



FINANCIAL STATEMENTS FOR

YEAR ENDING 30 JUNE 2004



INDEPENDENT AUDIT REPORT

To the Minister for Immigration and Multicultural and Indigenous Affairs

Scope

The financial statements and directors' responsibility

The financial statements comprise:

- Statement by Directors and General Manager;
- Statements of Financial Performance, Financial Position and Cash Flows;
- Schedules of Commitments, Contingencies and Administered Items; and
- Notes to and forming part of the Financial Statements

for both the Indigenous Land Corporation and consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the Corporation and the entities it controlled during that year.

The members of the Board of the Indigenous Land Corporation are responsible for the preparation and true and fair presentation of the financial statements in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

Audit approach

I have conducted an independent audit of the financial statements in order to express an opinion on them to you. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive, rather than conclusive, evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

While the effectiveness of management's internal controls over financial reporting was considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

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I have performed procedures to assess whether in all material respects the financial statements present fairly, in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Indigenous Land Corporation's and the consolidated entity's financial position and of its performance as represented by the statements of financial performance and cash flows.

The audit opinion is formed on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements; and
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the members of the Board.

Independence

In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate Australian professional ethical pronouncements.

Audit Opinion

In my opinion, the financial statements:

- (i) have been prepared in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997* and applicable Accounting Standards; and
- (ii) give a true and fair view, of the matters required by applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and the Finance Minister's Orders, of the financial position the Indigenous Land Corporation and the consolidated entity as at 30 June 2004, and of their performance and cash flows for the year then ended.

Australian National Audit Office



Mark A. Moloney
Senior Director

Delegate of the Auditor-General

Canberra
26 August 2004



Australian Government
Indigenous Land Corporation

ABN 59 912 679 254

Statement by Directors and General Manager

In our opinion, the attached financial statements for the year ended 30 June 2004 are based on properly maintained financial records and give a true and fair view of matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*.

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

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

Signed  Signed  Signed 

Shirley McPherson
Chairperson

Clem Riley
Deputy Chairperson

David Galvin
General Manager

25 August 2004

INDIGENOUS LAND CORPORATION

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED JUNE 2004

	Notes	Consol 2004 \$	Consol 2003 \$	ILC 2004 \$	ILC 2003 \$
REVENUE					
Revenue from ordinary activities					
Revenues from Government	6	54,847,011	53,652,984	54,847,011	53,652,984
Net increment in market value of livestock	7A	4,973,198	591,166	4,408,481	296,134
Net increment (decrement) in market value of other SGARA assets		(34,975)	(103,018)	(34,975)	(103,018)
Net market value of goods extracted	7B	655,506	982,201	497,264	720,439
Interest	8A	378,174	843,813	373,301	804,071
Write-up of assets	8B	22,923,030	7,415,304	22,923,030	7,415,304
Revenues from sale of assets	8C	-	68,688	-	77,716
Other revenues	8D	712,192	1,808,638	789,888	1,813,312
Revenues for ordinary activities		84,454,136	65,259,776	83,804,000	64,676,942
EXPENSE					
Expenses from ordinary activities (excluding borrowing costs expense)					
Land transfer	9A	6,386,410	3,543,773	6,386,410	3,390,149
Provision for land transfer	9B	(3,847,320)	8,281,665	(3,847,320)	8,281,665
Land management	10	8,255,083	8,376,223	9,307,737	9,414,025
Employees	11A	7,967,657	7,952,996	6,758,668	6,670,559
Suppliers	11B	4,108,551	4,478,220	4,407,358	4,477,236
Depreciation and amortisation	11C	1,182,373	854,362	1,159,223	829,893
Write-down of assets	11D	304,218	592,381	304,218	1,045,650
Value of assets sold	8C	498,442	-	510,429	-
Expenses from ordinary activities (excluding borrowing costs expense)		24,855,414	34,079,620	24,986,723	34,109,177
Borrowing costs expense	11E	964	1,054	-	1,023
Total expenses from ordinary activities		24,856,378	34,080,674	24,986,723	34,110,200
Net profit		59,597,758	31,179,102	58,817,277	30,566,742
Net debit to asset revaluation reserve		-	(285,182)	-	(213,000)
Total revenues, expenses and valuation adjustments recognised directly in equity		-	(285,182)	-	(213,000)
Total changes in equity other than those resulting from transactions with the Australian Government as owners		59,597,758	30,893,920	58,817,277	30,353,742

The above statement should be read in conjunction with accompanying notes

INDIGENOUS LAND CORPORATION

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2004

	Notes	Consol 2004 \$	Consol 2003 \$	ILC 2004 \$	ILC 2003 \$
ASSETS					
Financial assets					
Cash	12A	1,131,491	739,785	1,112,293	737,880
Receivables	12B	2,132,172	852,698	2,120,810	841,711
Investments	12C	236,475,022	181,196,259	236,475,067	181,196,311
Beneficiary loan	12D	-	-	-	401,428
Other	12E	592,507	612,490	579,377	631,812
Total financial assets		240,331,192	183,401,232	240,287,547	183,809,142
Non-financial assets					
Property held for divestment	13A	39,923	35,821	39,923	35,821
Infrastructure, plant & equipment	13B	4,228,427	4,285,410	4,137,910	4,209,909
Inventory	13E	13,503,098	11,433,402	12,461,898	10,678,459
Intangibles	13F	402,202	438,617	402,202	438,617
Total non-financial assets		18,173,650	16,193,250	17,041,933	15,362,806
Total assets		258,504,842	199,594,482	257,329,480	199,171,948
LIABILITIES					
Provisions					
Employees	14A	1,389,197	1,899,784	1,312,717	1,848,791
Payables					
Suppliers	14B	1,466,176	1,563,386	1,459,856	1,563,739
Other	14C	94,616	174,217	136,359	156,147
Total provisions and payables		2,949,989	3,637,387	2,908,932	3,568,677
Total liabilities		2,949,989	3,637,387	2,908,932	3,568,677
NET ASSETS		255,554,853	195,957,095	254,420,548	195,603,271
EQUITY					
Parent entity interest					
Reserves	15	-	-	-	-
Accumulated surplus	15	255,554,853	195,957,095	254,420,548	195,603,271
Total parent entity interest		255,554,853	195,957,095	254,420,548	195,603,271
TOTAL EQUITY		255,554,853	195,957,095	254,420,548	195,603,271
Current assets		35,968,064	38,548,072	34,883,219	37,323,548
Non-current assets		222,536,778	161,046,410	222,446,261	161,848,400
Current liabilities		2,295,757	2,790,109	2,275,208	2,745,235
Non-current liabilities		654,232	847,278	633,724	823,442

The above statement should be read in conjunction with accompanying notes

INDIGENOUS LAND CORPORATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2004

	Notes	Consol 2004 \$	Consol 2003 \$	ILC 2004 \$	ILC 2003 \$
OPERATING ACTIVITIES					
Cash received					
Receipts from the Land Fund		54,713,000	53,553,000	54,713,000	53,553,000
Receipts from Government		147,412	109,982	147,412	109,982
Sale of goods and services		5,220,154	4,979,928	4,719,322	3,990,638
Interest and bill discounts		410,708	878,768	405,835	839,026
Repayments of loans made		-	142,665	-	796,218
Other		1,691,800	2,062,334	1,746,241	2,053,582
GST recovered from ATO		1,246,434	1,241,370	1,271,525	1,295,006
Total cash received		63,429,508	62,968,047	63,003,335	62,637,452
Cash used					
Employees		8,478,244	7,457,927	7,294,742	6,052,922
Direct land acquisition		5,840,924	12,427,810	5,840,924	12,258,824
Land management		8,956,196	9,121,572	10,002,504	10,167,993
Other suppliers		5,860,608	5,547,113	5,617,725	4,980,171
Loans made		121,736	218,564	121,736	218,564
Total cash used		29,257,708	34,772,986	28,877,631	33,678,474
Net cash from operating activities	16	34,171,800	28,195,061	34,125,704	28,958,978
INVESTING ACTIVITIES					
Cash received					
Proceeds from the sale of assets		64,089	59,613	48,090	44,976
Proceeds of lease incentive		-	106,700	-	106,700
Total cash received		64,089	166,313	48,090	151,676
Cash used					
Purchase of assets		1,508,709	2,437,197	1,463,914	2,646,923
Purchase of intangibles		68,631	189,245	68,631	189,245
Purchases of investments, net		32,266,843	26,475,741	32,266,836	26,475,741
Total cash used		33,844,183	29,102,183	33,799,381	29,311,909
Net cash (used by) investing activities		(33,780,094)	(28,935,870)	(33,751,291)	(29,160,233)

The above statement should be read in conjunction with accompanying notes

INDIGENOUS LAND CORPORATION**STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2004**

	Notes	Consol 2004 \$	Consol 2003 \$	ILC 2004 \$	ILC 2003 \$
FINANCING ACTIVITIES					
Cash used					
Lease payments		-	2,056	-	-
Net cash (used by) financing Activities		<u>-</u>	<u>(2,056)</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash held 39		1,706	(742,865)	374,413	(201,255)
Cash at the beginning of the reporting period		<u>739,785</u>	<u>1,482,650</u>	<u>737,880</u>	<u>939,135</u>
Cash at the end of the reporting period	17	<u>1,131,491</u>	<u>739,785</u>	<u>1,112,293</u>	<u>737,880</u>

The above statement should be read in conjunction with accompanying notes

INDIGENOUS LAND CORPORATION
SCHEDULE OF COMMITMENTS AS AT 30 JUNE 2004

	Consol 2004 \$	Consol 2003 \$	ILC 2004 \$	ILC 2003 \$
By Type				
CAPITAL COMMITMENTS				
Other	-	-	-	-
Total capital commitments	-	-	-	-
OTHER COMMITMENTS				
Operating leases ¹	2,460,853	1,487,214	2,460,853	1,487,214
Total other commitments	2,460,853	1,487,214	2,460,853	1,487,214
COMMITMENTS RECEIVABLE				
Goods and services tax	(223,714)	(135,201)	(223,714)	(135,201)
Net commitments	2,237,139	1,352,013	2,237,139	1,352,013
BY MATURITY				
All net commitments				
One year or less	696,965	649,905	696,965	649,905
From one to five years	577,798	381,386	577,798	381,386
Over five years	962,376	320,722	962,376	320,722
Net commitments	2,237,139	1,352,013	2,237,139	1,352,013
Operating lease commitments				
One year or less	766,662	714,896	766,662	714,896
From one to five years	635,578	419,524	635,578	419,524
Over five years	1,058,613	352,794	1,058,613	352,794
Net operating lease commitments	2,460,853	1,487,214	2,460,853	1,487,214

The amounts reported as at 30 June 2004 as commitments payable include the GST where relevant. Recoveries of GST in relation to commitments payable is included in commitments receivable.

