Australian Government
Australian Industrial Registry

Level 35, Nauru House
80 Collins Street, Melbourne, VIC 3000
GPO Box 1994, Melbourne, VIC 3001
Telephone: (03) 8661 7799
Fax: (03) 9654 6672

Mr W W J Uhlenbruch
National Secretary -Treasurer
The Australian Industry Group
51 Walker St
NORTH SYDNEY NSW 2060

Dear Mr Uhlenbruch,

Attention: Mr G R Willis, Executive Director - Finance, Administration and Superannuation

Re: Financial Documents for year ended 30 June 2005 - FR2005/525

Schedule 1B - Workplace Relations Act 1996 (RAO Schedule)

I acknowledge receipt of the financial reports of The Australian Industry Group for the year ended 30 June 2005. The documents were lodged in the Registry on 30 November 2005 under s268 of Schedule 1B (RAO Schedule) of the Workplace Relations Act 1996.

This is the second lodgment by the organisation of its audited financial reports under the *Registration and Accountability of Organisations (RAO) Schedule* which commenced on 12 May 2003.

Such financial accounts are also required to comply with the Industrial Registrar's *Reporting Guidelines* issued under s253 of the RAO Schedule.

The documents have been filed.

Yours faithfully,

Andrew Schultz
Statutory Services Branch

4 January 2006

AUSTRALIAN INDUSTRY
GROUP

51 Walker Street,
North Sydney NSW 2060
PO Box 289
North Sydney NSW 2059
Australia

ABN: 76 369 958 788

Tel: 02 9466 5566
Fax: 02 9466 5599
www.aigroup.asn.au

23 November, 2005

Rec'd 1/12/05

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

FR2005/525

Dear Sir

Enclosed please find the annual accounts and certificates of The Australian Industry Group for the year ended 30 June 2005 together with the Statutory Declaration of the National Secretary-Treasurer.

Yours sincerely

G R WILLIS
EXECUTIVE DIRECTOR - FINANCE, ADMINISTRATION & SUPERANNUATION

cc J Tsimboulas

RECEIVED
30 NOV 2005
AUSTRALIAN INDUSTRIAL REGISTRY NSW

COMMONWEALTH OF AUSTRALIA

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 2005, 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 23 November 2005.

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 ADELAIDE TWENTY THIRD

day of NOVEMBER, 2005

Before me

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

(4)

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

(5) JUSTICE OF THE PEACE
9800557

RECEIVED 30 NOV 2005 AUSTRALIAN INDUSTRIAL REGISTRY NSW

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COMMONWEALTH OF AUSTRALIA

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(5) JUSTICE OF THE PEACE
9800557

The Australian Industry Group and controlled entities
Designated Officer's Certificate
For the year ended 30 June 2005
s.268 of Schedule 1B of the Workplace Relations Act 1966

I, Walter Wilhelm Johannes Uhlenbruch, National Secretary-Treasurer of The Australian Industry Group and controlled entities certify:

(1) that the documents lodged herewith are copies of the financial report as at 30 June, 2005 referred to in section 268 of the RAO Schedule; and
(2) that the financial report was provided to member s on 20 October, 2005, and
(3) that the financial report was presented to the Annual General Meeting of the reporting unit on 23 November, 2005 in accordance with section 266 of the ROA Schedule.

WWJ Uhlenbruch
National Secretary – Treasurer

Adelaide
23 November, 2005

The Australian Industry Group
Financial Report – 30 June 2005

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The Australian Industry Group and controlled entities
Statements of financial performance
For the year ended 30 June 2005

	Notes	Consolidated		Parent entity	
		2005	2004	**2005**	2004
		$	$	**$**	$
Revenue from ordinary activities	2	**40,392,584**	35,266,980	**29,477,369**	27,133,054
Total expenses from ordinary activities	3	**(38,234,346)**	(36,854,620)	**(27,636,861)**	(28,984,049)
Surplus / (Deficit) from ordinary activities		**2,158,238**	(1,587,640)	**1,840,508**	(1,850,995)
Transfer of surplus from Manufacturers Training Trust		**-**	-	**317,730**	290,109
Surplus / (Deficit) from ordinary activities after transfer of surplus from Manufacturers Training Trust	13(b)	**2,158,238**	(1,587,640)	**2,158,238**	(1,560,886)

