Australian Government

Registered Organisations Commission

23 December 2019

Russell Rolls
National Secretary-Treasurer
The Australian Industry Group

By e-mail:

Dear Sir

Re: – The Australian Industry Group - financial report for year ending 30 June 2019 (FR2019/204)

I refer to the financial report of The Australian Industry Group. The documents were lodged with the Registered Organisations Commission (**ROC**) on 28 November 2019.

The financial report has been filed. The financial report was filed based on a primary review. This involved confirming that the financial reporting timelines required under s.253, s.265, s.266 and s.268 of the *Fair Work (Registered Organisations) Act 2009* (RO Act) have been satisfied, all documents required under s.268 of the RO Act were lodged and that various disclosure requirements under the Australian Accounting Standards, RO Act and reporting guidelines have been complied with. A primary review does not examine all disclosure requirements.

You are not required to take any further action in respect of the report lodged. Please note that the financial report for the year ending 30 June 2020 may be subject to an advanced compliance review.

Reporting Requirements

The ROC website provides a number of factsheets in relation to the financial reporting process and associated timelines. The website also contains the s.253 reporting guidelines and a model set of financial statements. The ROC recommends that reporting units use these model financial statements to assist in complying with the RO Act, the s.253 reporting guidelines and Australian Accounting Standards. Access to this information is available via this link.

If you have any questions about the above or the reporting requirements, please do not hesitate to contact me by email at stephen.kellett@roc.gov.au.

Yours faithfully

Stephen Kellett

Stephen Kellett
Financial Reporting
Registered Organisations Commission

REGISTERED ORGANISATIONS COMMISSION

In the matter of:
The Australian Industry Group
and
Fair Work (Registered Organisations) Act 2009

Designated Officer's Certificate
For the financial year ended 30 June 2019
Section 268

I, RUSSELL ROLLS, National Secretary-Treasurer of The Australian Industry Group (the Organisation) certify in accordance with section 268 of the *Fair Work (Registered Organisations) Act* 2009 (the Act):

(1) that the document lodged herewith is a copy of the full financial report of the Organisation comprising the auditor's report, the general-purpose financial report to which the auditor's report relates and the operating report in relation to the financial year ending 30 June 2019; and

(2) that the full financial report was provided to Members of the Organisation on 31 October 2019; and

(3) that the full financial report was presented to the Annual General Meeting of Members of the Organisation (as the sole reporting unit) on 27 November 2019 in accordance with section 266 of the Act.

.... 27 November 2019
Russell Rolls
National Secretary-Treasurer

Lodged by: The Australian Industry Group
51 Walker Street
North Sydney NSW 2060

Reference: Hayley Dobroszczyk
Compliance Manager
hayleyd@aigroup.com.au
08 8 394 0014

The Australian Industry Group

Annual report
for the year ended 30 June 2019

The Australian Industry Group
Annual report - 30 June 2019

These financial statements are the consolidated financial statements of the consolidated entity consisting of The Australian Industry Group and its subsidiaries. The consolidated entity is also referred to as Ai Group in these financial statements. A list of the major subsidiaries is included in note 24. The financial statements are presented in the Australian currency.

The Australian Industry Group is an organisation registered under the Fair Work (Registered Organisations) Act 2009 and is domiciled in Australia. Its registered office and principal place of business is:

51 Walker Street
North Sydney NSW 2060

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities in the operating report on page 1 and 2, which is not part of these financial statements.

A report required under subsection 255(2A) of the Fair Work (Registered Organisations) Act 2009 is on page 50, which is not part of these financial statements.

The financial statements were authorised for issue by the committee of management on 11 September 2019. The committee of management has the power to amend and reissue the financial statements.

The Committee of Management (National Executive) present their Operating Report on The Australian Industry Group for the year ended 30 June 2019 (the reporting period).

Committee of Management

On 31 December 2018, the members of the Committee of Management for the ensuing 2 years were re-elected as follows, and will, subject to resignation or retirement, be entitled to remain as the Officers on the Committee of Management until 31 December 2020:

Chris Jenkins (National President)
John Dixon (Deputy National President)
Russell Rolls (National Secretary-Treasurer)
Anthony Kittel (National Vice President SA)
Martin Monro (National Vice President QLD)
Ashley Mason (National Vice President NSW)
Jeff Connolly (National Vice President VIC)

Remuneration report

During the financial year, no member of the Committee of Management of the reporting unit received, directly or indirectly, any payment or any benefit in relation to their duties performed as an Officer of Ai Group.

Principal activities

During the financial year, the principal continuing activities of the reporting unit as a registered employer organisation consisted of:

(a) representing its 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; innovation, policy and development networks; international trade development and promotion; and business regulation,

(c) conducting comprehensive training workshops, seminars and related programs.

Review of principal activities

The Organisation continued to represent its members and industries interests in respect to workplace relations and other matters. This included representational activities to Government and Opposition parties on key policy issues affecting our membership, regulatory submissions and appearances before the Fair Work Commission, and involvement in numerous industry or regulatory inquiries. The Australian Industry Group continued to deliver quality workplace relations and other services to its membership with strategic new services being developed to meet their needs. The Organisation remains an effective and financially strong representative body for industry.

There have been no significant changes to the principal activities of the Organisation in 2019, nor are changes anticipated for 2020.

Results of operations

The Australian Industry Group and its subsidiaries reported a consolidated loss from ordinary activities amounting to $3,516,240 (2018 loss: $5,183,878) for the year ending 30 June 2019.

Total income of $71,585,597 (2018: $66,418,375) was more than the previous year by $5,167,222 (7.78%).

Total expenditure of $75,101,837 (2018: $71,602,254) was more than the previous year by $3,499,583 (4.89%).

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the consolidated entity during the year.