¹The operating leases included are effectively non-cancellable and comprise:

- Leases for office accommodation – relate to tenancy of the ILC in its Adelaide, Perth, Brisbane and Canberra offices. Other than the Adelaide Office, lease payments are subject to annual increases in accordance with the lease contracts at either a fixed rate or to market. The initial periods of office lease are still current.
- Agreements for the provision of motor vehicles to senior executives – No contingent rentals exist. There are no renewal or purchase options available to the Corporation.

The above statement should be read in conjunction with accompanying notes

INDIGENOUS LAND CORPORATION
SCHEDULE OF CONTINGENCIES AS AT 30 JUNE 2004

	Consol 2004 \$	Consol 2003 \$	ILC 2004 \$	ILC 2003 \$
CONTINGENT LIABILITIES				
Other guarantees	30,000	50,000	30,000	50,000
Other	-	562,500	-	562,500
Total contingent liabilities	<u>30,000</u>	<u>612,500</u>	<u>30,000</u>	<u>612,500</u>

Details of each class of contingent liabilities, including those not disclosed above because they cannot be quantified or considered remote, are shown in Notes 18 and 19.

The above statement should be read in conjunction with accompanying notes

INDIGENOUS LAND CORPORATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

1. Summary of Significant Accounting Policies

1.1 Basis of accounting

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

The Indigenous Land Corporation (ILC) and Consolidated Statements of Financial Performance and Financial Position have been prepared in accordance with:

- Finance Minister's Orders (being the *Commonwealth Authorities and Companies (Financial Statements for the periods ending on or after 30 June 2004) Orders*);
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board;
- Consensus Views of the Urgent Issues Group.

The statements have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets which, as noted, are at valuation. Except where stated, no allowance is made for the effect of changing prices on the results or on the financial position of the ILC and the economic entity ("The Corporation").

Assets and liabilities are recognised in the ILC and Consolidated Statements of Financial Position when and only when it is probable that future economic benefits will flow and the amounts of the assets and liabilities can be reliably measured. Assets and liabilities arising under agreements equally proportionately unperformed are however not recognised unless required by an accounting standard. Assets and liabilities that are unrecognised are reported in the Schedule of Commitments and the Schedule on Contingencies (other than unquantifiable or remote contingencies which are reported at Note 19).

Revenues and expenses are recognised in the ILC and Consolidated Statements of Financial Performance when and only when the flow or consumption or loss of economic benefit has occurred and can be reliably measured.

1.2 Rounding

The financial statements have been rounded to the nearest dollar.

1.3 Changes in accounting policy

The accounting policies used in the preparation of these financial statements are consistent with those used in 2002-03.

In 2002-03, the Finance Minister's Orders (FMO's) introduced an impairment test for non-current assets which were carried at cost and not subject to *AAS10 Recoverable Amount of Non-Current Assets*. In 2003-04, the impairment test provisions of the FMO's have been extended to cover non-current assets carried at deprival value. There were no indications of impairment for these assets.

1.4 Departmental and administered items

Departmental assets, liabilities, revenues and expenses in relation to the Corporation are those which are controlled by the Corporation. Departmental expenses include employee and supplier expenses and other administrative costs and program costs which are incurred by the Corporation in carrying out its' statutory functions.

Administered items are revenues, expenses, assets and liabilities which are managed by an agency or authority on behalf of the Government according to set Government directions. Administered expenses include subsidies, grants and personal benefit payments and Administered revenues include taxes, fees, fines and excises.

The Corporation does not have any Administered items.

1.5 Principles of consolidation

The consolidated financial statements are those of the Corporation, comprising:

- ILC (the parent entity)
- Land Enterprise Australia Pty Ltd ("LEA")
- Mogila Merino Stud Pty Limited as trustee for Mogila Merino Stud Trust (comparatives only)
- Mogila Merino Stud Trust ("Mogila") (comparatives only)
- Cardabia Pastoral Company Pty Ltd as trustee for Cardabia Pastoral Company Trust
- Cardabia Pastoral Company Trust ("Cardabia")
- Mt Clarence Pastoral Company Pty Ltd as trustee for Mt Clarence Pastoral Company Trust
- Mt Clarence Pastoral Company Trust ("Mt Clarence")
- Roebuck Plains Station Pastoral Company Pty Ltd ("Roebuck Pastoral Co")
- Myroodah and Luluigui Stations Pastoral Company Pty Ltd ("Myroodah Pastoral Co")
- Murrayfield Pastoral Company Pty Ltd ("Murrayfield Pastoral Co")
- Mount Dare Homestead Nominees Pty Ltd as trustee for Mt Dare Homestead Trust (from 1 May 2002) ("Mt Dare Nominees")
- National Indigenous Enterprises Pty Ltd ("NIPE") incorporated 5 March 2004.

These entities have applied accounting policies consistent with those of the ILC. The effects of all transactions and balances between the entities are eliminated in full. The controlled entities of the ILC are not required to be separately audited as they are small companies for the year ended 30 June 2004.

1.6 Reporting by outcomes

A comparison of Budget and Actual figures by outcome specified in the Appropriation Acts relevant to the Corporation is presented in Notes 3 and 27. Any intra-government costs included in the net figure 'net cost to Budget outcomes' are eliminated in calculating the actual budget outcome for the Government overall.

1.7 Revenue

The revenue described in this Note are revenues relating to the core operating activities of the Corporation.

Receipts from the Land Fund are recognised at the time the Corporation becomes entitled to receive the revenue.

Interest is recognised on a time proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the sale of goods is recognised upon the delivery of goods to customers. See Note 7 in relation to recognition of income from self-generating and regenerating assets.

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

Sundry income is recognised on an earned basis.

1.8 Taxation

In accordance with Section 193P of the *Land Fund and Indigenous Land Corporation (ATSIC Amendment) Act 1995*, the ILC is subject to all Commonwealth and State taxation except income tax and stamp duty (where land is divested to an Aboriginal Corporation within 12 months).

LEA is considered tax exempt by virtue of Section 50-40 of the *Income Tax Assessment Act 1997*.

Mogila, Cardabia and Mt Clarence are subject to taxation, however profits from operations may be distributed to the ILC as beneficiary of the trusts. The ILC is exempt from income tax. Accordingly, no provision for income tax payable is made.

1.8 Taxation (cont...)

Roebuck Pastoral Co, Myroodah Pastoral Co, Murrayfield Pastoral Co, Mt Dare Nominees and NIPE are subject to taxation, however due to the nature of their income and expenses no tax is payable and no provision for tax is recognised.

Revenues, expenses and assets are recognised net of GST except where the GST is not recoverable. The amount of GST incurred by the Corporation that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of the cost of acquisition of an asset or as part of the item of expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO are included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis in accordance with AAS28 *Statement of Cash Flows*.

The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO is classified as operating cash flows.

All commitments are GST inclusive where relevant.

1.9 Cash

Cash means notes and coins held, advances made and any deposits held at call with a bank or financial institution. Cash is recognised at its nominal amount. Interest is credited to revenue as it accrues.

1.10 Investments

Investments are initially recorded at cost and revalued to current market value as at reporting date. The ILC continued to place most of its investment portfolio with fund managers during the year. The unrealised increment (decrement) in the market value of the portfolio held by the fund managers is recognised in the Statement of Financial Performance.

1.11 Financial instruments

Accounting policies in relation to financial instruments are disclosed in Note 26.

1.12 Derivative Financial instruments

Forward Sale Contracts

The Corporation enters into forward sales contracts where it agrees to sell specified amounts of the wool clip in the future at predetermined rates. The objective is to match the contract with future cash flows from the anticipated sales to protect ILC against the possibility of loss from future wool price fluctuations. The forward contracts are usually for no longer than 18 months.

Forward contracts are recognised at the date the contract is entered into. Gains or losses on forward sales contracts are recognised in net profit except those relating to hedges of specific commitments that are deferred and included in the measurement of the sale.

1.13 Loans receivable

Loans are recognised at the amounts lent. Provision is made for bad and doubtful loans when the collection of the loan or part thereof is judged to be less rather than more likely. In rare cases, loan repayments may be waived. Interest is credited to revenue as it accrues.

1.14 Property held for divestment

Property held for divestment is land, plant and equipment and livestock held for divestment which represents properties purchased for the purpose of transfer to appropriate organisations in line with the objectives of the ILC. Land, plant and equipment and livestock held for divestment is initially recorded at cost. Land purchases (including the related plant, equipment and livestock, acquisition and holding costs) are capitalised on purchase.

At this time a provision is raised against the Statement of Financial Performance for the full cost of the purchase representing the sacrifice of the future benefits embodied in the assets. On transfer, the assets and provision are offset against one another.

Livestock held for divestment is purchased incidental to the purchase of land and is not held for the specific purpose of sale. It is valued at the lower of cost (equivalent) or net realisable value. Net realisable value is determined with reference to the Net Market Value of the livestock as at reporting date. Where livestock is sold prior to transfer, AAS35 *Self-generating and regenerating assets* is not applied as any adjustment from cost to market value is not expected to be material.

Land and plant and equipment held for divestment acquired free or for a nominal amount is recognised initially at fair value.

Any revaluation is expensed to the Statement of Financial Performance.

1.15 Plant and equipment

Asset Recognition Threshold

Purchases of infrastructure, plant and equipment (not held for transfer) are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$1000, 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).

Infrastructure, plant and equipment acquired free or for a nominal amount is recognised initially at fair value.

Revaluation

Land, buildings, infrastructure, plant and equipment are carried at valuation. Revaluations undertaken up to 30 June 2002 were done on deprival basis; revaluations since that date are at fair value. All assets other than those disclosed separately were revalued to "fair value" as at 1 July 2002. Fences and waters on ILC's commercial properties which had significant development undertaken during 2002-03 and 2003-04 have now been substantially completed and are carried at cost. This change in accounting policy is required by Australian Account Standard AASB 1041 *Revaluation of Non-Current Assets*.

There was no financial effect for 2003-04.

Fair and deprival values for each class of assets are determined as shown below:

Asset Class	Fair Value Measured at:	Deprival Value Measured at:
Leasehold improvements	Depreciated replacement cost	Depreciated replacement cost
Plant and equipment (general)	Market selling price	Depreciated replacement cost

Under both deprival and fair value, assets which are surplus to requirement are measured at their net realisable value. At as 30 June 2004 the ILC held no surplus assets.

Frequency

The Corporation has not adopted the progressive revaluation method. All assets other than those disclosed separately were formally revalued to fair value as at 1 July 2002. Formal valuations will be undertaken for all classes of assets at least once every five years.

1.15 Plant and equipment (cont..)

Conduct

The valuations undertaken during the 2002-03 reporting period were conducted by independent qualified valuers.

Depreciation and Amortisation

Depreciable plant and equipment are written-off to their estimated residual values over their estimated useful lives to the Corporation using both the diminishing value and prime cost method of depreciation. Leasehold improvements are amortised over the lower of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation rates (useful lives) and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

Depreciation rate applying to each class of assets are as follows:

	Diminishing Value 2004	Diminishing Value 2003	Prime Cost 2004	Prime Cost 2003
Leasehold Improvements	20%	20%	-	-
Office Equipment	20-90%	20-30%	-	-
Computer Systems	25-40%	25-40%	-	-
Fixture and Fittings	20-60%	20-30%	-	-
Other Plant & Equipment	10-40%	10-40%	-	-

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 11.

