



FR 2003/641

AUSTRALIAN INDUSTRY
GROUP

5 December 2003

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The Industrial Registrar
Industrial Relations Commission
Terrace Towers
80 William Street
SYDNEY NSW 2000

OK

Dear Sir

Enclosed please find the annual accounts and certificates of The Australian Industry Group for the year ended 30 June 2003 together with the Statutory Declaration of the National Secretary-Treasurer.

In accordance with the Industrial Registrar's Certificate of 15 May 1984, pursuant to Section 158AAA of the former Conciliation and Arbitration Act, we have not filed accounts for our branches.

Yours sincerely

(G R WILLIS)
**EXECUTIVE DIRECTOR - FINANCE,
ADMINISTRATION & SUPERANNUATION**

Cc J Tsimboulas

STATUTORY DECLARATION

(1) Here insert name, address and occupation of person stating the declaration.

I, (1) **WALTER WILHELM JOHANNES UHLENBRUCH** of
51 Walker Street, NORTH SYDNEY in the State of NEW SOUTH WALES

do solemnly and sincerely declare

(2) Here insert matter declared to. Where the matter is long, add the words "as follows:-" and then set the matter out in numbered paragraphs

- (2)
1. I am the National Secretary-Treasurer of The Australian Industry Group, a registered organisation of employers under the Workplace Relations Act 1996 and the Workplace Relations Amendment (Registration and Accountability of Organisations) Act 2002.
 2. That I am duly authorised to file the accounts of the consolidated receipts, payments, funds and effects of The Australian Industry Group for the year ended 30 June 2003, a copy of which is annexed hereto.
 3. That the said document is a true and correct copy of the said accounts which after having been duly audited were adopted by the Annual General Meeting of the Organisation which was held on 26 November 2003.

And I make this solemn declaration by virtue of the Statutory Declaration Act 1959, and subject to the penalties provided by that Act for the making of false statements in statutory declarations, conscientiously believing the statements contained in this declaration to be true in every particular.

(2) Signature of person making the declaration.

(3)



Declared at NORTH SYDNEY the 5TH

day of DECEMBER, 2003

Before me

(4) Signature of person before whom the declaration is made

(4)

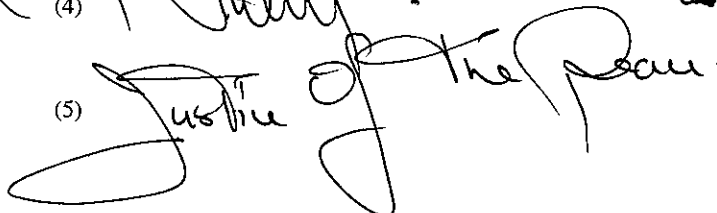


Raymond Kemp
05.12.03.

(5) Here insert title of person before whom the declaration is made.

(5)

Justice of the Peace.



The Australian Industry Group Financial Report – 30 June 2003

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The Australian Industry Group and controlled entities
Statements of financial performance
For the year ended 30 June 2003

	Notes	Consolidated		Parent entity	
		2003 \$	2002 \$	2003 \$	2002 \$
Revenue from ordinary activities	2	35,441,673	34,742,673	27,823,499	27,668,580
Total expenses from ordinary activities	3,4	(35,341,229)	(36,164,713)	(27,879,890)	(29,402,478)
Profit from ordinary activities	13(b)	100,444	(1,422,040)	(56,391)	(1,733,898)

The above statements of financial performance should be read in conjunction with the accompanying notes.

The Australian Industry Group and controlled entities

Statements of financial position

As at 30 June 2003

	Notes	Consolidated		Parent entity	
		2003 \$	2002 \$	2003 \$	2002 \$
Current assets					
Cash assets	5	3,861,116	4,183,788	2,992,389	3,403,548
Receivables	6	12,722,071	8,878,060	13,309,141	9,656,249
Investments	7	14,180,035	9,614,007	14,180,035	9,614,007
Other		432,850	344,279	429,890	338,792
Total current assets		31,196,072	23,020,134	30,911,455	23,012,596
Non-current assets					
Other financial assets	8	6,867,000	9,116,944	6,867,022	9,116,968
Property, plant and equipment	9	20,144,145	24,643,519	19,983,697	24,471,457
Total non-current assets		27,011,145	33,760,463	26,850,719	33,588,425
Total assets		58,207,217	56,780,597	57,762,174	56,601,021
Current liabilities					
Payables	10	3,959,646	4,507,138	3,595,886	4,234,852
Deferred income	1 (b)	9,419,536	7,431,032	9,419,536	7,431,032
Provisions	11	1,760,852	1,991,163	1,706,323	1,954,548
Other		342,131	83,953	342,131	83,953
Total current liabilities		15,482,165	14,013,286	15,063,876	13,704,385
Non-current liabilities					
Provisions	12	1,414,558	1,557,269	1,414,558	1,556,511
Other		609,178	609,170	609,178	609,170
Total non-current liabilities		2,023,736	2,166,439	2,023,736	2,165,681
Total liabilities		17,505,901	16,179,725	17,087,612	15,870,066
Net assets		40,701,316	40,600,872	40,674,562	40,730,955
Members' Funds					
Reserves	13(a)	10,768,685	13,331,534	10,768,685	13,331,534
Retained profits	13(b)	29,932,631	27,269,338	29,905,877	27,399,421
Total members' funds		40,701,316	40,600,872	40,674,562	40,730,955

The above statements of financial position should be read in conjunction with the accompanying notes.

The Australian Industry Group and controlled entities
Statements of cash flows
For the year ended 30 June 2003

	Notes	Consolidated		Parent entity	
		2003 \$	2002 \$	2003 \$	2002 \$
Cash flows from operating activities					
Receipts from trading activities (inclusive of goods and services tax)		34,046,162	43,878,828	25,878,353	37,505,689
Receipts from investment income		386,581	689,829	386,581	689,829
Dividends received		965,473	517,873	946,325	517,873
		<u>35,398,216</u>	<u>45,086,530</u>	<u>27,211,259</u>	<u>38,713,391</u>
Payments to suppliers and employees (inclusive of goods and services tax)		(37,071,584)	(42,679,655)	(29,025,453)	(36,892,628)
Net cash inflow from operating activities	25	<u>(1,673,368)</u>	<u>2,406,875</u>	<u>(1,814,234)</u>	<u>1,820,763</u>
Cash flows from investing activities					
Payments for property, plant and equipment		(2,021,394)	(2,947,353)	(1,931,968)	(2,885,427)
Payments for investments		(7,564,294)	(10,816,000)	(7,564,294)	(10,716,000)
Proceeds from sale of property, plant and equipment		5,836,384	370,755	5,799,337	348,027
Proceeds from sale of investments		5,100,000	11,577,302	5,100,000	11,577,303
Net cash (outflow) from investing activities		<u>1,350,696</u>	<u>(1,815,296)</u>	<u>1,403,075</u>	<u>(1,676,097)</u>
Net increase in cash held		<u>(322,672)</u>	<u>591,579</u>	<u>(411,159)</u>	<u>144,666</u>
Cash at the beginning of the financial year		4,183,788	3,592,209	3,403,548	3,258,882
Cash at the end of the financial year	5	<u>3,861,116</u>	<u>4,183,788</u>	<u>2,992,389</u>	<u>3,403,548</u>

The above statements of cash flows should be read in conjunction with the accompanying notes.