Event since the end of the financial year

No matter or circumstance has arisen since 30 June 2019 that has significantly affected the consolidated entity's operations, results or state of affairs, or may do so in future years.

Likely developments and expected results of operations

The officers expect that the consolidated entity will continue to carry out its principal activities as detailed above. There are no other known or likely developments which the officers foresee which they wish to disclose at this time.

Number of Recorded Members

The number of persons recorded in the Membership Register of the Organisation as at 30 June 2019 for the purposes of section 254 (2) (f) of the Act was 3,286 (2018: 3,412).

Number of Employees

The number of persons who were employees in the parent entity (equivalent full time employee basis) as at 30 June 2019 was 240 (2018: 228).

Rights of Members to resign

In accordance with section 174 of the Act, 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 Officer or Member of the Organisation was:

(a) a trustee of a superannuation entity or 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 a criterion for the Officer or Member being a trustee or director is that the Officer or Member is an officer or member of a registered organisation under the Act.

Other relevant Information of the reporting unit

There is no other information which the committee of management of the reporting unit considers relevant under section 254 of the Act.

This statement is signed by the National Secretary-Treasurer being the authorised Designated Officer under the Rules within the meaning of section 243 of the Act; and is dated the date on which the Designated Officer signs this statement.

Russell Rolls (National Secretary-Treasurer)
Officer

Canberra
11 September 2019

	Notes	Consolidated entity 2019 $	Consolidated entity 2018 $	Parent entity 2019 $	Parent entity 2018 $
Revenue from continuing operations	4	**71,862,306**	66,394,420	**45,438,284**	39,128,664
Other income	5	**40,000**	23,955	**40,000**	23,955
Employee benefits expense	6	**(55,209,338)**	(52,343,549)	**(32,828,102)**	(29,373,869)
Depreciation and amortisation expense	6	**(1,639,194)**	(5,825,160)	**(1,538,474)**	(5,709,059)
Communication expenses	6	**(5,565,132)**	(5,756,286)	**(5,149,722)**	(5,213,042)
Consultancy fees		**(3,242,319)**	(3,212,610)	**(3,028,070)**	(2,075,789)
Occupancy expenses		**(3,821,976)**	(3,279,696)	**(3,403,476)**	(3,222,088)
Other expenses	6	**(5,964,812)**	(3,425,289)	**(4,071,676)**	(2,431,613)
		(75,442,771)	(73,842,590)	**(50,019,520)**	(48,025,460)
Other gain/(losses)					
Net gain/(loss) on disposal of property, plant and equipment		**(31,341)**	12,094	**(31,341)**	5,665
Gain on financial assets at fair value through profit or loss		**55,566**	2,228,243	**55,566**	2,228,243
		24,225	2,240,337	**24,225**	2,233,908
Profit/(loss) from continuing operations		**(3,516,240)**	(5,183,878)	**(4,517,011)**	(6,638,933)
Transfer of surplus from Australian Industry Group Training Services Trust		**-**	-	**-**	1,266,726
Transfer of surplus from AI Group Legal Unit Trust		**-**	-	**637,042**	876,500
Profit/(loss) for the year		**(3,516,240)**	(5,183,878)	**(3,879,969)**	(4,495,707)
Other comprehensive income/(loss)					
Revaluation of land and buildings	19(a)	**(598,481)**	3,993,814	**(598,481)**	3,993,814
Total comprehensive income/(loss) for the year		**(4,114,721)**	(1,190,064)	**(4,478,450)**	(501,893)
Profit/(loss) is attributable to:					
Members of The Australian Industry Group		**(3,516,240)**	(5,183,878)	**(3,879,969)**	(4,495,707)
Total comprehensive income/(loss) for the year is attributable to:					
Members of The Australian Industry Group		**(4,114,721)**	(1,190,064)	**(4,478,450)**	(501,893)

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

The Australian Industry Group
Balance sheets
As at 30 June 2019

	Notes	Consolidated entity 2019 $	Consolidated entity 2018 $	Parent entity 2019 $	Parent entity 2018 $
ASSETS					
Current assets					
Cash and cash equivalents	7	**8,863,035**	19,574,051	**8,034,597**	18,447,581
Trade and other receivables	8	**10,478,182**	9,702,539	**8,940,885**	9,006,068
Inventories		**28,164,063**	-	**28,164,063**	-
Financial assets at fair value through profit or loss	9	**9,660,640**	34,862,325	**9,660,640**	34,862,325
Assets classified as held for sale	10	**19,025,098**	-	**19,025,098**	-
Total current assets		**76,191,018**	64,138,915	**73,825,283**	62,315,974
Non-current assets					
Cash and cash equivalents	7	**762,381**	702,555	**762,381**	702,555
Other financial assets	11	**6**	6	**120**	112
Property, plant and equipment	12	**11,892,126**	29,958,568	**11,776,020**	29,741,233
Intangible assets	13	**3,566,485**	1,887,500	**3,566,485**	1,887,500
Total non-current assets		**16,220,998**	32,548,629	**16,105,006**	32,331,400
Total assets		**92,412,016**	96,687,544	**89,930,289**	94,647,374
LIABILITIES					
Current liabilities					
Trade and other payables	14	**9,826,008**	8,997,979	**7,920,026**	7,570,496
Deferred revenue	15	**7,512,241**	8,335,920	**7,512,241**	8,058,812
Provisions	16	**5,278,730**	5,306,299	**3,893,379**	3,845,681
Total current liabilities		**22,616,979**	22,640,198	**19,325,646**	19,474,989
Non-current liabilities					
Trade and other payables	17	**389,441**	320,667	**389,441**	320,667
Provisions	18	**547,291**	753,653	**547,291**	705,357
Total non-current liabilities		**936,732**	1,074,320	**936,732**	1,026,024
Total liabilities		**23,553,711**	23,714,518	**20,262,378**	20,501,013
Net assets		**68,858,305**	72,973,026	**69,667,911**	74,146,361
MEMBERS' FUNDS					
Reserves	19(a)	**14,250,636**	14,849,117	**14,250,636**	14,849,117
Retained earnings	19(b)	**54,607,669**	58,123,909	**55,417,275**	59,297,244
Total members' funds		**68,858,305**	72,973,026	**69,667,911**	74,146,361