1.16 Inventory

Inventory consists of Wool, Livestock and Plantings.

Inventories held for sale are valued at the lower of cost and net realisable value. Other than livestock and plantings, cost comprises the cost of purchase/extraction including costs of bringing inventory to location.

Livestock consists of that held for divestment and that held for trading purposes (inventory). Livestock held for trading purposes includes cattle and sheep. There are a small number of horses on ILC's properties that are used as working beasts. Livestock which are considered to be self-generating and regenerating assets are accounted for in accordance with Australian Accounting Standard AAS35 and are measured at net market value with market value increments and decrements included in the Statement of Financial Performance.

Plantings consists of Citrus fruit trees that are part of a block of land purchased by the ILC during a previous reporting period. The Plantings are considered to be self-generating and regenerating assets and are accounted for in accordance with Australian Accounting Standard AAS35 and are measured at net market value with market value increments and decrements included in the Statement of Financial Performance. The property is leased to an Aboriginal Corporation and therefore the ILC does not have rights over the fruit produced by the Citrus trees.

1.17 Intangibles

The Corporation's intangibles comprise internally developed and externally acquired software for internal use. These assets are carried at cost.

All software assets were assessed for indications of impairment as at 30 June 2004. None were found to be impaired.

1.17 Intangibles (cont.)

Capitalised software is amortised on a straight-line basis over its estimated useful life.

Useful lives are:

	Consol 2004	Consol 2003	ILC 2004	ILC 2003
Internally developed software	5 years	5 years	5 years	5 years
Externally acquired software	5 Years	5 years	5 years	5 years

1.18 Impairment of non-current assets

Non-current assets carried at up-to-date fair value at the reporting date are not subject to impairment testing. Non-current assets carried at cost and held to generate net cash inflows have been tested for their recoverable amounts at the reporting date. The test compared the carrying amounts against the net present value of future net cash inflows. No write-down to recoverable amount was required (2003: Nil).

1.19 Leases

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at the present value of minimum lease payments at the inception of the lease and a liability recognised at the same amount. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and interest expense.

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

Lease incentives taking the form of "free" leasehold improvements and rent holidays are recognised as liabilities. These liabilities are reduced by allocating lease payments between rental expenses and the reduction of the liability.

1.20 Employee benefits

Benefits

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for wages and salaries (including non-monetary benefits) and annual leave are measured at their nominal amounts. Other employee benefits expected to be settled within 12 months of their reporting date are also measured at their nominal amounts.

The nominal amount is calculated with regards to the rates expected to be paid on settlement of the liability. All other employee benefits liabilities are measured at the present value of the estimated future cash outflows to be made up in respect of services provided by employees up to the reporting date.

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 is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration, including the ILC's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

1.20 Employee benefits (cont...)

The liability for long service leave has been determined by reference to the work of an actuary as at 30 June 2004. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and Redundancy

Provision is made for separation and redundancy payments. The ILC has developed a formal plan for the redundancies and has informed those employees affected that it will carry out the terminations.

Superannuation

The ILC contributes to the Commonwealth Superannuation Scheme (CSS) or Public Sector Scheme (PSS) which provide retirement, death and disability benefits to employees. The liability for their superannuation benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. The ILC makes contributions to the Australian Government at rates determined by the actuary to be sufficient to meet the cost to the Australian Government of the superannuation entitlements of the ILC's employees. The liability for superannuation recognised as at 30 June represents outstanding contributions.

Employer contributions amounting to \$812,852 (2003: \$649,659) for the ILC in relation to these schemes have been expensed in these financial statements.

Superannuation contributions on behalf of employees of the ILC's wholly owned subsidiaries are made in accordance with their employment contracts, mainly to industry superannuation funds.

1.21 Statement of Cash Flows

The Statement shows the sources of cash and how cash was applied during the financial year. Cash flows, including those relating to the GST component of a receipt and payment are included in the Statement on a gross basis. Cash flows also include those relating to payables and receivables of prior periods or in advance for future periods.

1.22 Transactions by the Government as owner

Amounts appropriated by the Parliament as equity injections are recognised as "contributed equity" in accordance with the Finance Ministers' Orders. The Corporation does not receive direct appropriations from Parliament.

1.23 Capital Use Charge

A capital use charge was imposed by the Commonwealth on the net assets of an authority. The Charge was accounted for as a dividend to the Government. In accordance with the recommendations of a review of Budget Estimates and Framework, the Government decided that the Charge will not operate after 30 June 2003. The Department of Finance and Administration exempted the Corporation from the Capital Use Charge for the year ended 30 June 2003.

1.24 Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in these financial statements.

1.25 Insurance

The Corporation has insured for risks through the Government's insurable risk managed fund, called 'Comcover'. Workers compensation for the ILC is insured through Comcare Australia. Workers compensation for the other entities making up the economic entity are insured through workers compensation providers in the state that the operations are located.

2. Adoption of Australian Equivalents to International Financial Reporting Standards from 2005-2006

The Australian Accounting Standards Board has issued replacement Australian Accounting Standards to apply from 2005-06. The new standards are the Australian Equivalents to International Financial Reporting Standards (IFRSs) which are issued by the International Accounting Standards Board. The new standards cannot be adopted early. The standards being replaced are to be withdrawn with effect from 2005-06, but continue to apply in the meantime.

The purpose of issuing Australian Equivalents to IFRSs is to enable Australian entities reporting under the Corporations Act 2001 to be able to more readily access overseas capital markets by preparing their financial reports according to accounting standards more widely used overseas.

For-profit entities complying fully with the Australian Equivalents will be able to make an explicit and unreserved statement of compliance with IFRSs as well as with the Australian Equivalents.

It is expected that the Finance Minister will continue to require compliance with the Australian Accounting Standards issued by the AASB, including the Australian Equivalents to IFRSs, in his Order for the Preparation of Authorities' financial statements for 2005-06 and beyond.

The Australian Equivalents contain certain additional provisions which will not apply to non-profit entities, including the Corporation. Some of these provisions are in conflict with the IFRSs and therefore the Corporation will only be able to assert compliance with the Australian Equivalents to the IFRSs.

Existing AASB standards that have no IFRS equivalent will continue to apply.

Accounting Standard AASB 1047 *Disclosing the Impact of Adopting Australian Equivalents to IFRSs* requires that the financial statements for 2003-04 disclose:

- An explanation of how the transition to the Australian Equivalents is being managed, and a narrative explanation of the key differences in accounting policies arising from the transition.
- A narrative explanation of the key differences in accounting policies arising from the transition.

The purpose of the Note is to make these disclosures.

Management of the transition to AASB Equivalents to IFRSs

The ILC has taken the following steps in preparation towards the implementation of Australian Equivalents:

- The ILC's Audit and Risk Management Committee is tasked with the oversight of the transition to and the implementation of the Australian Equivalents to IFRSs. The Chief Financial Officer is formally responsible for the project and reports regularly to the Audit and Risk Management Committee on the implementation progress.
- The implementation plan involves the following steps:
 - Training of key staff in the Australian Equivalents to IFRSs
 - Identification of all major accounting policy differences between the current AASB standards and the Australian Equivalents to IFRSs
 - Identification of system changes necessary to be able to report under the Australia Equivalents, including those necessary to enable capture of data under both sets of rules for 2004-05, and the testing and implementation of those changes.
 - Preparation of a transition balance sheet as at 1 July 2004, under Australian Equivalents, within three months of 30 June 2004.
 - Preparation of an Australian Equivalent balance sheet at the same time as the 30 June 2005 statements are prepared.
 - Meeting reporting deadlines set by Finance for 2005-06 balance sheet under Australian Equivalent Standards.

2. Adoption of Australian Equivalents to International Financial Reporting Standards from 2005-2006 (cont...)

Major changes in accounting policy

Changes in accounting policy under Australian Equivalents are applied retrospectively (ie as if the new policy always applied). This rule means that a balance sheet prepared under Australian Equivalents must be made as at 1 July 2004, except as permitted in particular circumstances by AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. This will enable the 2005-06 financial statements to report comparatives under the Australian Equivalents also.

Changes to major accounting policies that are expected to affect the Corporation are discussed in the following paragraphs.

Property, plant and equipment

It is expected that the Finance Ministers Orders will require property, plant and equipment assets carried at valuation in 2003-04 to be measured at up-to-date fair value from 2005-06. This differs from the accounting policies currently in place for these assets which, up to 2003-04, were formally revalued to fair value as at 1 July 2002. Formal valuations were to be undertaken for all classes of assets at least once every five years.

It is important to note that the Finance Minister requires these assets to be measured at up-to-date fair values as at 30 June 2005. Further, the transitional provisions in AASB1 will mean that the value at which assets are carried as at 30 June 2004 under existing standards will stand in the transitional balance sheet as at 1 July 2004.

Intangible Assets

The Corporation currently recognises internally developed and externally acquired software assets on the cost basis. The software is specific to the needs of the Corporation and is not traded. Therefore there is not expected to be a change in the carrying amount of these assets on adoption of the Australian Equivalents.

Impairment of non-current assets

The Corporations policy on the impairment of non-current assets is at note 1.18.

Under the new Australian Equivalent Standard, these assets will be subject to assessment for impairment and, if there are indications of impairment, measurement of any impairment (impairment measurement must also be done irrespective of any indications of impairment, for intangible assets not yet available for use). The impairment test is that the carrying amount of an asset must not exceed the greater of:

- (a) its fair value less costs to sell, and
- (b) its value in use.

'Value in use' is the net present value of the net cash inflows for for-profit assets of the Corporation and depreciated replacement cost for other assets, which would be replaced if the Corporation were deprived of them.

The most significant changes are that, for the Corporation's for-profit assets, the recoverable amount is only generally to be measured where there is an indication of impairment and that assets carried at up-to-date fair value, whether for-profit or not, may nevertheless be required to be written down if costs to sell are significant.

Property held for transfer

The current treatment by the Corporation for land, plant and equipment and livestock held for divestment is as follows. Land purchases (including the related plant, equipment and livestock, acquisition and holding costs) are initially recorded at cost and are capitalised on purchase. At this time a provision is raised against the Statement of Financial Performance for the full cost of the purchase representing the sacrifice of the future benefits embodied in the assets. On transfer, the assets and provision are offset against one another.

The requirements for recognising a provision under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* are consistent with Australian GAAP. Therefore the decision to raise a provision under Australian GAAP will not change under IFRS.

2. Adoption of Australian Equivalents to International Financial Reporting Standards from 2005-2006 (cont...)

Under IFRS, AASB 116 *Property, Plant & Equipment* (PP&E) allows two methods for recording PP&E i.e. cost and fair value. Finance Brief ED 20 states that the Finance Minister's Orders are that all tangible assets, except for specialist military equipment, are to be measured at fair value. Fair value is market value unless there is no market based evidence of fair value. In such cases, fair value is estimated using depreciated replacement cost. Given this, if properties held for divestment are classified as PP&E, then they will be required to be carried at fair value.

