Level 5, 11 Exhibition Street, Melbourne 3000,
GPO Box 1994, Melbourne 3001
Telephone: (03) 8661 7817
Fax: (03) 9655 0410

Mr W W J Uhlenbruch
National Secretary - Treasurer
The Australian Industry Group
PO Box 289
NORTH SYDNEY NSW 2059

Attention: Mr John Tsimboulas, Director & Chief Financial Officer

Dear Mr Uhlenbruch,

Financial Reports for Year Ended 30 June 2006 - FR2006/433
Schedule 1 of the Workplace Relations Act 1996 (RAO Schedule)

Thank you for the financial reports of The Australian Industry Group for the year ended 30 June 2006. The documents were lodged in the Industrial Registry on 28 December 2006.

The documents have been filed.

Please do not hesitate to contact me by email at robert.pfeiffer@air.gov.au or on (03) 8661 7817 if you have any queries.

A copy of the financial report has been placed on a website maintained by the Industrial Registry at http://www.e-airc.gov.au/163v.

Yours sincerely,

for
Robert Pfeiffer
Assistant Team Manager
Statutory Services Branch, Melbourne

16 April 2007

AUSTRALIAN INDUSTRY

GROUP

FR 2006/433.

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

4 December 2006

The Industrial Registrar
Industrial Relations Commission of VIC
GPO Box 1994
MELBOURNE VIC 3001

Dear Sir/Madam,

The Australian Industry Group (Org No. 163V)
Financial statements for the financial year ended 30 June 2006

Please find enclosed the annual financial report of The Australian Industry Group for the year ended 30 June 2006 together with the Designated Officer's Certificate.

The annual financial report was adopted by the Annual General Meeting held on 22 November 2006.

Yours sincerely,

John Tsimboulas
Director & Chief Financial Officer

Encl.

Cc: Timothy Piper
Judy Kemplay
Jeni Leuba

The Australian Industry Group and controlled entities
Designated Officer's Certificate
For the year ended 30 June 2006
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, 2006 referred to in section 268 of the RAO Schedule; and
(2) that the financial report was provided to member s on 23 October, 2006, and
(3) that the financial report was presented to the Annual General Meeting of the reporting unit on 22 November, 2006 in accordance with section 266 of the ROA Schedule.

WWJ Uhlenbruch
National Secretary – Treasurer

Brisbane
~~Adelaide~~
22 November, 2006

The Australian Industry Group
Financial Report – 30 June 2006

Contents **Page**

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The Australian Industry Group
Income statements
For the year ended 30 June 2006

	Notes	Consolidated **2006** $	Consolidated 2005 $	Parent entity **2006** $	Parent entity 2005 $
Revenue from continuing operations	3	**51,700,405**	45,478,578	**37,661,006**	34,553,131
Other Income	4	**1,323,795**	1,187,992	**1,323,795**	1,187,992
Employee benefits expense	5	**(34,045,209)**	(28,720,659)	**(21,695,203)**	(18,820,385)
Depreciation and amortisation expenses	5	**(2,098,522)**	(2,060,503)	**(1,997,324)**	(1,971,256)
Communications	5	**(5,847,350)**	(5,250,153)	**(5,586,766)**	(5,060,162)
Other expenses	5	**(8,270,981)**	(8,264,372)	**(7,799,145)**	(7,836,167)
Surplus / (Deficit) from continuing operations		**2,762,138**	2,370,883	**1,906,363**	2,053,153
Transfer of surplus from Manufacturers Training Trust		**-**	-	**855,775**	317,730
Surplus / (Deficit) from continuing operations after transfer of surplus from Manufacturers Training Trust	19(b)	**2,762,138**	2,370,883	**2,762,138**	2,370,883

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

The Australian Industry Group
Balance sheets
As at 30 June 2006

	Notes	Consolidated 2006 $	Consolidated 2005 $	Parent entity 2006 $	Parent entity 2005 $
ASSETS					
Current assets					
Cash and cash equivalents	6	**27,526,423**	22,869,033	**26,947,458**	22,095,229
Trade and other receivables	7	**13,538,127**	13,361,615	**12,558,006**	12,747,196
Other financial assets at fair value through profit or loss	8	**11,869,895**	8,290,424	**11,869,895**	8,290,424
Total current assets		**52,934,445**	44,521,072	**51,375,359**	43,132,849
Non-current assets					
Receivables	9	**-**	-	**-**	-
Other financial assets	10	**12**	12	**34**	34
Property, plant and equipment	11	**22,099,407**	20,567,669	**21,786,495**	20,279,603
Retirement benefit asset	12	**225,000**	-	**225,000**	-
Total non-current assets		**22,324,419**	20,567,681	**22,011,529**	20,279,637
Total assets		**75,258,864**	65,088,753	**73,386,888**	63,412,486
LIABILITIES					
Current liabilities					
Trade and other payables	13	**5,202,754**	4,960,552	**4,336,025**	3,861,536
Deferred income	14	**16,707,358**	12,838,585	**16,700,762**	12,838,585
Provisions	15	**2,457,236**	1,980,857	**1,574,032**	1,503,743
Total current liabilities		**24,367,348**	19,779,994	**22,610,819**	18,203,864
Non-current liabilities					
Other payables	16	**822,784**	458,396	**822,784**	458,396
Provisions	17	**1,678,038**	1,589,058	**1,562,591**	1,488,921
Retirement benefit obligation	18	**-**	416,000	**-**	416,000
Total non-current liabilities		**2,500,822**	2,463,454	**2,385,375**	2,363,317
Total liabilities		**26,868,170**	22,243,448	**24,996,194**	20,567,181
Net assets		**48,390,694**	42,845,305	**48,390,694**	42,845,305
MEMBERS' FUNDS					
Reserves	19(a)	**7,543,734**	5,261,483	**7,543,734**	5,261,483
Retained profits	19(b)	**40,846,960**	37,583,822	**40,846,960**	37,583,822
Total members' funds		**48,390,694**	42,845,305	**48,390,694**	42,845,305

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

The Australian Industry Group
Statement of recognised income and expenses
For the year ended 30 June 2006

	Notes	Consolidated		Parent entity	
		2006	2005	**2006**	2005
		$	$	**$**	$
Gain on revaluation of land and buildings	19	**2,282,251**	2,180,105	**2,282,251**	2,180,105
Gain / (Loss) on actuarial assessment of retirement benefit obligation	19	**501,000**	(57,000)	**501,000**	(57,000)
Net surplus recognised directly in equity		**2,783,251**	2,123,105	2,783,251	2,123,105
Surplus for the year		**2,762,138**	2,370,883	**2,762,138**	2,370,883
Total recognised surplus and expense for the year		**5,545,389**	4,493,988	**5,545,389**	4,493,988

The above statement of recognised income and expenses should be read in conjunction with the accompanying notes.

The Australian Industry Group
Cash flow statements
For the year ended 30 June 2006

	Notes	Consolidated 2006 $	Consolidated 2005 $	Parent entity 2006 $	Parent entity 2005 $
Cash flows from operating activities					
Receipts from trading activities (inclusive of goods and services tax)		**58,536,494**	47,535,119	**43,497,198**	35,789,855
Dividends received		**924,425**	620,276	**924,425**	620,276
Receipts from investment income		**887,866**	1,089,736	**887,866**	1,041,448
		60,348,785	49,245,131	**45,309,489**	37,451,579
Payments to suppliers and employees (inclusive of goods and services tax)		**(51,959,786)**	(44,577,310)	**(36,859,375)**	(33,376,504)
Net cash inflow from operating activities	26	**8,388,999**	4,667,821	**8,450,114**	4,075,075
Cash flows from investing activities					
Payments for property, plant and equipment		**(1,796,382)**	(1,272,353)	**(1,619,551)**	(1,090,789)
Payments for investments		**(4,446,962)**	(7,418,164)	**(4,446,962)**	(7,418,162)
Proceeds from sale of property, plant and equipment		**383,433**	163,291	**340,326**	137,699
Proceeds from sale of investments		**2,128,302**	7,643,682	**2,128,302**	7,643,682
Net cash (outflow) from investing activities		**(3,731,609)**	(883,544)	**(3,597,885)**	(727,570)
Cash flows from financing activities					
Net cash (outflow) from financing activities		**-**	-	**-**	-
Net increase in cash and cash equivalents		**4,657,390**	3,784,277	**4,852,229**	3,347,505
Cash and cash equivalents at the beginning of the financial year		**22,869,033**	19,084,756	**22,095,229**	18,747,724
Cash and cash equivalents at the end of the financial year	6	**27,526,423**	22,869,033	**26,947,458**	22,095,229

The above cash flow statements 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 2006 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.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for The Australian Industry Group as an individual entity and the consolidated entity consisting of The Australian Industry Group and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of The Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Workplace Relations Act, 1996.