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

Consolidated entity	Reserves $	Retained earnings $	Total $
Balance at 1 July 2017	10,855,303	63,307,787	74,163,090
Profit/(loss) for the year	-	(5,183,878)	(5,183,878)
Other comprehensive income/(loss)	3,993,814	-	3,993,814
Total comprehensive income/(loss) for the year	**3,993,814**	**(5,183,878)**	**(1,190,064)**
Balance at 30 June 2018	**14,849,117**	**58,123,909**	**72,973,026**
Balance at 1 July 2018	14,849,117	58,123,909	72,973,026
Profit/(loss) for the year	-	(3,516,240)	(3,516,240)
Other comprehensive income/(loss)	(598,481)	-	(598,481)
Total comprehensive income/(loss) for the year	**(598,481)**	**(3,516,240)**	**(4,114,721)**
Balance at 30 June 2019	**14,250,636**	**54,607,669**	**68,858,305**

Parent entity	Reserves $	Retained earnings $	Total $
Balance at 1 July 2017	10,855,303	63,792,951	74,648,254
Profit/(loss) for the year	-	(4,495,707)	(4,495,707)
Other comprehensive income/(loss)	3,993,814	-	3,993,814
Total comprehensive income/(loss) for the year	**3,993,814**	**(4,495,707)**	**(501,893)**
Balance at 30 June 2018	**14,849,117**	**59,297,244**	**74,146,361**
Balance at 1 July 2018	14,849,117	59,297,244	74,146,361
Profit/(loss) for the year	-	(3,879,969)	(3,879,969)
Other comprehensive income/(loss)	(598,481)	-	(598,481)
Total comprehensive income/(loss) for the year	**(598,481)**	**(3,879,969)**	**(4,478,450)**
Balance at 30 June 2019	**14,250,636**	**55,417,275**	**69,667,911**

The above statements of changes in members' funds should be read in conjunction with the accompanying notes.

	Notes	Consolidated entity 2019 $	Consolidated entity 2018 $	Parent entity 2019 $	Parent entity 2018 $
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		**77,259,558**	73,250,875	**49,818,780**	42,652,587
Payments to suppliers and employees (inclusive of GST)		**(81,018,814)**	(68,928,298)	**(53,280,004)**	(38,482,362)
		(3,759,256)	4,322,577	**(3,461,224)**	4,170,225
Distributions and dividends from financial investments		**784,254**	1,822,729	**784,254**	1,822,729
Receipts from investment income		**106,447**	543,594	**106,447**	541,892
Net cash (outflow) inflow from operating activities	26	**(2,868,555)**	6,688,900	**(2,570,523)**	6,534,846
Cash flows from investing activities					
Payments for plant and equipment		**(2,459,822)**	(664,131)	**(2,459,822)**	(611,852)
Payments for intangibles		**(2,525,010)**	(1,130,463)	**(2,525,010)**	(1,130,463)
Purchase of land and buildings held as inventory		**(28,164,063)**	-	**(28,164,063)**	-
Payments for investments		**(3,540,507)**	(8,999,543)	**(3,540,507)**	(8,999,543)
Proceeds from sale of investments		**28,797,758**	8,679,312	**28,797,758**	8,679,312
Proceeds from sale of property, plant and equipment and intangibles		**109,009**	11,611	**109,009**	7,063
Net cash (outflow) from investing activities		**(7,782,635)**	(2,103,214)	**(7,782,635)**	(2,055,483)
Cash flows from financing activities					
Net cash inflow (outflow) from financing activities		**-**	-	**-**	-
Net (decrease) increase in cash and cash equivalents		**(10,651,190)**	4,585,686	**(10,353,158)**	4,479,363
Cash and cash equivalents at the beginning of the financial year		**20,276,606**	15,690,920	**19,150,136**	14,670,773
Cash and cash equivalents at end of year	7	**9,625,416**	20,276,606	**8,796,978**	19,150,136

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

Contents of the notes to the financial statements

1 Summary of significant accounting policies

The Australian Industry Group is a Tier 1 reporting entity and not for profit organisation incorporated and governed by the Fair Work (Registered Organisations) Act 2009. Rule 37 of the Rules of The Australian Industry Group (the reporting unit) provides that the funds of The Australian Industry Group and its income and property shall be under the control of the National Executive as the reporting unit's committee of management. The assets, liabilities and reserves included in these financial statements as at 30 June 2019 are reported in accordance with the Rules and the reporting unit's governing legislation - the Fair Work (Registered Organisations) Act 2009 (the Act).

The reporting unit is the sole reporting unit for the purposes of the Act. However, these financial statements and the accounting policies applied in their preparation are governed by the Australian Accounting Standards (Tier 1 reporting entities) and Reporting Guidelines issued by the Registered Organisation Commission or its delegate. As a result, the financial solvency of the reporting unit's subsidiary operations, namely the Australian Industry Group Training Services Trust has been assured by the National Executive which confirms that the Organisation has guaranteed the trustees and the trust against any shortfall in the assets of the trust.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements include separate financial statements for The Australian Industry Group as the parent entity and sole reporting unit and the consolidated entity consisting of The The Australian Industry Group and its subsidiaries ("the consolidated entity").