The Australian Industry Group and controlled entities
Notes to the financial statements
30 June 2003

Note 1. Summary of significant accounting policies

Rules 38, 73 and 80 of the Rules of The Australian Industry Group provide that the Funds of the Organisation and its Income and Property shall be under the control of the National Executive. The Assets, Liabilities and Reserves included in this financial report as at 30 June 2003 are reported in accordance with these Rules. Consequently, the National Executive confirms that the Organisation indemnifies the Branches against any shortfall in the assets of those Branches.

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of The Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Workplace Relations Act, 1996.

It is prepared in accordance with the historical cost convention, except for certain assets, which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by The Australian Industry Group ("parent entity") as at 30 June 2003 and the results of all controlled entities for the year then ended. The Australian Industry Group and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

(b) Revenue recognition

Membership subscription income is brought to account on a pro-rata basis over the period to which it relates. Income receivable on investment activities is accrued in accordance with the terms and conditions of the underlying financial instrument.

(c) Receivables

All trade debtors are recognised at the amounts receivable, as they are generally due for settlement no more than 30 days from the date of invoice. Collectibility of trade debtors is reviewed on an ongoing basis. Non-recoverable subscriptions are written off against Members' Subscriptions income account. A provision for doubtful debts is raised when some doubt as to collection exists.

(d) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted to their present values.

(e) Revaluations of non-current assets

Subsequent to initial recognition as assets, land and buildings are measured at fair value being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction. Revaluations are made with sufficient regularity to ensure that the carrying amount of each piece of land and each building does not differ materially from its fair value at the reporting date. Annual assessments are made by the National Executive, supplemented by independent assessments, every three years.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in net profit or loss, the increment is recognised immediately as revenue in net profit or loss.

Revaluation decrements are recognised immediately as expenses in net profit or loss, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve. Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Potential capital gains tax is not taken into account in determining revaluation amounts unless it is expected that a liability for such tax will crystallise.

Note 1. Summary of significant accounting policies (continued)

Revaluations do not result in the carrying value of land or buildings exceeding their recoverable amount.

(f) Investments

Interests in listed and unlisted securities, other than controlled entities, are brought to account at the market value at balance date and associated valuation increments and decrements are recognised in the statement of financial position. Controlled entities are accounted for in the consolidated financial statements as set out in note 1(a).

(g) Depreciation of property, plant and equipment

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Buildings	50 years
Plant and equipment	3-15 years
Motor vehicles	4-5 years

(h) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter. Leasehold improvements held at the reporting date are being amortised over 3-15 years.

(i) Leased non-current assets

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

Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the liability.

Other operating lease payments are charged to the statement of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(j) Trade and other creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(k) Employee entitlements

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

A liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payment to be made in respect of service provided up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible the estimated future cash outflows.

(iii) Superannuation

The amounts charged to the Statement of financial performance in respect of superannuation represent the contributions and costs of the Funds made by each entity to superannuation funds. Note 21 provides additional details.

The Australian Industry Group and controlled entities

Notes to the financial statements

30 June 2003

Note 1. Summary of significant accounting policies (continued)

(l) **Cash**

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(m) **Voluntary contributions**

Voluntary contributions collected from members are brought to account as income in the year of receipt but are deferred as a liability to the extent that planned expenditure is to be incurred in future periods.

(n) **Taxation**

No provision for income tax is made as The Australian Industry Group (the Parent Entity), being an organisation of employers registered under the Workplace Relations Act 1996, is exempt from income tax under Section 50-15 of the Income Tax Assessment Act.

(o) **Information to be provided to Members or Registrar**

In accordance with the requirements of the Workplace Relations Act 1996, the attention of Members is drawn to the provisions of Sub-Sections (1), (2) and (3) of Section 274, which read as follows:

- (1) "A member of an organisation, or a Registrar, may apply to the organisation for specified prescribed information in relation to the organisation.
- (2) An organisation shall, on application made under subsection (1) by a member of the organisation or a Registrar, make the specified information available to the member or Registrar in such manner, and within such time, as is prescribed.
- (3) A Registrar may only make an application under subsection (1) at the request of a member of the organisation concerned, and the Registrar shall provide to a member information received because of an application made at the request of the member."

Note 2. Revenue

	Consolidated		Parent entity	
	2003 \$	2002 \$	2003 \$	2002 \$
(a) Revenue				
Members' Service Account				
Members' subscriptions	13,408,821	13,520,902	13,408,821	13,520,902
Entrance fees	56,336	8,006	56,336	8,006
Associate fees	1,710,038	1,886,235	1,710,038	1,886,235
Other income	44,598	31,616	44,598	31,616
	<u>15,219,793</u>	<u>15,446,759</u>	<u>15,219,793</u>	<u>15,446,759</u>
General Operations Account				
Rents	1,170,968	1,402,904	1,170,968	1,402,904
Consulting and management services	5,147,889	4,524,231	5,147,889	4,433,007
Training services, seminars, etc	9,501,078	9,307,675	1,902,052	2,336,139
Publications	833,843	919,254	833,843	919,254
Affiliate fees	131,000	117,000	131,000	117,000
Net profit on disposal of property (refer Note 2(b))	1,599,948	-	1,599,948	-
Other	633,310	2,000,514	633,310	1,989,181
	<u>19,018,036</u>	<u>18,271,578</u>	<u>11,419,010</u>	<u>11,197,485</u>
Investment Account				
Interest earned on deposits and debentures	965,473	500,826	946,325	500,826
Distributions and dividends	386,581	517,873	386,581	517,873
Profit / (loss) on sale of investments at 30 June 2003	(148,210)	5,637	(148,210)	5,637
	<u>1,203,844</u>	<u>1,024,336</u>	<u>1,184,696</u>	<u>1,024,336</u>
Revenue from ordinary activities	<u>35,441,673</u>	<u>34,742,673</u>	<u>27,823,499</u>	<u>27,668,580</u>

The Australian Industry Group and controlled entities
Notes to the financial statements
30 June 2003

Note. Revenue

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
(b) Individually significant items				
Gains				
Net gain on sale of land and buildings				
Cash consideration	5,700,000	-	5,700,000	-
Carrying amount of land and buildings sold	(4,000,000)	-	(4,000,000)	-
Costs on sale	(100,052)	-	(100,052)	-
Gain on sale	1,599,948	-	1,599,948	-