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. The parent entity financial statements and notes also comply with IFRSs except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Presentation and Disclosure.*

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first of The Australian Industry Group financial statements to be prepared in accordance with AIFRSs. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of The Australian Industry Group until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing The Australian Industry Group 2006 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments. The consolidated entity has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the consolidated entity's equity and its net income are given in note 27.

Early adoption of standard

The consolidated entity has elected to apply AASB 119 *Employee Benefits* (issued in December 2004) to the annual reporting period beginning 1 July 2005. This includes applying AASB 119 to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors.*

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and certain classes of property, plant and equipment.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of The Australian Industry Group ("parent entity") as at 30 June 2006 and the results of all subsidiaries for the year then ended. The Australian Industry Group and its subsidiaries together are referred to in this financial report as the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the consolidated entity controls another entity.

Note 1. Summary of significant accounting policies (continued)

Intercompany transactions, balances and unrealised gains on transactions between consolidated entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

(i) Membership subscription income
Membership subscription income is brought to account on a pro-rata basis over the period to which it relates.

(ii) Chargeable services and consulting income
Chargeable services and consulting income is brought to account when the service is provided.

(iii) Interest income
Interest income is recognised on a time proportion basis using the effective interests method, see note 1(j).

(iv) Dividends
Dividends are recognised as revenue when the right to receive payment is established.

(v) Lease income
Lease income from operating leases is recognised in income with an annual CPI review during the lease term.

(d) Government grants

Grants from government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the consolidated entity will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statements over the period necessary to match them with the costs that they are intended to compensate as disclosed in note 14. Grants and related costs are accounted for in the income statement at the respective gross amounts.

(e) Income tax

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.

(f) Impairment of assets

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(g) Cash and cash equivalents

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

(h) Trade 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 receivables is reviewed on an ongoing basis. Non-recoverable subscriptions are written off against Members' Subscriptions income account. A provision for doubtful receivables is established when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the income statement.

Note 1. Summary of significant accounting policies (continued)

(i) Property, plant and equipment

Land and buildings are shown at fair value, based on annual valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are credited to other reserves in members' fund. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost, net of tax, is transferred from the property, plant and equipment revaluation reserve to retained earnings.

Land is not depreciated. Depreciation on the following assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Buildings	33-42 years
Computer hardware	3-5 years
Leasehold improvements	5-10 years

Depreciation on the following assets is calculated using the diminishing value method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Property equipment	4-20 years
Motor vehicles	5 years
Furniture, fittings & equipment	2-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is consolidated entity policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(j) Investments and other financial assets

From 1 July 2004 to 30 June 2005

The consolidated entity has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The consolidated entity has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

Under previous AGAAP, interests in listed securities, other than subsidiaries, were brought to account at market value and dividend income was recognised in the income statement when receivable. The discount rate was that implicit in the transaction. Transaction costs were excluded from the carrying amounts.

Note 1. Summary of significant accounting policies (continued)

Adjustments on transition date: 1 July 2005

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that fair value is the measurement basis. Fair value is inclusive of transaction costs. Changes in fair value are taken to the income statements. The consolidated entity has only held at fair value through profit and loss and hence no adjustments to carrying amounts of these investments and to the income statement at the date of transition (1 July 2005).

From 1 July 2005
The consolidated entity classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading which are acquired principally for the purpose of selling in the short term with the intention of making a profit.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the consolidated entity provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(iii) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the consolidated entity's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets
Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheets date.

Regular purchases and sales of investments are recognised on trade-date - the date on which the consolidated entity commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statements in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statements as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the consolidated entity establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Note 1. Summary of significant accounting policies (continued)

The consolidated entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(k) Leases
Leases of property, plant and equipment where the consolidated entity has substantially all the risks and rewards of ownership are classified as finance leases. The consolidated entity currently has no finance lease arrangements.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 23). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statements on a straight-line basis over the period of the lease.

(l) Trade and other payables
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.

(m) Provisions
Provisions for lease make good are recognised when the consolidated entity had entered into a lease agreement specifying the requirement for the tenant to make good the premises on vacating that premises.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(n) Employee benefits

(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
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. 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) Retirement benefit obligations
All employees of the consolidated entity are entitled to benefits on retirement, disability or death from the consolidated entity's superannuation plan. The consolidated entity has a defined benefit section and an accumulation contribution section within its plan. The defined benefit section provides defined lump sum benefits based on years of service and average salary. The defined contribution section receives fixed contributions from the consolidated entity and the consolidated entity's legal or constructive obligation is limited to these contributions.

A liability or asset in respect of defined benefit superannuation plans is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Note 1. Summary of significant accounting policies (continued)

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.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to retained earnings.

Past service costs are recognised immediately in income, unless the changes to the superannuation fund are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Future taxes, such as taxes on investment income and employer contributions, are taken into account in the actuarial assumptions used to determine the relevant components of the employer's defined benefit liability or asset. Contributions to the defined contribution fund are recognised as an expense as they become payable.

(o) Voluntary member 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 (refer note 13).

(p) Information to be provided to Members or Registrar
In accordance with the requirements of 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)."

(q) Goods and service tax (GST)
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(r) New accounting standards and UIG interpretations
Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting periods. The Committee of Management believe that AASB 7 *Financial Instruments: Disclosure* and UIG 4 *Determining whether an Asset contains a Lease* will not have material impact on the financial statements.

(s) Comparatives
Some items from the prior year have been reclassified to ensure a consistent disclosure in the financial statements.

Note 2. Financial Risk Management

The consolidated entity's activities expose it to a variety of financial risks; market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the financial performance of the consolidated entity.

Financial risk management for the consolidated entity's investments is carried out by the Investment Committee. The Investment Committee has identified, evaluated and hedged financial risks in close co-operation with the consolidated entity's external portfolio manager. It has agreed on strategic asset allocations with that external portfolio manager in order to maximise returns but minimising financial risk. The Investment Committee has provided written principles for overall risk management, which are applied in consultation with the consolidated entity's investment consultant, Goldman Sachs J B Were.

(a) Market risk
The consolidated entity is exposed to equity securities price risk. This arises from investments held by the consolidated entity and classified on the balance sheets as fair value through profit or loss.

(b) Credit risk
The consolidated entity has no significant concentrations of credit risk. The consolidated entity has procedures in place to ensure that sales of services are made to members and customers with an appropriate credit history.

(c) Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities available for use.

(d) Cash flow and fair value interest rate risk
The consolidated entity is exposed to interest-bearing assets and therefore the consolidated entity's income and operating cash flows are exposed to changes in market interest rates.

The consolidated entity's interest rate risk arises mainly from its cash portfolio, which is managed by the consolidated entity's external portfolio manager, under the guidelines set out by the Investment Committee.

Note 3. Revenue

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
From continuing operations				
Members' Service Account				
Members' subscriptions	**16,438,145**	15,651,650	**16,438,145**	15,651,650
Entrance fees	**36,499**	60,158	**36,499**	60,158
Associate fees	**2,032,930**	2,035,554	**2,032,930**	2,035,554
Other income	**34,222**	81,192	**34,222**	81,192
	18,541,796	17,828,554	**18,541,796**	17,828,554
General Operations Account				
Consulting and management services	**4,833,389**	4,683,193	**4,833,389**	4,683,193
Government contracts	**6,824,545**	5,353,352	**6,824,545**	5,353,352
Training and other chargeable services	**17,015,392**	13,374,911	**3,104,406**	2,536,698
Publications	**953,243**	985,164	**953,243**	985,164
Affiliate fees	**139,745**	125,002	**139,745**	125,002
Other	**858,586**	593,813	**770,914**	554,867
	30,624,900	25,115,435	**16,626,242**	14,238,276
Other revenue				
General Operations Account				
Rents	**721,418**	824,577	**721,418**	824,577
	721,418	824,577	**721,418**	824,577
Investments				
Interest earned on cash and cash equivalents	**887,866**	1,089,736	**847,125**	1,041,448
Distributions and dividends	**924,425**	620,276	**924,425**	620,276
	1,812,291	1,710,012	**1,771,550**	1,661,724
Revenue from continuing operations	**51,700,405**	45,478,578	**37,661,006**	34,553,131

Note 4. Other Income

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Investment Account				
Unrealised fair value gains on other financial assets at fair value through profit or loss	**1,016,669**	821,973	**1,016,669**	821,973
Realised net gain on other financial assets at fair value through profit or loss	**244,142**	360,210	**244,142**	360,210
	1,260,811	1,182,183	**1,260,811**	1,182,183
General Operations Account				
Government grants (note (a))	**62,984**	5,809	**62,984**	5,809
Other income	**1,323,795**	1,187,992	**1,323,795**	1,187,992

(a) Government grants
Export market development grant of $62,984 (2005: $5,809) was recognised as other income by the consolidated entity during the financial year. There are no unfulfilled conditions or other contingencies attaching to this grant.