(a) Basis of preparation

The financial statements are general purpose financial statements and have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period, and the *Fair Work (Registered Organisation) Act 2009*, including the Reporting Guidelines issued by the Commissioner of Registered Organisations Commission under the Act (the Guidelines). For the purpose of preparing the general purpose financial statements, The Australian Industry Group is a not-for-profit entity.

Under the Act, The Australian Industry Group is referred to as the "reporting unit". Under the Standards, the reporting unit is called the "reporting entity". The terms are interchangeable in these Notes.

(i) 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. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

(ii) Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in process of applying the consolidated entity's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities include those in relation to the valuation of other financial assets at fair value through profit or loss and to valuation of land and buildings. The related estimates and assumptions are discussed in note 3 and note 12 respectively.

(iii) Reclassification

Where relevant, comparative figures have been reclassified to conform with changes in presentation in the current year to enhance comparability.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of The Australian Industry Group ("parent entity') as at 30 June 2019 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 and Ai Group. The terms are interchangeable in these Notes.

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.

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 an impairment of the transferred asset. 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 proportionate basis using the effective interest method, see note 1(l).

(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 on a straight-line basis over the lease term.

(d) Government contracts

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

Government contracts 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 & note 15. Contracts 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 parent entity, being an organisation of employers registered under the Act, is exempt from income tax under Section 50-15 of the Income Tax Assessment Act.

1 Summary of significant accounting policies (continued)

(f) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interest issued by the parent entity. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values on acquisition date. On an acquisition-by- acquisition basis, the parent entity recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the parent entity's share of the net identifiable assets is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

If it is determined that the combination results in mutual benefit to both the members of the acquirer and the acquiree, the surplus of the fair value of the net identifiable assets acquired over the consideration paid will be recognised in members' funds as a business combination reserve to be recognised in retained earnings.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(g) 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).

(h) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, deposits held with financial institutions that are security deposits for various durations, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheets.

(i) Trade receivables

All trade debtors are recognised at the amounts receivable, as they are generally due for settlement no more than 60 days from the date of invoice. Collectability 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 statements of comprehensive income and deferred income as applicable. Refer also to note 1(m)(iv) for further details of the expected credit loss element of the impairment assessment.

1 Summary of significant accounting policies (continued)

(j) Inventories

Property held for resale

Property held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred. Inventory is related to property purchased during the reporting period with the intent to sell.

(k) 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. To the extent any revaluation increases the value of the building, 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. Effective date of revaluation is 30 June 2019.

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 recognised, net of tax, in other comprehensive income and accumulated in reserves in members' funds. 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 are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. 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
• Motor vehicles	4 years
• Furniture, fittings and equipment	2 - 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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

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 profit or loss. When revalued assets are sold, it is consolidated entity policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

1 Summary of significant accounting policies (continued)

(l) Intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and service and employee costs. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the group has an intention and ability to use the asset.

At each reporting date the group reviews the carrying value of its intangible assets to determine whether there is any indication that those assets have been impaired.

Amortisation methods and useful lives

The consolidated entity amortises intangible assets with a limited useful life using the straight-line method over the following periods:

IT development and software	3-10 years

(m) Investments and other financial assets

(i) Classification

From 1 July 2018, the consolidated entity classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in profit or loss.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the consolidated entity commits to purchase or sell the asset. 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.

(iii) Measurement

At initial recognition, the consolidated entity measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Equity instruments

The consolidated entity subsequently measures all equity investments at fair value. Where the group’s management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group’s right to receive payments is established.

1 Summary of significant accounting policies (continued)

(m) Investments and other financial assets (continued)

(iii) Measurement (continued)

Equity instruments (continued)

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable.

(iv) Impairment

From the 1 July 2018 for trade receivables, the consolidated entity applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 8 for further details.

(v) Accounting policies applied until 30 June 2018

The group has applied AASB 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

Classification

Until 30 June 2018, the consolidated entity classified its financial assets 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 depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting year.

Reclassification

The consolidated entity could choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset was no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term. In addition, the consolidated entity could choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the consolidated entity had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Subsequent measurement

The measurement at initial recognition did not change on adoption of AASB 9, see description above.

Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognised as follows:

- for financial assets at FVPL - in profit or loss within other gains/(losses)
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency - translation differences related to changes in the amortised cost of the security were recognised in profit or loss and other changes in the carrying amount were recognised in other comprehensive income

Details on how the fair value of financial instruments is determined are disclosed in note 3(d).

1 Summary of significant accounting policies (continued)

(m) Investments and other financial assets (continued)

(v) Accounting policies applied until 30 June 2018 (continued)

Impairment

The consolidated entity assessed at the end of each reporting year whether there was objective evidence that a financial asset or consolidated entity of financial assets was impaired. A financial asset or a consolidated entity of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or consolidated entity of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the consolidated entity could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent year, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss.

Impairment testing of trade receivables is described in note 3(b).

(n) Leases

Leases of property, plant and equipment where the consolidated entity as lessee, 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 not transferred to the consolidated entity as lessee are classified as operating leases (note 22). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(o) Trade and other payables

These amounts represent financial liabilities for goods and services provided to the consolidated entity prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(p) Provisions

Provisions for lease make good obligations 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 end of the reporting year. The discount rate used to determine the present value is a pre-tax rate that 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.

1 Summary of significant accounting policies (continued)

(q) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits expected to be settled within 12 months of the end of each reporting period are recognised in other payables in respect of employees' services up to the end of each reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period 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 end of the reporting period of national government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheets if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Retirement benefit obligations

All employees of the company are entitled to benefits from the company's superannuation plan on retirement, disability or death or can direct the consolidated entity to make contributions to a defined contribution plan of their choice.The company's legal or constructive obligation is limited to these contributions.