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 2005

	Notes	Consolidated		Parent entity	
		2005	2004	**2005**	2004
		$	$	**$**	$
Current assets					
Cash assets	4	**8,189,791**	4,300,771	**7,415,987**	3,963,739
Receivables	5	**12,864,394**	12,186,193	**12,250,097**	11,780,251
Investments	6	**14,679,242**	14,783,985	**14,679,242**	14,783,985
Other		**497,221**	550,645	**497,099**	546,386
Total current assets		**36,230,648**	31,821,594	**34,842,425**	31,074,361
Non-current assets					
Other financial assets	7	**8,290,436**	7,333,773	**8,290,458**	7,333,795
Property, plant and equipment	8	**20,567,669**	19,401,541	**20,279,603**	19,180,200
Total non-current assets		**28,858,105**	26,735,314	**28,570,061**	26,513,995
Total assets		**65,088,753**	58,556,908	**63,412,486**	57,588,356
Current liabilities					
Payables	9	**4,963,323**	3,806,389	**3,864,307**	3,293,489
Deferred income	10	**12,459,601**	11,674,784	**12,459,601**	11,674,784
Provisions	11	**1,980,857**	1,651,310	**1,503,743**	1,285,132
Other		**376,213**	325,496	**376,213**	325,496
Total current liabilities		**19,779,994**	17,457,979	**18,203,864**	16,578,901
Non-current liabilities					
Provisions	12	**1,417,554**	1,461,071	**1,317,417**	1,371,597
Other		**439,186**	524,182	**439,186**	524,182
Total non-current liabilities		**1,856,740**	1,985,253	**1,756,603**	1,895,779
Total liabilities		**21,636,734**	19,443,232	**19,960,467**	18,474,680
Net assets		**43,452,019**	39,113,676	**43,452,019**	39,113,676
Members' Funds					
Reserves	13(a)	**5,261,483**	10,768,685	**5,261,483**	10,768,685
Retained profits	13(b)	**38,190,536**	28,344,991	**38,190,536**	28,344,991
Total members' funds		**43,452,019**	39,113,676	**43,452,019**	39,113,676

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 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	Parent entity 2005 $	Parent entity 2004 $
Cash flows from operating activities					
Receipts from trading activities (inclusive of goods and services tax)		**41,357,044**	39,564,764	**29,611,779**	31,636,607
Dividends received		**620,276**	406,453	**620,276**	406,453
Receipts from investment income		**1,089,736**	805,569	**1,041,448**	781,797
		43,067,056	40,776,786	**31,273,503**	32,824,857
Payments to suppliers and employees (inclusive of goods and services tax)		**(38,399,235)**	(38,347,583)	**(27,198,428)**	(29,937,174)
Net cash inflow from operating activities	24	**4,667,821**	2,429,203	**4,075,075**	2,887,683
Cash flows from investing activities					
Payments for property, plant and equipment		**(1,272,353)**	(1,731,179)	**(1,090,789)**	(1,657,964)
Payments for investments		**(7,313,421)**	(8,072,087)	**(7,313,419)**	(8,072,087)
Proceeds from sale of property, plant and equipment		**163,291**	187,976	**137,699**	187,976
Proceeds from sale of investments		**7,643,682**	7,625,742	**7,643,682**	7,625,742
Net cash (outflow) from investing activities		**(778,801)**	(1,989,548)	**(622,827)**	(1,916,333)
Net increase in cash held		**3,889,020**	439,655	**3,452,248**	971,350
Cash at the beginning of the financial year		**4,300,771**	3,861,116	**3,963,739**	2,992,389
Cash at the end of the financial year	4	**8,189,791**	4,300,771	**7,415,987**	3,963,739

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

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 2005 are reported in accordance with these Rules. Consequently, the National Executive confirms that the Organisation indemnifies The Manufacturers Training Trust against any shortfall in the assets of that trust.

This general purpose financial report has been prepared in accordance with Australian 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 2005 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 and annual 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 statements of financial performance in respect of superannuation represent the contributions and costs of the Funds made by each entity to superannuation funds. Note 20 provides additional details.

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 section 272 (5) of Schedule 1B of the Workplace Relations Act 1996, the attention of Members is drawn to the provisions of Sub-Sections (1), (2) and (3) of that section 272, which read as follows:

(1) "A member of a reporting unit, or a Registrar, may apply to the reporting unit for specified prescribed information in relation to the reporting unit to be made available to the person making the application.
(2) The application must be in writing and must specify the period within which, and the manner in which, the information is to be made available. The period must not be less than 14 days after the application is given to the reporting unit.
(3) A reporting unit must comply with an application made under subsection (1)."

(p) Comparatives

For the purpose of comparing the prior year with the current year, some items from the prior year have been amended or reclassified.

(q) International financial reporting standards

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS will be first reflected in the consolidated entity's financial statements for the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004. Refer to note 25 for the impacts of Australian equivalents to International Financial Reporting Standards on 30 June 2005 financial statements.

The Australian Industry Group and controlled entities
Notes to the financial statements
30 June 2005

Note 2. Revenue

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Members' Service Account				
Members' subscriptions	**14,561,587**	12,703,712	**14,561,587**	12,703,712
Entrance fees	**60,158**	90,687	**60,158**	90,687
Associate fees	**2,035,554**	2,508,653	**2,035,554**	2,508,653
Other income	**81,192**	99,132	**81,192**	99,132
	16,738,491	15,402,184	**16,738,491**	15,402,184
General Operations Account				
Rents	**824,577**	862,610	**824,577**	862,610
Consulting and management services	**5,030,129**	4,733,984	**5,030,129**	4,733,984
Training and other chargeable services	**13,374,911**	10,853,818	**2,536,698**	2,743,664
Publications	**985,164**	1,008,985	**985,164**	1,008,985
Affiliate fees	**125,002**	122,082	**125,002**	122,082
Other	**422,115**	446,917	**393,401**	446,917
	20,761,898	18,028,396	**9,894,971**	9,918,242
Investment Account				
Interest earned on deposits and debentures	**1,089,736**	805,569	**1,041,448**	781,797
Distributions and dividends	**620,276**	406,453	**620,276**	406,453
Net unrealised gains on investments	**821,973**	401,453	**821,973**	401,453
Net Profit on sale of investments	**360,210**	222,925	**360,210**	222,925
	2,892,195	1,836,400	**2,843,907**	1,812,628
Revenue from ordinary activities	**40,392,584**	35,266,980	**29,477,369**	27,133,054