Note 3. Profit from ordinary activities

(a) Expenses	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Profit from ordinary activities includes the following specific expenses:				
Salaries	18,864,462	17,194,732	12,776,958	11,568,908
Superannuation	2,316,746	1,739,291	1,829,567	1,347,778
Long service leave	196,331	87,303	196,331	87,303
Annual leave	180,209	57,630	180,209	57,630
Total Employee benefit expenses	21,557,748	19,078,956	14,983,065	13,061,619
Depreciation				
Buildings	186,400	130,100	186,400	130,100
Plant and equipment	1,788,279	1,599,041	1,724,286	1,534,467
Total depreciation	1,974,679	1,729,141	1,910,686	1,664,567
Amortisation of leasehold improvements	284,277	348,758	284,277	348,758
Total Depreciation and Amortisation	2,258,956	2,077,899	2,194,963	2,013,325
Affiliation fees	13,658	26,644	13,658	26,644
Net bad and doubtful debts	(200,043)	(632,195)	(214,582)	(628,695)
Communications	4,759,587	5,004,063	4,576,531	4,865,324
Legal expenses	232,512	81,194	211,678	77,674
Meeting expenses	679,490	738,780	677,434	738,780
Net loss on disposal of plant and equipment	25,376	75,176	25,376	71,266
Other professional services	1,261,541	958,517	1,150,302	701,841
Rental expense relating to operating leases	1,011,899	838,935	1,011,899	838,935
Other Operating Expenses	3,740,505	7,916,744	3,249,566	7,635,765
Total expenses from ordinary activities	35,341,229	36,164,713	27,879,890	29,402,478
(b) Individually significant items				
Expenses				
Austrade Export Access Program - to bring to account the operating deficit relating to prior and current years of the full program	-	674,911	-	674,911
Intra-branch Reconciliation (refer Note 4)	-	658,995	-	658,995

Note 4. Intra-branch Reconciliation

There were no intra-branch variances for the year ended 30 June 2003.

The Australian Industry Group and controlled entities
Notes to the financial statements
30 June 2003

Note 5. Current assets – Cash assets

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Cash on hand	27,287	33,344	26,787	33,335
Cash at bank	145,433	1,657,950	446,662	1,651,997
Cash at bank – unexpended grant funds	1,169,456	474,278	-	-
Deposits at call	2,518,940	2,018,216	2,518,940	1,718,216
	<u>3,861,116</u>	<u>4,183,788</u>	<u>2,992,389</u>	<u>3,403,548</u>

Grant funds unexpended at year end amounting to \$1,169,456 (2002 \$474,278) which are included in the balances above (refer Note 10), can only be used for the purposes of the grant.

Deposits at call

The deposits are bearing floating interest rates between 4.18% and 4.70% (2002 3.10% and 4.70%).

Note 6. Current assets – Receivables

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Members' subscriptions outstanding	9,304,137	5,131,907	9,304,137	5,131,907
Provision for Doubtful Debts	(719,620)	(950,313)	(719,620)	(950,313)
	<u>8,584,517</u>	<u>4,181,594</u>	<u>8,584,517</u>	<u>4,181,594</u>
Accounts receivable	4,291,468	4,799,174	3,585,089	4,119,287
Provision for Doubtful Debts	(156,041)	(139,930)	(146,041)	(129,930)
	<u>4,135,427</u>	<u>4,659,244</u>	<u>3,439,048</u>	<u>3,989,357</u>
Amounts receivable from related entities	-	-	1,283,449	1,448,076
Interest accrued on investments	2,127	37,222	2,127	37,222
	<u>12,722,071</u>	<u>8,878,060</u>	<u>13,309,141</u>	<u>9,656,249</u>

Note 7. Current assets – Investments

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Deposits and debentures	14,180,035	9,614,007	14,180,035	9,614,007

Note 8. Non-current assets - Other financial assets

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Shares in wholly owned subsidiaries	-	-	22	24
Shares in other corporations	12	12	12	12
Income securities and unsecured convertible notes	820,613	1,737,899	820,613	1,737,899
Managed funds	1,083,086	496,225	1,083,086	496,225
Australian listed investments	4,963,289	6,882,808	4,963,289	6,882,808
	<u>6,867,000</u>	<u>9,116,944</u>	<u>6,867,022</u>	<u>9,116,968</u>

The Australian Industry Group and controlled entities
Notes to the financial statements
30 June 2003

Note 8. Non-current assets - Other financial assets (continued)

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
(a) Shares in Wholly Owned Subsidiaries				
Ai Group Nominees Pty Limited (Note 22)	-	-	20	20
The Australian Industry Group Training Services Pty Ltd (Note 22)	-	-	2	2
	-	-	22	22

Investment in the shares of the above subsidiary companies represents 100% of the issued ordinary share capital of each company. All of the above subsidiary companies are incorporated in Australia.

(b) Shares in other Corporations				
Savings Australia Pty Limited	6	6	6	6
The Australian Retirement Fund Pty Ltd	6	6	6	6
	12	12	12	12

Investment in the shares of the above companies represent 50% of the issued capital of each company. Savings Australia Pty Limited is the Trustee of Superannuation Trust of Australia. The Australian Retirement Fund Pty Ltd is the Trustee of The Australian Retirement Fund. They did not trade in their own right in the 2003 financial year. The Ai Group does not have a controlling interest in these two entities and as such they are not consolidated into the Ai Group accounts.

(c) Income securities and unsecured convertible notes				
Market value at 1 July 2002	1,737,899	987,773	1,737,899	987,773
Purchase (sale) of income securities at cost	(885,292)	672,591	(885,292)	672,591
Profit/(Loss) on revaluation at 30 June 2003	(31,994)	77,535	(31,994)	77,535
Market value at 30 June 2003	820,613	1,737,899	820,613	1,737,899

(d) Managed funds				
Managed fund investments were revalued to market value at 30 June 2003:				
Market value 1 July 2002	496,225	4,241,416	496,225	4,241,416
Purchases at cost	600,000	-	600,000	-
Proceeds on redemption	-	(3,362,368)	-	(3,362,368)
Net surplus (deficit) on redemption	-	(338,747)	-	(338,747)
Retained investments	1,096,225	540,301	1,096,225	540,301
Revaluation increment/(decrement) at 30 June 2003	(13,139)	(44,075)	(13,139)	(44,075)
Market value at 30 June 2003	1,083,086	496,225	1,083,086	496,225

(e) The Australian listed investments				
A gain was made when all shares were valued at market prices at 30 June 2003:				
Market value 1 July 2002	6,882,808	6,301,301	6,882,808	6,301,301
Purchase of shares at cost	-	1,036,021	-	1,036,021
Proceeds of sale	(1,816,442)	(672,790)	(1,816,442)	(672,790)
Net surplus on redemption	(106,845)	35,270	(106,845)	35,270
Revaluation increment at 30 June 2003	3,768	183,006	3,768	183,006
Market value at 30 June 2003	4,963,289	6,882,808	4,963,289	6,882,808

The Australian Industry Group and controlled entities

Notes to the financial statements

30 June 2003

Note 9. Non-current assets – Property, plant and equipment

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Land and buildings				
Freehold land				
At fair value 2003	4,300,000	4,865,000	4,300,000	4,865,000
	<u>4,300,000</u>	<u>4,865,000</u>	<u>4,300,000</u>	<u>4,865,000</u>
Buildings				
At fair value 2003	6,598,664	10,033,664	6,598,664	10,033,664
Less: Accumulated depreciation	(186,400)	-	(186,400)	-
	<u>6,412,264</u>	<u>10,033,664</u>	<u>6,412,264</u>	<u>10,033,664</u>
Leasehold improvements – at cost	2,925,716	2,925,716	2,925,716	2,925,716
Less: Accumulated amortisation	(1,040,146)	(755,869)	(1,040,146)	(755,869)
	<u>1,885,570</u>	<u>2,169,847</u>	<u>1,885,570</u>	<u>2,169,847</u>
Total land and buildings	<u>12,597,834</u>	<u>17,068,511</u>	<u>12,597,834</u>	<u>17,068,511</u>
Plant and equipment				
At cost	16,684,275	13,573,379	16,357,638	13,130,833
Less: Accumulated depreciation	(9,147,336)	(7,794,092)	(8,981,147)	(7,523,608)
	<u>7,536,939</u>	<u>5,779,287</u>	<u>7,376,491</u>	<u>5,607,225</u>
Capital works in progress	9,372	1,795,721	9,372	1,795,721
Total plant and equipment	<u>7,546,311</u>	<u>7,575,008</u>	<u>7,385,863</u>	<u>7,402,946</u>
	<u>20,144,145</u>	<u>24,643,519</u>	<u>19,983,697</u>	<u>24,471,457</u>

Valuations of land and buildings

The basis of valuation of land and buildings is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction. The latest revaluations as at 30 June 2003 are based on the Committee of Management's assessment of fair value.