(r) 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 14).

(s) Goods and Services 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 sheets.

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 flows.

1 Summary of significant accounting policies (continued)

(t) New accounting standards

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2019 reporting period. The Committee of Management has not yet assessed the impact of these new standards and interpretations.

• AASB 16 Leases
• AASB 15 Revenue from Contracts with Customers
• AASB 1058 Income of Not-for-Profit Entities

AASB 16 *Leases* (AASB 16)

AASB 16 *Leases* was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard will affect primarily the accounting for the consolidated entity's operating leases.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 July 2019. At this stage, the consolidated entity does not intend to adopt the standard before its effective date. As at the reporting date, the consolidated entity has non-cancellable operating lease commitments of $8,728,276. The consolidated entity has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the consolidated entity's profit and classification of cash flows. The consolidated entity continues to assess and analyse the options available under the new standard in order to appropriately account for and reflect the changes required by AASB 16. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

For not-for-profit entities, AASB 16 will commence from financial years beginning on or after 1 January 2019. Either a full retrospective application or a modified retrospective application is required for AASB 16. The consolidated entity plans to adopt AASB 16 on the required effective date of 1 July 2019.

AASB 1058 *Income of Not-for-Profit Entities (AASB 1058)* and AASB 15 *Revenue from Contracts with Customers (AASB 15)*

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit entities in conjunction with AASB 15. AASB 1058 and AASB 15 supersede all the income recognition requirements relating to private sector not-for-profit entities, and the majority of income recognition requirements relating to public sector not-for-profit entities, previously in AASB 1004 *Contributions*.

For not-for-profit entities, both AASB 1058 and AASB 15 will commence from financial years beginning on or after 1 January 2019. Either a full retrospective application or a modified retrospective application is required for AASB 15. The consolidated entity plans to adopt AASB 15 on the required effective date of 1 July 2019.

During the financial year ended 30 June 2019, the consolidated entity performed a preliminary assessment of AASB 1058 and AASB 15.

The consolidated entity is in the process of assessing the impact of the new Australian Accounting Standards but does not expect a material impact on the consolidated entity’s financial statements in the period of initial application.

2 Changes in accounting policies

AASB 9 Financial Instruments

The consolidated entity had to change its accounting policies following the adoption of AASB 9. However these amendments did not have any impact on the amounts recognised in prior years and are not expected to significantly affect the current or future years.

On the date of initial application, 1 July 2018, the financial instruments of the consolidated entity were as follows, with any reclassifications noted:

	Measurement category	
	Original (AASB 139)	**New (AASB 9)**
Cash and cash equivalents	Amortised cost	Amortised cost
Trade and other receivables	Amortised cost	Amortised cost
Managed Funds - equity	FVPL	FVPL
Trading securities - equity	FVPL	FVPL
Bonds and managed funds - fixed income	FVPL	FVPL

Impairment of financial assets

The consolidated entity applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. There was no impact from the application of this model.

3 Financial risk management

The consolidated entity's activities expose it to a variety of financial risks; market risk (including interest rate risk and price risk), credit risk and liquidity risk. The consolidated entity's financial 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. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks, aging analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Financial risk management for the consolidated entity's investments is carried out by the National Executive. The National Executive identifies, evaluates and hedges 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 to maximise returns but minimising financial risk. The National Executive has provided written principles for overall risk management, which are applied in consultation with the consolidated entity's investment consultant, J B Were.

	Consolidated entity		**Parent entity**	
	2019	2018	**2019**	2018
	$	$	**$**	$
Financial assets				
Cash and cash equivalents	**9,625,416**	20,276,606	**8,796,978**	19,150,136
Trade and other receivables	**10,478,182**	9,702,539	**8,303,843**	9,006,068
Financial assets at fair value through profit or loss	**9,660,640**	34,862,325	**9,660,640**	34,862,325
	29,764,238	64,841,470	**26,761,461**	63,018,529

	Consolidated entity		**Parent entity**	
	2019	2018	**2019**	2018
	$	$	**$**	$
Financial liabilities				
Trade and other payables	**7,348,435**	5,926,844	**5,442,452**	4,499,360
	7,348,435	5,926,844	**5,442,452**	4,499,360

(a) Market risk

(i) Price 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. The consolidated entity is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the consolidated entity diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Investment Committee.

The majority of the consolidated entities equity investments are publicly traded and are included in the ASX 200 Index and MSCI World ex Australia Index. The table below summarises the impact of the increase/decrease of this index on the consolidated entity's surplus for the year and on equity. The analysis is based on the assumption that the equity indexes had increased/decreased by 10% and 10% respectively (2018 :10% to 10%) with all other variables held constant and all the consolidated entity equity instruments moved according to the historical correlation with the index.

3 Financial risk management (continued)

(a) Market risk (continued)

(i) Price risk (continued)

	Impact on surplus		Impact on equity	
	2019	2018	**2019**	2018
	$	$	**$**	$
ASX 200	**446,028**	2,268,842	**446,028**	2,268,842
MSCI World ex Australia Index	**419,028**	1,239,493	**419,028**	1,239,493

The consolidated entity has no significant concentration of foreign currency risk.

Surplus for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. The price risk for the unlisted securities is immaterial in terms of the possible impact on profit or loss or total equity. It has therefore not been included in the sensitivity analysis.

(ii) Cash flow and fair value interest rate risk

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

(b) Credit risk

The consolidated entity has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to the sales of services to members and customers, including outstanding receivables and committed transactions.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. The consolidated entity has procedures in place to ensure that sales of services are made to members and customers with an appropriate credit history. The maximum exposure to credit risk at the end of each reporting period is the carrying amount of the financial assets in this note.