It should be noted that property held for divestment cannot be classified as inventory. Inventory is defined in AASB 1019 *Inventories* as assets held for sale in the ordinary course of business. This definition under Australian Equivalents is consistent with the definition under IFRSs. Considering that the properties are not held for sale it would not be appropriate to account for them as inventory.

In addition, while IFRS allows investment properties to be held at their historical cost, Finance Brief ED 20 specifically excludes property held by not-for-profit entities to meet service delivery objectives from being classified as an investment property.

It is likely that the conversion to IFRS will result in property held for divestment being recorded at fair value, with a provision being raised to offset the value of the property.

Employee benefits

The provision for long service leave is measured at net present value of estimated future cash outflows using market yields as at the reporting date on national government bonds. Under the new Australian Equivalent standard, the same discount rate will be used unless there is a deep market in high quality corporate bonds, in which case the market yield on such bonds must be used.

Financial Instruments

Financial assets and liabilities are likely to be accounted for as "held at fair value through profit and loss" or available-for-sale where the fair value can be reliably measured (in which case, changes in value are initially taken to equity). Fair values will be published prices where there is an active market or by appraisal.

Cash and receivables are expected to continue to be measured at cost information.

Financial assets, except those classified as "held at fair value through profit and loss", will be subject to impairment testing.

3. Reporting by outcomes

The Corporation's statutory prescribed outcome is to:

"Provide economic, environmental, social and cultural benefits for Aboriginal persons and Torres Strait Islanders by assisting in the acquisition and management of an indigenous land base." Only one output group is identified for the outcome. Disclosures of revenue, expenses, assets and liabilities by outcome are at Note 27.

4. Economic dependency

The Corporation was established by section 191A of the Indigenous Land Corporation (ATSIC Amendment) Act 1995 and is controlled by the Commonwealth of Australia. The Corporation is dependent on a standing annual appropriation from the Land Fund in accordance with Section 193A of the Aboriginal and Torres Strait Islander Commission Act 1989 (ATSIC Act). The Corporation received \$54,713,000 in the current financial year (2003: \$53,553,000). Also refer Note 19.

5. Events occurring after reporting date

There are no events occurring after reporting date.

	Consol 2004 \$	Consol 2003 \$	ILC 2004 \$	ILC 2003 \$
6. Revenues from Government				
Receipts from the Land Fund	54,713,000	53,553,000	54,713,000	53,553,000
Other revenues from Government	134,011	99,984	134,011	99,984
Total revenues from Government	<u>54,847,011</u>	<u>53,652,984</u>	<u>54,847,011</u>	<u>53,652,984</u>

Receipts from the Land Fund are considered to be revenue from independent sources as it is not a direct appropriation from the Commonwealth. Also refer Note 19.

7. Self-generating and regenerating assets

Livestock consists of that held for divestment and that held for trading purposes (inventory). Livestock held for trading purposes includes cattle and sheep. There are a small number of horses on the ILC's properties that are used as working beasts. Wild goats were mustered and sold on Cardabia during the reporting period. Livestock which are considered to be self-generating and regenerating assets are accounted for in accordance with Australian Accounting Standard AAS35 and are measured at net market value with market value increments and decrements included in the Statement of Financial Performance.

As a result of shearing or sales, musters or counts are performed on each of the properties at least annually. Due to the nature of livestock these musters/counts are not expected to confirm definitively the actual quantities of livestock but are used to estimate the size of the herd/flock and breeding and death rates. Where the musters/counts do not coincide with the reporting period, the last muster/count numbers are used and natural increase and deaths are estimated to the end of the reporting period.

Where musters/counts are expected to coincide with reporting periods but are unable to be completed due to circumstances outside of the control of the Corporation (eg weather), natural increase is recorded based on muster results completed as at reporting date.

Where estimates of natural increase cannot be reliably made, no natural increase since the last muster/count is recorded.

Paddock records are maintained on all properties.

The net market value is determined by independent valuations undertaken by industry experts. The valuation takes into account the general make up of the herd/flock as at reporting date. Increments/decrements on changes in the net market value of livestock are recognised in the Statement of Financial Performance.

A provision for deaths is made at each reporting date equivalent to 5% of the value of livestock held at reporting date.

Non-living produce extracted from self-generating and regenerating assets are recognised as revenue in the reporting period that the produce is extracted. The non-living produce of a self-generating and regenerating asset is then accounted for in accordance with AAS2 *Inventories*.

	Consol 2004 \$	Consol 2003 \$	ILC 2004 \$	ILC 2003 \$
7A. Net increment in market value of livestock				
Net increment/decrement in net market value during the reporting period				
Cattle	4,746,603	327,467	4,309,219	169,555
Sheep	318,145	126,475	209,931	11,718
Horses	(17,570)	12,800	(17,570)	12,800
Goats	34,185	13,854	-	-
	<u>5,081,363</u>	<u>480,596</u>	<u>4,501,580</u>	<u>194,073</u>
Movement in provision for deaths	(108,165)	110,570	(93,099)	102,061
Net increment in the net market value of livestock	<u>4,973,198</u>	<u>591,166</u>	<u>4,408,481</u>	<u>296,134</u>
7B. Net market value of goods extracted				
Non-living produce extracted from self-generating and regenerating assets				
Net market value of wool extracted during reporting period	655,506	833,287	497,264	571,525
Net market value of fruit extracted during reporting period	-	148,914	-	148,914
	<u>655,506</u>	<u>982,201</u>	<u>497,264</u>	<u>720,439</u>
Net market value of goods extracted	<u>655,506</u>	<u>982,201</u>	<u>497,264</u>	<u>720,439</u>
Wool				
Revenue from sale of wool	605,969	1,011,427	447,727	577,265
Deemed cost of wool	605,969	1,011,427	447,727	577,265
Net revenue from sale of wool	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fruit				
Revenue from sale of fruit	-	148,914	-	148,914
Deemed cost of fruit	-	148,914	-	148,914
Net revenue from sale of fruit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
8. Other revenue from ordinary activities				
8A. Interest				
Interest on deposits	347,190	813,053	342,317	773,311
Interest on loans	30,984	30,760	30,984	30,760
Total interest revenue	<u>378,174</u>	<u>843,813</u>	<u>373,301</u>	<u>804,071</u>

	Consol 2004 \$	Consol 2003 \$	ILC 2004 \$	ILC 2003 \$
8B. Write-up of assets				
Investments (held in-house)	80,940	55,065	80,940	55,065
Investments (out-sourced)	22,842,090	7,360,239	22,842,090	7,360,239
Write-up of assets	<u>22,923,030</u>	<u>7,415,304</u>	<u>22,923,030</u>	<u>7,415,304</u>
8C. Revenue from sale of assets				
Investments				
Proceeds from disposal	2,478,378	-	2,478,378	-
Net book value of assets disposed	(2,389,488)	-	(2,389,488)	-
Net gain from sale of investments	<u>88,890</u>	<u>-</u>	<u>88,890</u>	<u>-</u>
Infrastructure, plant and equipment				
Proceeds from disposal	41,461	54,194	26,916	40,887
Net book value of assets disposed	(43,623)	(49,664)	(41,065)	(27,329)
Net gain (loss) from sale of infrastructure, plant and equipment	<u>(2,162)</u>	<u>4,530</u>	<u>(14,149)</u>	<u>13,558</u>
Livestock held for divestment				
Proceeds from disposal	-	68,231	-	68,231
Net book value of assets disposed	-	(14,665)	-	(14,665)
Net gain from sale of Livestock held for divestment	<u>-</u>	<u>53,566</u>	<u>-</u>	<u>53,566</u>
Plant and equipment held for divestment				
Proceeds from disposal	261	10,592	261	10,592
Net book value of assets disposed	-	-	-	-
Net gain from sale of plant and equipment held for divestment	<u>261</u>	<u>10,592</u>	<u>261</u>	<u>10,592</u>
Land previously held for divestment sold in the current year				
Proceeds from disposal	2,356,340	-	2,356,340	-
Net book value of assets disposed	(2,941,771)	-	(2,941,771)	-
Net gain (loss) from sale of land previously held for divestment sold in the current year	<u>(585,431)</u>	<u>-</u>	<u>(585,431)</u>	<u>-</u>
Total proceeds from disposal	<u>4,876,440</u>	<u>133,017</u>	<u>4,861,895</u>	<u>119,710</u>
Total value of assets disposed	<u>(5,374,882)</u>	<u>(64,329)</u>	<u>(5,372,324)</u>	<u>(41,994)</u>
Total net gain (loss) from sale of assets	<u>(498,442)</u>	<u>68,688</u>	<u>(510,429)</u>	<u>77,716</u>

	Consol 2004 \$	Consol 2003 \$	ILC 2004 \$	ILC 2003 \$
8D. Other revenue				
Income from properties held for divestment	612,803	604,654	612,803	604,654
Insurance proceeds	4,572	1,075,407	3,027	1,065,711
Other	94,817	128,577	95,547	127,851
Trust distribution	-	-	78,511	15,096
Total other revenue	<u>712,192</u>	<u>1,808,638</u>	<u>789,888</u>	<u>1,813,312</u>

9. Land transfer

9A. Land transfer

The expense relates to the value of land transferred (at cost) to appropriate Indigenous organisations in line with the objectives of the ILC. Costs incurred in transferring land, unsuccessful acquisitions or projects considered unlikely to proceed at reporting date are also included in this expense.

Value of land transferred	6,263,365	2,985,730	6,263,365	2,832,106
Associated costs	123,045	558,043	123,045	558,043
Total land transfer	<u>6,386,410</u>	<u>3,543,773</u>	<u>6,386,410</u>	<u>3,390,149</u>
Land transfer expense				
Related entities	48,047	111,004	48,047	111,004
External entities	6,338,363	3,432,769	6,338,363	3,279,145
Total land transfer expenses	<u>6,386,410</u>	<u>3,543,773</u>	<u>6,386,410</u>	<u>3,390,149</u>

9B. Provision for land transfer

A provision is raised in the Statement of Financial Performance for the full cost of land purchases representing the sacrifice of future benefits embodied in the assets. The following represents the net movement in the provision for the reporting period.

Movement in the provision for land held for divestment	(3,995,198)	7,370,123	(3,995,198)	7,370,123
Movement in the provision for plant and equipment held for divestment	147,878	911,542	147,878	911,542
Total movement in the provision for land transfer	<u>(3,847,320)</u>	<u>8,281,665</u>	<u>(3,847,320)</u>	<u>8,281,665</u>

	Consol 2004 \$	Consol 2003 \$	ILC 2004 \$	ILC 2003 \$
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10. Land management

The ILC works with the Indigenous corporations and develops a package of support in the form of agreed solutions to land management problems identified by the land owners.

Some of the forms of support include entering into services and funding agreements. These agreements carry over a number of years with the land owners or supporting bodies being required to demonstrate both expenditure and performance objectives prior to release of agreed funding.