	Freehold land	Buildings	Leasehold improvements	Plant & equipment	Capital works in progress	Total
	\$	\$	\$	\$	\$	\$
Consolidated						
Carrying amount at 1 July 2002	4,865,000	10,033,664	2,169,847	5,779,287	1,795,721	24,643,519
Revaluations	-	-	-	-	-	-
Additions	-	-	-	1,048,118	973,276	2,021,394
Disposals	(565,000)	(3,435,000)	-	(261,812)	-	(4,261,812)
Transfers	-	-	-	2,759,625	(2,759,625)	-
Depreciation/amortisation expense (note 3(a))	-	(186,400)	(284,277)	(1,788,279)	-	(2,258,956)
Carrying amount at 30 June 2003	<u>4,300,000</u>	<u>6,412,264</u>	<u>1,885,570</u>	<u>7,536,939</u>	<u>9,372</u>	<u>20,144,145</u>

The Australian Industry Group and controlled entities
Notes to the financial statements
30 June 2003

Note 9. Non-current assets – Property, plant and equipment (continued)

	Freehold land	Buildings	Leasehold improve- ments	Plant & equipment	Capital works in progress	Total
	\$	\$	\$	\$	\$	\$
Parent						
Carrying amount at 1 July 2002	4,865,000	10,033,664	2,169,847	5,607,225	1,795,721	24,471,457
Revaluations	-	-	-	-	-	-
Additions	-	-	-	958,692	973,276	1,931,968
Disposals	(565,000)	(3,435,000)	-	(224,765)	-	(4,224,765)
Transfers	-	-	-	2,759,625	(2,759,625)	-
Depreciation/amortisation expense (note 3(a))	-	(186,400)	(284,277)	(1,724,286)	-	(2,194,963)
Carrying amount at 30 June 2003	4,300,000	6,412,264	1,885,570	7,376,491	9,372	19,983,697

Note 10. Current liabilities – Payables

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Accounts payable	2,755,324	3,793,688	2,391,564	3,532,482
Defence Manufacturers' Council – Fellowship	-	21,638	-	21,638
Unexpended government grants	1,169,456	474,278	1,169,456	463,198
Special Contribution for Defence of Members' Interests (note 15)	34,866	192,272	34,866	192,272
National Industry Training Fund (note 17)	-	25,262	-	25,262
	3,959,646	4,507,138	3,595,886	4,234,852

Under arrangements with the Commonwealth and various State Governments the Organisation was either given, or acted as custodian of, various grants earmarked for specific purposes in the Manufacturing, Engineering, Construction, Information Technology and Telecommunications Industry. Total Government Grants received during the year amounts to \$3,446,082 (2002 \$1,308,657) for the consolidated entity. Grant funds unexpended at year end amount to \$1,169,456 (2002 \$474,278) for the consolidated entity. Any grant funds not expended at the completion of the grant for the purposes of the grant are repayable to the Government.

Note 11. Current liabilities – Provisions

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Annual leave	1,435,389	1,260,853	1,380,860	1,235,798
Long service leave	325,463	80,982	325,463	80,982
Other employee entitlements	-	11,560	-	-
Restructuring	-	92,700	-	92,700
Austrade – wind down of Export Access project	-	292,005	-	292,005
Special Contribution for Defence of Enterprise Bargaining (note 16)	-	253,063	-	253,063
	1,760,852	1,991,163	1,706,323	1,954,548

The Australian Industry Group and controlled entities
Notes to the financial statements
30 June 2003

Note 12. Non-current liabilities – Provisions

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Long service leave	1,414,558	1,557,269	1,414,558	1,556,511

Note 13. Reserves and retained profits

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
(a) Reserves				
Asset revaluation reserve	3,081,378	5,644,227	3,081,378	5,644,227
Capital profits reserve	7,687,307	7,687,307	7,687,307	7,687,307
	10,768,685	13,331,534	10,768,685	13,331,534
Movements:				
Asset revaluation reserve:				
Balance 1 July 2002	5,644,227	1,805,546	5,644,227	1,805,546
Increment on revaluation of freehold land at the end of the financial year	-	1,400,000	-	1,400,000
Increment on revaluation of buildings at the end of the financial year	-	3,579,914	-	3,579,914
Transfer to retained profits	(2,562,849)	(1,141,233)	(2,562,849)	(1,141,233)
Balance 30 June 2003	3,081,378	5,644,227	3,081,378	5,644,227
(b) Retained profits				
Retained profits at the beginning of the financial year	27,269,338	27,550,145	27,399,421	27,992,086
Transfer from Asset revaluation reserve (Canberra)	2,562,849	1,141,233	2,562,849	1,141,233
Net profit / (loss) attributable to members of The Australian Industry Group	100,444	(1,422,040)	(56,393)	(1,733,898)
Retained profits at the end of the financial year	29,932,631	27,269,338	29,905,877	27,399,421

(c) Nature and purpose of reserves

(i) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in accounting policy note 1(e).

(ii) Capital profits reserve

The capital profits reserve is no longer used.

The Australian Industry Group and controlled entities
Notes to the financial statements
30 June 2003

Note 14. Financial instruments

(a) Credit risk exposures

The credit risk on financial assets of the consolidated entity which have been recognised on the statement of financial position, other than investment in shares, is generally the carrying amount, net, of any provision for doubtful debts.