Note 3. Profit from ordinary activities

	Consolidated		Parent entity	
(a) Expenses	**2005**	2004	**2005**	2004
	$	$	**$**	$
Surplus from ordinary activities includes the following specific expenses:				
Salaries	**20,856,341**	20,151,767	**12,562,182**	13,566,646
Superannuation	**2,566,783**	2,342,217	**1,869,036**	1,816,054
Long service leave	**112,663**	117,988	**102,000**	117,988
Annual leave	**336,875**	87,079	**225,939**	87,079
Other payroll related costs	**1,994,746**	1,264,702	**1,207,977**	1,142,115
Total Employee benefit expenses	**25,867,408**	23,963,753	**15,967,134**	16,729,882
Depreciation				
Buildings	**186,476**	186,303	**186,476**	186,303
Plant and equipment	**1,552,843**	1,744,432	**1,463,596**	1,732,110
Total depreciation	**1,739,319**	1,930,735	**1,650,072**	1,918,413
Amortisation of leasehold improvements	**321,184**	291,361	**321,184**	291,361
Total Depreciation and Amortisation	**2,060,503**	2,222,096	**1,971,256**	2,209,774
Affiliation fees	**43,838**	27,169	**25,907**	27,169
Net bad and doubtful debts	**(231,216)**	(355,805)	**(170,921)**	(372,314)
Communications	**4,216,855**	4,808,491	**4,026,864**	4,615,926
Legal expenses	**190,823**	245,435	**190,823**	243,657
Meeting expenses	**512,632**	596,988	**491,817**	586,000
Net loss on disposal of plant and equipment	**62,536**	63,711	**62,536**	63,711
Other professional services	**925,323**	891,888	**903,348**	819,671
Rental expense relating to operating leases	**1,165,327**	1,074,246	**1,165,327**	1,074,246
Other operating expenses	**3,420,317**	3,316,648	**3,002,770**	2,986,327
Total expenses from ordinary activities	**38,234,346**	36,854,620	**27,636,861**	28,984,049

The Australian Industry Group and controlled entities
Notes to the financial statements
30 June 2005

Note 4. Current assets – Cash assets

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Cash on hand	**22,422**	16,815	**21,621**	15,965
Cash at bank	**3,028,474**	1,087,028	**2,255,471**	750,846
Deposits at call	**5,138,895**	3,196,928	**5,138,895**	3,196,928
	8,189,791	4,300,771	**7,415,987**	3,963,739

The above figures reconcile to cash at the end of the financial year as shown in the statements of cash flows.

Grant funds unexpended at year end amounting to $1,201,765 (2004 $1,096,390) which are included in the balances above (refer Note 9), can only he used for the purposes of the grant.

Cash not available for use
Included in the above balances is a security deposit of $7,975 (2004 $7,975) relating to a lease agreement. This balance is restricted for use until expiration of the lease on 30th June 2006.

Deposits at call
The deposits are bearing floating interest rates between 5.25% and 5.50% (2004 4.75% and 5.25%).

Note 5. Current assets – Receivables

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Members' subscriptions outstanding	**7,810,394**	8,135,575	**7,810,394**	8,135,575
Provision for Doubtful Debts	**(206,486)**	(369,119)	**(206,486)**	(369,119)
	7,603,908	7,766,456	**7,603,908**	7,766,456
Accounts receivable	**5,407,858**	4,636,335	**3,758,030**	3,467,328
Provision for Doubtful Debts	**(152,318)**	(220,901)	**(115,940)**	(124,228)
	5,255,540	4,415,434	**3,642,090**	3,343,100
Amounts receivable from related entities	**-**	-	**999,153**	666,392
Interest accrued on trading account	**4,946**	4,303	**4,946**	4,303
	12,864,394	12,186,193	**12,250,097**	11,780,251

Note 6. Current assets – Investments

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Deposits and debentures	**14,679,242**	14,783,985	**14,679,242**	14,783,985

Note 7. Non-current assets - Other financial assets

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Shares in wholly owned subsidiaries	**-**	-	**22**	22
Shares in other corporations	**12**	12	**12**	12
Income securities and unsecured convertible notes	**839,310**	845,459	**839,310**	845,459
Managed funds	**4,887,263**	2,650,150	**4,887,263**	2,650,150
Australian listed investments	**2,563,851**	3,838,152	**2,563,851**	3,838,152
	8,290,436	7,333,773	**8,290,458**	7,333,795

Note 7. Non-current assets - Other financial assets (continued)