Land management expenses are recorded as expenses in the Statement of Financial Performance in the period in which they are incurred. Land management expenses also include land management on land held by the ILC and include the cost of caretaking, use, maintenance and improvement of that land.

Land management expense				
Related entities	290,060	307,645	290,060	307,645
External entities	7,965,023	8,068,578	9,017,677	9,106,380
Total land management expenses	<u>8,255,083</u>	<u>8,376,223</u>	<u>9,307,737</u>	<u>9,414,025</u>

11. Other expenses from ordinary activities

11A. Employee expenses

Basic remuneration for services provided	6,818,231	7,078,516	5,680,927	5,873,001
Superannuation	884,537	726,581	812,852	649,659
Separation and redundancy	264,889	147,899	264,889	147,899
Total employee expenses	<u>7,967,657</u>	<u>7,952,996</u>	<u>6,758,668</u>	<u>6,670,559</u>

This comprises salary costs, superannuation costs, employee leave provisions and staff recruitment costs.

Number of employees as at 30 June (full time equivalents)	116.1	116.8	84.6	88.8
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11B. Suppliers expenses

Supply of goods and services:				
Related entities	435,525	533,040	432,901	510,478
External entities	2,978,663	3,301,427	3,280,094	3,323,005
Operating lease rentals	694,363	643,753	694,363	643,753
Total supplier expenses	<u>4,108,551</u>	<u>4,478,220</u>	<u>4,407,358</u>	<u>4,477,236</u>

11C. Depreciation and amortisation

Depreciation of property, plant and equipment	1,083,566	764,468	1,060,416	739,999
Amortisation of leased assets	-	5,509	-	5,509
Amortisation of software	98,807	84,385	98,807	84,385
Total depreciation and amortisation	<u>1,182,373</u>	<u>854,362</u>	<u>1,159,223</u>	<u>829,893</u>

	Consol 2004 \$	Consol 2003 \$	ILC 2004 \$	ILC 2003 \$
11C. Depreciation and amortisation (cont..)				
The aggregate amounts of depreciation or amortisation expense during the reporting period for each class of depreciable assets are as follows:				
Office equipment	45,511	39,469	45,511	39,469
Furniture and fittings	28,395	17,225	28,395	17,225
Computer equipment	197,131	218,128	197,131	218,128
Office fit-outs	158,712	145,693	158,712	145,693
Plant and equipment	653,817	343,953	630,667	319,484
Amortisation of leased assets	-	5,509	-	5,509
Amortisation of software	98,807	84,385	98,807	84,385
Total depreciation and amortisation	<u>1,182,373</u>	<u>854,362</u>	<u>1,159,223</u>	<u>829,893</u>
11D. Write-down of assets				
Inventory held for divestment	2,870	15,123	2,870	15,123
Infrastructure plant & equipment revalued	301,348	577,258	301,348	578,902
Forgiveness of loans	-	-	-	451,625
Total write-down of assets	<u>304,218</u>	<u>592,381</u>	<u>304,218</u>	<u>1,045,650</u>
11E. Borrowing costs expense				
Finance charges on leased assets	-	935	-	935
Other	964	119	-	88
Total borrowing costs expense	<u>964</u>	<u>1,054</u>	<u>-</u>	<u>1,023</u>
12. Financial assets				
12A. Cash				
Cash at bank and on hand	1,119,329	727,785	1,100,131	725,880
Cash advances	12,162	12,000	12,162	12,000
Total cash	<u>1,131,491</u>	<u>739,785</u>	<u>1,112,293</u>	<u>737,880</u>

	Consol 2004 \$	Consol 2003 \$	ILC 2004 \$	ILC 2003 \$
12B. Receivables				
Interest receivable	32,597	96,115	32,597	96,115
Other debtors	661,078	627,000	653,508	620,057
Cash with agent	-	61,397	-	61,397
GST recoverable	77,575	68,186	73,783	64,142
Income from sale of assets	1,360,922	-	1,360,922	-
Total receivables (net)	<u>2,132,172</u>	<u>852,698</u>	<u>2,120,810</u>	<u>841,711</u>
Receivables (gross) are aged as follows:				
Not overdue	<u>2,041,675</u>	<u>740,072</u>	<u>2,030,313</u>	<u>731,085</u>
Overdue by				
- less than 30 days	-	15,463	-	15,463
- 30 to 60 days	70,363	85,257	70,363	85,257
- more than 60 days	20,134	11,906	20,134	9,906
	<u>90,497</u>	<u>112,626</u>	<u>90,497</u>	<u>110,626</u>
	<u>2,132,172</u>	<u>852,698</u>	<u>2,120,810</u>	<u>841,711</u>

12C. Investments

Bank and other securities	1,177,656	3,193,988	1,177,656	3,193,988
Term deposits	1,289,241	3,275,749	1,289,241	3,275,749
Interest rate securities	449,011	2,709,498	449,011	2,709,498
Managed funds (at market value)	233,559,114	172,017,024	233,559,114	172,017,024
Shares in subsidiary companies	-	-	45	52
Total investments	<u>236,475,022</u>	<u>181,196,259</u>	<u>236,475,067</u>	<u>181,196,311</u>
Investments are categorised as follows:				
Current	19,173,095	25,049,934	19,173,095	25,049,934
Non-current	217,301,927	156,146,325	217,301,972	156,146,377
Total investments	<u>236,475,022</u>	<u>181,196,259</u>	<u>236,475,067</u>	<u>181,196,311</u>

The ILC holds shares in each of its 100% owned subsidiaries.

A summary of the movement in investments is as follows:

Opening balance 1 July	181,196,259	147,305,214	181,196,311	147,305,266
Revenue from Land Fund	54,713,000	53,553,000	54,713,000	53,553,000
Increment in market value to 30 June	22,923,030	7,415,304	22,923,030	7,415,304
	<u>258,832,289</u>	<u>208,273,518</u>	<u>258,832,341</u>	<u>208,273,570</u>
Less: investments liquidated	22,357,267	27,077,259	22,357,274	27,077,259
Closing balance 30 June	<u>236,475,022</u>	<u>181,196,259</u>	<u>236,475,067</u>	<u>181,196,311</u>

	Consol 2004 \$	Consol 2003 \$	ILC 2004 \$	ILC 2003 \$
12D. Beneficiary loans				
Trust distributions receivable				
Cardabia Pastoral Company Pty Ltd	-	-	479,940	401,428
Less: provision for loans	-	-	(479,940)	-
Total beneficiary loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>401,428</u>
12E. Other assets				
Loans to subsidiaries				
Cardabia Pastoral Company Pty Ltd	-	-	453,916	453,916
Loans to Indigenous corporations	866,619	714,451	866,619	714,451
Total other loans	<u>866,619</u>	<u>714,451</u>	<u>1,320,535</u>	<u>1,168,367</u>
Less: provision for loans	(302,367)	(135,596)	(756,283)	(552,120)
Net Loans to Indigenous corporations	<u>564,252</u>	<u>578,855</u>	<u>564,252</u>	<u>616,247</u>
Deferred forward sale gain	28,255	33,635	15,125	15,565
Total other assets	<u>592,507</u>	<u>612,490</u>	<u>579,377</u>	<u>631,812</u>

13. Non-financial assets

13A. Property held for divestment (consolidated)

Asset detail	Land & Incidentals	Plant & equipment	Livestock	Total
Property held for divestment	42,999,951	2,686,465	39,923	45,726,339
Less: Provision for divestment	(42,999,951)	(2,686,465)	-	(45,686,416)
Carrying amount 30 June	-	-	39,923	39,923
A summary of the movement in property held for divestment is as follows:				
Opening balance 1 July	46,995,149	2,538,587	35,821	49,569,557
Opening provision 1 July	(46,995,149)	(2,538,587)	-	(49,533,736)
Carrying amount 1 July	-	-	35,821	35,821
Additions to 30 June	4,734,014	605,157	13,148	5,352,319
Sales to 30 June	(2,732,867)	(199,305)	-	(2,932,172)
Divestments to 30 June	(5,996,345)	(257,974)	(9,046)	(6,263,365)
Net movement	(3,995,198)	147,878	4,102	(3,843,218)
Movement in provision to 30 June	3,995,198	(147,878)	-	3,847,320
Carrying amount 30 June	-	-	39,923	39,923

The ILC holds the title for all the above properties. The land is held for the intention of divesting it to the relevant indigenous group within a reasonable timeframe. The above figures represent the consolidated position, which does not differ from the ILC position.

The Corporation maintains asset registers for the properties. A stocktake to verify plant and equipment and livestock is undertaken annually.

	Consol 2004 \$	Consol 2003 \$	ILC 2004 \$	ILC 2003 \$
13B. Infrastructure, plant and equipment				
Office equipment, revalued 2003 (fair value)	144,372	143,309	144,372	143,309
Less: Accumulated depreciation	(62,441)	(35,339)	(62,441)	(35,339)
	<u>81,931</u>	<u>107,970</u>	<u>81,931</u>	<u>107,970</u>
Office equipment, additions post revaluation	78,678	36,952	78,678	36,952
Less: Accumulated depreciation	(20,877)	(4,152)	(20,877)	(4,152)
	<u>57,801</u>	<u>32,800</u>	<u>57,801</u>	<u>32,800</u>
Total office equipment, net	<u>139,732</u>	<u>140,770</u>	<u>139,732</u>	<u>140,770</u>
Furniture and fittings, revalued 2003 (fair value)	88,091	85,230	88,091	85,230
Less: Accumulated depreciation	(29,121)	(15,962)	(29,121)	(15,962)
	<u>58,970</u>	<u>69,268</u>	<u>58,970</u>	<u>69,268</u>
Furniture and fittings, additions post revaluation	31,074	26,795	31,074	26,795
Less: Accumulated depreciation	(16,433)	(1,321)	(16,433)	(1,321)
	<u>14,641</u>	<u>25,474</u>	<u>14,641</u>	<u>25,474</u>
Furniture and fittings, net	<u>73,611</u>	<u>94,742</u>	<u>73,611</u>	<u>94,742</u>
Computer systems, revalued 2003 (fair value)	414,720	382,151	414,720	382,151
Less: Accumulated depreciation	(256,303)	(152,068)	(256,303)	(152,068)
	<u>158,417</u>	<u>230,083</u>	<u>158,417</u>	<u>230,083</u>
Computer systems, additions post revaluation	380,014	275,502	380,014	275,502
Less: Accumulated depreciation	(143,976)	(67,864)	(143,976)	(67,864)
	<u>236,038</u>	<u>207,638</u>	<u>236,038</u>	<u>207,638</u>
Computer systems, net	<u>394,455</u>	<u>437,721</u>	<u>394,455</u>	<u>437,721</u>
Office fitout, revalued 2003 (fair value)	335,403	636,826	335,403	636,826
Less: Accumulated depreciation	(115,098)	(127,015)	(115,098)	(127,015)
	<u>220,305</u>	<u>509,811</u>	<u>220,305</u>	<u>509,811</u>
Office fitout, additions post revaluation	200,317	309,484	200,317	309,484
Less: Accumulated depreciation	(51,055)	(18,677)	(51,055)	(18,677)
	<u>149,262</u>	<u>290,807</u>	<u>149,262</u>	<u>290,807</u>
Office fitout, net	<u>369,567</u>	<u>800,618</u>	<u>369,567</u>	<u>800,618</u>

