2013*



ACCOUNTABILITY

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

Responsible minister and ministerial directions

The minister responsible for IBA in 2015–16 was Senator the Hon. Nigel Scullion, Minister for Indigenous Affairs. Under section 151 of the ATSI Act, the responsible minister is empowered to make directions with which IBA must comply. No ministerial directions were made during the reporting period.

Australian Government policy orders

IBA must comply with general government policies, unless exempted. No general government policy orders have been issued to IBA under the PGPA Act.

Accountable Authority Instructions

During 2015–16, the IBA Board reviewed its Accountable Authority Instructions (referred to by IBA as Board Governance Instructions), which give effect to the Board's responsibilities under the PGPA Act and related legislation.

Portfolio budget statements

IBA's budget is managed through the annual portfolio budget statements of the Prime Minister and Cabinet portfolio. In 2015–16, IBA delivered one portfolio outcome through three programs, with performance targets as shown in the annual performance statements in Part 1 of the annual report.

Corporate plan

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

The IBA 2015–16 Corporate Plan defined targets and other measures to assess IBA's performance during the year, as shown in the annual performance statements in Part 1 of the annual report.

IBA BOARD

It is the responsibility of the IBA Board to ensure the proper and efficient performance of the functions of IBA and to determine the policy of IBA with respect to any matter.

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

The Board has adopted a governance charter with the following four objectives:

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

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

Composition

In accordance with section 157 of the ATSI Act, the Minister must appoint the Board, which consists of a Chair, a Deputy Chair and seven directors. As required by section 158 of the ATSI Act, the Minister also consults IBA about board appointees when there is, or is expected to be, a vacancy.

The Board comprises members with extensive and varied expertise, as Figure 24 shows. All board members are non-executive directors.

During 2015–16, the terms of two board members finished and two new members joined the Board. At 30 June 2016, six of the nine board members identified themselves as being of Aboriginal or Torres Strait Islander descent, and four of the board members were women.

Development and review

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

In accordance with the board governance charter, the Board is required to conduct an annual review of its performance. In 2015–16, the Board commenced the process of an internal review of its performance.



Related entity transactions

The Board governance charter sets out the decision-making processes for managing related entity transactions and broader conflicts of interest. The overriding principle is that all IBA commercial dealings will:

- be arms-length and entered into in accordance with the objectives and values of IBA
- not provide a real or perceived advantage to an IBA director or other related party by virtue of their directorship or relationship to IBA
- be disclosed in accordance with applicable legislation and accounting principles.

The charter was amended in May 2016 to restrict an IBA director entering into a related entity transaction comprising a business or housing loan, receipt of business support funding or a services agreement with IBA while a member of the Board and for six months after leaving the Board.

Note 14 of the financial statements details loans and other transactions involving directors or director-related entities. Related entity transactions in 2015–16 are shown in Table 8.

TABLE 8: Value and number of transactions provided to directors

Director name and interest	Type of transaction	Total value	Transactions
Glen Brennan Director of 4 Mile Ventures Pty Ltd, as Trustee of Sunnydel Family Trust	Loan	\$949,000	1
Glen Brennan Director of 4 Mile Ventures Pty Ltd, as Trustee of Sunnydel Family Trust	Business support from within the Business Development and Assistance Program	\$13,127	2

The loan was provided to 4 Mile Ventures Pty Ltd from within the Business Development and Assistance Program on IBA's standard terms. Further details are included in Note 14 of the financial statements.

Remuneration

IBA's directors are entitled to remuneration and allowances. Details of directors' remuneration and allowances are set out in Remuneration Tribunal Determinations 2013/16 and 2014/08 as amended from time to time.

Access to information and outside advice

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

Indemnity and insurance

IBA's directors' and officers' liability insurance cover is provided through Comcover, the Australian Government's self-managed fund. IBA renewed its insurance coverage in 2015–16 to a level appropriate for its operations.

Committees

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

The members of each committee are identified in Figure 24 and Table 9.

Audit and Risk Committee

The Board established the Audit and Risk Committee in compliance with section 45 of the PGPA Act. In accordance with section 17 of the Public Governance, Performance and Accountability Rule 2014, the committee provides independent assurance and advice to the Board on IBA's risk, control and compliance framework, and its financial statements and performance reporting responsibilities.

The committee's key activities during 2015–16 included:

- reviewing the committee charter and work plan
- advising the Board on the methodology for investment valuations, financial statements for IBA and its subsidiaries, PGPA Act compliance and fraud control

- considering the IBA risk management policy and framework, risk management plan, compliance strategy and approach for developing a risk appetite statement and risk tolerance measures
- considering the draft 2016–17 corporate plan
- managing the audit program—including internal audit, external audit and audits of subsidiaries—and overseeing progress against review and audit findings. Internal audits were conducted on information technology, fraud control, the performance framework, and privacy.

The committee is chaired by Rick Allert.

Maria Storti was appointed as independent member of the Audit and Risk Committee from September 2014. Maria is an experienced senior executive and has held senior management and consulting roles across the private and public sectors. She is a Fellow of the Institute of Chartered Accountants, a Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Institute of Management.

Finance, Investment and Performance Committee

The Finance, Investment and Performance Committee's charter sets out the committee's objectives, authority, composition and tenure, roles and responsibilities, and reporting and administrative arrangements. The purpose of the committee is to add value to the operations of IBA by providing assurance and assistance to the Board on IBA's financial performance and investment and credit risk decision making.

The committee is chaired by Peter Thomas.



Remuneration and Nomination Committee

The Remuneration and Nomination Committee aims to:

- monitor and evaluate the CEO's performance
- consider, review and recommend any variation to the CEO's salary and/or performance bonus

- assess the skills of people nominated for board membership
- develop a shortlist of nominations for board membership, conduct interviews, undertake reference checks and make recommendations to the Board.

The committee did not meet in 2015–16; although matters relevant to the committee were discussed as part of overall board meetings.

Meetings

In 2015–16, the Board held six scheduled meetings and six out-of-session meetings. Details of attendance at meetings of the Board and its committees are in Table 9.

TABLE 9: Directors' attendance at board and committee meetings

	Director	Board	Audit and Risk Committee ³	Finance, Investment and Performance Committee
Current	Eddie Fry	12/12	---	---
	Anthony Ashby ¹	12/12	---	9/9
	Rick Allert	10/12	4/4	9/9
	Trish Angus	8/12	3/4	---
	Shirley McPherson	10/12	2/4	---
	Aileen Shannon ²	---	---	---
	Peter Thomas ¹	11/12	---	9/9
	Claire Woodley	10/12	---	6/9
	Scott Young ²	2/2	---	---
Outgoing	Glen Brennan ²	8/9	2/3	---
	Nareen Young ²	9/11	---	6/8

Note: Figures represent the number of meetings attended out of total possible meetings while the director was in the role or a member of the committee.

1 Member of the Remuneration and Nomination Committee, which did not meet in 2015–16.

2 Director commenced or completed term during the financial year.

3 In addition, Maria Storti is an independent member of the Audit and Risk Committee. Maria attended all four of the committee meetings held in 2015–16.

DIRECTORS AT 30 JUNE 2016

FIGURE 24: Board members



EDWARD (EDDIE) FRY Chair

Appointed 1 December 2014 to 30 November 2017

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

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

Eddie is an executive director of Gimbulki Ltd, a native title land access company he established in 2002; Chair of the Indigenous Advisory Board at Transfield Services (Australia) Pty Ltd; and Deputy Chair of the Aboriginal Foundation of South Australia Inc.

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



Remuneration
and Nomination
Committee member

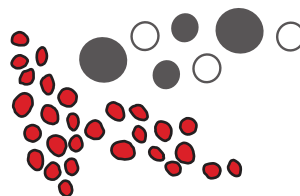
ANTHONY ASHBY Deputy Chair

Appointed 22 October 2012 to 21 October 2015; appointed Deputy Chair 1 December 2013 to 30 November 2016

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

Anthony's other current board roles include directorships of the Indigenous Land Corporation, the National Centre of Indigenous Excellence Ltd and the NSW Aboriginal Housing Office. Anthony is also an ex-officio member of the Supply Nation Audit and Risk Committee.

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





Audit and Risk Committee
Chair

Finance, Investment and
Performance Committee
member

RICHARD (RICK) ALLERT AO Director

Appointed 1 December 2014 to 30 November 2017

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

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

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

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



Audit and Risk
Committee member

PATRICIA (TRISH) ANGUS PSM Director

Appointed 1 December 2013 to 30 November 2016

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

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

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

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



Audit and Risk
Committee member

SHIRLEY MCPHERSON
Director

Appointed 1 December 2014 to 30 November 2017

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

Shirley is a Chartered Accountant and has held senior positions in the private, government and university sectors. She is currently Western Australia State Manager of AFL SportsReady.

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

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



Finance, Investment
and Performance
Committee Chair

Remuneration and
Nomination Committee
member

PETER THOMAS
Director

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

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

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

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





Finance, Investment
and Performance
Committee member

CLAIRE WOODLEY

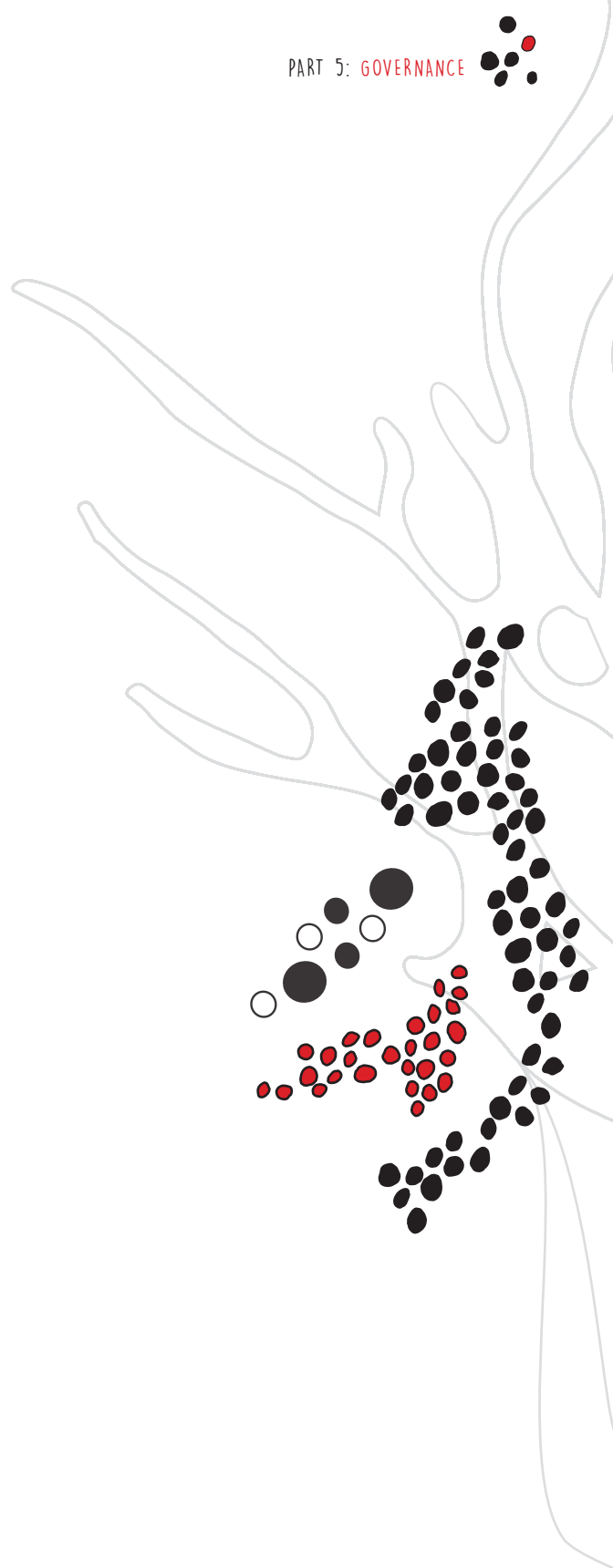
Director

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

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

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

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



Outgoing directors



GLEN BRENNAN PSM
Director

Appointed 1 December 2014 to 29 April 2016

Glen Brennan is a Gomeroi man from Narrabri in north-western New South Wales and has a diverse background incorporating the banking and government sectors, as well as private enterprise. Glen holds a Master of Business Administration from Melbourne Business School and has a passion for supporting Indigenous entrepreneurs.

Glen has corporate experience in Indigenous engagement, finance and governance as well as practical experience as an Indigenous business owner. Glen has won many accolades, including a Queen's Birthday Public Service Medal and a National Australia Day Council Medal, and was named in the top 100 Smartest and Most Innovative Australians by *The Bulletin* magazine in 2003.

Based in Melbourne, Glen is currently Co-Chair of the Aboriginal Employment Strategy; a director of the Australian Indigenous Chamber of Commerce; and Chairman of 4 Mile Ventures Pty Ltd, a privately owned and operated Indigenous agricultural company.



NAREEN YOUNG
Director

Appointed 21 June 2013 to 20 June 2016

Nareen Young is a descendant of Aboriginal people of New South Wales. She has worked in leadership positions within the area of employment diversity for nearly fifteen years and is widely credited with identifying many new concepts of workplace and business diversity thought and practice in Australia.

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

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

Nareen is Chairperson of Groundswell Arts NSW and a non-executive director of the Institute of Cultural Diversity.