Note 5. Expenses

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Surplus from continuing operations includes the following specific expenses:				
Salaries	**28,210,584**	23,469,213	**17,489,230**	15,175,055
Superannuation	**2,676,119**	2,566,046	**1,901,499**	1,868,299
Long service leave	**82,438**	112,663	**82,438**	112,663
Annual leave	**374,218**	380,375	**374,218**	380,375
Other payroll related costs	**2,701,850**	2,192,362	**1,847,818**	1,283,993
Total employee benefit expenses	**34,045,209**	28,720,659	**21,695,203**	18,820,385
Depreciation				
Buildings	**190,568**	186,476	**190,568**	186,476
Plant and equipment	**1,580,639**	1,552,843	**1,479,441**	1,463,596
Total depreciation	**1,771,207**	1,739,319	**1,670,009**	1,650,072
Amortisation				
Leasehold improvements	**327,315**	321,184	**327,315**	321,184
Total amortisation	**327,315**	321,184	**327,315**	321,184
Rental expense relating to operating leases				
Minimum lease payments	**1,073,000**	1,174,127	**1,073,000**	1,174,127
Contingent rentals	-	-	-	-
Sub-leases	-	-	-	-
Total rental expense relating to operating leases	**1,073,000**	1,174,127	**1,073,000**	1,174,127
Affiliation fees	**44,621**	43,937	**28,998**	26,006
Net bad and doubtful debts	**(33,162)**	(59,517)	**(34,294)**	(9,455)
Communications	**5,847,350**	5,250,153	**5,586,766**	5,060,162
Legal expenses	**94,331**	194,509	**94,331**	194,509
Meeting expenses	**836,660**	683,527	**808,808**	662,711
Net loss on disposal of property, plant and equipment	**64,940**	62,536	**57,260**	62,536
Other professional services	**1,925,968**	2,488,042	**1,903,596**	2,466,066
Other operating expenses	**4,264,623**	3,677,211	**3,867,446**	3,259,667
Total expenses from continuing operations	**50,262,062**	44,295,687	**37,078,438**	33,687,970

Note 6. Current assets – Cash and cash equivalents

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Cash at bank and on hand	**1,307,710**	3,042,921	**728,745**	2,269,117
Cash not available for use	**8,182**	7,975	**8,182**	7,975
Bank bills	**10,569,987**	8,022,324	**10,569,987**	8,022,324
Deposits at call	**15,640,544**	11,795,813	**15,640,544**	11,795,813
	27,526,423	22,869,033	**26,947,458**	22,095,229

(a) Reconciliation to cash at the end of the year
The above figures reconcile to cash at the end of the financial year as shown in the statement of cash flows.

(b) Cash at bank and on hand
Grant funds unexpended at year end amounting to $648,848 (2005: $822,781) which are included in the balances above (refer to note 13), can only be used for the purposes of the grant.

Note 6. Current assets – Cash and cash equivalents (continued)

(c) Cash not available for use
The above figures represent a security deposit relating to a lease agreement. This balance is restricted for use until expiration of the lease on 30th June 2007.

(d) Bank bills
The bills are bearing fixed interest rates between 5.45% and 5.93% (2005: 5.62% and 5.93%). These bills have a maturity of between 60-120 days. Included in this balance is $6,526,081 (2005: $6,190,840) representing funds held from the sale of the Canberra premises in 2003 and will be utilised for future direct property investments.

(e) Deposits at call
The deposits are bearing floating interest rates between 5.50% and 5.75% (2005: 5.25% and 5.50%). Included in this balance is $12,576,635 (2005: $5,138,895) that will be utilised for future purchases of growth portfolio and liquidity requirements.

Note 7. Current assets – Trade and other receivables

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Members' subscriptions outstanding	**7,674,149**	7,810,394	**7,674,149**	7,810,394
Provision for doubtful debts	**(52,512)**	(206,486)	**(52,512)**	(206,486)
	7,621,637	7,603,908	**7,621,637**	7,603,908
Accounts receivable	**5,592,209**	5,407,858	**3,690,757**	3,758,030
Provision for doubtful debts	**(79,683)**	(152,318)	**(59,873)**	(115,940)
	5,512,526	5,255,540	**3,630,884**	3,642,090
Amounts receivable from related entities	**-**	-	**910,767**	999,153
Interest accrued	**8,718**	4,946	**8,718**	4,946
Prepayments	**395,246**	497,221	**386,000**	497,099
	13,538,127	13,361,615	**12,558,006**	12,747,196

(a) Bad and doubtful trade receivables
The consolidated entity has recognised a net gain of $33,162 (2005: $59,517) in respect of bad and doubtful trade receivables during the year ended 30 June 2006. The loss had been included in 'net bad and doubtful debts' in the income statements.

(b) Amounts receivable from related entities
These amounts arise from transactions between the parent entity and its subsidiary and are nil on consolidation.

(c) Effective interest rate and credit risk
Information concerning the effective interest rate and credit risk of both current and non-current receivables is set out in the non-current receivables note (note 9).

Note 8. Current assets – Other financial assets at fair value through profit or loss

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Income securities and unsecured convertible notes	**840,972**	839,310	**840,972**	839,310
Managed funds	**7,661,554**	4,887,263	**7,661,554**	4,887,263
Australian listed investments	**3,367,369**	2,563,851	**3,367,369**	2,563,851
	11,869,895	8,290,424	**11,869,895**	8,290,424

Changes in fair value of other financial assets at fair value through profit or loss are recorded in other income in the income statements (note 4).

Note 8. Current assets – Other financial assets at fair value through profit or loss (continued)

(a) Income securities and unsecured convertible notes				
Market value at 1 July 2005	**839,310**	845,459	**839,310**	845,459
Interest earned on deposits	**70,641**	56,141	**70,641**	56,141
Interest reinvested in cash portfolio	**(70,641)**	(56,141)	**(70,641)**	(56,141)
Profit/(Loss) on revaluation at 30 June 2006	**1,662**	(6,149)	**1,662**	(6,149)
Market value at 30 June 2006	**840,972**	839,310	**840,972**	839,310
(b) Managed funds				
Managed fund investments were revalued to market value at 30 June 2006:				
Market value 1 July 2005	**4,887,263**	2,650,150	**4,887,263**	2,650,150
Purchases at cost	**2,800,000**	2,155,016	**2,800,000**	2,155,016
Proceeds on redemption	**(710,892)**	(343,892)	**(710,892)**	(343,892)
Net surplus (deficit) on redemption	**83,836**	(6,661)	**83,836**	(6,661)
Retained investments	**7,060,207**	4,454,613	**7,060,207**	4,454,613
Revaluation increment/(decrement) at 30 June 2006	**601,347**	432,650	**601,347**	432,650
Market value at 30 June 2006	**7,661,554**	4,887,263	**7,661,554**	4,887,263
(c) The Australian listed investments				
A gain was made when all shares were valued at market prices at 30 June 2006:				
Market value 1 July 2005	**2,563,851**	3,838,152	**2,563,851**	3,838,152
Purchase of shares at cost	**1,646,962**	1,263,148	**1,646,962**	1,263,148
Proceeds of sale	**(1,419,074)**	(3,293,641)	**(1,419,074)**	(3,293,641)
Net surplus on redemption	**160,306**	366,869	**160,306**	366,869
Revaluation increment at 30 June 2006	**415,324**	389,323	**415,324**	389,323
Market value at 30 June 2006	**3,367,369**	2,563,851	**3,367,369**	2,563,851

Changes in fair values of other financial assets at fair value through profit or loss are recorded in other income in the income statement (note 4).

(i) Transition to AASB 132 and AASB 139
The consolidated entity has taken the exemption available under AASB 1 *First-time Adoption of Australian Equivalents of International Financial Reporting Standards* to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005.