	Consol 2004 \$	Consol 2003 \$	ILC 2004 \$	ILC 2003 \$
13B. Infrastructure, plant and equipment (cont.)				
Other plant and equipment, Revalued 2003 (fair value)	1,658,181	1,670,086	1,583,631	1,566,307
Less: Accumulated depreciation	(557,972)	(343,955)	(529,704)	(315,677)
	<u>1,100,209</u>	<u>1,326,131</u>	<u>1,053,927</u>	<u>1,250,630</u>
Fences and Waters (under development), Revalued 30 June 2003 (fair value)	-	1,485,428	-	1,485,428
Less: Accumulated depreciation	-	-	-	-
	<u>-</u>	<u>1,485,428</u>	<u>-</u>	<u>1,485,428</u>
Other plant and equipment, additions post revaluation	2,563,551	-	2,508,026	-
Less: Accumulated depreciation	(412,698)	-	(401,408)	-
	<u>2,150,853</u>	<u>-</u>	<u>2,106,618</u>	<u>-</u>
Other plant and equipment, net	<u>3,251,062</u>	<u>2,811,559</u>	<u>3,160,545</u>	<u>2,736,058</u>
Total infrastructure, plant & equipment	<u>4,228,427</u>	<u>4,285,410</u>	<u>4,137,910</u>	<u>4,209,909</u>

Revaluations undertaken up to 30 June 2002 were done on deprival basis. All assets other than those disclosed separately were revalued to "fair value" as at 1 July 2002. Fences and waters on ILC's commercial properties which had significant development undertaken during 2002-03 and 2003-04 have now been substantially completed and are currently carried at cost and are classified under other plant and equipment. Additions since 1 July 2002, which have not been revalued, are carried at cost.

The Corporation maintains asset registers for infrastructure plant and equipment. A stocktake to verify infrastructure, plant and equipment is undertaken at least annually.

<i>Movement in asset revaluation reserve</i>				
Decrement	-	285,182	-	213,000
	<u>-</u>	<u>285,182</u>	<u>-</u>	<u>213,000</u>

Item	Other Plant & Equip \$	Office Equip \$	Furniture & Fittings \$	Computer Systems \$	Office Fitout \$	Total \$
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13C. Analysis of plant and equipment (consolidated)

As at 1 July 2003						
Gross value	3,155,514	180,261	112,025	657,653	946,310	5,051,763
Accumulated depreciation/ amortisation	(343,955)	(39,491)	(17,283)	(219,932)	(145,692)	(766,353)
Net book value	<u>2,811,559</u>	<u>140,770</u>	<u>94,742</u>	<u>437,721</u>	<u>800,618</u>	<u>4,285,410</u>
Additions	1,125,468	44,683	7,760	164,614	29,031	1,371,556
Net revaluation increment/ decrement	-	-	-	-	-	-
Depreciation/ amortisation expense	(653,817)	(45,511)	(28,395)	(197,131)	(158,712)	(1,083,566)
Recoverable amount write downs	-	-	-	-	(301,348)	(301,348)
Disposals	(32,147)	(211)	(496)	(10,749)	(21)	(43,623)
As at 30 June 2004						
Gross value	4,221,732	223,050	119,165	794,734	535,720	5,894,401
Accumulated depreciation/ amortisation	(970,670)	(83,318)	(45,554)	(400,279)	(166,153)	(1,665,974)
Net book value	<u>3,251,062</u>	<u>139,732</u>	<u>73,611</u>	<u>394,455</u>	<u>369,567</u>	<u>4,228,427</u>

13D. Analysis of plant and equipment (ILC)

As at 1 July 2003						
Gross value	3,051,735	180,261	112,025	657,653	946,310	4,947,984
Accumulated depreciation/ amortisation	(315,677)	(39,491)	(17,283)	(219,932)	(145,692)	(738,075)
Net book value	<u>2,736,058</u>	<u>140,770</u>	<u>94,742</u>	<u>437,721</u>	<u>800,618</u>	<u>4,209,909</u>
Additions	1,084,743	44,683	7,760	164,614	29,031	1,330,831
Net revaluation increment/ decrement	-	-	-	-	-	-
Depreciation/ amortisation expense	(630,667)	(45,511)	(28,395)	(197,131)	(158,712)	(1,060,416)
Recoverable amount write downs	-	-	-	-	(301,348)	(301,348)
Disposals	(29,589)	(211)	(496)	(10,749)	(21)	(41,065)
As at 30 June 2004						
Gross value	4,091,657	223,050	119,165	794,734	535,720	5,764,326
Accumulated depreciation/ amortisation	(931,112)	(83,318)	(45,554)	(400,279)	(166,153)	(1,626,416)
Net book value	<u>3,160,545</u>	<u>139,732</u>	<u>73,611</u>	<u>394,455</u>	<u>369,567</u>	<u>4,137,910</u>

	Consol 2004 \$	Consol 2003 \$	ILC 2004 \$	ILC 2003 \$
13E. Inventory				
Livestock	13,968,881	11,805,582	12,872,881	11,010,905
Provision for deaths	(698,444)	(590,279)	(643,644)	(550,545)
	<u>13,270,437</u>	<u>11,215,303</u>	<u>12,229,237</u>	<u>10,460,360</u>
Wool	49,537	-	49,537	-
Citrus trees	183,124	218,099	183,124	218,099
Total inventory	<u>13,503,098</u>	<u>11,433,402</u>	<u>12,461,898</u>	<u>10,678,459</u>

All inventory is current inventory.

The Corporation's holding of livestock as inventory is measured at market values at reporting date in accordance with Australian Accounting Standard AAS35 *Self-generating and regenerating assets*.

Wool is valued at reporting date in accordance with AAS2 *Inventories*.

The Corporation's holding of Citrus trees as inventory is measured at market values at reporting date in accordance with Australian Accounting Standard AAS35 *Self-generating and regenerating assets*.

Below is a summary of each class of livestock on hand at the beginning of the reporting period and at the end of the reporting period at market value.

Class	Consol Number	Consol \$	ILC Number	ILC \$
Livestock on hand at the beginning of the reporting period at net market value				
Cattle	36,136	10,732,989	34,565	10,274,312
Sheep	25,021	1,007,593	16,681	671,593
Horses	70	65,000	70	65,000
		<u>11,805,582</u>		<u>11,010,905</u>
Livestock on hand at the end of the reporting period at net market value				
Cattle	32,837	12,890,576	31,142	12,191,146
Sheep	21,933	1,026,885	14,253	630,315
Horses	68	51,420	68	51,420
		<u>13,968,881</u>		<u>12,872,881</u>

	2004 \$	2004 \$	2004 \$
	Internal	External	Total
13F. Intangibles			
CONSOLIDATED			
As at 1 July 2003			
Gross value	300,303	223,627	523,930
Accumulated amortisation	(40,134)	(45,179)	(85,313)
<i>Net book value</i>	<u>260,169</u>	<u>178,448</u>	<u>438,617</u>
Additions	-	62,392	62,393
Net revaluation increment/ decrement	-	-	-
Amortisation expense	(53,554)	(45,253)	(98,807)
Recoverable amount write downs	-	-	-
Disposals	-	-	-
As at 30 June 2004			
Gross value	300,303	286,019	586,322
Accumulated amortisation	(93,688)	(90,432)	(184,120)
<i>Net book value</i>	<u>206,615</u>	<u>195,587</u>	<u>402,202</u>
ILC			
As at 1 July 2003			
Gross value	300,303	223,627	523,930
Accumulated amortisation	(40,134)	(45,179)	(85,313)
<i>Net book value</i>	<u>260,169</u>	<u>178,448</u>	<u>438,617</u>
Additions	-	62,392	62,393
Net revaluation increment/ decrement	-	-	-
Amortisation expense	(53,554)	(45,253)	(98,807)
Recoverable amount write downs	-	-	-
Disposals	-	-	-
As at 30 June 2004			
Gross value	300,303	286,019	586,322
Accumulated amortisation	(93,688)	(90,432)	(184,120)
<i>Net book value</i>	<u>206,615</u>	<u>195,587</u>	<u>402,202</u>

	Consol 2004 \$	Consol 2003 \$	ILC 2004 \$	ILC 2003 \$
14. Provisions and payables				
14A. Employee provisions				
Salaries and wages	73,271	207,538	67,266	201,458
Annual leave	650,670	805,985	606,345	776,257
Long service leave	623,511	709,775	603,003	698,195
Superannuation	5,642	28,587	-	24,982
Separation and redundancy	36,103	147,899	36,103	147,899
	<u>1,389,197</u>	<u>1,899,784</u>	<u>1,312,717</u>	<u>1,848,791</u>
Aggregate employee benefits liability				
Employee provisions are categorised as follows:				
Current	765,686	1,205,344	709,714	1,165,931
Non-current	623,511	694,440	603,003	682,860
	<u>1,389,197</u>	<u>1,899,784</u>	<u>1,312,717</u>	<u>1,848,791</u>
14B. Suppliers payables				
Amounts owing to suppliers	1,466,176	1,563,386	1,459,856	1,563,739
Total supplier payables	<u>1,466,176</u>	<u>1,563,386</u>	<u>1,459,856</u>	<u>1,563,739</u>

All supplier payables are current.

Amounts owing to suppliers for land acquisition, land management and administrative goods and services as at reporting date include invoices received by suppliers for goods and services supplied prior to reporting date but unpaid as at reporting date and accruals for goods and services supplied prior to reporting date but for which invoices have yet to be received and where the Corporation was under a legal liability to pay.