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
(a) Shares in Wholly Owned Subsidiaries				
Ai Group Nominees Pty Limited (Note 21)	-	-	**20**	20
Australian Industry Group Training Services Pty Ltd (Note 21)	-	-	**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 2005 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 2004	**845,459**	820,613	**845,459**	820,613
Purchase (sale) of income securities at cost	-	-	-	-
Interest earned on deposits	**56,141**	24,846	**56,141**	24,846
Interest reinvested in Cash Enhanced Portfolio	**(56,141)**	-	**(56,141)**	-
Profit/(Loss) on revaluation at 30 June 2005	**(6,149)**	-	**(6,149)**	-
Market value at 30 June 2005	**839,310**	845,459	**839,310**	845,459

(d) Managed funds
Managed fund investments were revalued to market value at 30 June 2005:

Market value 1 July 2004	**2,650,150**	1,083,086	**2,650,150**	1,083,086
Purchases at cost	**2,155,016**	1,943,000	**2,155,016**	1,943,000
Proceeds on redemption	**(343,892)**	(577,044)	**(343,892)**	(577,044)
Net surplus (deficit) on redemption	**(6,661)**	43,106	**(6,661)**	43,106
Retained investments	**4,454,613**	2,492,148	**4,454,613**	2,492,148
Revaluation increment/(decrement) at 30 June 2005	**432,650**	158,002	**432,650**	158,002
Market value at 30 June 2005	**4,887,263**	2,650,150	**4,887,263**	2,650,150

(e) The Australian listed investments
A gain was made when all shares were valued at market prices at 30 June 2005:

Market value 1 July 2004	**3,838,152**	4,963,289	**3,838,152**	4,963,289
Purchase of shares at cost	**1,263,148**	1,525,137	**1,263,148**	1,525,137
Proceeds of sale	**(3,293,641)**	(3,073,550)	**(3,293,641)**	(3,073,550)
Net surplus on redemption	**366,869**	179,819	**366,869**	179,819
Revaluation increment at 30 June 2005	**389,323**	243,457	**389,323**	243,457
Market value at 30 June 2005	**2,563,851**	3,838,152	**2,563,851**	3,838,152

Note 8. Non-current assets – Property, plant and equipment

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Land and buildings				
Freehold land				
At fair value 2005	**5,950,000**	4,300,000	**5,950,000**	4,300,000
	5,950,000	4,300,000	**5,950,000**	4,300,000
Buildings				
At fair value 2005	**6,600,766**	6,598,664	**6,600,766**	6,598,664
Less: Accumulated depreciation	**(31,176)**	(372,703)	**(31,176)**	(372,703)
	6,569,590	6,225,961	**6,569,590**	6,225,961
Leasehold improvements – at cost	**3,491,266**	3,467,227	**3,491,266**	3,467,227
Less: Accumulated amortisation	**(1,652,690)**	(1,331,506)	**(1,652,690)**	(1,331,506)
	1,838,576	2,135,721	**1,838,576**	2,135,721
Total land and buildings	**14,358,166**	12,661,682	**14,358,166**	12,661,682
Plant and equipment				
At cost	**17,784,191**	17,234,506	**17,306,976**	16,841,152
Less: Accumulated depreciation	**(11,588,532)**	(10,494,647)	**(11,399,383)**	(10,322,634)
	6,195,659	6,739,859	**5,907,593**	6,518,518
Capital works in progress	**13,844**	-	**13,844**	-
Total plant and equipment	**6,209,503**	6,739,859	**5,921,437**	6,518,518
	20,567,669	19,401,541	**20,279,603**	19,180,200

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 last formal valuation was conducted in April 2005 and the carrying values were suitably adjusted. The next valuation is due in April 2008 and the Committee of Management has assessed the April 2005 valuation as reasonable for the current period.

	Freehold land	**Buildings**	**Leasehold improve-ments**	**Plant & equipment**	**Capital works in progress**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Consolidated						
Carrying amount at 1 July 2004	4,300,000	6,225,961	2,135,721	6,739,859	-	19,401,541
Revaluations	1,650,000	530,105				2,180,105
Additions			24,039	1,234,470	13,844	1,272,353
Disposals				(225,827)		(225,827)
Transfers						
Depreciation/amortisation expense (note 3(a))		(186,476)	(321,184)	(1,552,843)		(2,060,503)
Carrying amount at 30 June 2005	5,950,000	6,569,590	1,838,576	6,195,659	13,844	20,567,669

Note 8. 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 2004	4,300,000	6,225,961	2,135,721	6,518,518	-	19,180,200
Revaluations	1,650,000	530,105				2,180,105
Additions			24,039	1,052,906	13,844	1,090,789
Disposals				(200,235)		(200,235)
Transfers						
Depreciation/amortisation expense (note 3(a))		(186,476)	(321,184)	(1,463,596)		(1,971,256)
Carrying amount at 30 June 2005	5,950,000	6,569,590	1,838,576	5,907,593	13,844	20,279,603

Note 9. Current liabilities – Payables

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Accounts payable	**3,752,830**	2,700,731	**2,653,814**	2,187,831
Unexpended government grants	**1,201,765**	1,096,930	**1,201,765**	1,096,930
Special Contribution for Defence of Members' Interests (note 15)	**8,728**	8,728	**8,728**	8,728
	4,963,323	3,806,389	**3,864,307**	3,293,489

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 $4,188,902 (2004 $3,489,966) for the consolidated entity. Grant funds unexpended at year end amount to $1,201,765 (2004 $1,096,930) 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 10. Current liabilities – Deferred Income

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Membership Subscriptions	**12,459,601**	11,674,784	**12,459,601**	11,674,784

Membership subscription income is brought to account on a pro-rata basis over the period to which it relates. The deferred income account contains income generated from the early issue of yearly subscription billings and income generated from the issue of the six-monthly billings that relate to 1 April 2005 to 30 September 2005.