At the date of transitions to these standards at 1 July 2005, both for the consolidated entity and the parent entity equity securities with a carrying value of $8,290,424 that were classified in the balance sheet under previous AGAAP as other financial assets were designated and re-classified as other financial assets at fair value through profit and loss.

For further information refer to note 1(j).

Note 9. Non-current assets - Receivables

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Other receivables	**379,344**	-	**379,344**	-
Provision for doubtful debts	**(379,344)**	-	**(379,344)**	-
	-	-	**-**	-

On the 30th of June 2006, the consolidated entity sold the Australian Industry Innovation Xchange Network business to IXC Australia Limited for the above consideration. The receivable has been tested for impairment by the Committee of Management. This review resulted in the receivable being fully impaired as IXC Australia Limited is a newly formed entity with no credit history nor security offered to The Australian Industry Group.

(a) Fair values
The fair values and carrying values of non-current receivables of the consolidated entity are as follows:

	2006		2005	
	Carrying amount **$**	**Fair Value** **$**	Carrying amount $	Fair Value $
Other receivables	379,344	-	-	-
	379,344	-	-	-

The carrying amount has been fully provided for by way of a provision for doubtful debts.

(b) Interest rate risk
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 tables.

		Fixed interest maturing in:			
2006	Floating interest rate $	1 year or less $	Over 1 to 2 years $	Non-interest bearing $	Total $
Members' subscriptions outstanding	-	-	-	7,621,637	7,621,637
Accounts receivable	-	-	-	5,512,526	5,512,526
Amounts receivable from related entities	-	-	-	-	-
Other receivables	-	-	-	-	-
	-	-	-	13,134,163	13,134,163
Weighted average interest rate	-	-	-	-	

2005	Floating interest rate $	1 year or less $	Over 1 to 2 years $	Non-interest bearing $	Total $
Members' subscriptions outstanding	-	-	-	7,603,908	7,603,908
Accounts receivable	-	-	-	5,255,540	5,255,540
Amounts receivable from related entities	-	-	-	-	-
Other receivables	-	-	-	-	-
	-	-	-	12,859,448	12,859,448
Weighted average interest rate	-	-	-	-	

(c) Credit risk
There is no concentration of credit risk with respect to current and non-current receivables, as the consolidated entity has a large number of members. Refer to note 2 for more information on the risk management policy of the consolidated entity.

Note 10. Non-current assets - Other financial assets

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Shares in wholly owned subsidiaries	**-**	-	**22**	22
Shares in other corporations	**12**	12	**12**	12
	12	12	**34**	34

	Consolidated 2006	Consolidated 2005	Parent entity 2006	Parent entity 2005
(a) Shares in Wholly Owned Subsidiaries				
Ai Group Nominees Pty Limited	**-**	-	**20**	**20**
Australian Industry Group Training Services Pty Ltd	**-**	-	**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.

	Consolidated 2006	Consolidated 2005	Parent entity 2006	Parent entity 2005
(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 2006 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.

The wholly-owned consolidated entity consists of The Australian Industry Group and its wholly-owned subsidiaries, Ai Group Nominees Pty Limited, Australian Industry Group Training Services Pty Ltd and The Manufacturers Training Trust.

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 consolidated entity during the years ended 30 June 2006 and 2005 consisted of:

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

The transactions were made on normal commercial terms and conditions and at market rates (refer note 20).

Note 11. Non-current assets – Property, plant and equipment

Consolidated	Freehold land	Buildings	Leasehold improve-ments	Plant & equipment	Capital works in progress	Total
	$	$	$	$	$	$
At 1 July 2004						
Cost or fair value	4,300,000	6,598,664	3,467,227	17,234,505	-	31,600,396
Accumulated depreciation	-	(372,703)	(1,331,506)	(10,494,646)	-	(12,198,855)
Net book amount	4,300,000	6,225,961	2,135,721	6,739,859	-	19,401,541
Year ended 30 June 2005						
Opening net book amount	4,300,000	6,225,961	2,135,721	6,739,859	-	19,401,541
Revaluation surplus	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 charge (note 5)	-	(186,476)	(321,184)	(1,552,843)	-	(2,060,503)
Closing net book amount	5,950,000	6,569,590	1,838,576	6,195,659	13,844	20,567,669
At 30 June 2005						
Cost or fair value	5,950,000	6,600,766	3,491,266	17,784,192	13,844	33,840,068
Accumulated depreciation	-	(31,176)	(1,652,690)	(11,588,533)	-	(13,272,399)
Net book amount	5,950,000	6,569,590	1,838,576	6,195,659	13,844	20,567,669

Consolidated	Freehold land	Buildings	Leasehold improve-ments	Plant & equipment	Capital works in progress	Total
	$	$	$	$	$	$
Year ended 30 June 2006						
Opening net book amount	5,950,000	6,569,590	1,838,576	6,195,659	13,844	20,567,669
Revaluation surplus	1,450,000	832,251	-	-	-	2,282,251
Additions	-	-	46,513	1,749,869	-	1,796,382
Disposals	-	-	-	(448,373)	-	(448,373)
Transfers	-	-	-	13,844	(13,844)	-
Depreciation/amortisation charge (note 5)	-	(190,568)	(327,315)	(1,580,639)	-	(2,098,522)
Closing net book amount	7,400,000	7,211,273	1,557,774	5,930,360	-	22,099,407
At 30 June 2006						
Cost or fair value	7,400,000	7,245,961	3,537,779	18,159,213	-	36,342,953
Accumulated depreciation	-	(34,688)	(1,980,005)	(12,228,853)	-	(14,243,546)
Net book amount	7,400,000	7,211,273	1,557,774	5,930,360	-	22,099,407

Note 11. Non-current assets – Property, plant and equipment (continued)

Parent entity	Freehold land	Buildings	Leasehold improve-ments	Plant & equipment	Capital works in progress	Total
	$	$	$	$	$	$
At 1 July 2004						
Cost or fair value	4,300,000	6,598,664	3,467,227	16,841,151	-	31,207,042
Accumulated depreciation	-	(372,703)	(1,331,506)	(10,322,633)	-	(12,026,842)
Net book amount	4,300,000	6,225,961	2,135,721	6,518,518	-	19,180,200
Year ended 30 June 2005						
Opening net book amount	4,300,000	6,225,961	2,135,721	6,518,518	-	19,180,200
Revaluation surplus	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 charge (note 5)	-	(186,476)	(321,184)	(1,463,596)	-	(1,971,256)
Closing net book amount	5,950,000	6,569,590	1,838,576	5,907,593	13,844	20,279,603
At 30 June 2005						
Cost or fair value	5,950,000	6,600,766	3,491,266	17,306,976	13,844	33,362,853
Accumulated depreciation	-	(31,176)	(1,652,690)	(11,399,383)	-	13,083,250
Net book amount	5,950,000	6,569,590	1,838,576	5,907,593	13,844	20,279,603

Parent entity	Freehold land	Buildings	Leasehold improve-ments	Plant & equipment	Capital works in progress	Total
	$	$	$	$	$	$
Year ended 30 June 2006						
Opening net book amount	5,950,000	6,569,590	1,838,576	5,907,593	13,844	20,279,603
Revaluation surplus	1,450,000	832,251	-	-	-	2,282,251
Additions	-	-	46,513	1,573,038	-	1,619,551
Disposals	-	-	-	(397,586)	-	(397,586)
Transfers	-	-	-	13,844	(13,844)	-
Depreciation/amortisation charge (note 5)	-	(190,568)	(327,315)	(1,479,441)	-	(1,997,324)
Closing net book amount	7,400,000	7,211,273	1,557,774	5,617,448	-	21,786,495
At 30 June 2006						
Cost or fair value	7,400,000	7,245,961	3,537,779	17,667,598	-	35,851,338
Accumulated depreciation	-	(34,688)	(1,980,005)	(12,050,150)	-	(14,064,843)
Net book amount	7,400,000	7,211,273	1,557,774	5,617,448	-	21,786,495

(a) 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, based on current prices in an active market for similar properties in the same location and condition. The last independent valuation was conducted in April 2006 based on independent assessments by members of the Australian Property Institute and the carrying values were suitably adjusted. The next valuation is due in April 2007 and the Committee of Management has assessed the April 2006 valuation as reasonable for the current period. The revaluation surplus was credited to the assets revaluation reserve account.