14C Other payables

Deferred benefit from lease incentive	66,361	140,582	66,361	140,582
Deferred revenue from wool futures	28,255	33,635	15,125	15,565
Other	-	-	54,873	-
Total other payables	<u>94,616</u>	<u>174,217</u>	<u>136,359</u>	<u>156,147</u>
The lease incentive benefit is as follows:				
- within one year	35,641	74,220	35,641	74,220
- within one to two years	26,678	35,641	26,678	35,641
- within two to five years	4,042	30,721	4,042	30,721
Total lease incentive	<u>66,361</u>	<u>140,582</u>	<u>66,361</u>	<u>140,582</u>

Item	Asset Revaluation Reserve \$	Accumulated Results \$	Total Equity \$
15. Equity			
15A. Analysis of equity			
CONSOLIDATED			
Balance at 1 July	-	195,957,095	195,957,095
Net surplus (deficit)	-	59,597,758	59,597,758
Net revaluation increment (decrement)	-	-	-
Transactions with owner:			
Distributions to owner:			
Returns on capital			
Dividends	-	-	-
Capital use charge	-	-	-
Returns of capital			
Restructuring	-	-	-
Returns of contributed equity	-	-	-
Contributions by owner:			
Appropriations (equity injections)	-	-	-
Restructuring	-	-	-
Transfers to/ (from)/ between reserves			
	-	-	-
Closing balance as at 30 June	-	255,554,853	255,554,853
Less: outside equity interests	-	-	-
Total equity attributable to the Commonwealth	-	255,554,853	255,554,853
ILC			
Balance at 1 July	-	195,603,271	195,603,271
Net surplus (deficit)	-	58,817,277	58,817,277
Net revaluation increment (decrement)	-	-	-
Transactions with owner:			
Distributions to owner:			
Returns on capital			
Dividends	-	-	-
Capital use charge	-	-	-
Returns of capital			
Restructuring	-	-	-
Returns of contributed equity	-	-	-
Contributions by owner:			
Appropriations (equity injections)	-	-	-
Restructuring	-	-	-
Transfers to/ (from)/ between reserves			
	-	-	-
Closing balance as at 30 June	-	254,420,548	254,420,548
Less: outside equity interests	-	-	-
Total equity attributable to the Commonwealth	-	254,420,548	254,420,548

	Consol 2004 \$	Consol 2003 \$	ILC 2004 \$	ILC 2003 \$
16. Cash flow reconciliation				
Reconciliation of operating surplus to net cash from operating activities:				
Operating surplus	59,597,758	31,179,102	58,817,277	30,566,742
Non cash items				
Depreciation and amortisation of property, plant and equipment	1,182,373	848,853	1,159,223	824,384
Revaluation of assets	301,348	577,258	301,348	578,902
Profit (loss) on sale of investments	(88,890)	-	(88,890)	-
Write down (up) of investments	(22,923,030)	(7,415,304)	(22,923,030)	(7,415,304)
Net profit (loss) on sale of assets	(14,639)	(15,122)	(2,652)	(24,150)
Movement in lease incentive	(74,221)	(70,178)	(74,221)	(70,178)
GST recovered on non-operating cash flows	137,568	223,835	134,951	244,045
Provision for land transfer, net movement	(3,847,320)	8,281,665	(3,847,320)	8,281,665
Change in assets and liabilities				
(Increase)/decrease in receivables	(1,279,474)	292,505	(1,279,099)	305,168
Increase/(decrease) in employee liabilities	(510,587)	574,069	(536,074)	696,637
(Increase)/decrease in assets held for transfer	3,843,218	(8,253,377)	3,843,218	(8,253,377)
(Increase)/decrease in other current assets	(2,064,316)	2,348,335	(1,329,577)	4,040,674
Increase/(decrease) in creditors	(87,988)	(376,580)	(49,450)	(816,230)
Net cash from operating activities	<u>34,171,800</u>	<u>28,195,061</u>	<u>34,125,704</u>	<u>28,958,978</u>

	Consol 2004 \$	Consol 2003 \$	ILC 2004 \$	ILC 2003 \$
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17. Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and cash at bank. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash balances comprises:				
Cash on hand	3,045	3,060	3,000	3,000
Cash on advance	12,162	12,000	12,162	12,000
Cash at bank	1,116,284	724,725	1,097,131	722,880
Total cash	<u>1,131,491</u>	<u>739,785</u>	<u>1,112,293</u>	<u>737,880</u>
Balance of cash as at 30 June shown in the Statement of Cash Flows				
	<u>1,131,491</u>	<u>739,785</u>	<u>1,112,293</u>	<u>737,880</u>

18. Contingent Liabilities

CONTINGENT LIABILITIES				
Other guarantees ¹	30,000	50,000	30,000	50,000
Other ²	-	562,500	-	562,500
Total contingent liabilities	<u>30,000</u>	<u>612,500</u>	<u>30,000</u>	<u>612,500</u>

¹ The ILC has agreed to provide a bank guarantee to the Bank of Melbourne as loan security for Bampi Mi Aboriginal Corporation.

² The ILC had undertaken to grant monies for a property called Silver Plains in Queensland for Kulla Aboriginal Land Trust. The grant is contingent on the grant of title by Queensland Government. The commitment is for the balance of funds that were required for the acquisition of the property by the proponent group. The grant of title by the Queensland Government has not occurred within the agreed time frame and consequently the agreement has lapsed.

All contingencies are GST inclusive where relevant.

19. Unquantifiable Contingencies

A review has been conducted by the Australian National Audit Office (ANAO) of the financial management of all Commonwealth Special Appropriations. This includes the Land Fund. This review includes a review of the indexation factor applied to the Land Fund since the time of the establishment of the Land Fund on an annual basis as provided by section 193D of the ATISC Act, which is administered by Aboriginal and Torres Strait Islander Commission (ATISC), and is in relation to the past general appropriations by the Government to the Land Fund.

The review has identified a discrepancy in the indexation rate applied that has resulted in excess appropriations having been drawn and paid to the ILC via section 193A of the ATISC Act. ATISC is currently in discussion with Department of Finance and Administration about this issue.

The ILC has not been able to ascertain whether any error has been made as it has not been able to obtain any information in relation to the basis of the claim and has asked for but not yet received legal advice in relation thereto. Accordingly, the ILC is not in a position to comment on the matter other than that the Board has resolved to take whatever steps are necessary to ensure that the ILC is not improperly or unfairly prejudiced in relation to the matter.

	Consol 2004 \$	Consol 2003 \$	ILC 2004 \$	ILC 2003 \$
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19. Unquantifiable Contingencies (cont)

The ILC held an investment in Wisdom (FAI) No 2 Trust that is effected by the provisional liquidation of the HIH Group. The recoverability of this investment is unknown at reporting date. However, the investment has no market value. The Corporation has served a statement of claim on its external advisor in relation to this investment.

20. Remuneration of Directors

Remuneration received or due and receivable by Directors	317,884	270,709	317,884	270,709
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The number of Directors of the ILC included in these figures are shown below in the relevant remuneration bands.

\$Nil - \$9,999	3	2	3	2
\$20,000 - \$29,999	2	2	2	2
\$30,000 - \$39,999	1	1	1	1
\$40,000 - \$49,999	-	1	-	1
\$50,000 - \$59,999	-	-	-	-
\$60,000 - \$69,999	1	-	1	-
\$110,000 - \$119,999	-	-	-	-
\$140,000 - \$149,999	-	1	-	1
\$170,000 - \$179,999	1	-	1	-
Total number of Directors of the Corporation	8	7	8	7

The following Directors of the ILC are not remunerated by the ILC by virtue of them being officers of the Aboriginal and Torres Strait Islander Commission (ATSIC):

Geoff Clark (Chairman of ATSIC)

Steve Gordon (ATSIC Commissioner)

Lionel Quartermaine (Acting Chairman of ATSIC).

21. Related party disclosure

For the purposes of related party disclosures the following were Directors of ILC during or since the end of the financial year :

Shirley McPherson (Chairperson) – appointed 9 August 2001
Clem Riley (Deputy Chairperson) – appointed 9 August 1999
Geoff Clark (Chairman ATSIIC) – from December 1999
Steve Gordon (ATSIIC Nominee) – from 1 June 1995
Norma Ingram – appointed 9 August 2001
Kevin Driscoll – appointed 10 February 1998
David Baffsky – appointed 9 August 1999
Lionel Quartermaine – appointed 13 January 2004, ceased 23 March 2004.

The aggregate remuneration of Directors is disclosed in Note 20.

The Commonwealth Government employees and representatives did not receive any fees.

The amount of aggregate superannuation contributions paid on behalf of Directors for 2004 was \$27,916 (2003: \$22,972).

No Director has received or became entitled to receive during or since the end of the financial year, a benefit due to any contract or contracts made by the ILC or its subsidiaries.

22. Other transactions with director or director related entities

David Baffsky is the Chairman of AAPC Pty Ltd (a wholly owned subsidiary of Accor S.A.), which has a major ownership interest in Davidson Trahaire Pty Ltd. The Corporation procured counselling services from Davidson Trahaire Pty Ltd of \$8,756 (2003:\$1,001) during the reporting period. The services were procured under normal commercial terms and conditions. Mr Baffsky has no interest in Davidson Trahaire Pty Ltd or AAPC Pty Ltd.

The Corporation procured charter flight services from National Homes Pty Ltd for \$1,650 (2003:\$32,806) of which Kevin Driscoll is a director, for the purposes of the Business Enterprise Committee of the ILC Board inspecting a property in central east Queensland. The services were procured under normal commercial terms and conditions and were no more than equivalent charter cost.

23. Transactions with wholly owned entity

The ILC is the ultimate chief entity in the wholly owned group comprising itself and its wholly owned subsidiaries LEA, Mogila, Cardabia, Mt Clarence, Roebuck Pastoral Co, Myroodah Pastoral Co, Murrayfield Pastoral Co, Mt Dare and NIPE.

The ILC provided appropriation funding to its subsidiaries as follows:

LEA - \$Nil (2003: \$Nil)
Roebuck Pastoral Co - \$528,676 (2003: \$551,968)
Myroodah Pastoral Co - \$311,789 (2003: \$344,789)
Murrayfield Pastoral Co - \$136,505 (2003: \$121,662)
NIPE - \$75,684 (2003: \$Nil)

	Consol 2004 \$	Consol 2003 \$	ILC 2004 \$	ILC 2003 \$
24. Remuneration of officers				
The number of officers of the ILC included in these figures are shown below in the relevant remuneration bands.				
\$100,000 - \$109,999	2	1	2	1
\$110,000 - \$119,999	1	1	1	1
\$120,000 - \$129,999	2	3	2	3
\$130,000 - \$139,999	1	-	1	-
\$140,000 - \$149,999	-	-	-	-
\$160,000 - \$169,999	-	-	-	-
\$170,000 - \$179,999	1	-	1	-
\$180,000 - \$189,999	-	1	-	1
\$200,000 - \$209,999	1	1	1	1
\$270,000 - \$279,999	-	1	-	1
Total	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>
Income received or due and receivable by the officers:	1,153,310	1,274,579	1,153,310	1,274,579
Performance pay	-	-	-	-
Aggregate amount of total remuneration of officers shown above	<u>1,153,310</u>	<u>1,274,579</u>	<u>1,153,310</u>	<u>1,274,579</u>

Performance pay has been excluded from the above calculation of officer remuneration. The aggregate amount of performance pay received, or due and receivable by officers was \$Nil (2003: \$Nil).

Aggregate amount of separation and redundancy/ termination benefit payments during the year to officers shown above	-	77,213	-	77,213
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25. Remuneration of auditors

Auditors remuneration for auditing the ILC's financial statements for this reporting period was \$46,798 (2003: \$44,606). No other services were provided by the external auditor.