Cash and cash equivalent and credit exposures to the sales of services to members and customers, including outstanding receivables are subject to the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

The consolidated entity applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The impact of expected credit losses to previous period was immaterial based on the assessment over a period of 36 month before 1 July 2018 and the corresponding historical credit losses experienced within this period were immaterial. Therefore, management believes that an adjustment for forward looking information including macroeconomic factors is not necessary with consideration of minimal historical loss rates.

To measure the expected credit losses, trade and other receivables have been grouped based on the days past due. Trade receivables are generally due for settlement within 60 days and the receivables aged more than 90 days are determined to be credit impaired assets. Loss allowance of the credit impaired assets are individually assessed by the management at the end of each reporting period.

3 Financial risk management (continued)

(b) Credit risk (continued)

Credit quality of trade and other receivables based on expected credit loss or to historical information about counterparty default rates at 30 June 2019 are follows:

	Consolidated entity 2019 $	Parent entity 2019 $
Trade and other receivables		
Not impaired	**9,557,346**	**7,558,887**
Credit impaired (aged > 90 days)	**1,537,219**	**1,222,368**
Less credit loss allowances	**(616,383)**	**(477,412)**
	10,478,182	**8,303,843**

The consolidated entity is also exposed to credit risk in relation to investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments (2019: $9,660,640; 2018: $34,862,325).

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities available for use. The consolidated entity manages liquidity risk by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

Maturities of financial liabilities

The tables below analyses the consolidated entity's financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities	**Less than 6 months**	**Greater than 6 months**	**Total contractual cash flows**	**Carrying amount (assets)/ liabilities**
Consolidated entity - at 30 June 2019	**$**	**$**	**$**	**$**
Non-derivatives				
Trade payables - Non-interest bearing	**6,958,994**	**389,441**	**7,348,435**	**7,348,435**
Total non-derivatives	**6,958,994**	**389,441**	**7,348,435**	**7,348,435**
Consolidated entity - at 30 June 2018				
Non-derivatives				
Trade payables - Non-interest bearing	5,606,177	320,667	5,926,844	5,926,844
Total non-derivatives	5,606,177	320,667	5,926,844	5,926,844

3 Financial risk management (continued)

(c) Liquidity risk (continued)

Contractual maturities of financial liabilities	**Less than 6 months**	**6 - 12 months**	**Total contractual cash flows**	**Carrying amount (assets)/ liabilities**
Parent entity - at 30 June 2019	**$**	**$**	**$**	**$**
Non-derivatives				
Trade payables - Non-interest bearing	**5,053,011**	**389,441**	**5,442,452**	**5,442,452**
Total non-derivatives	**5,053,011**	**389,441**	**5,442,452**	**5,442,452**
Parent entity - at 30 June 2018				
Non-derivatives				
Trade payables - Non-interest bearing	4,178,693	320,667	4,499,360	4,499,360
Total non-derivatives	4,178,693	320,667	4,499,360	4,499,360

(d) Fair value estimation

Summarised sensitivity analysis

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurement by level of the following fair value measurement hierarchy:

a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

The following tables present the consolidated and the parent entity's assets and liabilities measured and recognised at fair value at 30 June 2019 and 30 June 2018.

Consolidated entity and parent entity - at 30 June 2019	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial assets at fair value through profit or loss				
Trading securities - equity	**2,417,726**	**-**	**-**	**6,212,944**
Managed Funds - equity	**-**	**6,212,944**	**-**	**2,417,726**
Bonds and managed fund - fixed income	**1,029,970**	**-**	**-**	**1,029,970**
Total assets	**3,447,696**	**6,212,944**	**-**	**9,660,640**
Consolidated entity and parent entity - 30 June 2018				
Trading securities - equity	9,129,287	-	-	9,129,287
Managed Funds - equity	-	19,021,375	-	19,021,375
Bonds and managed fund - fixed income	6,711,663	-	-	6,711,663
Total assets	**15,840,950**	**19,021,375**	**-**	**34,862,325**

3 Financial risk management (continued)

(d) Fair value estimation (continued)

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and the fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the consolidated entity is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The consolidated entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3.

There were no level 3 financial instruments for the year ended 30 June 2019 and 30 June 2018.

The carrying amounts of cash and cash equivalents, trade and other receivables and payables are assumed to approximate their fair values due to their short-term nature.

4 Revenue

	Consolidated entity		Parent entity	
	2019	2018	**2019**	2018
	$	$	**$**	$
Members' subscriptions	**15,550,293**	15,322,927	**15,550,293**	15,322,927
Entrance fees	**14,180**	13,250	**14,180**	13,250
Consulting and management services	**14,582,634**	12,969,404	**11,138,435**	9,625,460
Government contracts	**14,388,340**	9,326,253	**14,388,340**	9,326,253
Training and other chargeable services	**22,999,166**	23,999,916	**139,501**	104,971
Publications	**402,661**	454,431	**402,661**	454,431
Other	**1,829,482**	1,420,936	**1,711,064**	1,395,771
Interest earned on cash and cash equivalents & fixed	**108,187**	543,594	**106,447**	541,892
Distributions and dividends	**784,255**	1,822,729	**784,255**	1,822,729
Rents	**1,203,108**	520,980	**1,203,108**	520,980
Total revenue from continuing operations	**71,862,306**	66,394,420	**45,438,284**	39,128,664

There were no revenues during the reporting period in relation to capitation fees (save for membership subscriptions as noted), compulsory fees, donations or grants to The Australian Industry Group and it was also not in receipt of any other financial support from another reporting unit under the Act. Similarly, The Australian Industry Group did not provide any financial support to any other reporting unit under the Act.