Note 12. Non-current liabilities – Retirement benefit asset

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Retirement benefit asset	**225,000**	-	**225,000**	-
	225,000	-	**225,000**	-

(a) Superannuation Plan
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). All employees of the consolidated entity are entitled to benefits from the consolidated entity's superannuation plan on retirement, disability or death. The consolidated entity has one plan with a defined benefit section and a defined contribution section. The defined benefit section provides lump sum benefits based on years of service and average salary. The defined contribution section receives fixed contributions from the consolidated entity and the consolidated entity's legal or constructive obligation is limited to these contributions.

The following sets out details in respect of the defined benefit section only.

(b) Balance sheets amounts
The amounts recognised in the balance sheets are determined as follows:

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Present value of the defined benefit obligation	**8,553,000**	10,902,000	**8,553,000**	10,902,000
Fair value of defined benefit plan assets	**8,778,000**	10,486,000	**8,778,000**	10,486,000
	(225,000)	416,000	**(225,000)**	416,000
Unrecognised actuarial (losses)/gains	-	-	-	-
Unrecognised past service costs	-	-	-	-
Transfer to asset account	**225,000**		**225,000**	
Net liability in the balance sheets	-	416,000	-	416,000

(c) Categories of plan assets
The major categories of plan assets are as follows:

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Cash	**860,244**	629,160	**860,244**	629,160
Equity instruments	**5,495,028**	6,501,320	**5,495,028**	6,501,320
Property	**667,128**	838,880	**667,128**	838,880
Other assets	**1,755,600**	2,516,640	**1,755,600**	2,516,640
	8,778,000	10,486,000	8,778,000	10,486,000

The fair value of the plan assets includes no amount relating to any of the consolidated entity's own financial instruments or any property occupied by, or other assets used by, the consolidated entity.

Note 12. Non-current liabilities – Retirement benefit asset (continued)

(d) Reconciliations

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Reconciliation of the present value of the defined benefit obligation, which is partly funded:				
Balance at the beginning of the year	**10,902,000**	9,964,000	**10,902,000**	9,964,000
Current service cost	**524,000**	558,000	**524,000**	558,000
Interest cost	**402,000**	458,000	**402,000**	458,000
Contributions by Plan participants	**77,000**	74,000	**77,000**	74,000
Actuarial (gains) and losses	**82,000**	422,000	**82,000**	422,000
Benefits paid	**(3,362,000)**	(471,000)	**(3,362,000)**	(471,000)
Taxes, premiums and expenses paid	**(72,000)**	(103,000)	**(72,000)**	(103,000)
Balance at the end of the year	**8,553,000**	10,902,000	**8,553,000**	10,902,000
Reconciliation of the fair value of plan assets:				
Balance at the beginning of the year	**10,486,000**	9,375,000	**10,486,000**	9,375,000
Expected return on plan assets	**597,000**	576,000	**597,000**	576,000
Actuarial gains and (losses)	**583,000**	365,000	**583,000**	365,000
Contributions by Plan participants	**77,000**	74,000	**77,000**	74,000
Employer contributions	**469,000**	670,000	**469,000**	670,000
Benefits paid	**(3,362,000)**	(471,000)	**(3,362,000)**	(471,000)
Taxes, premiums and expenses paid	**(72,000)**	(103,000)	**(72,000)**	(103,000)
Balance at the end of the year	**8,778,000**	10,486,000	**8,778,000**	10,486,000

(e) Amounts recognised in income statements
The amounts recognised in the income statements are as follows:

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Current service costs	**524,000**	558,000	**524,000**	558,000
Interest costs	**402,000**	458,000	**402,000**	458,000
Expected return on plan assets	**(597,000)**	(576,000)	**(597,000)**	(576,000)
Total included in employee benefits expense	**329,000**	440,000	**329,000**	440,000
Actual return on plan assets	**1,180,000**	941,000	**1,180,000**	941,000

(f) Principal actuarial assumptions
The principal actuarial assumptions used (expressed as weighted averages) were as follow:

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
Discount rate	**4.80%**	4.30%	**4.80%**	4.30%
Expected return on plan assets	**6.50%**	6.50%	**6.50%**	6.50%
Future salary increase	**4.50%**	4.50%	**4.50%**	4.50%

The defined benefit obligation includes an allowance for a contributions tax provision, which represents the costs of the tax that is imposed on employer contributions to superannuation funds. There remains some uncertainty as to the most appropriate allowance for the contributions tax, as a result the full allowance for tax of 15% has been assumed.

(g) Employer contributions
Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary. Actuarial assessments are made annually, and the last such assessment was made as at 30 June 2006.

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

Note 12. Non-current liabilities – Retirement benefit asset (continued)

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.

Total employer contributions expected to be paid by consolidated entity for the year ended 30 June 2007 are $383,000.

The economic assumptions used by the actuary to make the funding recommendations were a long-term investment earning rate of 6.50% pa (net of fees and taxes) and a salary increase rate of 4.50% pa.

(h) Net financial position of plan
In accordance with AAS 25 *Financial Reporting by Superannuation Plans* the plan's net financial position is determined as the difference between the present value of the accrued benefits and the net market value of plan assets. This has been determined as at the 1 July 2005 and a surplus of $152,579 was reported.

The surplus, as at 30 June 2005, under AAS 25 differs from the net asset of $225,000 recognised in the balance sheets as at 30 June 2006 due to different measurement rules in the relevant accounting standards AAS 25 and AASB 119 *Employee Benefits* and different measurement dates.

(i) Historic summary	**2006**	2005
	$	$
Defined benefit plan obligation	**(8,553,000)**	(10,902,00)
Plan assets	**8,778,000**	10,486,000
Surplus / (deficit)	**225,000**	(416,000)
Experience adjustments arising on plan liabilities	**(543,000)**	(1,000)
Experience adjustments arising on plan assets	**583,000**	365,000

Information for years prior to 2005 is not available.

Note 13. Current liabilities – Trade and other payables

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Trade payables	**4,167,980**	3,752,830	**3,301,251**	2,653,814
Unexpended government grants	**648,848**	822,781	**648,848**	822,781
Affiliation fees	**377,198**	376,213	**377,198**	376,213
Special contribution for defence of members' interests	**8,728**	8,728	**8,728**	8,728
	5,202,754	4,960,552	**4,336,025**	3,861,536

(a) Unexpended government grants
Under arrangements with the Commonwealth and various State Governments the consolidated entity 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 $8,741,974 (2005 $4,188,902) for the consolidated entity. Grant funds unexpended at year end amount to $648,848 (2005: $822,781) 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 appropriate government body.

(b) Affiliation fees
This represents the amount billed to members for subscription income on behalf of the affiliates of the consolidated entity. When the member settles their membership account for the year, payment collected is forwarded to the affiliation organisations, primarily the Engineering Employers' Association, South Australia, Chamber of Commerce and Industry, Western Australian and the Northern Territory Chamber of Commerce and Industry.

Note 13. Current liabilities – Trade and other payables (continued)

(c) Special contribution for defence of members' interest
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. There were no contributions or any expenditure relating to any defence of members' interest during the year, and the balance in the account represents funds carried forward to future periods.

Note 14. Current liabilities – Deferred income

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Deferred income	**12,504,021**	12,838,585	**12,497,425**	12,838,585
Deferred income – government grants	**4,203,337**	-	**4,203,337**	-
	16,707,358	12,838,585	**16,700,762**	12,838,585

(a) Deferred income
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 2006 to 30 September 2006.

(b) Deferred income – government grants
Government grant income is brought to account on a pro-rata basis over the period to which it relates as per the grant contract (refer note 1(d)).

Note 15. Current liabilities – Provisions

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Employee benefits - annual leave	**2,277,682**	1,815,857	**1,394,478**	1,338,743
Employee benefits - long service leave	**179,554**	165,000	**179,554**	165,000
	2,457,236	1,980,857	**1,574,032**	1,503,743

Note 16. Non-current liabilities – Other payables

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Lease incentives	**801,273**	439,186	**801,273**	439,186
Straight lining of fixed increase in lease rental	**21,511**	19,210	**21,511**	19,210
	822,784	458,396	**822,784**	458,396

(a) Lease incentives
The lease incentives relate to the lease on the South Melbourne premises and are a combination of a fit-out incentive received on commencing at the premises, which is currently recognised over a 10 year period and an additional lease renewal incentive, reduced by the agents' commission, which is being recognised over a 5 year period.

(b) Straight lining of fixed increase in lease rental
The consolidated entity has entered into some operating property leases that have fixed annual rental increase in the lease contracts. A liability is recognised in the provision for straight lining of fixed increases in lease rentals. Refer note 27.