New appointments



AILEEN SHANNON
Director

Appointed 21 June 2016 to 20 June 2019

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

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

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

Aileen has recently been appointed to the South Australian Aboriginal Advisory Council. The council was established in 2005 to provide high-level confidential advice to government ministers and senior public servants across all areas of government.



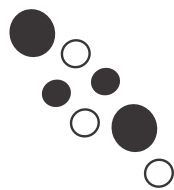
SCOTT YOUNG
Director

Appointed 30 April 2016 to 29 April 2019

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

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

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



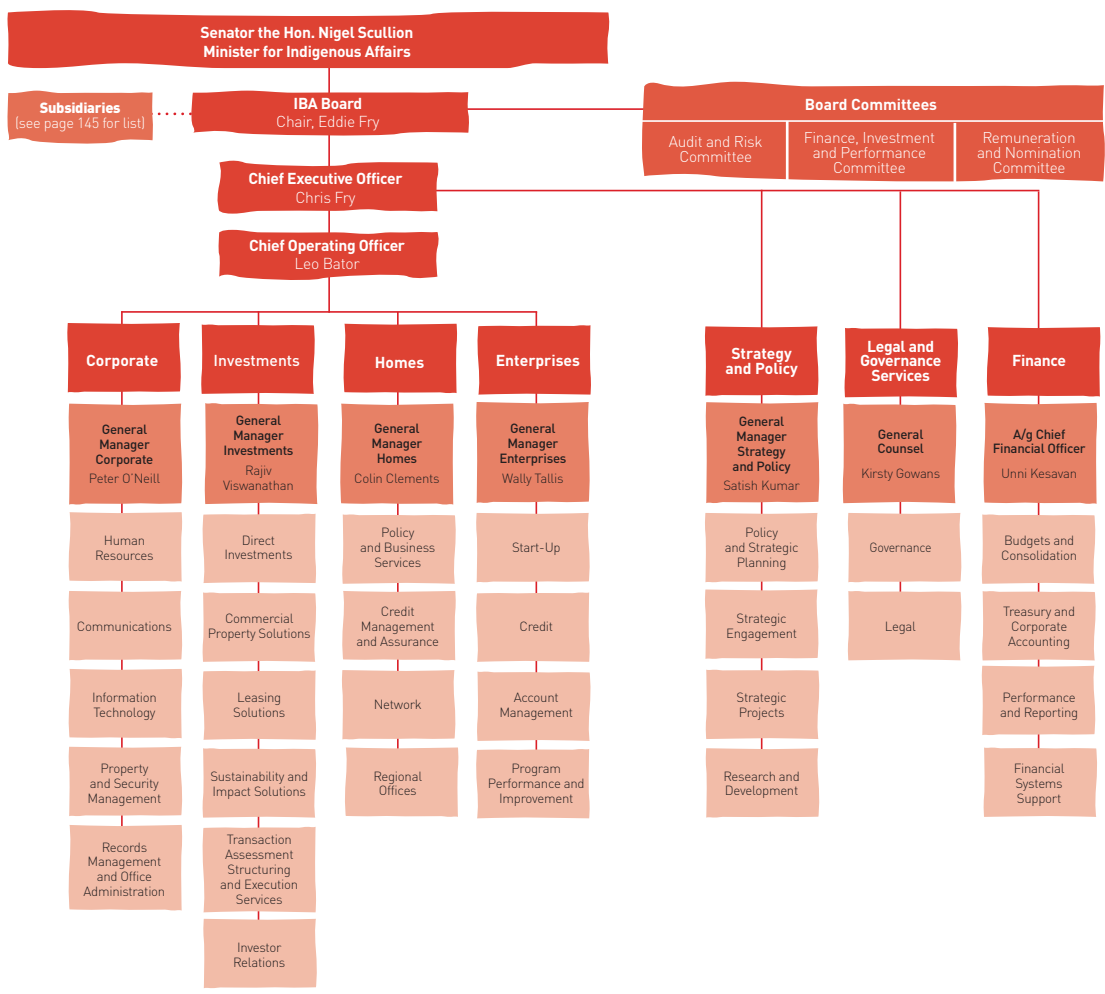
INTERNAL GOVERNANCE

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

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

The organisational structure of IBA at 30 June 2016 is set out in Figure 25.

FIGURE 25: Organisational chart





Risk management

In the pursuit of its purposes and functions, IBA operates in a commercial environment that exposes it to higher levels of risk than are faced by many other government entities and financing organisations. Appropriate management of risk is essential for IBA to achieve its objectives and meet its obligations to its customers and the Australian Government. Individually, managing risk is the responsibility of each staff member. At an organisational level, risk is embedded into business processes (such as strategic planning, project management and decision making by the Board and delegates).

In order to achieve its objectives, IBA is mandated to accept some level of risk in delivering its equity and lending programs. The guiding principles are that risk must be identified at an early stage, assessed and appropriately treated.

IBA's risk management policy and framework provide an integrated and structured process to identify risk exposures across all of IBA's activities, and assurance that those exposures are adequately controlled and addressed.

The policy and framework include:

- effective articulation of organisational risk appetite and a series of risk tolerance indicators that assess whether IBA is operating within its defined risk appetite tolerance
- effective understanding of responsibilities for risk management
- evidence of risk management across organisational decision making and planning (risk analysis is conducted on all programs, projects and board agenda papers, to inform decision making)

- a risk register (including key strategies for addressing strategic and business risks), which is regularly reviewed by the Board
- a business continuity plan that ensures that when some event occurs to disrupt operations those operations are not interrupted beyond acceptable limits.

Results of the Comcover Risk Management Benchmarking Survey 2016 show that IBA has a sound approach to risk management and business continuity. The survey found that IBA had an 'advanced' risk maturity (the second highest rating, and above the average across all entities). Further enhancement is planned in relation to risk culture, shared risk and risk capability (including risk training).

Ethical behaviour and fraud control

The standards of behaviour for IBA are specified in the Chief Executive Instruction on Code of Conduct, which includes managing conflicts of interest. The IBA Enterprise Agreement commits staff to complying with the instruction.

The IBA fraud control plan is in accord with section 10 of the Public Governance, Performance and Accountability Rule 2014 and relevant guidelines. It includes a fraud risk assessment system and appropriate fraud prevention, detection, investigation and reporting procedures. The Audit and Risk Committee reviews the plan every two years. The last review was in June 2016.

On 15 January 2014, the *Public Interest Disclosure Act 2013* came into force. The Act provides public officers with indemnity to liability where they make a public interest disclosure, within certain requirements. The term 'public officer' includes a wide range of people, such

as former staff and contractors. IBA has put in place the required systems and processes to ensure that IBA public officers can make public interest disclosures.

There were no incidents of serious fraud during 2015–16.

Audit

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

IBA's internal auditor, Deloitte, is responsible for conducting IBA's internal audit program. The program aims to provide assurance that key risks are being managed effectively and efficiently, in compliance with regulatory requirements and policies.

Reducing red tape

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

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

In 2016–17, IBA and the Indigenous Land Corporation will look for opportunities to improve their efficiency by sharing services. IBA has identified potential legislative changes to improve the efficiency and effectiveness of IBA and reduce red tape.

Compliance assurance

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

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

In 2015–16, there were no significant issues reported to the responsible minister under section 19 of the PGPA Act that related to non-compliance by IBA with the PGPA Act or a related Rule or an Appropriation Act.

Complaints handling

The IBA customer service charter outlines IBA's commitment to quality service and details processes for receiving and handling complaints.

The complaint management process ensures that any concerns that customers may have in relation to IBA's services or decisions or IBA-funded service providers are taken seriously and dealt with promptly. The standards of response are consistent with the recommended timeframes outlined in the better practice guide published by the Commonwealth Ombudsman.

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



Purchasing and procurement

Staff are encouraged to directly support the growth of Indigenous businesses by sourcing goods and services from known Indigenous suppliers when purchasing the everyday goods and services IBA needs. The IBA procurement policy includes a requirement to assess the potential for Indigenous participation arising from the procurement activity.

In addition, IBA supports small business participation in the Australian Government procurement market.

Consultancies

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

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

Details of consultancies in 2015–16 are in Appendix A.

IBA procured approximately \$1.4 million worth of goods and services from Indigenous suppliers in 2015–16.

EXTERNAL SCRUTINY

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

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

Judicial decisions and reviews by external bodies

There were no judicial decisions or decisions of parliamentary committees, administrative tribunals or the Australian Information Commissioner that had a significant effect on IBA's operations during 2015–16.

In December 2015, the Auditor-General published the report of a performance audit of the Indigenous Home Ownership Program. IBA has an action plan in place to implement the audit recommendations.

The Commonwealth Ombudsman received three complaints regarding IBA during 2015–16. There were no findings in relation to two complaints and one complaint is ongoing.

As part of the Australian Government's Efficiency through Contestability Programme, IBA will be involved in a review of the portfolio of the Prime Minister and Cabinet. The review is expected to be completed during 2016–17.

Parliamentary and ministerial oversight

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

Under section 19 of the PGPA Act, IBA is required to inform the Minister of any significant decisions or issues. In 2015–16, IBA provided board meeting summaries to the Minister and advised the Minister on a number of significant decisions or issues. The Minister met with the IBA Board at its March meeting.

In 2015–16, IBA's operations and structure were not affected by significant activities or changes.

Freedom of information

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

IBA did not receive any requests for information under the *Freedom of Information Act 1982* in 2015–16.



ENVIRONMENTAL PERFORMANCE

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

Ecologically sustainable approach

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

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

In 2015–16, IBA worked with its property services provider, Evolve FM, to monitor and manage its environmental impacts and create a strategy to ensure compliance with the principles of ecologically sustainable development. The key objective of the strategy is to reduce IBA's carbon footprint by decreasing the consumption of resources, including energy and water, as well as minimising waste to landfill and greenhouse gas emissions.

Impact on the environment

The main contributors to IBA's impact on the natural environment are its corporate operations: administrative operations and property management. In 2015–16, IBA conducted its operations in a manner which minimised their environmental impact, as Table 10 shows.

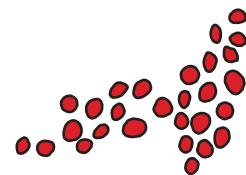


TABLE 10: Measures to minimise environmental impacts

Area of impact	Measures and results
<p>Energy</p>	<p>IBA's lease for its national office contains a Green Lease Schedule, which includes requirements for the ongoing monitoring and measurement of energy consumption. IBA engages Evolve FM to manage its Green Lease Schedule obligations, and works with Evolve FM to develop measures to create energy savings at the site.</p> <p>Examples of specific measures to minimise energy consumption in 2015–16 included the use of energy-efficient technologies, such as sensor lighting and T5 fluorescent tubes, in the national office. IBA participated in Earth Hour 2015, by switching off building lights, computers and office equipment, to raise awareness of the importance of energy conservation.</p> <p>IBA's total energy consumption in 2015–16 met the requirements of the Energy Efficiency in Government Operations Policy, at 6,091 megajoules (against a target of 7,500 megajoules) per person. The national office premises have a current rating of 5.5 stars under the National Australian Built Environment Rating System (NABERS).</p>
<p>Water</p>	<p>IBA tenancies are fitted out with water-saving fixtures and appliances, including sensor taps, dual flush toilets and motion sensor urinals in bathrooms, and efficient half-size or split-function dishwashers in kitchens.</p> <p>IBA staff implement strategies to save water, such as ensuring that dishwashers are full before operation.</p>
<p>Waste</p>	<p>IBA is committed to reducing waste going to landfill by reducing paper use and encouraging good recycling practices.</p> <p>IBA decreased its paper consumption at its national office by 14 per cent in 2015–16. Measures to reduce paper use across IBA include:</p> <ul style="list-style-type: none"> • managing and monitoring the supply of paper through a central source • installing multifunction devices which require employees to scan an access pass to collect their printing, discouraging unnecessary printing • working towards becoming a paperless organisation, by implementing an electronic records management system to reduce the need for paper records. <p>To increase the effectiveness of its waste management, IBA has implemented segregated waste streams for general waste, commingled recycling, and paper and cardboard recycling. IBA uses battery, mobile phone and toner cartridge recycling programs to ensure that those items do not go into landfill.</p>
<p>Greenhouse gas emissions</p>	<p>IBA decreased its vehicle fleet from eleven vehicles to one vehicle in 2015–16. One vehicle was retained for remote travel within Western Australia but is not frequently used.</p> <p>IBA provides video conferencing facilities to limit the need for travel.</p>



PART 6
PEOPLE

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WORKFORCE PROFILE

At 30 June 2016, IBA had a total workforce of 210, including continuing and temporary staff. This represents a reduction of 8 per cent from 227 at 30 June 2015, achieved through IBA's implementation of more efficient and effective ways to deliver its products.

Table 11 shows the classification and locations of staff, while Table 12 shows trends in the employment and personal characteristics of IBA staff members.