5 Other income

	Consolidated entity		Parent entity	
	2019	2018	**2019**	2018
	$	$	**$**	$
General operations account				
Government contracts	**40,000**	23,955	**40,000**	23,955

Government contracts

Export market development contract of $40,000 (2018: $23,955) was recognised as consulting and management services income by the consolidated entity during the financial year. There are no unfulfilled conditions or other contingencies attaching to this contract.

6 Expenses

Profit/(loss) from continuing operations includes the following specific expenses:	**Consolidated entity 2019 $**	Consolidated entity 2018 $	**Parent entity 2019 $**	Parent entity 2018 $
Salaries	**47,844,075**	44,322,132	**29,292,225**	25,692,403
Superannuation	**4,295,094**	4,002,939	**2,757,612**	2,510,185
Long service leave	**-**	123,279	**-**	84,317
Annual leave	**110,986**	74,687	**126,000**	63,576
Redundancies	**-**	262,037	**-**	262,037
Other payroll related costs	**2,959,183**	3,558,475	**652,264**	761,351
Total employee benefit expenses	**55,209,338**	52,343,549	**32,828,101**	29,373,869

As stated in note 20, no officers of the consolidated entity were paid for the services they provided.

Depreciation				
Buildings	**162,177**	422,205	**162,177**	422,205
Plant and equipment	**577,395**	748,520	**476,674**	632,875
Leasehold improvements	**53,596**	50,229	**53,596**	50,229
Total depreciation	**793,168**	1,220,954	**692,447**	1,105,309
Amortisation				
Computer Software	**846,026**	224,102	**846,026**	224,102
Asset Impairment – Computer Software	**-**	4,380,104	**-**	4,380,104
Total Depreciation, Amortisation and Impairment	**1,639,194**	5,825,160	**1,538,473**	5,709,515
Rental expense relating to operating leases				
Minimum lease payments	**1,273,732**	1,203,069	**1,273,732**	1,203,069

6 Expenses (continued)

	Consolidated entity		Parent entity	
	2019	2018	**2019**	2018
	$	$	**$**	$
Advertising	**-**	-	**-**	-
Affiliation fees	**99,875**	92,739	**53,905**	45,996
Net bad and doubtful debts	**234,220**	(66,457)	**257,787**	18,373
Communications	**5,565,132**	5,756,286	**5,149,722**	5,213,042
Legal expenses - litigation	**-**	-	**-**	-
Legal expenses - Other legal matters	**998,091**	149,734	**998,091**	149,734
Meeting expenses	**876,095**	821,491	**716,207**	670,377
Net gain/loss on disposal of property, plant & equipment	**31,341**	(12,094)	**31,341**	5,665
Other professional services	**3,901,085**	3,293,237	**3,140,785**	2,637,595
Grants:				
Total paid that were $1,000 or less	**-**	-	**-**	-
Total paid that exceeded $1,000	**-**	-	**-**	-
Donations:				
Total paid that were $1,000 or less	**200**	240	**200**	240
Total paid that exceeded $1,000	**4,000**	2,500	**4,000**	2,500
Total grants or donations	**4,200**	2,740	**4,200**	2,740
Other operating expenses	**5,641,809**	4,421,043	**4,487,216**	3,001,149
Gain on financial assets at fair value through profit or loss	**(55,566)**	(2,228,243)	**(55,566)**	(2,228,243)

There were no expenses during the reporting period in relation to consideration for employers making payroll deductions of membership subscriptions, for capitation fees or for compulsory levies. During the reporting period, there were no penalties imposed on The Australian Industry Group under the Act with respect to the conduct of The Australian Industry Group.

6 Expenses (continued)

There were also no fees or periodic subscriptions paid to any political party, any federation, congress, council or group of organisations, or any international body having an interest in industrial matters, except for those declared as affiliation fees which are listed below.

Affiliation Fees paid during the period are as follows:

	Consolidated entity		Parent entity	
	2019	2018	**2019**	2018
	$	$	**$**	$
Council of European Employers of Metal, Engineering & Technology	**53,905**	45,996	**53,905**	45,996
Apprentice Employment Network NSW & ACT (formerly Group Training Association of NSW)	**6,785**	10,600	**-**	-
Apprentice Employment Network Victoria (formerly Group Training Association of Victoria)	**14,181**	10,000	**-**	-
Apprentice Employment Network Queensland and NT (formerly Group Training Association-Queensland & NT)	**6,000**	12,000	**-**	-
Apprentice Employment Network SA (formerly Group Training Australia SA)	**5,055**	9,382	**-**	-
National Apprentice Employment Network	**3,645**	3,576	**-**	-
Recruitment Association Fee	**969**	958	**-**	-
Recruitment, Consulting and Staffing Association	**-**	227	**-**	-
Illion Tenderlink	**1,894**	-	**-**	-
Industry Capability Network	**891**	-	**-**	-
Murray Vocational Education and Training	**600**	-	**-**	-
Green Cap AGL Annual Fee	**570**	-	**-**	-
Mercury Search and Selection	**250**	-	**-**	-
Trophy Sponsorship	**500**	-	**-**	-
Australian Skills Quality Agency	**5,230**	-	**-**	-
	100,475	92,739	**53,905**	45,996

Provision is made for separation and redundancy payments in cases where positions have been formally identified as excess to requirements, and a reliable estimate of the amount payable can be determined. For 2019, $380,558 (2018: $1,193,645) was either paid and included in salaries or provided for redundancy payments in the statements of comprehensive income.