Note 11. Current liabilities – Provisions

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Annual leave	**1,815,857**	1,578,104	**1,338,743**	1,211,926
Long service leave	**165,000**	73,206	**165,000**	73,206
	1,980,857	1,651,310	**1,503,743**	1,285,132

Note 12. Non-current liabilities – Provisions

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Long service leave	**1,314,029**	1,411,071	**1,213,892**	1,321,597
Other employee entitlements	**103,525**	50,000	**103,525**	50,000
	1,417,554	1,461,071	**1,317,417**	1,371,597

Note 13. Reserves and retained profits

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
(a) Reserves				
Asset revaluation reserve	**5,261,483**	3,081,378	**5,261,483**	3,081,378
Capital profits reserve	**-**	7,687,307	**-**	7,687,307
	5,261,483	10,768,685	**5,261,483**	10,768,685
Movements:				
Asset revaluation reserve:				
Balance 1 July 2004	**3,081,378**	3,081,378	**3,081,378**	3,081,378
Increment on revaluation of freehold land at the end of the financial year	**1,650,000**	-	**1,650,000**	-
Increment on revaluation of buildings at the end of the financial year	**530,105**	-	**530,105**	-
Transfer to retained profits		-		-
Balance 30 June 2005	**5,261,483**	3,081,378	**5,261,483**	3,081,378
(b) Retained profits				
Retained profits at the beginning of the financial year	**28,344,991**	29,932,631	**28,344,991**	29,905,877
Transfer from Capital profits reserve	**7,687,307**	-	**7,687,307**	-
Net surplus / (deficit) attributable to members of The Australian Industry Group	**2,158,238**	(1,587,640)	**2,158,238**	(1,560,886)
Retained profits at the end of the financial year	**38,190,536**	28,344,991	**38,190,536**	28,344,991

(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 reserve was created at 30 June 1986 upon sale of freehold land and buildings of $6,949,286 and a further capital profit at 30 June 1999 of $738,021. It was resolved by the Finance, Audit and Compliance Committee on the 23rd of November 2004 that the existing capital profits reserve of $7,687,307 be transferred to retained profits.

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.

2005	Notes	Floating interest rate $	1 year or less $	Over 1 to 5 years $	Non-Interest Bearing $	Total $
Financial assets						
Cash and deposits	4	8,189,791	-	-	-	8,189,791
Receivables	5	-	-	-	12,864,394	12,864,394
Deposits and debentures	6	-	14,679,242	-	-	14,679,242
Other financial assets - investments	7	-	-	839,310	7,451,126	8,290,436
		8,189,791	14,679,242	839,310	20,315,520	44,023,863
Weighted average interest rate		5.06%	6.79%	6.69%		
Financial liabilities						
Trade and other creditors	9	-	-	-	4,963,323	4,963,323
		-	-	-	4,963,323	4,963,323
Net financial assets		8,189,791	14,679,242	839,310	15,352,197	39,060,540

2004	Notes	Floating interest rate $	1 year or less $	Over 1 to 5 years $	Non-Interest Bearing $	Total $
Financial assets						
Cash and deposits	4	4,300,771	-	-	-	4,300,771
Receivables	5	-	-	-	12,186,193	12,186,193
Deposits and debentures	6	-	8,706,358	6,077,627		14,783,985
Other financial assets - investments	7	-	-	845,459	6,488,314	7,333,773
		4,300,771	8,706,358	6,923,086	18,674,507	38,604,722
Weighted average interest rate		4.35%	5.16%	5.32%		
Financial liabilities						
Trade and other creditors	9	-	-	-	3,806,389	3,806,389
		-	-	-	3,806,389	3,806,389
Net financial assets		4,300,771	8,706,358	6,923,086	14,868,118	34,798,333

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 cash flows 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 Committee of Management 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 2005.

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Balance brought forward 1 July 2004	**8,728**	34,866	**8,728**	34,866
Contributions from Member companies	**-**	-	**-**	-
Payments	**-**	(26,138)	**-**	(26,138)
Balance deferred to future periods. Refer Note 1(m)	**8,728**	8,728	**8,728**	8,728

Note 16. Remuneration of senior employees

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Income paid or payable, or otherwise made available, to senior employees by entities in the consolidated entity and related parties in connection with the management of affairs of the parent or its controlled entities:	**4,230,388**	4,805,666	**4,034,170**	4,620,967

Name	**Title**
P Burn	Associate Director – Public Policy
A Craig	Director – Queensland
S A Cullen	Director – Members Advisory Services
M A Goodsell	Director – NSW
D Hargraves	Associate Director – Workplace Relations
R N Herbert	Immediate Past Chief Executive
G Kearney	Innovation Xchange Chief Executive Officer
B E Kerwood	Director – Training Services
M Lilly	General Manager - Education and Training
A Melville	Director – Public Affairs and Government Relations
P A Nolan	Director – Workplace Relations
T Pensabene	Associate Director – Economics and Research
T C Piper	Director – Victoria
L W Purnell	Executive Director – International
H M Ridout	Chief Executive
S T Smith	Director – National Industrial Relations
J Tsimboulas	Director and Chief Financial Officer
C D Whiting	Immediate Past Director – Queensland
G R Willis	Executive Director – Finance, Administration and Superannuation

All the above employees held a senior position at The Australian Industry Group from 1 July 2004 to 30 June 2005 and the preceding financial year, with the exception of the following: M Lilly was appointed on 13 January 2004, R N Herbert retired on 1st March 2004 and C D Whiting resigned on 31st March 2004.