(b) Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

2003

		Floating interest rate \$	1 year or less \$	More than 5 years \$	Non- Interest Bearing \$	Total \$
	Notes					
Financial assets						
Cash and deposits	5	3,861,116	-	-	-	3,861,116
Receivables	6	-	-	-	12,722,071	12,722,071
Deposits and debentures	7	-	9,916,724	4,263,311	-	14,180,035
Other financial assets - investments	8	-	-	820,613	6,046,387	6,867,000
		<u>3,861,116</u>	<u>9,916,724</u>	<u>5,083,924</u>	<u>18,768,458</u>	<u>37,630,222</u>
Weighted average interest rate		3.70%	5.76%	7.11%		
Financial liabilities						
Trade and other creditors	10	-	-	-	3,959,646	3,959,646
		<u>-</u>	<u>-</u>	<u>-</u>	<u>3,959,646</u>	<u>3,959,646</u>
Net financial assets		<u>3,861,116</u>	<u>9,916,724</u>	<u>5,083,924</u>	<u>14,808,812</u>	<u>33,670,576</u>

2002

		Floating interest rate \$	1 year or less \$	More than 5 years \$	Non- Interest Bearing \$	Total \$
	Notes					
Financial assets						
Cash and deposits	5	4,183,788	-	-	-	4,183,788
Receivables	6	-	-	-	8,878,060	8,878,060
Deposits and debentures	7	-	4,974,912	4,639,095	-	9,614,007
Other financial assets - investments	8	-	-	1,737,899	7,379,033	9,116,932
		<u>4,183,788</u>	<u>4,974,912</u>	<u>6,376,994</u>	<u>16,257,093</u>	<u>31,792,787</u>
Weighted average interest rate		4.18%	5.08%	6.13%		
Financial liabilities						
Trade and other creditors	10	-	-	-	4,507,138	4,507,138
		<u>-</u>	<u>-</u>	<u>-</u>	<u>4,507,138</u>	<u>4,507,138</u>
Net financial assets		<u>4,183,788</u>	<u>4,974,912</u>	<u>6,376,994</u>	<u>11,749,955</u>	<u>27,285,649</u>

The Australian Industry Group and controlled entities
Notes to the financial statements
30 June 2003

Note 14. Financial Instruments (continued)

(c) Net fair value of financial assets and liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cashflows by the current interest rate for assets and liabilities with similar risk profiles.

Equity investments traded on organised markets have been valued by reference to market prices prevailing at balance date. For non-traded equity investments, the net fair value is an assessment by the directors based on the underlying net assets, future maintainable earnings and any special circumstances pertaining to a particular investment.

Note 15. Special contribution for defence of members' interests

Funds were received during 1995/96 from members in the coal mining construction industry to fund an application under S118A of the Industrial Relations Act 1988, as amended. Subsequently additional funds were received to defend logs of claims by the CPSU and AMWU for members in the telecommunications and labour hire industries respectively.

Summarised below are the Fund transactions for the year ended 30 June 2003.

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Balance brought forward 1 July 2002	192,272	96,119	192,272	96,119
Contributions from Member companies	-	144,928	-	144,928
Payments	(157,406)	(48,775)	(157,406)	(48,775)
Balance deferred to future periods. Refer Note 1(m)	34,866	192,272	34,866	192,272

Note 16. Special contribution for defence of enterprise bargaining

The National Executive approved the creation of a fund via a voluntary contribution by members to oppose a union campaign aimed at replacing enterprise bargaining with pattern bargaining and forcing industry wide concessions on union claims relating to wages and conditions.

Summarised below are the fund transactions for the year ended 30 June 2003.

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Balance brought forward 1 July 2002	253,063	390,248	253,063	390,248
Contribution from Member companies	33,800	22,777	33,800	22,777
Expenditure	(286,863)	(159,962)	(286,863)	(159,962)
Balance carried forward 30 June 2003	-	253,063	-	253,063

The Australian Industry Group and controlled entities
Notes to the financial statements
30 June 2003

Note 17. National industry training fund

A special fund was created to accept payments from members under the Training Guarantee (Administration) Act 1990. In accordance with this legislation payments by members into the Fund qualify as eligible training expenditure. Subsequent payments from the Fund relate solely to training activities and administration of the Fund consistent with the Training Guarantee legislation.

Summarised below are the Fund transactions for the year ended 30 June 2003:

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Balance brought forward	25,262	24,958	25,262	24,958
Interest earned	492	304	492	304
Expenditure	(25,754)	-	(25,754)	-
Balance carried forward	-	25,262	-	25,262

Note 18. Remuneration of auditors

Remuneration for audit of the financial reports of the parent entity or any entity in the consolidated entity:

Auditor of the parent entity – PricewaterhouseCoopers

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
	159,025	123,634	161,462	130,598

Note 19. Contingent liabilities

There are no contingent liabilities.

Note 20. Commitments for expenditure

Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Within one year	1,258,451	1,120,057	1,258,451	1,120,057
Later than one year but not later than 5 years	1,420,173	2,054,997	1,420,173	2,054,997
Later than 5 years	7,016	-	7,016	-
Commitments not recognised in the financial statements	2,685,640	3,175,054	2,685,640	3,175,054
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	354,008	980,658	354,008	980,658

The Australian Industry Group and controlled entities
Notes to the financial statements
30 June 2003

Note 21. Employee entitlements

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Employee entitlement liabilities				
Provision for employee entitlements				
Current (note 11)	1,760,852	1,353,395	1,706,323	1,316,780
Non-current (note 12)	1,414,558	1,557,269	1,414,558	1,556,511
Aggregate employee entitlement liability	3,175,410	2,910,664	3,120,881	2,873,291
	2003	2002	2003	2002
	Number	Number	Number	Number
Employee numbers				
- The Australian Industry Group	200	193	200	193
- The Australian Industry Group Training Service Pty Ltd	260	250	-	-
Average number of employees during the financial year	463	443	200	193

Superannuation – Consolidated and parent entities

- (i) All permanent employees of the consolidated entity are entitled to benefits on retirement, resignation, death or disability from the Ai Group Superannuation Fund. This Fund was restructured on 1 April 1994 and provides accumulation style benefits funded by contributions from employees and the consolidated entity in accordance with the Rules of the Fund. The consolidated entity also makes additional contributions to meet the insurance costs and expenses of the Fund. The Trustee of the Fund is Ai Group Nominees Pty Limited, a wholly owned subsidiary of the parent entity. All members at 1 March 1994 have also been provided a guarantee that their benefit under the new arrangements will not be less than the benefit, which would have been paid if the restructure had not occurred. The Trustee seeks regular actuarial advice to maintain a reserve within the Fund to support this guarantee.
- (ii) With effect from 1 July 1999, the members of the ACM Retirement & Assurance Plan transferred their membership from that plan to Ai Group Superannuation Fund.
- (iii) With effect from 8 October 2002, the Ai Group transferred its funds to a Plan with Mercer Super Trust. The Ai Group has received actuarial advice indicating that as at 8th October 2002 the assets of the Plan are sufficient to meet the vested benefits of the members.

Note 22. Related parties

Wholly-owned group

The wholly-owned group consists of The Australian Industry Group and its wholly-owned controlled entities, Ai Group Nominees Pty Limited, The Australian Industry Group Training Services Pty Ltd and The Manufacturers Training Trust. Ownership interests in these controlled entities are set out in note 23.

During the year, The Australian Industry Group continued to operate these trustee entities:

- (i) Ai Group Nominees Pty Limited which acted as trustee for Ai Group Superannuation Fund up to 8th October 2002; and
- (ii) The Australian Industry Group Training Services Pty Ltd which acted as trustee for The Manufacturers Training Trust;

Transactions between The Australian Industry Group and other entities in the wholly-owned group during the years ended 30 June 2003 and 2002 consisted of:

- (a) payment of rent to The Australian Industry Group, and
- (b) provision of administrative services.

The above transactions were made on normal commercial terms and conditions and at market rates.