26. Financial instruments

26A. Terms, conditions and accounting policies

Financial Instrument	Note	Accounting Policy and Methods (including recognition criteria and measurement basis)	Nature of Underlying Instrument (including significant terms & conditions affecting the amount, timing and certainty of cash flows)
Financial Assets		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash	12A	Deposits at call are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	Cash includes cash on hand, cash advances and cash held in bank accounts.
Receivables	12B	Receivables are recognised at nominal amounts due less any provision for bad and doubtful debts. Provisions are made when collection of the debt is judged to be less rather than more likely.	Credit terms are generally 28 days. (2003:28 days)
Term Deposits	12C	Deposits are recognised at cost. Interest is brought to account as earned.	Fixed term and fixed interest deposits with financial institutions.
Other Deposits	12C	Deposits are recognised at their nominal amounts. Interest is brought to account as earned.	Temporarily surplus funds are placed on deposit with the Corporation's banker. Interest is earned on a daily basis at the prevailing daily rate. Rate at 30/6/04 of 5.20%.
Equities	12C	Equities are carried at their quoted market -buying price. Movements in these values between reporting dates is recognised in the Statement of Financial Performance. Dividend income is recognised when declared by the company.	The shares held are ordinary shares.
Interest Rate Securities	12C	Interest Rate Securities are carried at their quoted market-buying price. Movements in these values between reporting dates is recognised in the Statement of Financial Performance. Dividend income is recognised when declared by the company.	The Corporation holds units in issuer sponsored mandatory converting secured notes with Austrim. Interest on the notes is at 9.5% payable quarterly. Conversion is due to occur in October 2004.
Funds with Fund Managers	12C	Funds transferred to fund managers are initially recorded at the value of the funds transferred. The funds are re-valued to net market value on a monthly basis. The carrying amount of investments are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of an investment exceeds the recoverable amount, the asset is written down to the lower amount. Income is recognised when earned by the ILC.	The ILC has delegated the investment of the ILC's assets to investment managers. It is in the interest of the efficient running of the ILC to appoint external investment managers to undertake daily investment processes. Investment managers are with a body corporate or licensed dealer. All investments are by way of approved pooled investment vehicles.

26A. Terms, conditions and accounting policies (cont.)

Financial Instrument	Note	Accounting Policy and Methods (including recognition criteria and measurement basis)	Nature of Underlying Instrument (including significant terms & conditions affecting the amount, timing and certainty of cash flows)
Loans	12E	Loans are recognised at amounts lent. The loans are secured by a charge over the assets of the borrower. Provision is made for bad and doubtful loans when collection of the loan or part thereof is judged to be less rather than more likely. Interest is credited to revenue as it accrues.	Loans are either interest free, or interest only for a defined period. Requirements for principal repayments are set out in the lending instrument.
Financial Liabilities		Financial liabilities are recognised when the present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Trade Creditors	14B	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that goods and services have been received (and irrespective of having being invoiced).	Settlement is usually made in 30 days.
Unrecognised Financial Liabilities			
Forward Sales Contracts		Forward contracts are recognised at the date the contract is entered into. Gains or losses on forward sales contracts are recognised in net profit except those relating to hedges of specific commitments that are deferred and included in the measurement of the sale.	Forward contracts entered into are to provide some protection against the variance in wool futures. During the reporting period forward contracts were entered into with Macquarie and Wesfamers for the 2003/04 and 2004/05 wool clips.
Other Guarantees		The amounts guaranteed by the Corporation have been disclosed in the Schedule of Contingencies. At the time of completion of the financial statements, there was no reason to believe that the guarantee would be called upon, and recognition of the liability was therefore not required.	Refer Schedule of Contingencies.

26B. Interest Rate Risk (consolidated only)

Financial Instrument	Note	Floating Interest Rate		Fixed Interest Rate Maturing In						Non Interest Bearing		Total		Weighted Average Effective Interest Rate	
				1 Year or Less		1 to 5 Years		> 5 Years							
		2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	
Financial Assets															
Cash	12A	1,117	725							15	15	1,132	740	4.3	3.7
Receivables	12B									2,132	853	2,132	853	N/a	N/a
Term Deposit	12C			1,289	3,276							1,289	3,276	6.0	5.6
Other Deposits	12C	1,178	3,194									1,178	3,194	5.2	4.7
Interest Rate Securities	12C					449	320	-	2,389			449	2,709	0.0 ¹	6.5
Funds with Fund Managers	12C	233,559	172,017									233,559	172,017	10.8 ²	3.1
Loans	12E			57	-	338	-	100	579	69		564	579	4.5	4.5
Deferred forward sale gain	12E									28	33	28	33	N/a	N/a
Total												240,331	183,401		
Total Assets												258,706	199,594		
Financial Liabilities															
Trade Creditors	14B									1,466	1,564	1,466	1,564	N/a	N/a
Other	14C									95	140	95	140	N/a	N/a
Total												1,561	1,704		
Total Liabilities												2,950	3,637		
Unrecognised Financial Liabilities															
Forward Sales Contracts										273	650	273	650	N/a	N/a
Other Guarantees										30	50	30	50	N/a	N/a
Total										303	700	303	700		

¹ Interest on these investments has been suspended.

² Represents annual rate of return on investments.

26C. Net fair value of financial assets and liabilities (consolidated)

	Total Carrying Amount 2004 \$	Aggregate Net Fair Value 2004 \$	Total Carrying Amount 2003 \$	Aggregate Net Value 2003 \$
Financial Assets				
<i>Funds managed in-house</i>				
Cash	1,131,491	1,131,491	739,785	739,785
Receivables	2,132,172	2,132,172	852,698	852,698
Term deposits	1,289,241	1,289,241	3,275,749	3,275,749
Other deposits	1,177,656	1,177,656	3,193,988	3,193,988
Interest rate securities	449,011	449,011	2,709,498	2,709,498
Managed funds	233,559,114	233,559,114	172,017,024	172,017,024
Loans	564,252	564,252	578,855	578,855
Forward sales contracts	28,255	28,255	33,635	33,635
Total financial assets	240,331,192	240,331,192	183,401,232	183,401,232
Financial Liabilities				
Forward Sales Contracts	28,255	28,255	33,635	-
Lease liabilities	66,361	66,361	140,582	140,582
Trade creditors	1,466,176	1,466,176	1,563,386	1,563,386
Total financial liabilities	1,560,792	1,560,792	1,737,603	1,703,968
Financial Liabilities (Unrecognised)				
Other guarantees	-	30,000	-	50,000
Total financial liabilities (unrecognised)	-	30,000	-	50,000

The net fair values of cash, deposits on call and non-interest bearing monetary financial assets approximate their carrying amount.

The net fair values of loans receivable and term deposits are based on discounted cash flows using current interest rates.

The net fair value for investments is their quoted market price at reporting date, adjusted for transaction costs necessary for realisation.

Loans receivable are carried at cost, which estimates their net fair value, because it is intended to hold them to maturity.

The net fair value of loans payable, lease incentives and guarantees are based on discounted cash flows using current interest rates for the liabilities.

The net fair value for trade creditors are approximated by their carrying amounts.

26D. Credit risk exposures

The Corporation's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets indicated in the Statement of Financial Position. The Corporation has no exposures to any concentration of credit risk.

All figures for credit risk referred to do not take into account the value of any collateral or other security.

26E. Hedges of specific commitments

The Corporation has entered into forward sales contracts for wool as at 30 June 2005 designed as a hedge of anticipated future receipts from sales to be generated during the next 12 months.

This hedge has been treated as specific, in accordance with UIG 33, as the approximate value and quantity of the sale can be reliably measured. Under these contracts, ILC has agreed to sell 29,500 kg at various rates variable to the wool clip quality.

The amount of the deferred gain recognised in receivables as at 30 June 2004 was \$28,255 (2003: \$33,635). The settlement dates of these contracts range from 19 August 2004 to 30 September 2004.

27. Reporting of outcomes

27A. Total cost/contribution of outcomes

	Outcome 1 Actual \$	Outcome 1 Budget \$	Total Actual \$	Total Budget \$
Net cost of departmental outputs	-	-	-	-
Net cost to Budget outcome	-	-	-	-

27B. Major departmental revenues and expenses by Output Group

	Output Group 1 2004 \$	Output Group1 2003 \$	Total 2004 \$	Total 2003 \$
<i>Operating revenues</i>				
Revenues from Land Fund	54,713,000	53,553,000	54,713,000	53,553,000
Other revenue from government	134,011	99,984	134,011	99,984
Net increment in market value of livestock	4,973,198	591,166	4,973,198	591,166
Net increment in market value of other	(34,975)	(103,018)	(34,975)	(103,018)
Net market value of goods extracted	655,506	982,201	655,506	982,201
Interest	378,174	843,813	378,174	843,813
Net write up of assets	22,923,030	7,415,304	22,923,030	7,415,304
Net gains from sale of assets	-	68,688	-	68,688
Other	712,192	1,808,638	712,192	1,808,638
Total operating revenues	84,454,136	65,259,776	84,454,136	65,259,776

27B. Major departmental revenues and expenses by Output Group (cont.)

	Output Group 1 2004 \$	Output Group1 2003 \$	Total 2004 \$	Total 2003 \$
<i>Operating expenses</i>				
Land transfer	6,386,410	3,543,773	6,386,410	3,543,773
Provision for land transfer	(3,847,320)	8,281,665	(3,847,320)	8,281,665
Land management	8,255,083	8,376,223	8,255,083	8,376,223
Employees	7,967,657	7,952,996	7,967,657	7,952,996
Suppliers	4,108,551	4,478,220	4,108,551	4,478,220
Depreciation and amortisation	1,182,373	854,362	1,182,373	854,362
Write down of assets	304,218	592,381	304,218	592,381
Value of assets sold	498,442	-	498,442	-
Interest	964	1,054	964	1,054
Total operating expenses	24,856,378	34,080,674	24,856,378	34,080,674

27C. Major departmental assets and liabilities by Output Group

	Output Group 1 2004 \$	Output Group1 2003 \$	Total 2004 \$	Total 2003 \$
<i>Departmental assets</i>				
Cash	1,131,491	739,785	1,131,491	739,785
Receivables	2,132,172	852,698	2,132,172	852,698
Investments	236,475,022	181,196,259	236,475,022	181,196,259
Other	592,507	612,490	592,507	612,490
Livestock held for divestment	39,923	35,821	39,923	35,821
Infrastructure, plant & equipment	4,228,427	4,285,410	4,228,427	4,285,410
Inventory	13,503,098	11,433,402	13,503,098	11,433,402
Intangibles	402,202	438,617	402,202	438,617
Total departmental assets	258,504,842	199,594,482	258,504,842	199,594,482
<i>Departmental liabilities</i>				
Employees	1,389,197	1,899,784	1,389,197	1,899,784
Suppliers	1,466,176	1,563,386	1,466,176	1,563,386
Other	94,616	174,217	94,616	174,217
Total departmental liabilities	2,949,989	3,637,387	2,949,989	3,637,387

When the ILC acquires land it is recorded as an asset on the Statement of Financial Position. At this time, a provision is raised against the Statement of Financial Position for the full cost of the purchase representing the sacrifice of future benefits embodied in the assets. When that land is then granted to an Aboriginal Corporation the asset and the provision are offset against each other. Budgeted outcomes assumed a higher spend on Land Acquisition and thus a higher expense for Land Transferred. Budgeted outcomes also assumed higher expenditure on Land Management. The lower expenditure on both Land Acquisition and Land Management was due to less than expected projects and acquisitions being submitted to and approved by the Board.