TABLE 11: Staff numbers by classification and location

Classification	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	Total
CEO	1	0	0	0	0	0	0	0	1
COO	1	0	0	0	0	0	0	0	1
GM/CFO/GC	3	1	0	1	0	0	0	0	5
IBA Level 7	16	5	0	3	0	0	0	1	25
IBA Level 6	18	9	1	8	0	0	1	0	37
IBA Level 5	21	7	2	20	1	0	3	2	56
IBA Level 4	16	7	2	8	3	0	2	5	43
IBA Level 3	11	3	1	5	2	1	1	2	26
IBA Level 2	5	2	0	3	0	0	1	0	11
IBA Level 1	2	1	0	2	0	0	0	0	5
Total	94	35	6	50	6	1	8	10	210

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

TABLE 12: Staff characteristics, over five years

	30 June 2012	30 June 2013	30 June 2014	30 June 2015	30 June 2016
Total staff	210	227	229	227	210
National office staff	108	116	109	102	94
Regional office staff	102	111	120	125	116
Continuing staff	189	188	194	193	179
Temporary staff	21	29	35	34	31
Indigenous staff	48	48	58	54	46
Female staff	115	122	126	125	112
Male staff	95	105	103	102	98
Average age (years)	43	43	42	43	43
Average duration of IBA service (years)	4.3	4.6	5	5	5.8



DIVERSITY

In 2015–16, IBA's Indigenous employment strategy, which is supported by our cultural engagement and education framework, saw:

- all new staff receive cultural awareness and appreciation training
- seventeen staff participate in formally recognised volunteer activities in Indigenous communities
- eleven Indigenous staff complete leadership development training through the Australian Indigenous Leadership Centre (Certificate Level II), along with three staff from the Indigenous Land Corporation
- three new interns in the CareerTrackers 10/10 program and two new graduates commence placements at IBA
- a small delegation of staff participate in the Garma festival, which is widely considered Australia's premier Indigenous event.

The Galambany Staff Network (IBA's Aboriginal and Torres Strait Islander staff network) provided practical support to its members and served as a forum for consultation on whole-of-IBA initiatives.

In 2015–16, this included discussion of ways to attract, retain and develop Indigenous staff and enhance IBA's Indigenous employment strategy.

Strengthening the representation of Indigenous staff at all levels within IBA remains a high priority of the IBA Board and Executive Management Team. Members of the Galambany Staff Network were invited to meet with the Board to discuss triggers which may have led to a small decline in the proportion of Indigenous employees in IBA's staffing profile, from 23 per cent at 30 June 2015 to 22 per cent at 30 June 2016.

22 per cent of our staff identify themselves as being of Aboriginal or Torres Strait Islander descent.

CAPABILITY DEVELOPMENT

IBA invested heavily in developing the capability of its staff during 2015–16. Staff were offered study assistance, formal learning and development programs, and innovative learning experiences such as external exchanges, rotations within IBA, and opportunities to shadow senior IBA leaders (including the CEO).

The learning and development program is a reflection of IBA's responsiveness to priorities identified within individual performance management and development agreements, and evidence accumulated by the human resources team.

Significant offerings in 2015–16 included:

- external exchanges with agencies operating in the Indigenous affairs area, including the Department of the Prime Minister and Cabinet and various commercial entities—nine staff participated
- assistance to gain or study towards a recognised qualification—twenty staff were supported

- training workshops in core skills, including project management and 'winning that job' to support career planning—80 staff participated
- a mentoring program—ten staff participated as mentees and ten as mentors
- leadership training for Indigenous staff members—eleven staff participated.

These initiatives helped to build individual and organisational capability, to better deliver IBA products and services, and to create a workplace culture that contributes to the attraction and retention of high-quality staff.

RECONCILIATION ACTION PLAN

IBA successfully completed fourteen of the fifteen strategies proposed in the 2014–16 Reconciliation Action Plan (RAP), which was categorised by Reconciliation Australia as a 'Stretch' RAP. This has progressed our RAP goals of 'strengthening our relationships', 'moving from cultural awareness to cultural capability', and 'using our influence to create more opportunities' with our customer base.

The RAP Working Group collaborated with the Galambany Staff Network, as demonstrated in the naming of IBA's customer relationship management system in August 2015. Members of the network created a shortlist of names that would embody the functional and spiritual meaning of the system to staff and customers. The entire IBA staff voted on the names put forward, and the name 'CONNECT CRM' was chosen.

IBA has commenced the process of formulating a new RAP, also to the Stretch standard. The RAP process challenges all staff, including managers, to become culturally competent as part of their daily routine.



STAFF FROM THE CANBERRA NATIONAL OFFICE PARTICIPATING IN THE NATIONAL SORRY DAY BRIDGE WALK IN 2016.

EMPLOYEE RELATIONS

Negotiating a new enterprise agreement to replace the 2012–2014 IBA Enterprise Agreement, which nominally expired at the end of 2014, was a priority for IBA in 2015–16. The challenge was to achieve an outcome that met staff aspirations and delivered productivity and efficiency increases for IBA, while maintaining a positive and collaborative climate for employee relations.

Negotiations commenced in August 2015 and concluded in early 2016. In March, staff voted in support of a new three-year agreement which delivers pay increases in line with the Australian Government's Public Sector Workplace Bargaining Policy.

The new agreement also ushered in a number of important reforms, which included:

- changing personal leave provisions
- changes to facilitate use of individual flexibility arrangements

- refreshing the performance management agreement framework, to place greater emphasis on Indigenous employment initiatives and career planning
- streamlining the agreement to improve its operation.

IBA remained committed to consulting with staff, and consulted directly with employees on a continuous basis during negotiation of the enterprise agreement and other significant whole-of-IBA developments. Due to the direct contact through the negotiations, the Workplace Consultative Committee did not meet during 2015–16.

GALAMBANY MAKES ITS MARK



'Working at IBA gives me an opportunity to tie all my values together around working with community, supporting my mob, and helping to make a difference.'

**Cristilee Houghton,
Senior Manager, Sustainability
and Impact Solutions**

The Galambany Staff Network acts as a support system for Indigenous staff, and a great source of guidance for IBA on key initiatives that directly affect outcomes for Indigenous Australians.

In 2015–16, the network was consulted on building cultural capacity in the workforce at IBA, and started to develop its own strategic plan to interact with the IBA Reconciliation Action Plan, corporate plan and Indigenous employment strategy.

Representatives from the network were invited to attend a special IBA Board workshop in May 2016, to discuss their perspective on internal policies for improving Indigenous employment. Their input is now an important reference for the updated employment strategy.

At the Galambany Staff Network's annual conference, also held in May, participants (pictured here) outlined the priority areas, activities and processes for implementation that they wanted to see in the network's strategic plan, and supported IBA's intention to formally develop a framework for cultural capability based on the Australian Public Service model of knowing–doing–being.





EMPLOYEE WELLBEING

The physical and psychological health of workers is a key priority for IBA. In 2015–16, the Workplace Harassment Contact Officers Network was established to help IBA respond to concerns where staff believe they may have been bullied and harassed. The contact officers were chosen to reflect the diversity and geographic spread of IBA and received relevant training before taking up their new roles.

IBA's commitment to employee wellbeing was also demonstrated through the development of a strategy and action plan for promoting mental health and preventing psychological injury.

Seven injuries were reported during 2015–16; five resulted in claims for workers compensation being lodged. One of the claims was accepted by the insurer as being work related, three were not accepted and another is yet to be determined. There were no notifiable incidents during the year. There was one investigation completed during the year with no adverse findings.

The Health and Safety Committee met on four occasions in 2015–16. IBA's health and safety policy and management arrangements were fully revised and updated, with particular emphasis on consultation provisions.

IBA staff and their families continued to find the employee assistance arrangements provided by Optum to be useful in dealing with personal and work-related issues.

NAIDOC WEEK

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

In July 2015, IBA held its eighth NAIDOC Week breakfast, at the Tandanya Aboriginal Cultural Institute in Adelaide.

As in previous years, the private and public sectors were both strongly represented, showing their support for Indigenous economic development. Key speakers included Indigenous health worker and academic Gracelyn Smallwood, IBA home loan customer Sharee Glastonbury and IBA CEO Chris Fry.

IBA staff members also celebrated NAIDOC Week by participating in various events in their local communities. IBA took the opportunity to present awards to a number of staff, in recognition of their service in developing and supporting economic development outcomes for our customers.

OUTLOOK

IBA will work to increase Indigenous staff throughout the entity with particular focus on senior levels through a new executive Indigenous program. The initiative was created in collaboration with the Australian Government to roll out within both IBA and the Indigenous Land Corporation.

The Indigenous Employment Strategy 2014–16 enjoys strong support and provides a solid strategic foundation for action in areas for improvement, such as measuring performance, enhancing and leveraging existing entry-level Indigenous employment programs, and developing our staff.

Building on achievements in 2015–16, our efforts will focus on:

- developing the cultural capability framework and embedding it in our approaches to attraction, recruitment, development and performance management, to ultimately create an even more culturally diverse, capable and supportive organisation
- increasing the employment of Indigenous staff at all levels
- further promoting initiatives to support the psychological health and wellbeing of staff to ensure that they remain resilient in IBA's ever-changing business environment
- working to put in place a shared services framework for efficient and effective use of resources with the Indigenous Land Corporation
- developing a new RAP.



PART 7
FINANCIAL
PERFORMANCE

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FINANCIAL SNAPSHOT

Economic background

Interest rates have continued to trend down during 2015–16 with the Reserve Bank of Australia cutting the benchmark cash rate by 25 basis points in May 2016 to 1.75 per cent.

These rates have impacted interest incomes from the home loan and business loan portfolios but have generally had a positive impact on IBA's concessional rate loan valuations discounts. IBA's investment portfolio has increased with the establishment of the Indigenous Prosperity Funds and increase in property values. Industrial and retail portfolios have remained steady while tourism has continued to decline.

Financial results

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

The 2015–16 consolidated operating result for IBA is a surplus of \$18.5 million against the previous year's surplus of \$12.1 million. Valuation losses forming part of other comprehensive income amount to \$2.2 million (2014–15: \$5.3 million), bringing the total comprehensive income to a surplus of \$16.4 million (2014–15: \$6.9 million surplus).

Total income has increased from \$191.5 million in 2014–15 to \$225.1 million in 2015–16 due mainly to sale of goods and services. Total expenses have increased from \$179.1 million in 2014–15 to \$206.3 million in 2015–16 due mainly to increased supplier expenses.

IBA's total assets as at 30 June 2016 are valued at \$1.3 billion, an increase of \$62 million over the previous year primarily due to the increase in the value of the home loan portfolio. Net assets as at that date were valued at \$1.2 billion. Figure 26 shows the growth in consolidated net assets over the past nine years and Figure 27 shows the composition of total assets.



FIGURE 26: Net asset growth

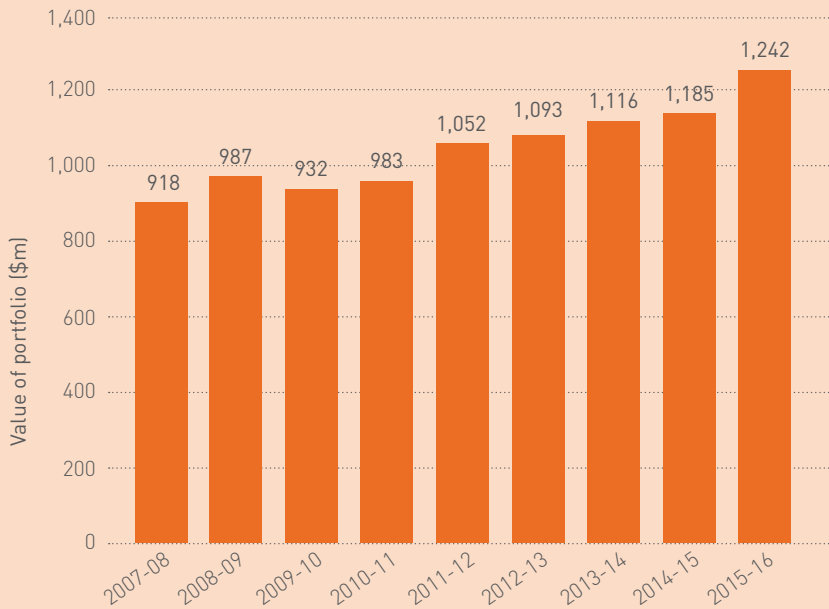
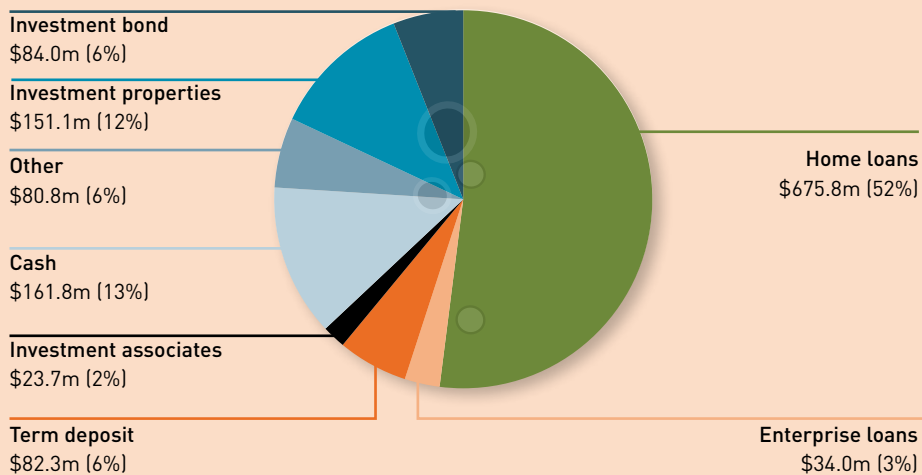


FIGURE 27: Consolidated total assets



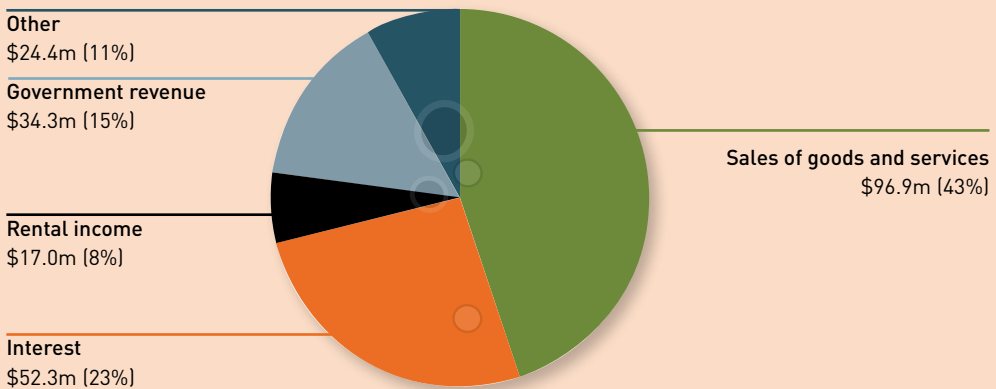
Funding

The income base of the consolidated IBA entity is a mix of departmental receipts from the Australian Government and self-generated revenue. In 2015-16, IBA received \$34 million in departmental receipts and \$190 million in self-generated revenue..