	Parent entity	
	2003	2002
	\$	\$
Aggregate amounts included in the determination of profit from ordinary activities that resulted from transactions with entities in the wholly-owned group:		
Rental revenue paid to The Australian Industry Group	112,800	107,400
Aggregate amounts receivable from entities in the wholly-owned group at balance date:		
Current receivables (loans)	1,283,449	1,448,076

The Australian Industry Group and controlled entities
Notes to the financial statements
30 June 2003

Note 23. Investments in controlled entities

Name of entity	Country of Incorporation	Class of shares	Equity Holding	
			2003 %	2002 %
Ai Group Nominees Pty Limited	Australia	Ordinary	100	100
The Australian Industry Group Training Services Pty Ltd	Australia	Ordinary	100	100
TP Mel Pty Ltd	Australia	Ordinary	100	100

Note 24. Event occurring after reporting date

At the date of signing this report, no other matter or circumstance has arisen since 30 June 2003 that has significantly affected, or may significantly affect:

- (a) the consolidated entity's operations in future financial years; or
- (b) the results of those operations in future financial years; or
- (c) the consolidated entity's state of affairs in future financial years.

Note 25. Reconciliation of profit from ordinary activities to net cash inflow from operating activities

	Consolidated		Parent entity	
	2003 \$	2002 \$	2003 \$	2002 \$
Profit/(Loss) from ordinary activities	100,444	(1,422,040)	(56,391)	(1,733,898)
Depreciation and amortisation	2,258,956	2,077,899	2,194,963	2,013,325
(Profit)/loss on revaluation/disposal of investments	148,210	(87,011)	148,210	(87,011)
Net (profit) loss on sale of non-current assets	(1,574,572)	43,831	(1,574,572)	39,919
Change in operating assets and liabilities				
(Increase) / decrease in trade receivables	(3,879,106)	3,409,424	(3,687,987)	3,118,074
(Increase) / decrease in other receivables and prepayments	(53,476)	(121,527)	(56,003)	(121,527)
Increase / (decrease) in subscriptions in advance	1,988,504	539,515	1,988,504	539,515
Increase / (decrease) in trade and other creditors	(547,492)	(2,282,054)	(638,966)	(2,222,872)
Increase / (decrease) in provisions	(114,836)	248,838	(131,992)	275,238
Net cash inflow (outflow) from operating activities	<u>(1,673,368)</u>	<u>2,406,875</u>	<u>(1,814,234)</u>	<u>1,820,763</u>

Note 26. Financial Reporting by Segments

The Australian Industry Group carries on business in one industry segment as an Employers' Organisation in one geographical segment that is Australia.

**The Australian Industry Group and controlled entities
Accounting Officer's Certificate and Committee of Management's Certificate**

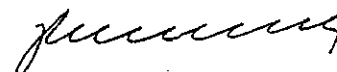
Accounting Officer's Certificate

I, Walter Wilhelm Johannes UHLENBRUCH, being the Officer responsible for keeping the financial records, do hereby certify that as at 30 June 2003 the number of Members of The Australian Industry Group was 7,607.

In accordance with the requirements of the Workplace Relations Act 1996, relating to that Act and Regulations, in my opinion,

- (1) the Consolidated Financial Statements and Notes to the Consolidated Financial Statements set out on pages 3 to 19 presents a true and fair view of the financial affairs of The Australian Industry Group and controlled entities as at 30 June 2003;
- (2) a record has been kept of all moneys paid by, or collected from, Members and all moneys so paid or collected have been credited to the bank accounts to which those moneys are to be credited, in accordance with the Rules of The Australian Industry Group;
- (3) before any expenditure was incurred by The Australian Industry Group, approval of the incurring of the expenditure was obtained in accordance with the Rules of The Australian Industry Group;
- (4) other than as disclosed in Notes 11, 16, 17, and 18, no payments were made out of any funds referred to in Regulation 107 (b) (xiii) or (xv);
- (5) no loans or other financial benefits were paid to persons holding office in The Australian Industry Group;
- (6) the Register of Members of The Australian Industry Group was maintained in accordance with the Workplace Relations Act 1996.

DATED this 8th day of September 2003.



W W J UHLENBRUCH
National Secretary-Treasurer

Committee of Management's Certificate

We, Ivan David JAMES and Walter Wilhelm Johannes UHLENBRUCH, being two Members of the Committee of Management of The Australian Industry Group (National Executive), do state, on behalf of the Committee and in accordance with a Resolution passed by the Committee that,

- (1) in the opinion of the Committee of Management the Consolidated Financial Statements set out on pages 3 to 19 of the Consolidated Financial Report shows a true and fair view of the financial affairs of the parent entity and controlled entities as at 30 June 2003;
- (2) in the opinion of the Committee of Management, meetings of the Committee were held during the year ended 30 June 2003 in accordance with the Rules of the Organisation;
- (3) to the knowledge of any Member of the Committee, there have been no instances where records of The Australian Industry Group or other documents (not being documents containing information made available to a member of The Australian Industry Group under Sub-Section 274(2) of the Workplace Relations Act 1996, or sub-section 272(1) of Schedule 1 of the Workplace Relations Legislation Amendment (Registration and Accountability of Organisations) (Consequential Provisions) Act 2002), or copies of those records or documents, or copies of the Rules of The Australian Industry Group, have not been furnished, or made available, to Members in accordance with the Workplace Relations Act 1996, and Regulations or the Rules of the Organisation; and
- (4) subject to Section 271 (3) The Australian Industry Group has complied with Sub-Sections 279 (1) and 279 (6) of the Act in relation to the Financial Report in respect of the year ended 30 June 2002, and the Auditors' Report thereon.

DATED this 8th day of September 2003.



I D JAMES
National President



W W J UHLENBRUCH
National Secretary-Treasurer

Independent audit report to the members of The Australian Industry Group

Audit opinion

In our opinion, the financial report of The Australian Industry Group:

- gives a true and fair view, as required by the Workplace Relations Act 1996 (the Act) in Australia, of the financial position of The Australian Industry Group and consolidated entity (as defined below) as at 30 June 2003, and of their performance for the year ended on that date, and
- is presented in accordance with the Workplace Relations Act 1996, Accounting Standards and other mandatory financial reporting requirements in Australia.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and Management Committee's responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the Management Committee's declaration for both The Australian Industry Group (the organisation) and the consolidated entity, for the year ended 30 June 2003. The consolidated entity comprises both the organisation and the entities it controlled during that year.

The Management Committee of the organisation are responsible for the preparation and true and fair presentation of the financial report in accordance with the Workplace Relations Act 1996. 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 report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the organisation. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is 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.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Workplace Relations Act 1996, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the organisation and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion 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 report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Management Committee.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

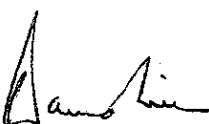
While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by Management Committee or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.


PricewaterhouseCoopers


D E Wills
Partner

Sydney
13 October 2003

The Australian Industry Group Annual Concise Report 30 June 2003

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This concise report has been derived from the full financial report for the year ended 30 June 2003. The full financial report and auditor's report will be sent to members on request, free of charge. Please call 02 9466 5502 for a copy to be forwarded to you. Alternatively, you access the concise financial report via the internet on www.aigroup.asn.au

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of The Australian Industry Group and controlled entities as the full financial report.