Note 17. Non-current liabilities – Provisions

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Employee benefits - long service leave	**1,497,530**	1,314,029	**1,382,083**	1,213,892
Other employee entitlements	**-**	103,525	**-**	103,525
Lease make good provision	**180,508**	171,504	**180,508**	171,504
	1,678,038	1,589,058	**1,562,591**	1,488,921

Note 18. Non-current liability – Retirement benefit obligation

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Retirement benefit obligation	**-**	416,000	**-**	416,000
	-	416,000	**-**	416,000

(a) Retirement benefit obligation
Information about the defined benefit assets and the defined benefit obligation are set out in the retirement benefits assets note (note 12).

Note 19. Reserves and retained profits

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
(a) Reserves				
Property, plant and equipment revaluation reserve	**7,543,734**	5,261,483	**7,543,734**	5,261,483
Capital profits reserve	**-**	-	**-**	-
	7,543,734	5,261,483	**7,543,734**	5,261,483
Movements:				
Property, plant and equipment revaluation reserve:				
Balance 1 July 2005	**5,261,483**	3,081,378	**5,261,483**	3,081,378
Increment on revaluation of freehold land at the end of the financial year	**1,450,000**	1,650,000	**1,450,000**	1,650,000
Increment on revaluation of buildings at the end of the financial year	**832,251**	530,105	**832,251**	530,105
Transfer to retained profits	**-**	-	**-**	-
Balance 30 June 2006	**7,543,734**	5,261,483	**7,543,734**	5,261,483
(b) Retained profits				
Retained profits at the beginning of the financial year	**37,583,822**	27,582,632	**37,583,822**	27,582,632
Transfer from capital profits reserve	**-**	7,687,307	**-**	7,687,307
Net surplus / (deficit) attributable to members of The Australian Industry Group	**2,762,138**	2,370,883	**2,762,138**	2,370,883
Gain / (Loss) attributable on actuarial assessment on retirement benefits obligations	**501,000**	(57,000)	**501,000**	(57,000)
Retained profits at the end of the financial year	**40,846,960**	37,583,822	**40,846,960**	37,583,822

Note 19. Reserves and retained profits (continued)

(c) Nature and purpose of reserves

(i) Property, plant and equipment revaluation reserve

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

(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 20. Related party transactions

(a) Key management personnel

The following persons had authority and responsibility for planning and managing the activities of The Australian Industry Group, directly or indirectly, during the financial year:

(i) Chief Executive
H M Ridout

(ii) Executive Directors

L W Purnell	Executive Director – International
G R Willis	Executive Director - Finance, Administration and Superannuation

(iii)Directors

A Craig	Director – Queensland
S A Cullen	Director – Members Advisory Services
M A Goodsell	Director – New South Wales
B E Kerwood	Director – Training Services
A Melville	Director – Public Affairs and Government Relations
P A Nolan	Director – Workplace Relations
T C Piper	Director – Victoria
S T Smith	Director – National Industrial Relations
J Tsimboulas	Director and Chief Financial Officer

(iv) Associate Directors

J Barrett	Associate Director – Construction & Infrastructure
F Brown	Associate Director – Communications & Marketing
P Burn	Associate Director – Public Policy
D Hargraves	Associate Director – Workplace Relations
M Lilly	Associate Director – Education and Training
T Pensabene	Associate Director – Economics and Research

(v) General Managers

G Kearney	Chief Executive – Innovation Xchange (resigned 30th June 2006)

All the above employees held a senior position at The Australian Industry Group from 1 July 2005 to 30 June 2006 and the preceding financial year, with the exception of the following: Jim Barrett and Fiona Brown who were promoted to these positions on 1 April 2006 and G Kearney resigned on 30th June 2006.

(b) Key management personnel compensation

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Short-term employee benefits	**4,895,354**	4,230,388	**4,687,239**	4,034,170

Note 20. Related party transactions (continued)

(c) Transactions with related parties
The following transactions occurred with related parties:

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Superannuation contributions				
Contributions to superannuation funds on behalf of employees	**2,676,119**	2,566,046	**1,901,499**	1,868,299
Other transactions				
Rental revenue paid to The Australian Industry Group	-	-	**151,258**	157,520

(d) Loans to/from related parties

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Loans to subsidiaries				
Beginning of the year	-	-	999,153	666,391
Loans advanced	-	-	3,352,128	1,293,162
Loan repayments received	-	-	(3,420,114)	(940,000)
Interest charged	-	-	-	-
Interest received	-	-	(20,400)	(20,400)
End of year	-	-	910,767	999,153

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

Note 21. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated		Parent entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Assurance services				
Audit services				
PricewaterhouseCoopers Australian firm:				
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**153,833**	135,200	**131,940**	125,200
Total remuneration for audit services	**153,833**	135,200	**131,940**	125,200
Other assurance services				
PricewaterhouseCoopers Australian firm:				
IFRS accounting services	**8,500**	-	**8,500**	-
Other accounting services	**5,950**	6,350	**5,950**	6,350
Non-PricewaterhouseCoopers firm:				
Other accounting services	**21,960**	2,160	**21,480**	2,010
Total remuneration for other assurance services	**36,410**	8,510	**35,930**	8,360
Total remuneration for assurance services	**190,243**	143,710	**167,870**	133,560

Note 22. Contingent liabilities

The consolidated entity had no contingent liabilities at 30 June 2006.

Note 23. Commitments

	Consolidated 2006 $	Consolidated 2005 $	Parent entity 2006 $	Parent entity 2005 $
Lease commitments: consolidated entity as lessee				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**2,052,770**	1,573,038	**2,052,770**	1,573,038
Later than one year but not later than five years	**4,837,974**	5,767,171	**4,837,974**	5,767,171
Later than five years	**131,064**	233,955	**131,064**	233,955
	7,021,808	7,574,164	**7,021,808**	7,574,164
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	**373,083**	70,682	**373,083**	70,682

Note 24. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	**Country of Incorporation**	**Class of shares**	**Equity Holding 2006 %**	**Equity Holding 2005 %**
Ai Group Nominees Pty Limited	Australia	Ordinary	100	100
Australian Industry Group Training Services Pty Ltd	Australia	Ordinary	100	100

Note 25. Events occurring after the balance sheets date

At the date of signing this report, no other matter or circumstance has arisen since 30 June 2006 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 26. Reconciliation of surplus to net cash inflow from operating activities

	Consolidated 2006 $	Consolidated 2005 $	Parent entity 2006 $	Parent entity 2005 $
Surplus/(Deficit) from continuing operations	**2,762,138**	2,370,883	**2,762,138**	2,370,883
Depreciation and amortisation	**2,098,522**	2,060,503	**1,997,324**	1,971,256
(Profit)/loss on disposal of investments	**(244,142)**	(360,210)	**(244,142)**	(360,210)
(Profit)/loss on revaluation of investments	**(1,016,669)**	(821,971)	**(1,016,669)**	(821,973)
Net loss on sale of non-current assets	**64,940**	62,536	**57,260**	62,536
Change in operating assets and liabilities				
(Increase) / decrease in receivables	**(274,715)**	(677,558)	**(908,044)**	(136,442)
(Increase) / decrease in receivables from related parties	**-**	-	**999,153**	(332,761)
(Increase) / decrease in other receivables	**98,203**	52,781	**98,081**	48,644
Increase / (decrease) in subscriptions in advance	**3,868,773**	1,163,801	**3,862,177**	1,163,801
Increase / (decrease) in trade and other payables	**242,202**	1,154,163	**474,489**	568,047
Increase / (decrease) in provisions	**789,747**	(337,107)	**368,347**	(458,706)
Net cash inflow from operating activities	**8,388,999**	4,667,821	**8,450,114**	4,075,075

Note 27. Explanation of transition to Australian equivalents to IFRSs

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)