The self-generated revenue is largely from interest earnings on the loan portfolio, rental receipts, and sale of goods and services within IBA's subsidiary investments. IBA also received a \$37 million equity injection from the

Australian Government to fund its lending operation and \$3 million to fund its leasing operation (on a separate arrangement). Figure 28 shows the composition of IBA's consolidated income.

FIGURE Z: Consolidated income, 2015-16





LEGAL AND FINANCIAL FRAMEWORK

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

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

Accounting standards require IBA's financial assets to be valued at their fair market value. The housing and business

loans portfolio is issued at concessional interest rates. A market valuation of the portfolio requires discounting the portfolio value to equate interest earned to market yield for comparable risk. The annual incremental discount is taken as a noncash charge to the income statement.

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

OUTLOOK

IBA expects stability in its lending and investment operations in 2016–17. However, any volatility in economic parameters and interest rates would impact IBA's asset valuations and operating results.

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

IBA's net asset base is expected to continue its steady growth during 2016–17, with total assets budgeted at \$1.3 billion as at 30 June 2017. Total consolidated revenue is budgeted at \$208 million, including departmental receipts from the Australian Government of \$11 million.



INDEPENDENT AUDITOR'S REPORT

To the Minister for Indigenous Affairs

I have audited the accompanying annual financial statements of Indigenous Business Australia for the year ended 30 June 2016, which comprise the following for the consolidated entity:

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

The consolidated entity comprises Indigenous Business Australia and the entities it controlled at the year's end or from time to time during the year.

Opinion

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

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the consolidated entity as at 30 June 2016 and its financial performance and cash flows for the year then ended.

Accountable Authority's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial



statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Indigenous Business Australia's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Indigenous Business Australia's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, as well as evaluating the overall presentation of the financial statements.

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

Independence

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

Australian National Audit Office

Ron Wah
Audit Principal

Delegate of the Auditor-General

Canberra
12 September 2016



Australian Government
Indigenous Business Australia

Indigenous Business Australia and controlled entities

STATEMENT BY DIRECTORS, CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2016 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.

Edward Fry
Chair
9 September 2016

Anthony Ashby
Deputy Chair
9 September 2016

Leo Bator
Acting Chief Executive Officer
9 September 2016

Unni Kesavan
Acting Chief Financial Officer
9 September 2016



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STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2016

	Notes	Consolidated	
		2016 \$'000	2015 \$'000
NET COST OF SERVICES			
Expenses			
Employee benefits	2A	54,612	53,326
Supplier expenses	2B	88,823	77,019
Grants		2,798	7,718
Depreciation and amortisation	2C	5,272	3,632
Finance costs		948	805
Write-down and impairment of assets	2D	51,979	33,793
Losses from asset sales		1,016	1,689
Other expenses		894	1,154
Total expenses		206,342	179,136
Own-source income			
Own-source revenue			
Sale of goods and rendering of services	3A	96,854	79,806
Interest	3B	52,277	53,384
Dividends		4,800	884
Rental income	3C	17,018	16,349
Other revenue		2,379	1,454
Total own-source revenue		173,328	151,877
Gains			
Sale of assets		3,092	642
Other	3D	14,469	4,626
Total gains		17,561	5,268
Total own-source income		190,889	157,145
Net cost of services		15,453	21,991
Revenue from Government	3E	34,258	34,328
Surplus (deficit) before income tax on continuing operations		18,805	12,338
Income tax expense		285	199
Surplus (deficit) after income tax on continuing operations		18,520	12,138
Surplus (deficit) attributable to non-controlling interests		4,859	4,164
Surplus (deficit) attributable to the Australian Government		13,661	7,974
Other comprehensive income			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation reserves		-	-
Items subject to subsequent reclassification to net cost of services			
Gains/(Losses) on available-for-sale financial assets		(2,161)	(5,263)
Total other comprehensive income / (loss) after income tax		(2,161)	(5,263)
Total comprehensive income / (loss)		16,359	6,875
Total comprehensive income / (loss) attributable to non-controlling interests		4,859	4,164
Total comprehensive income / (loss) attributable to Australian Government		11,500	2,711

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

STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

	Notes	Consolidated	
		2016 \$'000	2015 \$'000
Assets			
Financial assets			
Cash and cash equivalents	6A	161,809	156,088
Trade, loans and other receivables	6B	727,275	684,100
Investments	6C, 6D, 6E	188,221	178,414
Deferred tax assets	6F	822	1,231
Total financial assets		1,078,127	1,019,833
Non-financial assets			
Land and buildings	7A	29,311	44,677
Property, plant and equipment	7A	21,071	13,896
Investment property	7B	151,069	133,512
Intangibles	7A	7,290	8,503
Inventories		4,447	4,440
Other non-financial assets		2,018	2,876
Total non-financial assets		215,206	207,904
Total assets		1,293,333	1,227,737
Liabilities			
Payables			
Suppliers	8A	11,520	13,837
Tax liabilities		110	50
Other	8B	6,315	5,736
Total payables		17,945	19,623
Interest bearing liabilities			
Loans	9	22,985	12,761
Total interest bearing liabilities		22,985	12,761
Provisions			
Employee provisions	10A	6,885	7,281
Other	10B	3,070	2,613
Total provisions		9,955	9,894
Total liabilities		50,885	42,278
Net assets		1,242,448	1,185,459
Equity			
Parent entity interest			
Contributed equity		971,997	932,512
Reserves		8,942	7,043
Retained earnings		216,840	207,800
Total parent entity interest		1,197,779	1,147,355
Attributed to non-controlling interests			
Contributed equity		40,082	35,073
Reserves		1,440	1,384
Retained earnings		3,147	1,647
Total non-controlling interests		44,669	38,104
Total equity		1,242,448	1,185,459

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



STATEMENT OF CHANGES IN EQUITY

for the period ended 30 June 2016

Consolidated								
	Retained earnings		Reserves		Contributed equity/capital		Total equity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Opening balance								
Balance carried forward from previous period	209,447	198,770	8,427	15,391	967,585	902,085	1,185,459	1,116,246
Reclassification	(1,710)	80	796	(645)	(173)	870	(1,087)	305
Adjusted opening balance	207,737	198,850	9,223	14,746	967,412	902,955	1,184,372	1,116,551
Comprehensive income								
Other comprehensive income - asset revaluations	-	-	-	-	-	-	-	-
Other comprehensive income - available for sale financial assets	-	-	(2,161)	(5,263)	-	-	(2,161)	(5,263)
Surplus (deficit)	18,520	12,138	-	-	-	-	18,520	12,138
Total comprehensive income	18,520	12,138	(2,161)	(5,263)	-	-	16,359	6,875
of which is:								
Attributable to the Australian Government	13,661	7,974	(2,161)	(5,263)	-	-	11,500	2,711
Attributable to non-controlling interests	4,859	4,164	-	-	-	-	4,859	4,164
Transactions with owners								
Distributions to owners:								
Return on capital	-	-	-	-	(1,415)	-	(1,415)	-
Transfer	(3,320)	1,056	3,320	(1,056)	-	-	-	-
Dividends	(2,950)	(2,597)	-	-	-	-	(2,950)	(2,597)
Other movement:								
Attributable to the Australian Government	-	-	-	-	-	-	-	-
Attributable to non-controlling interests	-	-	-	-	-	-	-	-
Contributions by owners:								
Equity injection	-	-	-	-	39,460	57,228	39,460	57,228
Other (equity contribution from non-controlling interests)	-	-	-	-	6,622	7,402	6,622	7,402
Total transactions with owners	(6,270)	(1,541)	3,320	(1,056)	44,667	64,630	41,717	62,033
Closing balance as at 30 June	219,987	209,447	10,382	8,427	1,012,079	967,585	1,242,448	1,185,459
Less: non-controlling interests	(3,147)	(1,647)	(1,440)	(1,384)	(40,082)	(35,073)	(44,669)	(38,104)
Closing balance attributable to the Australian Government	216,840	207,800	8,942	7,043	971,997	932,512	1,197,779	1,147,355

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

CASH FLOW STATEMENT

for the period ended 30 June 2016

	Notes	Consolidated	
		2016 \$'000	2015 \$'000
Operating Activities			
Cash received			
Receipts from Government		34,258	34,328
Goods and services		91,728	76,107
Interest		51,711	52,823
Dividends		665	884
GST received		1,901	2,520
Other		19,769	17,601
Total cash received		200,032	184,263
Cash used			
Employees		55,007	53,062
Suppliers		91,470	79,051
Borrowing costs		948	805
Other - grants		2,798	7,718
Total cash used		150,223	140,636
Net cash from operating activities	11	49,809	43,627
Investing Activities			
Cash received			
Proceeds from sales of property, plant and equipment		14,472	14,622
Investments redeemed		87,357	52,142
Other - repayment of loans receivable		121,463	104,879
Total cash received		223,292	171,643
Cash used			
Purchase of property, plant and equipment		30,125	34,128
Purchase of other non-financial assets		327	5,919
Investments purchased		101,010	62,050
Other - loans and advances made		186,383	161,550
Total cash used		317,845	263,647
Net cash used by investing activities		(94,553)	(92,004)
Financing Activities			
Cash received			
Contributed equity		44,494	64,630
New borrowing		10,224	684
Total cash received		54,718	65,314
Cash used			
Repayment of borrowings		-	-
Dividends paid		4,252	1,614
Total cash used		4,252	1,614
Net cash from financing activities		50,466	63,700
Net increase in cash held		5,721	15,323
Cash and cash equivalents at the beginning of the reporting period		156,088	140,765
Cash and cash equivalents at the end of the reporting period	6A	161,809	156,088

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



SCHEDULE OF COMMITMENTS

as at 30 June 2016

	Notes	Consolidated	
		2016 \$'000	2015 \$'000
By Type			
Commitments receivable			
Lease rental income ¹		70,275	66,480
Loans ²		25,703	39,470
Total commitments receivable		95,978	105,950
Commitments payable			
Operating leases ³		12,758	15,122
Loans ²		25,703	39,470
Others ⁴		9,900	12,776
Total commitments payable		48,361	67,368
Net commitments by type		47,617	38,582
By Maturity			
Commitments receivable			
Operating lease income			
One year or less		17,565	12,769
From one to five years		45,133	44,254
Over five years		7,577	9,457
Total operating lease income		70,275	66,480
Loan commitments receivable			
One year or less		564	1,284
From one to five years		3,386	5,494
Over five years		21,753	32,692
Total loan commitments receivable		25,703	39,470
Commitments payable			
Operating lease commitments			
One year or less		2,389	2,551
From one to five years		6,166	6,946
Over five years		4,202	5,625
Total operating lease commitments payable		12,757	15,122
Loan commitments payable			
One year or less		25,703	39,470
Total loan commitments payable		25,703	39,470
Other commitments payable			
One year or less		4,190	3,521
From one to five years		5,304	6,795
Over five years		407	2,460
Total other commitments payable		9,901	12,776
Net commitments by maturity		47,617	38,582

NB: Commitments are GST inclusive where relevant.

SCHEDULE OF COMMITMENTS (continued)

as at 30 June 2016

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

Nature of lease	General description of leasing arrangement
Leases for commercial accommodation	There are 66 commercial accommodation leases current at 30 June 2016, of which 25 will end by 30 June 2017. Initial lease terms range from 1 to 14 years (average 4.3 years) with renewal options ranging from 0 to 20 years (average 8 years). Lease terms remaining at 30 June 2016 range from 1 to 11 years (average 6.5 years). Lease payments are subject to either annual fixed rental increases and/or indexed increases. Some of these may be subject to market increases in the initial lease term and/or on exercising lease renewals.
Motor vehicle leasing	There are 213 equipment leases current at 30 June 2016. Lease terms range from 1 to 7 years (average 3 years).

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

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

Nature of lease	General description of leasing arrangement
Leases for commercial accommodation	There are 10 commercial accommodation leases across 10 buildings current at 30 June 2016 of which 6 will end by 30 June 2017. Initial lease terms range from 1 to 10 years (average 4.5 years) with renewal options ranging from 0 to 5 years (average 2.5 years). Lease terms remaining at 30 June 2016 range up to 8 years (average 2 years). The majority of lease payments are subject to annual fixed rental increases, the balance being indexed increases or a combination of both. Market increases are usually applicable on exercising lease renewals.