The Australian Industry Group and controlled entities
Statement of financial performance
For the year ended 30 June 2003

	Notes	Consolidated		Parent entity	
		2003 \$	2002 \$	2003 \$	2002 \$
Revenue from ordinary activities	2	35,441,673	34,742,673	27,823,499	27,668,580
Employee benefits expense		21,557,748	19,078,956	14,983,065	13,061,619
Depreciation and amortisation expenses		2,258,956	2,077,899	2,194,963	2,013,325
Affiliation fees		13,658	26,644	13,658	26,644
Net Bad and doubtful debts		(200,043)	(632,195)	(214,582)	(628,695)
Communications		4,759,587	5,004,063	4,576,531	4,865,324
Legal expenses		232,512	81,194	211,678	77,674
Meeting expenses		679,490	738,780	677,434	738,780
Net loss on disposal of plant and equipment		25,376	75,176	25,376	71,266
Other professional services		1,261,541	958,517	1,150,302	701,841
Rental expense relating to operating leases		1,011,899	838,935	1,011,899	838,935
Other Operating Expenses		3,740,505	7,916,744	3,249,566	7,635,765
Total expenses from ordinary activities		(35,341,229)	(36,164,713)	(27,879,890)	(29,402,478)
Profit from ordinary activities		100,444	(1,422,040)	(56,391)	(1,733,898)

The above consolidated statement of financial performance should be read in conjunction with the accompanying notes and discussion and analysis.

Segment analysis

The analysis of revenue and profit from ordinary activities by segment is set out in Note 2.

Key points to note are:

Ai Group reported a profit of \$100,444 for the year ending 30/6/03.

- Total income of \$35,441,673 was above the previous year by \$699,000 (+2.0.%) notwithstanding a reduction in member's services of \$226,966. This was offset by the profit on a property sale and higher than anticipated income from chargeable services and investments.
- Total expenditure of \$35,341,229 was below the previous year by \$823,484 (-2.3%). Specific details are set out below.
- During the year the group disposed of the property that they owned at Canberra for \$5,700,000, and realised a profit of \$1,599,948.
- On 1 February 2003, the group introduced a new integrated Customer Relationship System to replace the Flexx and Intergy systems that had been used for many years. The total cost of the project, including ongoing vendor maintenance and network charges, amounted to \$3,606,524 of which \$846,899 was charged to the Statement of Financial Performance due to its non-capital nature, and \$2,759,625 was capitalised.
- During the year, the actuary of the AiGroup Superannuation Plan recommended the need for a special contribution in 2002/03 to improve the reserves underpinning the defined benefit guarantees. This arose from the poor performance of the Plan's investments in the past two years consistent with the deterioration in global financial markets. Based on that valuation and recommendation provided by Mercers, the National Executive Council approved a one-off contribution of \$250,000 to the plan. This charge is included in the employee benefits expenses noted above.

The Australian Industry Group and controlled entities

Statement of financial position

As at 30 June 2003

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Current assets				
Cash assets	3,861,116	4,183,788	2,992,389	3,403,548
Receivables	12,722,071	8,878,060	13,309,141	9,656,249
Investments	14,180,035	9,614,007	14,180,035	9,614,007
Other	432,850	344,279	429,890	338,792
Total current assets	31,196,072	23,020,134	30,911,455	23,012,596
Non-current assets				
Other financial assets	6,867,000	9,116,944	6,867,022	9,116,968
Property, plant and equipment	20,144,145	24,643,519	19,983,697	24,471,457
Total non-current assets	27,011,145	33,760,463	26,850,719	33,588,425
Total assets	58,207,217	56,780,597	57,762,174	56,601,021
Current liabilities				
Payables	3,959,646	4,507,138	3,595,886	4,234,852
Deferred income	9,419,536	7,431,032	9,419,536	7,431,032
Provisions	1,760,852	1,991,163	1,706,323	1,954,548
Other	342,131	83,953	342,131	83,953
Total current liabilities	15,482,165	14,013,286	15,063,876	13,704,385
Non-current liabilities				
Provisions	1,414,558	1,557,269	1,414,558	1,556,511
Other	609,178	609,170	609,178	609,170
Total non-current liabilities	2,023,736	2,166,439	2,023,736	2,165,681
Total liabilities	17,505,901	16,179,725	17,087,612	15,870,066
Net assets	40,701,316	40,600,872	40,674,562	40,730,955
Members' Funds				
Reserves	10,768,685	13,331,534	10,768,685	13,331,534
Retained profits	29,932,631	27,269,338	29,905,877	27,399,421
Total members' funds	40,701,316	40,600,872	40,674,562	40,730,955

The above consolidated statement of financial position should be read in conjunction with the accompanying notes and discussion and analysis.

The Australian Industry Group and controlled entities

Statement of financial position (continued)

As at 30 June 2003

Key points to note are:

Ai Group's Net assets of \$40,701,316 increased by \$100,444 for year ending 30/6/03.

- Total assets of \$58,207,217 were above the previous year by \$1,426,620 (+2.5%). Included in Receivables are invoices raised in advance for 2004 Membership Subscriptions.
- Total liabilities \$17,505,901 were above the previous year by \$1,326,176 (+8.2%). Deferred income generated from the early issue of yearly subscription billings predominantly reflects the increase.
- The proceeds received on disposal of the Canberra property were invested in bank Bills, earning an interest of 4.70%. The interest earned on this investment has been accumulated and this contributed to the increase in investment balance.
- Receivables increased by \$3,844,011 from 2002 to 2003 with both the inclusion of all government grant receivables now included in the assets and the 2003/04 annual subscription invoices being issued prior to 30 June 2003.
- During the year, Ai Group realised some of its long-term investments and reinvested the proceeds into short-term interest bearing deposits. This contributed to the increase in Investments and a reduction in Other Financial Assets/Non-Current Assets.
- The reduction in Property, Plant and Equipment is due to the disposal of the Canberra property, which had a carrying value of \$4,000,000 at the time of disposal. The year end balance includes \$2,759,625 of capitalised costs incurred in relation to the new customer management relationship system.
- Following the sale of the Canberra property, the asset revaluation reserve of \$2,562,849 was transferred from Reserves to Retained Earnings.

The Australian Industry Group and controlled entities
Statements of cash flows

For the year ended 30 June 2003

	Consolidated		Parent entity	
	2003 \$	2002 \$	2003 \$	2002 \$
Cash flows from operating activities				
Receipts from trading activities (inclusive of goods and services tax)	34,046,162	43,878,828	25,878,353	37,505,689
Receipts from investment income	386,581	689,829	386,581	689,829
Dividends received	965,473	517,873	946,325	517,873
	35,398,216	45,086,530	27,211,259	38,713,391
Payments to suppliers and employees (inclusive of goods and services tax)	(37,071,584)	(42,679,655)	(29,025,453)	(36,892,628)
Net cash inflow from operating activities	(1,673,368)	2,406,875	(1,814,234)	1,820,763
Cash flows from investing activities				
Payments for property, plant and equipment	(2,021,394)	(2,947,353)	(1,931,968)	(2,885,427)
Payments for investments	(7,564,294)	(10,816,000)	(7,564,294)	(10,716,000)
Proceeds from sale of property, plant and equipment	5,836,384	370,755	5,799,337	348,027
Proceeds from sale of investments	5,100,000	11,577,302	5,100,000	11,577,303
Net cash (outflow) from investing activities	1,350,696	(1,815,296)	1,403,075	(1,676,097)
Net increase in cash held	(322,672)	591,579	(411,159)	144,666
Cash at the beginning of the financial year	4,183,788	3,592,209	3,403,548	3,258,882
Cash at the end of the financial year	3,861,116	4,183,788	2,992,389	3,403,548

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes and discussion and analysis.