(a) At the date of transition to AIFRS: I July 2004

		Consolidated			Parent entity		
	Notes	Previous AGAAP $	Effect of transition to AIFRS $	AIFRS $	Previous AGAAP $	Effect of transition to AIFRS $	AIFRS $
ASSETS							
Current assets							
Cash and cash equivalents	(d)	4,300,771	14,783,985	19,084,756	3,963,739	14,783,985	18,747,724
Trade and other receivables	(e)	12,186,193	550,645	12,736,838	11,780,251	546,386	12,326,637
Other financial assets at fair value through profit or loss	(d), (h)	14,783,985	(7,450,224)	7,333,761	14,783,985	(7,450,224)	7,333,761
Other	(e)	550,645	(550,645)	-	546,386	(546,386)	-
Total current assets		31,821,594	7,333,761	39,155,355	31,074,361	7,333,761	38,408,122
Non-current assets							
Other financial assets	(d)	7,333,773	(7,333,761)	12	7,333,795	(7,333,761)	34
Property, plant and equipment		19,401,541		19,401,541	19,180,200		19,180,200
Total non-current assets		26,735,314	(7,333,761)	19,401,553	26,513,995	(7,333,761)	19,180,234
Total assets		58,556,908	-	58,556,908	57,588,356	-	57,588,356
LIABILITIES							
Current liabilities							
Trade and other payables	(f)	3,806,389	325,496	4,131,885	3,293,489	325,496	3,618,985
Deferred income		11,674,784		11,674,784	11,674,784		11,674,784
Provisions		1,651,310		1,651,310	1,285,132		1,285,132
Other	(f)	325,496	(325,496)	-	325,496	(325,496)	-
Total current liabilities		17,457,979	-	17,457,979	16,578,901	-	16,578,901
Non-current liabilities							
Other payables	(c)	524,182	10,410	534,592	524,182	10,410	534,592
Provisions	(a)	1,461,071	162,949	1,624,020	1,371,597	162,949	1,534,546
Retirement benefit obligation	(b)	-	589,000	589,000	-	589,000	589,000
Total non-current liabilities		1,985,253	762,359	2,747,612	1,895,779	762,359	2,658,138
Total liabilities		19,443,232	762,359	20,205,591	18,474,680	762,359	19,237,039
Net assets		**39,113,676**	**(762,359)**	**38,351,317**	**39,113,676**	**(762,359)**	**38,351,317**
MEMBERS' FUNDS							
Reserves		10,768,685		10,768,685	10,768,685		10,768,685
Retained profits	(a), (b), (c)	28,344,991	(762,359)	27,582,632	28,344,991	(762,359)	27,582,632
Total members' funds		**39,113,676**	**(762,359)**	**38,351,317**	**39,113,676**	**(762,359)**	**38,351,317**

Note 27. Explanation of transition to Australian equivalents to IFRSs (continued)

(b) At the end of the last reporting period under previous AGAAP: 30 June 2005

			Consolidation			Parent entity	
	Notes	Previous AGAAP $	Effect of transition to AIFRS $	AIFRS $	Previous AGAAP $	Effect of transition to AIFRS $	AIFRS $
ASSETS							
Current assets							
Cash and cash equivalents	(d)	8,189,791	14,679,242	22,869,033	7,415,987	14,679,242	22,095,229
Trade and other receivables	(e)	12,864,394	497,221	13,361,615	12,250,097	497,099	12,747,196
Other financial assets at fair value through profit or loss	(d), (h)	14,679,242	(6,388,818)	8,290,424	14,679,242	(6,388,818)	8,290,424
Other	(e)	497,221	(497,221)		497,099	(497,099)	
Total current assets		36,230,648	8,290,424	44,521,072	34,842,425	8,290,424	43,132,849
Non-current assets							
Other financial assets	(d)	8,290,436	(8,290,424)	12	8,290,458	(8,290,424)	34
Property, plant and equipment		20,567,669		20,567,669	20,279,603		20,279,603
Total non-current assets		28,858,105	(8,290,424)	20,567,681	28,570,061	(8,290,424)	20,679,637
Total assets		65,088,753	-	65,088,753	63,412,486	-	63,412,486
LIABILITIES							
Current liabilities							
Trade and other payables	(f), (g)	4,963,323	(2,771)	4,960,552	3,864,307	(2,771)	3,861,536
Deferred income	(g)	12,459,601	378,984	12,838,585	12,459,601	378,984	12,838,585
Provisions		1,980,857		1,980,857	1,503,743		1,503,743
Other	(f)	376,213	(376,213)	-	376,213	(376,213)	-
Total current liabilities		19,779,994	-	19,779,994	18,203,864	-	18,203,864
Non-current liabilities							
Other payables	(c)	439,186	19,210	458,396	439,186	19,210	458,396
Provisions	(a)	1,417,554	171,504	1,589,058	1,317,417	171,504	1,488,921
Retirement benefit obligation	(b)	-	416,000	416,000	-	416,000	416,000
Total non-current liabilities		1,856,740	606,714	2,463,454	1,756,603	606,714	2,363,317
Total liabilities		21,636,734	606,714	22,243,448	19,960,467	606,714	20,567,181
Net assets		**43,452,019**	**(606,714)**	**42,845,305**	**43,452,019**	**(606,714)**	**42,845,305**
MEMBERS' FUNDS							
Reserves		5,261,483		5,261,483	5,261,483		5,261,483
Retained profits	(a), (b), (c)	38,190,536	(606,714)	37,583,822	38,190,536	(606,714)	37,583,822
Total members' funds		**43,452,019**	**(606,714)**	**42,845,305**	**43,452,019**	**(606,714)**	**42,845,305**

Note 27. Explanation of transition to Australian equivalents to IFRSs (continued)

(2) Reconciliation of profit for the year ended 30 June 2005

	Notes	Consolidated Previous AGAAP $	Consolidated Effect of transition to AIFRS $	Consolidated AIFRS $	Parent entity Previous AGAAP $	Parent entity Effect of transition to AIFRS $	Parent entity AIFRS $
Revenue from continuing operations	(h)	46,666,570	(1,187,992)	45,478,578	35,741,123	(1,187,992)	34,553,131
Other Income	(h)	-	1,187,992	1,187,992	-	1,187,992	1,187,992
Employee benefits expense	(b)	(28,950,659)	230,000	(28,720,659)	(19,050,385)	230,000	(18,820,385)
Depreciation and amortisation expenses		(2,060,503)	-	(2,060,503)	(1,971,256)	-	(1,971,256)
Communications		(5,250,153)	-	(5,250,153)	(5,060,162)	-	(5,060,162)
Rental expense relating to operating leases	(c)	(1,165,327)	(8,800)	(1,174,127)	(1,165,327)	(8,800)	(1,174,127)
Other operating expenses	(a)	(7,081,690)	(8,555)	(7,090,245)	(6,653,485)	(8,555)	(6,662,040)
Surplus / (Deficit) from continuing operations		**2,158,238**	**212,645**	**2,370,883**	**1,840,508**	**212,645**	**2,053,153**
Transfer of surplus from Manufacturers Training Trust		-	-	-	317,730	-	317,730
Surplus / (Deficit) from continuing operations after transfer of surplus from Manufacturers Training Trust	(a), (b), (c)	**2,158,238**	**212,645**	**2,370,883**	**2,158,238**	**212,645**	**2,370,883**

(3) Reconciliation of cash flow statements for the year ended 30 June 2005
The adoption of AIFRSs has not resulted in any material adjustments to the cash flow statements.

(4) Notes to the recouciliations

(a) Lease make good provision
The consolidated entity has entered into operating property leases which require the leasee to make good at the termination of the lease. Under previous AGAAP, the potential make good expense was not recognised on the balance sheets. At the date of transition a liability is recognised in the provision for lease make good. It is measured based on industry standards of a reasonable value for make good per square meter. The effect of this is:

(i) At 1 July 2004
For the consolidated entity there has been an increase of $162,949 in non-current liabilities under the lease make good provisions and a decrease in retained earnings of $162,949.

(ii) At 30 June 2005
For the consolidated entity there has been an increase of $171,504 in non-current liabilities under the lease make good provisions and a decrease in retained earnings of $171,504.

(iii) For the year ended 30 June 2005
For the consolidated entity other operating expenses for the year has increased by $8,555.

Note 27. Explanation of transition to Australian equivalents to IFRSs (continued)

(b) Retirement benefits obligations
The Australian Industry Group and subsidiaries is the sponsor of a superannuation plan with a defined benefit section and a defined contribution section. Under previous AGAAP, cumulative actuarial gains and losses on the defined benefit section were not recognised on the balance sheets. At the date of transition a liability is recognised in the provision for employee benefits. It is measured as the difference between the presents value of the employees' accrued benefits at that date and the net market value of the superannuation fund's assets at that date. The effect of this is:

(i) At 1 July 2004
For the consolidated entity there has been an increase of $589,000 in retirement benefit obligations and a decrease in retained earnings of $589,000.

(ii) At 30 June 2005
For the consolidated entity there has been an increase of $416,000 in retirement benefit obligations and a decrease in retained earnings of $416,000.

(iii) For the year ended 30 June 2005
For the consolidated entity employee benefits expense for the year has decreased by $230,000.