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



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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1: Overview

1.1 Objectives of Indigenous Business Australia

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

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

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

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

1.2 Basis of preparation of the financial report

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

The financial statements have been prepared in accordance with:

- a) Financial Reporting Rule (FRR) for reporting periods ending on or after 1 July 2015; and
- b) Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

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

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

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.3 Significant accounting judgements and estimates

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

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

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

1.4 Changes in Australian Accounting Standards

Adoption of new Australian Accounting Standards requirements

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

- AASB 7 Financial Instruments: Disclosures - December 2013 (Compilation)
- AASB 10 Consolidated Financial Statements - December 2015 (Compilation)
- AASB 12 Disclosure of Interests in Other Entities - August 2015 (Principal)
- AASB 124 Related Party Disclosures - July 2015
- AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations (AASB 1 & AASB 11).

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 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107
- AASB 15 Revenue from Contracts with Customers - October 2015 (Compilation)
- AASB 9 Financial Instruments - December 2014 (Principal)
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)
- AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)
- AASB 16 Leases.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.5 Revenue

Revenue from the sale of goods is recognised when:

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

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

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

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

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

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

Resources received free of charge

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

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

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

Revenue from Government

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.6 Gains

Resources received free of charge

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

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

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

Sale of assets

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

1.7 Transactions with the Government as owner

Equity injections

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

Restructuring of administrative arrangements

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

Other Distributions to Owners

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

1.8 Employee benefits

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

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

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

Leave

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

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Separation and redundancy

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

Superannuation

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

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

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

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

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

1.9 Leases

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

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

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

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

1.10 Borrowing costs

All borrowing costs are expensed as incurred.

1.11 Fair Value Measurements

IBA did not have any transfers between the fair value hierarchy during 2015-16 or 2014-15.

1.12 Cash

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

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.13 Principles of consolidation

The consolidated financial statements are those of the economic entity, comprising IBA and all the entities it controls from time to time during the year and at balance date. These include trusts, where IBA is a beneficiary, and where IBA controls the trustee. The financial statements of the controlled entities are prepared for the period 1 July 2015 to 30 June 2016 using accounting policies consistent with those of IBA. The effects of transactions and balances between the entities, including any unrealised profits or losses, have been eliminated in full.

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

1.14 Financial risk management

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

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

These risks are managed in the following ways:

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

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

1.15 Financial assets

IBA classifies financial assets in the following categories:

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Effective interest method

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

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

Financial assets at fair value through profit or loss

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

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

Assets in this category are classified as current assets.

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

Available-for-sale financial assets

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

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

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

Held-to-maturity investments

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

Loans and receivables

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****Categorisation of financial assets**

IBA's financial assets have been categorised as follows:

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

Valuation of financial assets

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

Impairment of financial assets

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.16 Investments in associates

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

1.17 Financial liabilities

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

Financial liabilities are recognised and derecognised upon trade date.

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

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

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

IBA classifies all its financial liabilities under this category.

Interest bearing loans and borrowings

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

1.18 Contingent liabilities and contingent assets

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

1.19 Financial guarantee contracts

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.20 Acquisition of assets

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

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

1.21 Land and building, property, plant and equipment

Asset recognition threshold

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

Make good

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

Revaluations

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

Valuations

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

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

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Depreciation

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

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

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

Asset class	2016	2015
Leasehold improvements	Lease term	Lease term
Plant and equipment	3 to 5 years	3 to 5 years

Impairment

All assets were assessed for impairment at 30 June 2016. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

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

Derecognition

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

1.22 Investment properties

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

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

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

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

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

1.23 Intangibles

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

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

All software assets and goodwill were assessed for indications of impairment as at 30 June 2016.



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 2016.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 2: Expenses

	Consolidated	
	2016	2015
	\$'000	\$'000
Note 2A: Employee benefits		
Wages and salaries	42,626	44,659
Superannuation:		
Defined contribution plans	4,358	4,246
Defined benefit plans	1,180	1,124
Leave and other entitlements	6,448	3,297
Total employee benefits	54,612	53,326
Note 2B: Supplier expenses		
Cost of goods sold	48,083	35,505
Consultants	5,882	3,986
Investment property management expenses	8,868	9,691
IT expenses	3,951	4,121
Legal expenses	1,689	1,958
Office related expenses	5,342	7,898
Travel expenses	2,550	2,312
Other suppliers	8,270	8,015
Total goods and services - supplied or rendered	84,635	73,486
Goods supplied in connection with		
Related parties	-	-
External parties	33,201	33,312
Total goods supplied	33,201	33,312
Services rendered in connection with		
Related parties	2,007	2,086
External parties	49,427	38,087
Total services rendered	51,434	40,174
Total goods and services - supplied or rendered	84,635	73,486
Other supplier expenses		
Operating lease rentals - related entities	402	545
Operating lease rentals - external entities	3,218	2,110
Workers compensation expenses	568	878
Total other supplier expenses	4,188	3,533
Total supplier expenses	88,823	77,019
Note 2C: Depreciation and amortisation		
Depreciation		
Property, plant and equipment	3,583	2,128
Land and buildings	656	923
Total depreciation	4,239	3,051
Amortisation		
Intangibles	1,033	581
Total amortisation	1,033	581
Total depreciation and amortisation	5,272	3,632
Note 2D: Write-down and impairment of assets		
Asset write-downs and impairments from		
Write-down on non-financial assets	15,356	9,502
Impairment on loans	5,844	6,773
Valuation decrements on financial instruments	27,446	17,363
Other	3,333	155
Total write-down and impairment of assets	51,979	33,793



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 3: Income

	Consolidated	
	2016	2015
	\$'000	\$'000
Own-source revenue		
Note 3A: Sale of goods and rendering of services		
Sale of goods in connection with		
Related entities	634	60
External parties	96,091	79,623
Total sale of goods	96,725	79,683
Rendering of services in connection with		
Related entities	-	-
External parties	129	123
Total rendering of services	129	123
Total sale of goods and rendering of services	96,854	79,806
Note 3B: Interest		
Loans	47,011	46,886
Deposits	5,266	6,498
Total interest	52,277	53,384
Note 3C: Rental income		
Operating lease		
Investment properties	14,588	15,120
Other	2,430	1,229
Total rental income	17,018	16,349
Note 3D: Other gains		
Change in fair value of non-financial assets	14,127	1,638
Other	342	2,988
Total other gains	14,469	4,626
Note 3E: Revenue from Government		
Department of Prime Minister and Cabinet		
Corporate Commonwealth Entity payment item	34,258	34,328
Total revenue from Government	34,258	34,328

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 4: Other Comprehensive Income

	Consolidated	
	2016	2015
	\$'000	\$'000

Reclassification Adjustments

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

Nitmiluk (Cicada Lodge)	3,320	-
Noongar Property Trust	-	1,056
Total reclassification adjustments of other comprehensive income	3,320	1,056

Note: Nitmiluk (Cicada Lodge) Pty Ltd and Nitmiluk (Cicada Lodge) Trust were divested on 12 October 2015 and reserves balances of (\$3,454,000) for the company and \$134,228 for the Trust have been transferred.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 5: Fair Value Measurements**Note 5A: Fair Value Measurements, Valuation Techniques and Inputs Used****Fair value measurements at the end of the reporting period by hierarchy for assets and liabilities for 2016**

	Fair value measurements at the end of the reporting period					
	2016 \$'000	2015 \$'000	Category Level	Valuation Technique(s)	Inputs Used	
Financial assets						
Designated at fair value through profit or loss						
Loan receivables - Home	675,820	634,922	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	33,991	38,287	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	74,250	45,951	Level 1	Fund quoted market values	Fund quoted market values	
Available for sale						
Associates	23,654	28,333	Level 2	Future earnings discounted at risk adjusted market rates	Earnings forecast, rates of return on capital	
Total financial assets	807,715	747,493				
Non-financial assets						
Land & Buildings	29,311	44,677	Level 2	Market approach using recently observed market data for similar properties and discounted earnings method	Market sales data, future earnings and market capitalisation rate	
Investment Property	151,069	133,512	Level 2	Market approach using recently observed market data for similar properties and discounted earnings method	Market sales data, future earnings and market capitalisation rate	
Property, Plant & Equipment	21,071	13,896	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	201,451	192,085				

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

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 6: Financial Assets

	Consolidated	
	2016	2015
	\$'000	\$'000
Note 6A: Cash and cash equivalents		
Cash on hand or on deposit	136,267	130,901
Cash on hand or on deposit - New Housing Fund	25,542	25,187
Total Cash and cash equivalents	161,809	156,088

Note 6B: Trade, loans and other receivables

Goods and services receivables in connection with		
Related entities	28	1,426
External entities	17,090	8,463
Total receivables for goods and services	17,118	9,889

Reconciliations of movements of loans receivable

Loans - Home Ownership Program		
At fair value - opening balance as at 1 July	634,922	597,525
Add: net loans movement at cost	68,000	54,901
Less: net movement on remeasurement at fair value through profit or loss	(22,884)	(17,363)
Less: impairment movement through profit or loss	(4,218)	(141)
At fair value - closing balance as at 30 June	675,820	634,922

Loans - Business Development and Assistance Program		
At fair value - opening balance as at 1 July	38,286	41,121
Add: net loans movement at cost	(1,904)	2,320
Add/(Less): net movement on remeasurement at fair value through profit or loss	(778)	1,477
Less: impairment movement through profit or loss	(1,613)	(6,632)
At fair value - closing balance as at 30 June	33,991	38,286
Total home and business loans	709,811	673,208

Other receivables		
Other	346	1,003
Total other receivables	346	1,003

Total trade, loans and other receivables	727,275	684,100
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Trade and other receivables (net) expected to be recovered		
No more than 12 months	48,612	41,735
More than 12 months	678,663	642,365
Total trade, loans and other receivables (net)	727,275	684,100



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 6: Financial Assets (continued)

	Consolidated	
	2016	2015
	\$'000	\$'000
Note 6B: Trade, loans and other receivables (continued)		
Trade and other receivables (gross) aged as follows		
Not overdue	638,228	604,011
Overdue by:		
0 to 30 days	41,098	32,234
31 to 60 days	20,845	23,106
61 to 90 days	8,522	6,790
More than 90 days	18,582	17,959
Total receivables	727,275	684,100
Reconciliation of loans carrying value		
Loans - Home Ownership Program (as shown above)		
Face value as at 30 June	997,509	930,315
Less: Discount on concessional loans on remeasurement at fair value through profit or loss	(314,771)	(291,888)
Less: Impairment allowance	(6,918)	(3,505)
Carrying value as at 30 June	675,820	634,922
Loans - Business Development and Assistance Program (as shown above)		
Face value as at 30 June	52,692	59,777
Less: Discount on concessional loans on remeasurement at fair value through profit or loss	(10,527)	(9,750)
Less: Impairment Allowance	(8,174)	(11,741)
Carrying value as at 30 June	33,991	38,286
Total home and business loans	709,811	673,208
Reconciliation of movement in impairment allowance account		
Loans - Home Ownership Program		
Opening balance as at 1 July	3,505	3,779
Allowance resolved	(1,752)	(2,304)
Allowance pertaining to loans written off	(790)	(303)
	963	1,172
New accounts	6,395	2,255
Change in impairment allowance for accounts existing at 1 July	(439)	78
	5,956	2,333
Closing balance as at 30 June	6,919	3,505

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 6: Financial Assets (continued)

	Consolidated	
	2016	2015
	\$'000	\$'000
Note 6B: Trade, loans and other receivables (continued)		
Loans - Business Development and Assistance Program		
Opening balance as at 1 July	11,741	14,713
Allowance resolved	(1,570)	(1,117)
Allowance pertaining to loans written off	(4,370)	(6,068)
	5,801	7,528
New allowances	3,137	4,521
Change in impairment allowance for accounts existing at 1 July	(764)	(308)
Closing balance as at 30 June	8,174	11,741
Total impairment allowance account	15,093	15,246

The impairment allowances are aged as follows

Not overdue	-	-
Overdue by:		
0 to 30 days	3,720	5,772
31 to 60 days	302	912
61 to 90 days	718	701
More than 90 days	10,353	7,861
Total impairment allowance account	15,093	15,246

Note 6C: Investments in associates

Investments in associates	23,653	28,333
Total investments in associates	23,653	28,333
Investments in associates that are expected to be recovered in:		
More than 12 months	23,653	28,333
Total investments in associates	23,653	28,333

Summarised financial information of associates

Balance sheet		
Assets	68,036	89,542
Liabilities	(42,524)	(54,029)
Net assets	25,512	35,513

Statement of comprehensive income

Revenue	72,732	92,706
Expenses	(66,572)	(87,363)
Net surplus	6,160	5,343



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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

Interests are held in the following associated companies

Associated company	Principal activities	Ownership interest		Voting Power		Carrying amount of investment	
		2016 %	2015 %	2016 %	2015 %	2016 \$'000	2015 \$'000
Carpentaria Shipping Services Pty Ltd	Transportation	18	18	25	25	1,140	1,370
Fitzroy River Lodge Partnership	Accommodation provider	26	26	25	25	1,850	1,850
Message Stick Communications Pty Ltd	Communication service provider	31	31	31	31	7,292	8,148
Nitmiluk (Cicada Lodge) Unit Trust	Accommodation provider	0	50	0	50	-	1,200
Nitmiluk (Cicada Lodge) Pty Ltd	Accommodation provider	0	50	0	50	-	150
Ngarda Civil & Mining Pty Ltd	Civil engineering & mining services	25	25	25	25	2,161	3,040
Noongar Property Trust	Property	37	37	7	7	9,250	10,175
Port Hedland Investment Trust	Property	70	70	50	50	1,960	2,400
						23,653	28,333