Note 17. Remuneration of auditors

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Remuneration for audit of the financial reports of the parent entity or any entity in the consolidated entity:				
Auditor of the parent entity – PricewaterhouseCoopers	**130,000**	139,887	**120,000**	128,747
Other audit-related work	**5,200**	1,200	**5,200**	1,200
	135,200	141,087	**125,200**	129,947

Note 18. Contingent liabilities

There are no contingent liabilities.

Note 19. Commitments for expenditure

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Operating leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**1,529,663**	1,558,462	**1,529,663**	1,558,462
Later than one year but not later than 5 years	**5,760,639**	663,472	**5,760,639**	663,472
Later than 5 years	**233,955**	249,179	**233,955**	249,179
Commitments not recognised in the financial statements	**7,524,257**	2,471,113	**7,524,257**	2,471,113
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	**70,682**	450,654	**70,682**	450,654

Note 20. Employee entitlements

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Employee entitlement liabilities				
Provision for employee entitlements				
Current (note 11)	**1,980,857**	1,651,310	**1,503,743**	1,285,132
Non-current (note 12)	**1,417,554**	1,461,071	**1,317,417**	1,371,597
Aggregate employee entitlement liability	**3,398,411**	3,112,381	**2,821,160**	2,656,729

	2005	2004	**2005**	2004
	Number		Number	
Employee numbers				
- The Australian Industry Group	**196**	187	**196**	187
- The Australian Industry Group Training Service Pty Ltd	**388**	287	**-**	-
Average number of employees during the financial year (equivalent full time employee basis)	**584**	474	**196**	187

Superannuation – Consolidated and parent entities

The consolidated entity contributes to a defined benefit employee superannuation plan, The Australian Industry Group Superannuation Plan (a sub-Plan of the Mercer Super Trust).

Employer contributions are based on the advice of the plan's actuary. Employee contributions are based on various percentages of their core salaries. Employees are entitled to benefits on retirement, resignation, disability or death.

Note 20. Employee entitlements (continued)

The Plan provides both accumulated benefits and defined benefits (to members admitted prior to 1 March 1994) based on years of service and final average salary. The consolidated entity also makes additional contributions to meet the insurance costs and expenses of the Plan.

All members at 1 March 1994, prior to restructuring of the Plan, were provided with a guarantee that their benefit under the new arrangements would not be less than the benefit which would have been paid if the restructuring had not occurred. An actuarial assessment is undertaken on the Plan every three years.

The following table shows the comparison of estimated assets, estimated vested benefits and the estimated value of accrued liabilities as at 30 June 2005 on a funding basis, which were performed by Mercer Human Resource Consulting Pty Limited, required by AIFRS, dated 22 July 2005;

Assets $	Vested Benefits $	Value of liabilities $	Surplus $
10,486,000	8,557,000	9,914,000	572,000

During the year a cash injection of $250,000 was put into the Defined Benefit Fund.

Recent advice from Mercer Human Resource Consulting Pty Limited confirms that these contributions will be sufficient to maintain the defined benefit section in a satisfactory position at 30 June 2005. Currently, no further injections payable, based on financial update at 30 June 2005, have been accrued for in the financial statements.

The next actuarial valuation of the Plan will be performed as at 30 June 2005, but will not be available until 30 September 2005, at which time the contribution rates will be reassessed.

Note 21. 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, Australian Industry Group Training Services Pty Ltd and The Manufacturers Training Trust. Ownership interests in these controlled entities are set out in note 22.

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) 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 2005 and 2004 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	
	2005 **$**	2004 $
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	**157,520**	146,302
Aggregate amounts receivable from entities in the wholly-owned group at balance date:		
Current receivables (loans)	**999,153**	666,391

Note 22. Investments in controlled entities

Name of entity	Country of Incorporation	Class of shares	Equity Holding 2005 %	2004 %
Ai Group Nominees Pty Limited	Australia	Ordinary	100	100
Australian Industry Group Training Services Pty Ltd	Australia	Ordinary	100	100

Note 23. Events occurring after reporting date

At the date of signing this report, no other matter or circumstance has arisen since 30 June 2005 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 24. Reconciliation of surplus from ordinary activities to net cash inflow from operating activities