(c) Straight lining of fixed increase in lease rental
The consolidated entity has entered into some operating property leases that have fixed annual rental increase in the lease contracts. Under previous AGAAP, the lease rentals were not spread evenly over the full period of the lease. At the date of transition a liability is recognised in the provision for straight lining of fixed increases in lease rentals. The effect of this is:

(i) At 1 July 2004
For the consolidated entity there has been an increase of $10,410 in non-current liabilities under the Straight lining of fixed increase in lease rental provisions and a decrease in retained earnings of $10,410.

(ii) At 30 June 2005
For the consolidated entity there has been an increase of $19,210 in non-current liabilities under the Straight lining of fixed increase in lease rental provisions and a decrease in retained earnings of $19,210.

(iii) For the year ended 30 June 2005
For the consolidated entity other operating expenses for the year has increased by $8,800.

(d) Reclassification of deposits at call to cash & cash equivalents
Under AIFRS, bank bills and other financial assets are classified as cash and cash equivalent. This is in contrast to the current Australian GAAP treatment under which such items are classified as investments.

(i) At 1 July 2004
For the consolidated and parent entity there has been an increase of $14,783,985 in the cash and cash equivalents and a corresponding decrease in the investments and other financial assets.

(ii) At 30 June 2005
For the consolidated and parent entity there has been an increase of $14,679,242 in the cash and cash equivalents and a corresponding decrease in the investments and other financial assets.

(iii) For the year ended 30 June 2005
There is no effect on the consolidated and the parent entity.

(e) Reclassification of prepayments to receivables
Under AIFRS, "Current assets – prepayments" are classified as "Current assets - Trade and other receivables". This is in contrast to the current Australian GAAP classification under which such items are classified as "Current assets - other".

Note 27. Explanation of transition to Australian equivalents to IFRSs (continued)

(i) At 1 July 2004
For the consolidated and parent entity there has been an increase of $550,645 in the Trade and other receivables and a corresponding decrease in the Current assets - Other.

(ii) At 30 June 2005
For the consolidated and parent entity there has been an increase of $497,221 in the Trade and other receivables and a corresponding decrease in the Current assets - Other.

(iii) For the year ended 30 June 2005
There is no effect on the consolidated and the parent entity.

(f) Reclassification of other payables to trade and other payables
Under AIFRS, "Current liabilities - Other payables" are classified as "Current liabilities - Trade and other payables". This is in contrast to the current Australian GAAP classification under which such items are classified as "Current liabilities – other".

(i) At 1 July 2004
For the consolidated and parent entity there has been an increase of $325,496 in the Trade and other payables and a corresponding decrease in the Current liabilities - Other.

(ii) At 30 June 2005
For the consolidated and parent entity there has been an increase of $376,213 in the Trade and other payables and a corresponding decrease in the Current liabilities - Other.

(iii) For the year ended 30 June 2005
There is no effect on the consolidated and the parent entity.

(g) Reclassification of trade and other payables to deferred income
Under AIFRS, "Current liabilities - Trade and other payables" are classified as "Current liabilities – Deferred income". This is in contrast to the current Australian GAAP classification under which such items are classified as "Current liabilities – Trade and other payables".

(i) At 1 July 2004
There is no effect on the consolidated and the parent entity.

(ii) At 30 June 2005
For the consolidated and parent entity there has been a decrease of $378,984 in the Trade and other payables and a corresponding increase in the Deferred income.

(iii) For the year ended 30 June 2005
There is no effect on the consolidated and the parent entity.

(h) Reclassification of other income
Under AIFRS, foreign exchange gains, government grants and debt defeasance are classified as other income. This is in contrast to the current Australian GAAP treatment under which such items are classified as revenue.

(i) At 1 July 2004 and 30 June 2005
There is no effect on the Consolidated and the parent entity.

(iii) For the year ended 30 June 2005
For the consolidated and parent entity there has been a decrease in revenue of $1,187,992 and a corresponding increase in Other income.

Note 27. Explanation of transition to Australian equivalents to IFRSs (continued)

(i) Exemption from restatement of comparatives
The consolidated entity has elected to apply the exemption from restatement of comparatives for AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement. It has therefore continued to apply the previous AGAAP rules to financial assets and financial liabilities for the year ended 30 June 2005. The adjustments required for differences in classification between previous AGAAP and AASB 132 and AASB 139 have been determined and recognised at 1 July 2005. No separate reconciliation of equity as at 1 July 2005 has been disclosed as the consolidated entity carries its investments at fair value through profit and loss account under the previous AGAAP.

(j) Retained earnings
The effect on retained earnings of the changes set out above are as follows:

		1 July 2004		30 June 2005	
		Consolidated	Parent entity	Consolidated	Parent entity
	Notes	$	$	$	$
Lease make good provision	(a)	(162,949)	(162,949)	(171,504)	(171,504)
Retirement benefits obligations	(b)	(589,000)	(589,000)	(416,000)	(416,000)
Straight lining of fixed increase in lease rental	(c)	(10,410)	(10,410)	(19,210)	(19,210)
Reclassification of deposits at call to cash & cash equivalents	(d)	-	-	-	-
Reclassification of prepayments to receivables	(e)	-	-	-	-
Reclassification of other payables to trade and other payables	(f)	-	-	-	-
Reclassification of trade and other payables to deferred income	(g)	-	-	-	-
Reclassification of other income	(h)	-	-	-	-
Total adjustment		**(762,359)**	**(762,359)**	**(606,714)**	**(606,714)**
Attributable to the consolidated entity		**(762,359)**	**(762,359)**	**(606,714)**	**(606,714)**

The Australian Industry Group
Committee of management's statement

On the 4th of September 2006, the Committee of Management of The Australian Industry Group passed the following resolution in relation to the general purpose financial report (GPFR) of the reporting unit for the financial year ended 30 June 2006:

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
- (ii) the financial records of the reporting unit have been kept and maintained in accordance with the RAO Schedule and the RAO Regulations; and
- (iii) The Organisation is divided into branches however the financial reports 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
- (iv) 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
- (v) 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
19th September 2006

The Australian Industry Group
Operating Report

The Committee of Management presents their Operating Report on The Australian Industry Group for the year ended 30 June 2006.

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 (National Vice President)
R L Chadwick (Deputy National President)
A Conte
L Di Bartolomeo
J Gaskell (Alternate)
J A Hale*
W Hutchinson (Alternate)
J W Ingram (National President)
I D James* (Immediate Past National President)
P J Lancaster (Alternate)
R Leeming (National Vice President)
R Leupen
G Lockhart
D Matthews
D McGree
P J Nicholls
G O'Brien (Alternate)
K J G Porter
C Raine
R J Rolls (Alternate)
G Sedgwick
M Symes (National Vice President)
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 2005 to 30 June 2006, with the exception of the following:
J Gaskell (appointed 24th November 2005), P J Lancaster (appointed 24th November 2005), G O'Brien (appointed 24th November 2005) and W Hutchinson (appointed 21st February 2006) were appointed as members of the Committee of Management during the financial year and continue in office at the date of this report.
G Smith resigned from the Committee of Management on 14th November 2005 and D M Harland resigned from the Committee of Management on 23rd November 2005.

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

Dr G Blomfield
D B McNeil (Alternate)
C J Peters (Alternate)
G Price
C Stathy

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:

J Langoulant
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 meetings 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

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 consolidated entity training scheme for apprentices and trainees.

Review of principal activities
The Australian Industry Group and subsidiaries reported a surplus from continuing operations of $2,762,138 (2005: $2,370,883) for the year ending 30 June 2006.

Total income of $53,024,200 (2005: $46,666,570) was above the previous year by $6,357,630 (13.6%).

Total expenditure of $50,262,062 (2005: $44,295,687) was above the previous year by $5,966,375 (13.5%).

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 2006 for the purposes of section 254 (2)(f) of the RAO Schedule was 6,659.

Number of Employees
The number of persons who were employees in the parent entity (equivalent full time employee basis) as at 30 June 2006 was 278.

Rights of members to resign
In accordance with section 174 of the RAO Schedule, 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.

J W Ingram
National President

Dr W W J Uhlenbruch AO
National Secretary-Treasurer

Sydney
19th September 2006

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The Australian Industry Group
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 2006, 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 balance sheets, income statements, 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 2006. The consolidated entity comprises both The Australian Industry Group and the entities it controlled entities 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.

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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
19th September 2006

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AUSTRALIAN INDUSTRY
GROUP