Consolidated

2016	2015
\$'000	\$'000

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

Opening balance as at 1 July	28,333	37,109
Add:		
Additional investments during the year	-	100
Less:		
Disposals and redemptions during the year	(2,519)	(3,613)
Fair value decrement	(2,161)	(5,263)
Closing balance as at 30 June	23,653	28,333

Note 6E: Other investments

Deposits	82,369	94,730
Other - bonds and interest in business undertakings	82,199	55,351
Total other investments	164,568	150,081
Investments expected to be recovered in:		
No more than 12 months	164,568	150,081
More than 12 months	-	-
Total other investments	164,568	150,081
Total investments	188,221	178,414

Note 6F: Deferred tax assets

Deferred tax assets	822	1,233
Total deferred tax assets	822	1,233

All deferred tax assets are non-current assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 7: Non-Financial Assets

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

	2016					2015				
	Land & buildings \$'000	Other PP & E \$'000	Computer software \$'000	Other intangibles \$'000	Total \$'000	Land & buildings \$'000	Other PP & E \$'000	Computer software \$'000	Other intangibles \$'000	Total \$'000
Opening balance										
Gross book value	50,416	18,943	3,732	7,148	80,239	47,949	18,550	3,093	1,870	71,462
Accumulated depreciation and impairment	(5,739)	(5,047)	(2,296)	(82)	(13,164)	(5,338)	(6,097)	(1,748)	(51)	(13,234)
Total as at 1 July	44,677	13,896	1,436	7,066	67,075	42,611	12,453	1,345	1,819	58,228
Additions:										
By purchase	1,614	13,979	242	85	15,920	5,057	13,743	642	5,559	25,001
Accumulated depreciation	-	-	-	-	-	-	(1,160)	-	-	(1,160)
Revaluations and impairments through equity	-	-	-	-	-	-	-	-	-	-
Impairment recognised in the operating result - cost	(4,226)	(1,410)	(37)	(808)	(6,481)	-	(11,400)	-	-	(11,400)
Impairment recognised in the operating result - accumulated depreciation	49	(397)	32	2	(314)	-	3,222	-	-	3,222
Reclassification - at cost	(3,077)	332	-	-	(2,745)	(1,161)	4	-	-	(1,157)
Reclassification - accumulated depreciation	3,134	-	-	-	3,134	-	(4)	-	-	(4)
Depreciation expense	(656)	(3,583)	(900)	(133)	(5,272)	(923)	(2,128)	(551)	(31)	(3,633)
Other movements:										
Opening balance adjustment - cost	(906)	14	-	455	(37)	288	(308)	-	(275)	(295)
Opening balance adjustment - accumulated depreciation	151	(1)	-	(150)	-	-	35	-	-	35
Disposals:										
Other disposals - cost	(11,849)	(2,523)	-	-	(14,372)	(1,717)	(1,646)	(3)	(6)	(3,372)
Other disposals - accumulated depreciation	-	764	-	-	764	522	1,085	3	-	1,610
Total as at 30 June	29,311	21,071	773	6,517	57,672	44,677	13,896	1,436	7,066	67,075
Net book value as at 30 June represented by:										
Gross book value	32,372	29,335	3,937	6,880	72,524	50,416	18,943	3,732	7,148	80,239
Accumulated depreciation and impairment	(3,061)	(8,264)	(3,164)	(363)	(14,852)	(5,739)	(5,047)	(2,296)	(82)	(13,164)
Total as at 30 June	29,311	21,071	773	6,517	57,672	44,677	13,896	1,436	7,066	67,075



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 7: Non-Financial Assets (continued)

	Consolidated	
	2016	2015
	\$'000	\$'000
Note 7B: Investment property		
Opening balance as at 1 July		
Gross book value	133,512	129,439
Opening balance adjustments	(6)	(728)
Disposals	(3,525)	(13,897)
Additions:		
By acquisition	14,532	16,295
Net gain/(loss) from fair value adjustments	6,945	1,242
Reclassification	(389)	1,161
Total as at 30 June	151,069	133,512

Investment properties owned by IBA subsidiaries were revalued during the year in accordance with the revaluation policy stated in Note 1.22. The revaluation resulted in a decrease in value of \$4.808 million (2015: Decrement of \$0.342 million) for two properties and an increase in value of \$11.753 million (2015: Increment of \$1.583 million) for one property and is included in the Statement of Comprehensive Income.

Note 8: Payables

	Consolidated	
	2016	2015
	\$'000	\$'000
Note 8A: Suppliers		
Trade creditors	11,520	13,837
Total suppliers	11,520	13,837
Supplier payables expected to be settled within 12 months:		
Suppliers in connection with:		
Related entities	356	225
External parties	11,164	13,612
Total suppliers	11,520	13,837

Settlement is usually made within 30 days.

Note 8B: Other payables

Salaries and wages	1,655	2,244
Superannuation	138	32
Separations and redundancies	529	-
Unearned income	3,702	3,460
GST payable to ATO	291	-
Total other payables	6,315	5,736
Total other payables expected to be settled in:		
No more than 12 months	6,315	5,736
Total other payables	6,315	5,736

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 9: Interest Bearing Liabilities

	Consolidated	
	2016	2015
	\$'000	\$'000
Note 9: Loans		
Secured loan facility	22,985	12,761
Total loans	22,985	12,761
Maturity schedule for loans payable:		
Less than one year	11,485	1,261
In one to five years	11,500	11,500
Total loans	22,985	12,761

As at 30 June 2016, \$11.5 million (30 June 2015: \$11.5 million) relates to amounts borrowed against security of land and buildings.

Note 10: Provisions

	Consolidated	
	2016	2015
	\$'000	\$'000
Note 10A: Employee provisions		
Leave	6,885	7,281
Total employee provisions	6,885	7,281
Employee provisions expected to be settled in:		
No more than 12 months	4,617	4,942
More than 12 months	2,268	2,339
Total employee provisions	6,885	7,281

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

	Consolidated					
	2016			2015		
	Restoration obligations	Distribution/ other provisions	Total	Restoration obligations	Distribution/ other provisions	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July	586	2,027	2,613	540	934	1,474
Additional provisions made	42	415	457	46	2,039	2,085
Amounts used	-	-	-	-	(946)	(946)
Total as at 30 June	628	2,442	3,070	586	2,027	2,613

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 \$627,368 to reflect the present value of this obligation.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 11: Cash Flow Reconciliation

	Consolidated	
	2016	2015
	\$'000	\$'000
Reconciliation of cash and cash equivalents as per financial position to Cash Flow Statement		
Reported cash and cash equivalents as per		
Cash Flow Statement	161,809	156,088
Statement of Financial Position	161,809	156,088
Discrepancy	-	-
Reconciliation of net cost of services to net cash from operating activities		
Net cost of services	(15,452)	(21,990)
Add: revenue from Government	34,258	34,328
Less: income tax expense	(285)	(199)
Adjustments for non-cash items		
Depreciation and amortisation	5,272	3,632
Net write down of assets	38,322	29,167
Net loss on disposal of assets	(2,887)	1,047
Changes in assets/liabilities		
(Increase)/decrease in net receivables	(9,449)	(4,399)
(Increase)/decrease in inventories	(7)	(928)
(Increase)/decrease in GST payable	756	(2,716)
Increase/(decrease) in employee provisions	(396)	264
Increase/(decrease) in supplier payables	(839)	5,328
Increase/(decrease) in other provisions	457	148
Increase/(decrease) in tax liabilities	59	(55)
Net cash from operating activities	49,809	43,627

Note 12: Contingent Liabilities and Assets

	Guarantees		Consolidated Indemnities		Claims for damages or costs		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Contingent assets								
Opening balance as at 1 July	-	-	-	-	1,014	2,335	1,014	2,335
New	-	-	-	-	736	763	736	763
Remeasurement	-	-	-	-	-	150	-	150
Assets recognised	-	-	-	-	(732)	(1,855)	(732)	(1,855)
Expired	-	-	-	-	(282)	(379)	(282)	(379)
Total as at 30 June	-	-	-	-	736	1,014	736	1,014
Contingent liabilities								
Opening balance as at 1 July	-	-	1,000	1,000	-	541	1,000	1,540
New	-	-	-	-	-	-	-	-
Obligations expired	-	-	-	-	-	(541)	-	(540)
Total as at 30 June	-	-	1,000	1,000	-	-	1,000	1,000
Net contingent assets (liabilities) as at 30 June	-	-	(1,000)	(1,000)	736	1,014	(264)	14

Quantifiable contingencies**Claims for damages/costs (contingent asset)**

The claims for damages or costs at 30 June 2016 relate to loans within the Indigenous Home Ownership program. There are no other contingent assets as at 30 June 2016.

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 cross indemnity agreement with P&O Maritime Services whereby IBA will warrant to meet up to one half of any liability (subject to a maximum of Indigenous Business Australia's exposure, being \$1 million) arising from a performance guarantee provided by P&O Maritime Services to Mount Isa Mines Limited.

Unquantifiable contingencies

IBA had no significant unquantifiable contingencies as at 30 June 2015 or as at 30 June 2016.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 13: Senior Management Personnel Remuneration

	2016	2015
	\$'000	\$'000
Senior management personnel expenses for the reporting period		
Short-term employee benefits		
Salary and other allowances	2,546	2,679
Performance bonuses	50	50
Total short-term employee benefits	2,596	2,729
Post-employment benefits		
Superannuation	359	409
Total post-employment benefits	359	409
Other long-term employee benefits		
Annual Leave	150	166
Long-service leave	65	54
Total other long-term employee benefits	215	220
Termination benefits		
Voluntary redundancy payments	380	-
Total termination benefits	380	-
Total senior executive remuneration expenses	3,550	3,358

The total number of senior management personnel that are included in the above table is 22 [2014-15:23].

Note 14: Related Party Disclosure**Loans to directors and director-related entities**

	2016	2015
	\$'000	\$'000
Loans to director-related entities outstanding at year-end	1,072	264
Loans to director-related entities during the year	949	-
Loan repayments during the year	210	31
Interest revenue included in operating result from loans to directors and director-related entities	69	19

Loans were made to the following director-related entity:

- 4 Mile Ventures Pty Ltd

Mr Glen Brennan is the 50% shareholder and director of 4 Mile Ventures Pty Ltd. 4 Mile Ventures Pty Ltd has received a loan from the Business Development and Assistance Program, disbursed on 15 March 2012 for \$315,000, on 25 June 2013 for \$80,000, and in August 2015 for \$949,000. The transactions between 4 Mile Ventures Pty Ltd and IBA are on a normal commercial arm's length basis. Mr Glen Brennan ceased being a director of IBA on 29 April 2016. Mr Glen Brennan took no part in the relevant loan approval decision of the IBA Board.

Other transactions with directors or director-related entities

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

- Mr Glen Brennan (owner, 4 Mile Ventures Pty Ltd) - \$13,127

The director involved took no part in the relevant decisions.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 15: Financial Instruments

	Notes	Consolidated	
		2016 \$'000	2015 \$'000
Note 15A: Categories of financial instruments			
Financial assets			
Held-to-maturity financial assets			
Term deposits & bonds	6E	88,669	102,430
Total held-to-maturity financial assets		88,669	102,430
Loan and receivables financial assets			
Cash and cash equivalents	6A	161,809	156,088
Goods and services	6B	17,118	9,889
Other receivables	6B	1,994	4,310
Total loan and receivables financial assets		180,921	170,287
Fair value through profit or loss - designated			
Investments in market funds	6E	74,252	45,951
Business and home loans	6B	709,811	673,208
Total fair value through profit or loss - designated		784,063	719,159
Available-for-sale financial assets			
Associates	6D	23,653	28,333
Total available-for-sale financial assets		23,653	28,333
Carrying amount of financial assets		1,077,306	1,020,209
Financial liabilities			
Other financial liabilities - at amortised cost			
Trade creditors	8A	11,520	13,837
Other payables	8B	2,322	2,276
Total other financial liabilities - at amortised cost		13,842	16,113
Borrowings secured by a floating charge	9	22,985	12,761
Total borrowings secured by a floating charge		22,985	12,761
Carrying amount of financial liabilities		36,827	28,874

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 15: Financial Instruments (continued)

	Notes	Consolidated	
		2016 \$'000	2015 \$'000
15B: Net Gains or Losses from financial assets			
Held-to-maturity assets			
Interest revenue		2,940	4,293
Net gain: held-to-maturity assets		2,940	4,293
Loans and receivables			
Interest revenue		2,967	2,911
Net gain: loan and receivables		2,967	2,911
Fair value through profit or loss			
Interest revenue		46,700	46,886
Changes in fair value		(28,984)	(21,148)
Net gain: fair value through profit or loss		17,716	25,738
Available-for-sale assets			
Interest revenue		638	820
Dividend revenue		848	884
Gain recognised in equity		2,161	5,263
Net gain on disposal		400	419
Net gain: available-for-sale assets		4,047	7,386
Net gain on financial assets		27,670	40,328
15C: Net Gains or Losses from financial liabilities			
Financial liabilities - at amortised cost			
Interest expense		948	805
Net loss: financial liabilities - at amortised cost		948	805
Net loss from financial liabilities		948	805

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 15: Financial Instruments (continued)

15D: Fair value of financial instruments

Loan receivables designated at fair value through profit or loss

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

	Consolidated	
	2016	2015
	\$'000	\$'000
Maximum exposure to credit risk	709,811	673,209
Fair value changes due to credit risk:		
During the period	33,847	35,605
Prior to the period	307,415	271,810
Cumulative change	341,262	307,415

- IBA Home and Business loans, issued at lower than market rates, are fair valued against market interest rates benchmarked on commercial bank rates. The interest rate differential against which the discount is applied, is split into market discount and credit discount differentials. Movement in fair value is dependent on new loans settled, loans repaid and interest rate changes during the period. The credit risk impact measured below gives the fair value discount arising on the credit interest differential only.
- IBA has not utilised any instruments such as credit derivatives to mitigate its credit risk.