Key points to note are:

Ai Group's cash decreased by \$322,672 for year ending 30/6/03.

- Payment and receipt timing differences (between financial years), realised profits from sale of a property, an increase in the level of investments and the purchase of a new customer relationship management system were major factors influencing the net cash position at the end of the financial year.

The Australian Industry Group and controlled entities

Notes to the concise financial statements

30 June 2003

Note 1. Basis of Preparation

The concise financial report relates to the consolidated entity consisting of The Australian Industry Group and controlled entities at the end of the year ended 30 June 2003. These policies have been consistently applied between the periods under review.

Note 2. Revenue

	Consolidated		Parent entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Members' Service Account				
Members' subscriptions	13,408,821	13,520,902	13,408,821	13,520,902
Entrance fees	56,336	8,006	56,336	8,006
Associate fees	1,710,038	1,886,235	1,710,038	1,886,235
Other income	44,598	31,616	44,598	31,616
	<u>15,219,793</u>	<u>15,446,759</u>	<u>15,219,793</u>	<u>15,446,759</u>
General Operations Account				
Rents	1,170,968	1,402,904	1,170,968	1,402,904
Consulting and management services	5,147,889	4,524,231	5,147,889	4,433,007
Training services, seminars, etc	9,501,078	9,307,675	1,902,052	2,336,139
Publications	833,843	919,254	833,843	919,254
Affiliate fees	131,000	117,000	131,000	117,000
Net profit on disposal of property	1,599,948	-	1,599,948	-
Other	633,310	2,000,514	633,310	1,989,181
	<u>19,018,036</u>	<u>18,271,578</u>	<u>11,419,010</u>	<u>11,197,485</u>
Investment Account				
Interest earned on deposits and debentures	965,473	500,826	946,325	500,826
Distributions and dividends	386,581	517,873	386,581	517,873
Profit on redemption and revaluation of investments at 30 June 2003	(148,210)	5,637	(148,210)	5,637
	<u>1,203,844</u>	<u>1,024,336</u>	<u>1,184,696</u>	<u>1,024,336</u>
Revenue from ordinary activities	35,441,673	34,742,673	27,823,499	27,668,580

Note 3. Full Financial Report

The full financial report of The Australian Industry Group and the Consolidated Entities has been audited in accordance with the provisions of the Workplace Relations Act 1996 (the Act) and the following summary is provided for members in accordance with Section 279(2) of the Act.

A copy of the full financial report will be supplied free of charge to members who request them. Certificates required to be given under the Act by the Accounting Officer and the Committee of Management have been completed in accordance with the provisions of the Act and contain no qualification.

In accordance with the requirements of the Act, the attention of members is drawn to the provisions of subsections (1), (2) and (3) of Section 274, which read as follows:

- (1) A member of an organisation, or a Registrar, may apply to the organisation for specified prescribed information in relation to the organisation;
- (2) An organisation shall, on application under subsection (1) by a member of the organisation or a Registrar, make the specified information available to the member or Registrar in such manner, and within such time, as is prescribed; and

A Registrar may only make an application under subsection (1) at the request of a member of the organisation concerned, and the Registrar shall provide to a member information received because of an application made at the request of the member.

X

**The Australian Industry Group and controlled entities
Committee of Management's Certificate**

We, Ivan David JAMES and Walter Wilhelm Johannes UHLENBRUCH, being two of the Members of the Committee of Management of The Australian Industry Group (National Executive), declare that in our opinion, the concise financial report of the consolidated entity for the year ended 30 June 2003 as set out on pages 2 to 6 complies with Accounting Standard AASB 1039: *Concise Financial Reports*.

The financial statements and specific disclosures included in this concise financial report have been derived from the full financial report for the year ended 30 June 2003.

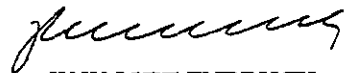
The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report, which as indicated in Note 2, is available on request.

This declaration is made in accordance with a resolution of the Committee of Management.

DATED this 8th day of September 2003.



I D JAMES
National President



W W J UHLENBRUCH
National Secretary-Treasurer

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Independent audit report to the members of The Australian Industry Group

Audit opinion

In our opinion, the concise financial report of The Australian Industry Group for the year ended 30 June 2003, set out on pages 2 to 6 complies with Australian Accounting Standard AASB 1039: Concise Financial Reports.

This opinion must be read in conjunction with the following explanation of the scope and summary of our role as auditor.

Scope and summary of our role

The concise financial report-responsibility and content

The preparation and content of the concise financial report for the year ended 30 June 2003 are the responsibility of the Management Committee of The Australian Industry Group (the Organisation).

The auditor's role and work

We conducted an independent audit of the concise financial report in order to express an opinion on it to the members of the Organisation. Our role was to conduct the audit in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the concise financial report is free of material misstatement.

We have also performed an independent audit of the full financial report of the Organisation for the financial year ended 30 June 2003. Our audit did not involve an analysis of the prudence of business decisions made by the Management Committee or management.

In conducting the audit of the concise financial report, we carried out a number of procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039: Concise Financial Reports.

The procedures included:

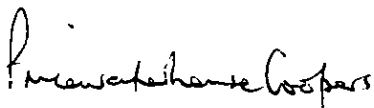
- Testing that the information included in the concise financial report is consistent with the information in the full financial report.
- Selecting and examining evidence, on a test basis, as required by auditing standards, to support amounts, discussion and analysis, and other disclosures in the concise financial report which were not directly derived from the full report. We did not examine every item of available evidence.
- Reviewing the overall presentation of information in the concise financial report.

Our audit opinion was formed on the basis of these procedures.

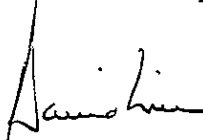
Independence

As auditor, we are required to be independent of the Organisation and its controlled entities and free of interests which could be incompatible with integrity and objectivity. In respect of this engagement, we followed the independence requirements set out by The Institute of Chartered Accountants in Australia and the Auditing and Assurance Standards Board.

In addition to our statutory audit work, we were engaged to undertake other services for the Organisation and its controlled entities. In our opinion the provision of these services has not impaired our independence.



PricewaterhouseCoopers



D E Wills
Partner

Sydney
13 October 2003



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Mr G R Willis
Australian Industry Group
PO Box 289
North Sydney NSW 2059

Dear Mr Willis

**Financial Statements - y/e 30 June 2003
FR2003/641**

I have received your letter of 5 December 2003 accompanied by the financial documents of the Australian Industry Group for the year ended 30 June 2003. The documents were lodged in the Registry on 11 December 2003.

The documents have been filed.

Yours sincerely,

Andrew O'Brien
Research, Information and Advice Branch

24 December 2003