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Surplus/(Deficit) from ordinary activities	**2,158,238**	(1,587,640)	**2,158,238**	(1,560,886)
Depreciation and amortisation	**2,060,503**	2,222,096	**1,971,256**	2,209,774
(Profit)/loss on disposal of investments	**(360,210)**	(222,925)	**(360,210)**	(222,925)
(Profit)/loss on revaluation of investments	**(821,971)**	(401,453)	**(821,973)**	(401,453)
Net loss on sale of non-current assets	**62,536**	63,711	**62,536**	63,711
Change in operating assets and liabilities				
(Increase) / decrease in trade receivables	**(677,558)**	538,054	**(136,442)**	914,009
(Increase) / decrease in receivables from related parties	**-**	-	**(332,761)**	617,057
(Increase) / decrease in other receivables and prepayments	**52,781**	(119,971)	**48,644**	(118,672)
Increase / (decrease) in subscriptions in advance	**784,817**	2,255,248	**784,817**	2,255,248
Increase / (decrease) in trade and other creditors	**1,156,934**	(153,257)	**570,818**	(302,397)
Increase / (decrease) in provisions	**251,751**	(164,660)	**130,152**	(565,783)
Net cash inflow from operating activities	**4,667,821**	2,429,203	**4,075,075**	2,887,683

Note 25. Impacts of adopting Australian equivalents to IFRS

The management of the Organisation has performed a detailed assessment of each component of the audited opening balance sheet at 1 July 2004 for the purposes of identifying those components that are impacted by the transition to AIFRS. The known impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set our below.

The expected financial effects of adopting AIFRS are shown for each line item in the statement of financial performance and statement of financial position, with descriptions of the differences. No material impacts are expected in relation to the statement of cash flows.

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and the current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be issued by the AASB and the IASB. Therefore, until the company prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

Impact on the statement of financial performance

	Existing GAAP $'000	Effect of Change ^ $'000	AIFRS $'000
Revenue from ordinary activities	40,362		40,362
Total expenses from ordinary activities	(38,204)	230	(37,974)
Surplus from ordinary activities	2,158	230	2,388

Reconciliation of equity

	2005 $'000	2004 $'000
Total equity under AGAAP	43,452	39,114
Adjustment to retained earnings		
Recognition of deferred defined benefit liability ^	(416)	(589)
Total equity under AIFRS	43,036	38,525

Movement in Liability recognised in the balance sheet

	$'000
Net liability at start of year	589
(+) Expense recognised in income statement	440
(+) Amount recognised in retained earnings	57
(-) Company contributions	670
Net liability at end of year	**416**

^ The consolidated entity contributes to a defined benefit employee superannuation plan, as described in Note 20. Under existing Australian GAAP, the entity's policy is to recognise a liability or asset in respect of defined benefit superannuation, measured as the difference between the present value of employee's accrued benefits at the reporting date and the net market value of the superannuation fund's assets at that date. Under AASB 119 Employee Benefits, a liability or asset in respect of defined benefit superannuation is also recognised, but there are differences in the way that the liability or asset is to be calculated.

As a result of these differences, consolidated retained earnings at 30 June 2005 would have been $416k lower with a corresponding increase in the provision for employee benefits. For the year ending 30 June 2005, the consolidated employee benefits expense would have been $230k lower.

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

On 15 September 2005, the Committee of Management of The Australian Industry Group and controlled entities passed the following resolution in relation to the general purpose financial report (GPFR) of the reporting unit for the financial year ended 30 June 2005:

The Committee of Management declares in relation to the GPFR that in its opinion:

(a) the financial statements and notes comply with the Australian Accounting Standards;

(b) the financial statements and notes comply with the Reporting Guidelines of the Industrial Registrar;

(c) the financial statements and notes give a true and fair view of the financial performance, financial position and cash flows of the reporting unit for the financial year to which they relate;

(d) there are reasonable grounds to believe that the reporting unit will be able to pay its debts as and when they become due and payable;

(e) during the financial year to which the GPFR relates and since the end of that year:

   (i) meetings of the Committee of Management were held in accordance with the Rules of the Organisation including the Rules of the branches concerned; and
   (ii) the financial affairs of the reporting unit have been managed in accordance with the Rules of the Organisation including the Rules of a branch concerned; and
   (iii) the financial records of the reporting unit have been kept and maintained in accordance with the RAO Schedule and the RAO Regulations; and
   (iv) the Organisation is divided into branches however the financial records of the reporting unit have been kept, as far as practicable, in a consistent manner to each of the other reporting units of the Organisation; and
   (v) no member has requested any information from the Organisation and no Registrar has made such a request of the Organisation under section 272 of the RAO Schedule; and
   (vi) no orders have been made by the Commission under section 273 of the RAO Schedule .

For the Committee of Management:

J W Ingram
National President

Dr W W J Uhlenbruch AO
National Secretary-Treasurer

Sydney
23 September 2005

The Australian Industry Group and controlled entities
Operating Report

The Committee of Management presents their report on The Australian Industry Group and controlled entities for the year ended 30 June 2005.