Fair value measurements categorised by fair value hierarchy

IBA uses the following techniques for measuring fair value of assets and liabilities:

- Trade receivables are valued at realisable value, which in the absence of impairment is the same as carrying value.
- Trade and other payables and provisions are valued at their carrying values adjusted for any impairment.
- Investments are assessed for fair value against market-related inputs every year and an external valuation is performed once every three years.
- Loan receivables are assessed for fair value against market-related benchmarks on an ongoing basis.

When measuring fair value, IBA is required to maximise the use of observable inputs. IBA has used the Level 2 fair value hierarchy - Inputs other than quoted price that are observable either directly or indirectly.

15E: Credit risk - maximum exposure

IBA manages credit risk on its loans portfolio by undertaking background and credit checks prior to allowing a debtor relationship. In addition, IBA has policies and procedures that guide employees' debt recovery techniques. IBA also holds collateral against certain loans to mitigate against credit risk.

The following table illustrates IBA's gross exposure to credit risk, excluding any collateral or credit enhancements.

	Consolidated	
	2016	2015
	\$'000	\$'000
Financial assets		
Trade, other receivables and other financial assets	19,112	14,199
Loan receivables - Home	675,820	634,922
Loan receivables - Business	33,991	38,286
Investments in market funds	74,250	45,951
Investments in associates treated as available-for-sale	23,653	28,333
Term deposits & bonds	88,669	102,429
Total	915,495	864,120



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 15: Financial Instruments (continued)**15E: Credit risk - maximum exposure (continued)**

In relation to financial assets, deposits, trade receivables and investments are considered not past due and not impaired. The details of past due and impaired assets pertain to Home and Business loans only.

Impairment and ageing analysis of IBA's Home and Business loan receivables

	Consolidated			
	Not past due nor impaired	Not past due nor impaired	Past due or impaired	Past due or impaired
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Financial assets				
Loan receivables - Home	582,544	549,701	98,969	86,662
Loan receivables - Business	28,895	30,654	12,940	18,159
Total	611,439	580,355	111,909	104,821

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

	Consolidated 2016				
	0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Loan receivables - Home	40,237	19,233	8,522	17,883	85,875
Loan receivables - Business	861	1,612	-	699	3,172
Total	41,098	20,845	8,522	18,582	89,047

	Consolidated 2015				
	0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Loan receivables - Home	34,578	21,611	6,477	16,087	78,753
Loan receivables - Business	963	1,495	313	1,371	4,142
Total	35,541	23,106	6,790	17,458	82,895

Loan receivables considered impaired

	Consolidated	
	2016 \$'000	2015 \$'000
Financial assets		
Loan receivables - Home	13,095	7,908
Loan receivables - Business	32,067	14,018
Total	45,162	21,926

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 15: Financial Instruments (continued)

15F: Liquidity risk

The financial liabilities of IBA are trade payables, other payables and secured loans. The exposure to liquidity risk is analysed with a maturity analysis of all liabilities.

Consolidated 2016					
	On demand	Within 1 year	1 to 5 years	> 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities					
Trade creditors	-	12,140	-	-	12,140
Other payables	-	2,322	-	-	2,322
Borrowings secured by a floating charge	-	11,485	11,500	-	22,985
Total	-	25,947	11,500	-	37,447

Consolidated 2015					
	On demand	Within 1 year	1 to 5 years	> 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities					
Trade creditors	-	13,839	-	-	13,839
Other payables	-	2,276	-	-	2,276
Borrowings secured by a floating charge	-	1,261	11,500	-	12,761
Total	-	17,376	11,500	-	28,876



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 15: Financial Instruments (continued)

15G: Market risk

Interest rate risk refers to the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. IBA is exposed to interest rate risk primarily on its Home and Business loan receivables.

Consolidated 2016					
Risk variable	Change in risk variable %	Effect on income statement \$'000	Change in risk variable %	Effect on income statement \$'000	
Financial assets: loan receivables					
Interest rate risk	Interest rate	+0.6	(1,039)	(0.6)	(682)
Consolidated 2015					
Risk variable	Change in risk variable %	Effect on income statement \$'000	Change in risk variable %	Effect on income statement \$'000	
Financial assets: loan receivables					
Interest rate risk	Interest rate	+0.6	145	(0.6)	(2,168)

A positive number indicates an increase in surplus in the statement of comprehensive income and a negative number indicates a decrease in surplus.

IBA home and business loans, issued at lower than market rates, are fair valued against market interest rates benchmarked on commercial bank rates. The quantum of interest rate differential determines the variance of the fair value from the face value.

Note 15H: Assets pledged/or held as collateral

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

	Consolidated	
	2016 \$'000	2015 \$'000
Assets pledged as collateral		
Financial liabilities:		
Borrowings secured by floating charge	21,500	11,500
Total assets held as collateral	21,500	11,500

The assets held as collateral comprise the following:

- As at 30 June 2016, \$21.5 million (30 June 2015: \$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.

	2016	2015
	\$'000	\$'000
Assets held as collateral		
Non-financial assets:		
Loan receivables - Home	1,356,262	1,284,800
Loan receivables - Business	134,759	118,477
Total assets held as collateral	1,491,021	1,403,277

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 16: Assets Held in Trust

Aboriginal and Torres Strait Islander Commission Funds

IBA established the Aboriginal and Torres Strait Islander Commission Funds held in trust account. Funds held in the trust were received from the Aboriginal and Torres Strait Islander Commission under formal trust arrangements.

	Consolidated	
	2016 \$'000	2015 \$'000
Opening balance as at 1 July	3,381	4,250
Interest received	41	93
Payments	(1,338)	(962)
Total amount at 30 June	2,084	3,381

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	
	2016 \$'000	2015 \$'000
Opening balance as at 1 July	1	1
Interest received	-	-
Payments	-	-
Total amount at 30 June	1	1

Moneys received are placed in a separate bank account and are granted to parties in accordance with the Grant Agreement. These monies are not available for any other purpose of the Corporation and are not recognised in the financial statements.

Note 17: Reporting of Outcomes

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

	Consolidated Outcome 1	
	2016 \$'000	2015 \$'000
Expenses	(206,621)	(179,136)
Income from non-government sector		
Commercial revenue	190,549	157,145
Net cost of outcome delivery	(16,072)	(21,991)
Statement of financial position		
Total assets	1,293,333	1,231,044
Total liabilities	(50,885)	(45,585)
Net assets	1,242,448	1,185,459
Statement of equity		
Retained earnings	219,987	209,447
Asset revaluation reserves	10,381	8,427
Contributed equity/capital	1,012,080	967,585
Total equity	1,242,448	1,185,459

As IBA has only one outcome, the above figures correspond to the Statement of Comprehensive Income and Balance Sheet.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 18: New Housing Fund

As per section 189(3) of the *Aboriginal and Torres Strait Islander Act 2005* money held in the New Housing Fund may only be applied to make housing loans. Specific information on the New Housing Fund's operations and financial position, which has been included in the preceding statement and notes, is disclosed as follows:

New Housing Fund**Statement of Comprehensive Income**

for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Expenses			
Write-down of assets	18A	9,950	11,756
Other		3,975	74
Total expenses		13,925	11,830
Less: own-source income			
Revenue			
Interest	18B	30,632	30,847
Other		-	336
Total revenue		30,632	31,183
Gains			
Valuation increment		-	-
Total gains		-	-
Total own-sourced income		30,632	31,183
Net contribution by services		16,707	19,353

New Housing Fund**Statement of Financial Position**

as at 30 June 2016

Assets			
Financial assets			
Cash	18C	25,542	25,187
Receivables	18D	487,272	471,555
Other		28	-
Total financial assets		512,842	496,742
Total assets		512,842	496,742
Liabilities			
Payables		-	607
Total liabilities		-	607
Net assets		512,842	496,135

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 18: New Housing Fund (continued)

New Housing Fund

Statement of Financial Position (continued)

as at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Equity			
Parent entity interest			
Capital		429,397	429,397
Accumulated surplus/(deficit)		83,445	66,738
Total parent entity interest		512,842	496,135
Total equity		512,842	496,135

New Housing Fund

Cash flow statement

for the period ended 30 June 2016

Operating activities			
Cash received			
Interest		30,632	30,847
Other		-	336
Total cash received		30,632	31,183
Cash used			
Other		635	-
Total cash used		635	-
Net cash from operating activities	18E	29,997	31,183
Investing activities			
Cash received			
Repayments of loans		77,565	74,420
Total cash received		77,565	74,420
Cash used			
Loans made		107,207	109,825
Total cash used		107,207	109,825
Net cash from investing activities		(29,642)	(35,405)
Net increase or (decrease) in cash held		355	(4,222)
Cash at beginning of reporting period		25,187	29,409
Cash at the end of the reporting period		25,542	25,187

The above statements should be read with the accompanying notes.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 18: New Housing Fund (continued)

	2016	2015
	\$'000	\$'000
Note 18A: Write-down and impairment of assets		
Value decrement	9,950	11,756
Total write-down and impairment of assets	9,950	11,756
Note 18B: Interest revenue		
Interest on bank account	449	666
Interest on housing loans	30,183	30,181
Total interest revenue	30,632	30,847
Note 18C: Cash		
Cash at bank and on hand	23,931	20,157
Cash at agents	1,611	5,030
Total cash	25,542	25,187
Note 18D: Receivables		
Trade debtors	-	-
Other debtors	28	-
Total other receivables	28	-
New Housing Fund only		
At fair value - opening balance as at 1 July	471,555	447,405
Add: net loans movement at cost	29,642	35,984
Add/(Less): net gain/(loss) on re-measurement at fair value through profit or loss	(9,950)	(11,756)
Less: impairment movement through profit or loss	(3,975)	(78)
At fair value/cost closing balance	487,272	471,555
New Housing Funds loans (net) expected to be recovered		
Current loans receivable	10,919	10,789
Non-current loans receivable	476,353	460,766
Total receivables	487,272	471,555
Note 18E: Cash flow reconciliation		
Reconciliation of net surplus to net cash from operating activities		
Net contribution by services	16,707	19,353
Loans fair value adjustment	13,925	11,830
(Increase)/Decrease in receivables	(28)	-
Increase/(Decrease) in payables	(607)	-
Net cash from operating activities	29,997	31,183

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 19: Parent Entity - Indigenous Business Australia

	2016	2015
	\$'000	\$'000

Note 19A: Statement of Comprehensive Income

Surplus after income tax on continuing operations	13,743	23,001
Total comprehensive income/(loss)	16,338	2,648

Note 19B: Statement of Financial Position

Current assets	345,610	348,156
Total assets	1,182,642	1,135,735
Current liabilities	11,107	11,526
Total liabilities	13,398	13,737
Net assets	1,169,244	1,121,998

Note 19C: Statement of Equity

Retained earnings	281,922	276,487
Reserves	(45,873)	(51,133)
Contributed equity	933,194	896,644
Total equity	1,169,244	1,121,998



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 19: Parent Entity - Indigenous Business Australia (continued)

Note 19D: Statement of IBA's holding in subsidiaries

Name	Country of incorporation	Percentage of equity interest held by consolidated entity	
		2016 %	2015 %
Anderleigh Quarry	Australia	63	63
Asset Leasing Trust **	Australia	0	100
Bowen Basin Holdings Pty Limited *	Australia	100	100
Bowen Basin Investments Pty Limited *	Australia	100	100
Carpentaria Shipping Trust	Australia	100	100
CDC Nominees (McArthur River Shipping) Pty Limited *	Australia	100	100
CDC Nominees (TCTP) Pty Limited *	Australia	100	100
Consolidated Manufacturing Enterprises Pty Limited	Australia	75	75
Darwin Hotel Holdings Pty Limited *	Australia	100	100
Darwin Hotel Holdings Trust	Australia	100	100
Darwin Hotel Holdings Trust #2 **	Australia	0	100
Dominican Indigenous Education Trust	Australia	100	100
Fitzroy Lodge Investments Pty Limited	Australia	100	100
Gagudju Crocodile Hotel Trust	Australia	70	70
Gagudju Lodge 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 (Property Holdings) Pty Limited *	Australia	100	100
IBA Property Investments Pty Limited *	Australia	100	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 Fishing Pty Limited **	Australia	0	100
Indigenous Fishing Trust **	Australia	0	100
Indigenous Prosperity Fund	Australia	100	0
Indigenous Real Estate Investment Trust - Head Trust	Australia	73	73
Kakadu Tourism (GCH) Pty Limited	Australia	70	70
Kakadu Tourism (GLC) Pty Limited	Australia	52	52
Leonora Investments Trust **	Australia	0	100
Leonora Investments Pty Limited **	Australia	0	100
Li Ar Yalug Holding Trust	Australia	89	89
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
North Stradbroke Enterprises Pty Limited	Australia	84	89
South Hedland Indigenous Property Trust	Australia	100	100
Swanbrook Road Holding Trust	Australia	75	75
Tennant Creek Enterprises Pty Limited *	Australia	100	100
Tennant Creek Enterprises Trust	Australia	100	100
Tennant Creek Land Holding Trust	Australia	90	90
Tennant Creek Supermarket Pty Limited	Australia	90	90
Tjapukai Pty Limited	Australia	100	100
Wilpena Pound Aerodrome Services Pty Limited	Australia	87	87

*Non-trading

**Entities sold before end of financial year





PART 8
APPENDICES AND
REFERENCES

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APPENDIX A: CONSULTANTS

TABLE A1: Consultancies

Name of consultant	Description of services	Selection process ¹	Justification ²	Sum of contract price \$ (ex GST)
33 Creative Pty Ltd	Professional Services	Limited quotation	B	2,400
ACIL Allen Consulting	Business Research	Limited quotation	B	56,061
AILC (Australia Indigenous Leadership Centre)	Professional Services	Limited quotation	B	7,150
AVAIL Information Pty Ltd	Professional Services	Limited quotation	B	2,646
Bendelta Pty Ltd	Professional Services	Limited tender	B	34,646
Blue River Group	Professional Services	Limited quotation	C	30,000
Business Success Coach	Professional Services	Limited quotation	C	5,400
Chartsmart Pty	Professional Services	Limited quotation	B	8,389
Deloitte Actuaries and Consultant Ltd	Business Research	Limited quotation	B	115,000
Deloitte Touche Tohmatsu	Business Review	Limited quotation	B	183,783
Ernst & Young	Professional Services	Limited quotation	C	35,998
Fiftyfive5 Pty Ltd	Business Research	Limited quotation	B	36,000
Good Foundation	Professional Services	Limited tender	B	114,074
Grant Paulson	Business Research	Limited quotation	C	2,273
GRL Advisory Pty	Professional Services	Limited quotation	C	15,151
King and Wood Mallesons	Professional Services	Limited quotation	B	7,355
KPMG Financial	Business Review	Limited tender	B	53,275
Lange Consulting & Software	Professional Services	Limited quotation	B	38,127
Margot Faraci	Business Research	Limited quotation	A	41,849
McCrinkle Research Pty Ltd	Professional Services	Limited quotation	B	2,000
Mercer Investment Australia	Professional Services	Limited quotation	C	40,000
Mort Consultants Pty Ltd	Business Research	Limited quotation	B	100,125
One Managed Investment Fund	Business Research	Limited quotation	B	25,000



Name of consultant	Description of services	Selection process ¹	Justification ²	Sum of contract price \$ (ex GST)
Optum Health & Technology	Professional Services	Limited quotation	B	2,000
Peter Atkinson & Company	Professional Services	Limited quotation	B	192
PricewaterhouseCoopers	Business Research	Limited quotation	B	111,703
RAW Chartered Accountants	Professional Services	Limited quotation	B	2,580
Sense of Security Pty Ltd	Professional Services	Limited quotation	B	38,500
Skilled at Business	Professional Services	Limited quotation	B	6,100
Social Ventures	Professional Services	Limited quotation	B	4,600
Styledia	Business Research	Limited quotation	B	6,530
Synergy Group Australia Ltd	Audit Services	Limited quotation	C	19,800
Sypaq Systems Pty Ltd	Professional Services	Limited quotation	B	36,830
Technology One Pty Ltd	Professional Services	Limited quotation	B	22,540
Thinkplace	Professional Services	Limited quotation	B	27,410
Thring Pastoral Company	Business Research	Limited quotation	C	6,441
UDP Consulting Engineers Pty Ltd	Professional Services	Limited quotation	B	43,130
Van Stephan Burroughs	Business Research	Limited quotation	B	28,086
Veriment Pty Ltd	Professional Services	Limited quotation	B	21,454
Widders Consultancy	Professional Services	Limited quotation	B	2,410
Total				1,337,008

1 Explanation of selection process terms drawn from the Commonwealth Procurement Rules (July 2012).

Open tender: A procurement procedure in which a request for tender is published, inviting all businesses that satisfy the conditions for participation to submit tenders.

Limited tender: A procurement procedure in which the procuring agency selects which potential suppliers are invited to submit tenders. This procurement process may only be used under certain defined circumstances.

Limited quotation: Refers to a procurement process in which IBA invites a potential supplier to quote.

Prequalified: An arrangement by which a number of suppliers, initially selected through an open tender process, may each supply property or services to an agency as specified in the panel arrangements.

Quotes are sought from suppliers that have prequalified on the agency panels to supply to the government. This category includes standing offers and supplier panels where the supply of goods and services may be provided for a predetermined length of time, usually at a pre-arranged price.

2 Justification for the decision to engage a consultant: A: skills currently unavailable within IBA

B: need for specialised or professional skills C: need for independent research or assessment.

APPENDIX B: KEY OUTREACH ACTIVITIES

TABLE B1: Keynote speeches and significant presentations

Date	Event	Details
1–2 October 2015	Torres Strait Regional Authority Economic Development Summit Thursday Island QLD	Manager, Sustainability and Impact Solutions, Jana King and Associate, Transaction Assessment Structuring and Execution Services, Andrew Niven presented on IBA investment activities and opportunities, to inform the Regional Economic Investment Strategy.
27–28 October 2015	I-REIT annual general meeting Alice Springs NT	General Manager Rajiv Viswanathan, Senior Manager, Commercial Property Solutions, Hamish Tweedy and Senior Manager, Investor Relations, John Sheldon presented on Indigenous Real Estate Investment Trust (I-REIT) performance for 2015 and the outlook for the year ahead. The event was attended by current and prospective investors.
7 December 2015	Indigenous Investment Principles launch Sydney NSW	The Indigenous Investment Principles were launched by Prime Minister the Hon. Malcolm Turnbull.
2 March 2016	Office of the NSW Small Business Commissioner's Indigenous Business Forum: Inspiration, Connection and Celebration Sydney NSW	General Manager Wally Tallis presented on Indigenous business success stories, available support services and programs and opportunities to supply goods and services to government agencies.
2–3 March 2016	IBA's independent director and committee members workshop Sydney NSW	Directors of IBA's investment subsidiaries, committee members and senior IBA staff discussed common experiences and examples of best practice in Indigenous engagement, corporate governance, and financial and risk management.
1–3 June 2016	National Native Title Conference Darwin NT	Chair Eddie Fry presented on unlocking the potential of the Indigenous estate. CEO Chris Fry, General Manager Rajiv Viswanathan and Senior Manager, Investor Relations, John Sheldon participated in a panel discussion on investing for a better future. Senior Manager, Leasing Solutions, Ray McInnes presented on sustainable development through asset leasing.
20 June 2016	Developing Northern Australia Conference Darwin NT	General Manager Wally Tallis presented on the evolution of IBA's Business Development and Assistance Program and ways to work together to support the growth of a sustainable Indigenous business sector.

Note: IBA also held numerous Indigenous Home Ownership Information Sessions across various regions of Australia.



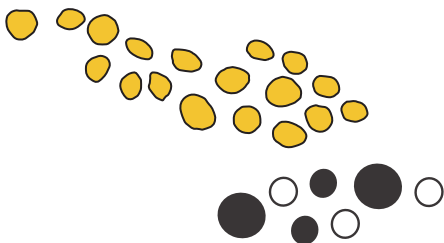
TABLE B2: Sponsorship activities

Date	Conference, event or award	IBA's involvement
July 2015	NAIDOC Adelaide SA	IBA sponsored the NAIDOC SA Awards, which recognise Indigenous achievement in the SA community. IBA staff presented an award and managed a stall at the event.
October 2015	Indigenous Business Month Multiple locations in Australian capital cities	IBA sponsored and attended this initiative as it showcases business diversity and increases understanding about procurement opportunities for Indigenous businesses.
October 2015	Indigenous Economic Development Forum Alice Springs NT	IBA has sponsored this event for a number of years as it provides an opportunity for Indigenous businesses from across the NT to showcase their products and services to key stakeholders with an interest in progressing Indigenous economic development.
October 2015	Aboriginal Enterprises in Mining, Exploration and Energy Ltd Conference Adelaide SA	IBA's sponsorship of this event supports an organisation that encourages Indigenous economic development in the resources industry.
November 2015	Brolga Awards Darwin NT	IBA has sponsored the Aboriginal and Torres Strait Islander Tourism category at this event for a number of years, as it recognises the achievements of Indigenous tourism businesses in the NT.
May 2016	Supply Nation Connect 2016 Sydney NSW	IBA sponsored the Supplier of the Year category of the Supply Nation Connect 2016 Supplier Diversity Awards at this event. IBA staff managed a stall at the Indigenous business trade show.
Continuous	Australian Football League– National Indigenous Radio Service broadcast partnership	IBA's sponsorship of this partnership provides a range of promotional benefits for its programs through numerous interview and advertising opportunities for IBA and its customers.

TABLE B3: Media releases

Date	Title of media release
27 July 2015	10×10 initiative supported by IBA 100%!
28 Jul 2015	New head of IBA business development program
3 August 2015	Commercial Markets Initiative—Assisting Indigenous Business Growth
29 October 2015	Get RIHL with IBA: home ownership for remote Indigenous communities
8 December 2015	Indigenous Investment Principles launched to enable intergenerational wealth
5 January 2016	IBA home loan portfolio breaks \$1 billion barrier
22 January 2016	Report reinforces IBA's plans for Indigenous Home Ownership Program
9 February 2016	Health service secured for West Sydney Indigenous Community
16 February 2016	Achieving results in a challenging environment
4 May 2016	2016–17 budget renews focus on Indigenous business
10 May 2016	New appointments to IBA Board
20 May 2016	IBA awarded bronze award for governance practice
1 June 2016	Solar power allows Aboriginal community to live on country

Note: IBA also distributed numerous media releases regarding Indigenous Home Ownership Information Sessions.





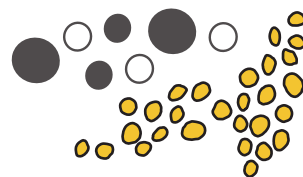
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COMPLIANCE AND BETTER PRACTICE INDEX

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).

IBA's commitment to better practice in its annual reporting is demonstrated through voluntary compliance with some additional principles from the Australian Securities Exchange Corporate Governance Council's *Corporate Governance Principles and Recommendations*, 3rd edition (CGPR).

Mandatory requirements

Requirement	Reference	Page location
Financial statements	<i>Public Governance, Performance and Accountability Act 2013</i> , section 43 and PGPA (Financial Reporting) Rule 2015	101–145
Financial statements certification: Auditor General's Report	PGPA Act, section 43	98–99
Financial statements certification: a statement signed by the directors	PGPA Act, section 42	100
Fraud risk assessment and control	Public Governance, Performance and Accountability Rule 2014, section 10	79–80
Approval by accountable authority	ARR 2016PGPA Rule, section 17BB	iv
Parliamentary standards of presentation	PGPA Rule, section 17BC	Throughout
Plain English and clear design	PGPA Rule, section 17BD	Throughout
Legislation establishing the body	PGPA Rule, section 17BE (a)	5, 9, 67
Objects, functions and purposes	PGPA Rule, section 17BE (b)	8–16
Responsible minister	PGPA Rule, section 17BE (c)	67
Ministerial directions	PGPA Rule, section 17BE (d) and ATSI Act, section 189(1)(a)	67
Government policy orders	PGPA Rule, section 17BE (e)	67
Details of any non-compliance with government policy orders, ministerial directions or finance law	PGPA Rule, section 17BE (f)(h)(i)	80
Annual performance statements	PGPA Rule, section 17BE (g)	9–16



Mandatory requirements continued

Requirement	Reference	Page location
Information about the accountable authority, including each director's name, qualifications, experience and number of meetings attended	PGPA Rule, 17BE (j)	68–77
Organisational structure (for IBA and subsidiaries)	PGPA Rule, 17BE (k)	78
Location of major activities and facilities	PGPA Rule, 17BE (l)	86, inside back cover
Main corporate governance practices used by the entity	PGPA Rule, 17BE (m)	65–84
Related entity transactions	PGPA Rule, 17BE (n)(o)	69
Significant activities and changes that affected the operations or structure of the entity	PGPA Rule, 17BE (p)	82
Significant judicial or administrative tribunal decisions	PGPA Rule, 17BE (q)	82
External Reports made about IBA	PGPA Rule, 17BE (r)	82
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)	70
Compliance index	PGPA Rule, 17BE (u)	155–157
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Work health and safety	<i>Work Health and Safety Act 2011</i> , Schedule 2, Part 4	91
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Information Publication Scheme statement	<i>Freedom of Information Act 1982</i> , Part II	82

Better practice principles

CGPR principle	Page location
1 Lay solid foundations for management and oversight: A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.	68, 70–71, 78
2 Structure the board to add value: A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.	68–77
3 Act ethically and responsibly: A listed entity should act ethically and responsibly.	79–80
4 Safeguard integrity in corporate reporting: A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.	70–71, 80, 98–99
5 Make timely and balanced disclosure: A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.	82
6 Respect the rights of security holders: A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.	Not applicable
7 Recognise and manage risk: A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.	79
8 Remunerate fairly and responsibly: A listed entity should pay director remuneration sufficient to attract and retain high-quality directors and design its executive remuneration to attract, retain and motivate high-quality senior executives and to align their interests with the creation of value for security holders.	69, 71, 89



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