Committee of Management
The following persons were members of the Committee of Management of The Australian Industry Group during the financial year and up to the date of this report:

K Bridges
I Campbell
T Carroll
R L Chadwick (Deputy National President)
A Conte (Alternate)
L Di Bartolomeo
J A Hale*
D M Harland (Alternate)
J W Ingram (National President)
I D James* (Immediate Past National President)
R Leeming (National Vice President)
R Leupen
G Lockhart (Alternate)
D Matthews
D McGree
P J Nicholls
K J G Porter
C Raine (Alternate)
R J Rolls (Alternate)
G Sedgwick
G Smith
M Symes
Dr W W J Uhlenbruch AO* (National Secretary-Treasurer)
R J C Wilson (Alternate)

* Also Emeritus Councillors

All members held their positions on the Committee of Management from 1 July 2004 to 30 June 2005, with the exception of the following:
A Conte (appointed 25th November 2004), G Lockhart (appointed 25th November 2004), D Matthews (appointed 17th March 2005), C Raine (appointed 25th November 2004) and G Sedgwick (appointed 25th November 2004) were appointed as members of the Committee of Management during the financial year and continue in office at the date of this report.
The following members resigned from the Committee of Management on 25th November 2004 as follows: G J Ashton, R Cooper, P Salteri and P Sutton. R W Dunning AC resigned from the Committee of Management on 30th June 2005. L E Hockridge did not stand for re-election and effectively left the Committee of Management on 8th August 2005 when the new Branch Council for NSW assumed office.

The following persons were appointed by the Engineering Employers' Association, South Australian, an affiliate of The Australian Industry Group, to attend meetings of the Committee of Management:

Dr G Blomfield
R K Colebatch (Alternate)
R D Hill-Ling AO (Alternate)*
D B McNeil (Alternate)
C J Peters (Alternate)
G Price
C Stathy
* Also Emeritus Councillor

In addition, the following persons were appointed by the Chamber of Commerce and Industry, Western Australia another affiliate of The Australian Industry Group to attend meetings of the Committee of Management:

L Roy
B Williams

The following persons have been appointed by the Committee of Management and the Branch Councils as Emeritus Councillors and are entitled to attend meeting of the Committee of Management and respective Branch Councils:

G J Ashton AM
M A Besley AO
J M Dowrie OBE
G J Kraehe AO
R D Hill-Ling AO
F R D Morgan CBE
P G Thomas AM
Sir William Tyree OBE
Dr W W J Uhlenbruch AO

Remuneration of the Committee of Management
During the financial year, no member of the Committee of Management of the Organisation received, directly or indirectly, any payment or any benefit in exchange for services rendered by the members of the Committee of Management.

Principal activities
During the year the principal continuing activities of the consolidated entity as a registered employer organisation consisted of:

a) representing it's membership in manufacturing, construction, engineering, automotive, telecommunications, IT, transport, labour hire and other industries,
b) providing assistance, advice and information to its membership in the areas of workplace relations and human resource management; OHS and workers' compensation management; environment and energy management; innovation policy and development networks; international trade development and promotion; and business regulation,
c) conducting comprehensive training workshops, seminars and related programs,
d) providing nationally accredited training qualifications as a Registered Training Organisation, and
e) operating a group training scheme for apprentices and trainees.

Review of principal activities
The Australian Industry Group and controlled entities reported a surplus from ordinary activities of $2,158,238 (2004 deficit of $1,587,640) for the year ending 30 June 2005.

Total income of $40,392,584 (2004 $35,266,980) was above the previous year by $5,125,604 (14.4%).

Total expenditure of $38,234,346 (2004 $36,854,620) was above the previous year by $1,379,726 (3.6%).

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the Organisation during the financial year.

Number of Recorded Members
The number of persons recorded in the Register of Members of the Organisation as at 30 June 2005 for the purposes of section 244 of the RAO Schedule was 6,887.

Number of Employees
The average number of employees during the financial year (equivalent full time employee basis) as at 30 June 2005 was 584. (refer note 20)

Rights of members to resign
A member may resign from membership of the Organisation by written notice addressed and delivered to the Secretary-Treasurer of any Branch of the Organisation to which such member belongs.

Details of Trustee of Superannuation Entities
No member of the Committee of Management of the Organisation was:
a) a trustee of a superannuation entity of an exempt public sector superannuation scheme; or
b) a director of a company that is a trustee of a superannuation entity or an exempt public sector superannuation scheme where the criterion for the member being a trustee or director is that the member is an officer or member of a The Australian Industry Group.

With effect from 8 October 2002, the Ai Group transferred the Ai Group Superannuation Fund to a sub-Plan of the Mercer Super Trust.

J W Ingram
National President

Dr W W J Uhlenbruch AO
National Secretary-Treasurer

Sydney
23 September 2005

The Australian Industry Group and controlled entities
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 in Australia, of the financial position of The Australian Industry Group and its consolidated entities as at 30 June 2005, and of their performance for the year ended on that date, and
- is presented in accordance with applicable Australian Accounting Standards and other mandatory financial reporting requirements in Australia, and the requirements of the RAO Schedule of the Workplace Relations Act 1996.

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

Scope

The financial report and Committee of Management' 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 Committee of Management's Statement for both The Australian Industry Group and of its consolidated entities, for the year ended 30 June 2005. The consolidated entity comprises both The Australian Industry Group and the entities it controlled during that year.

The Committee of Management of the entity 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 entity. 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. For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

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 entity's 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 management.

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.

Independence
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Workplace Relations Act 1996.

PricewaterhouseCoopers

Chris Burt
Partner

Sydney
15 September 2005