7 Cash and cash equivalents

	Consolidated entity		Parent entity	
	2019	2018	**2019**	2018
	$	$	**$**	$
Current assets				
Cash at bank and in hand	**5,635,363**	8,166,236	**4,806,925**	7,039,766
Deposits at call	**3,227,672**	11,407,815	**3,227,672**	11,407,815
	8,863,035	19,574,051	**8,034,597**	18,447,581

	Consolidated entity		Parent entity	
	2019	2018	**2019**	2018
	$	$	**$**	$
Non-current assets				
Cash not available for use (note d)	**762,381**	702,555	**762,381**	702,555

7 Cash and cash equivalents (continued)

(a) Reconciliation to cash flow statement

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

(b) Interest rate risk exposure

The consolidated entity's exposure to interest rate risk is discussed in note 3.

(c) Cash at bank and on hand

Contract funds unexpended at year end amounting to $3,467,027 (2018: $3,223,188) which are included in the balances above (refer to notes 14 & 15), can only be used for the purposes of the contract.

(d) Cash not available for use

The above figures represent a security deposit relating to three lease agreements. This balance is restricted for use until expiration of the leases.

(e) Deposits at call

The deposits are bearing fixed interest rates between 0.75% and 2.45% (2018: 2.48% and 2.61%). Included in this balance is $1,029,970 (2018: $6,711,663) that will be utilised for future purchases of growth portfolio and liquidity requirements.

(f) Recovery of wages

No recovery of wages activities has occurred in the reporting period.

8 Current assets - Trade and other receivables

	Consolidated entity		**Parent entity**	
	2019	2018	**2019**	2018
	$	$	**$**	$
Trade receivables	**4,664,657**	6,121,373	**2,057,984**	2,540,748
Provision for impairment (see note 3(b))	**(109,562)**	(260,382)	**-**	(127,253)
	4,555,095	5,860,991	**2,057,984**	2,413,495
Members' subscriptions outstanding	**5,731,588**	3,462,389	**4,964,901**	3,462,388
Provision for impairment	**(506,820)**	(196,933)	**(477,412)**	(167,525)
	5,224,768	3,265,456	**4,487,489**	3,294,863
Loans to related parties	**-**	-	**1,747,751**	2,760,269
Prepayments	**698,319**	576,092	**647,661**	537,441
Interest accrued	**-**	-	**-**	-
	10,478,182	9,702,539	**8,940,885**	9,006,068

(a) Loans to related parties

These amounts generally arise from transactions between the parent entity and its subsidiaries and are eliminated on consolidation.

9 Current assets - Financial assets at fair value through profit or loss

	Consolidated entity		Parent entity	
	2019	2018	**2019**	2018
	$	$	**$**	$
Managed funds - equity	**6,212,944**	19,021,375	**6,212,944**	19,021,375
Trading securities - equity	**2,417,726**	9,129,287	**2,417,726**	9,129,287
Bonds and managed funds - fixed income	**1,029,970**	6,711,663	**1,029,970**	6,711,663
	9,660,640	34,862,325	**9,660,640**	34,862,325

(a) Managed funds - equity

Managed fund investments were revalued to market value at 30 June 2019:				
Market value 1 July 2018	**19,021,375**	17,163,500	**19,021,375**	17,163,500
Purchases at cost	**501,094**	2,350,743	**501,094**	2,350,743
Proceeds on redemption	**(13,750,682)**	(1,678,012)	**(12,280,361)**	(1,678,012)
Net surplus on redemption	**314,604**	68,255	**314,604**	68,255
Revaluation at 30 June 2019	**126,553**	1,116,889	**(1,343,768)**	1,116,889
Market value at 30 June 2019	**6,212,944**	19,021,375	**6,212,944**	19,021,375

(b) Trading securities - equity

A gain was made when all shares were valued at market value at 30 June 2019:				
Market value 1 July 2018	**9,129,287**	8,632,787	**9,129,287**	8,632,787
Purchases at cost	**2,039,063**	2,993,493	**2,039,063**	2,993,493
Proceeds on redemption	**(8,499,830)**	(3,554,044)	**(8,499,830)**	(3,554,044)
Net surplus on redemption	**(414,684)**	24,955	**(414,684)**	24,955
Revaluation at 30 June 2019	**163,890**	1,032,096	**163,890**	1,032,096
Market value at 30 June 2019	**2,417,726**	9,129,287	**2,417,726**	9,129,287

(c) Bonds and managed funds - fixed income

Market value 1 July 2018	**6,711,663**	6,503,644	**6,711,663**	6,503,644
Purchases at cost	**1,000,350**	3,655,275	**1,000,350**	3,655,275
Proceeds of sale (net surplus on redemption)	**(6,692,116)**	(3,447,256)	**(6,692,116)**	(3,447,256)
Revaluation at 30 June 2019	**10,073**	-	**10,073**	-
Market value at 30 June 2019	**1,029,970**	6,711,663	**1,029,970**	6,711,663

Changes in fair values of financial assets at fair value through profit or loss are recorded in gains/(losses) in the statements of comprehensive income.

(d) Risk exposure

Information about the consolidated entity's exposure to price risk is provided in note 3(a)(i).

10 Assets and liabilities classified as held for sale

The following assets and liabilities were reclassified as held for sale:

	Consolidated entity		Parent entity	
	2019	2018	**2019**	2018
	$	$	**$**	$
Assets classified as held for sale				
Property, plant and equipment - Freehold land	**12,250,000**	-	**12,250,000**	-
Property, plant and equipment - Building	**4,661,543**	-	**4,661,543**	-
Property, plant and equipment - Plant & equipment	**2,113,555**	-	**2,119,959**	-
Total assets of disposal group held for sale	**19,025,098**	-	**19,031,502**	-

The North Sydney property has been reclasssified as held for resale as the organisation intends to realise its maximum value when combined with adjacent properties purchased during the year.

11 Non-current assets - Other financial assets

	Consolidated entity		Parent entity	
	2019	2018	**2019**	2018
	$	$	**$**	$
Shares in wholly owned subsidiaries	**-**	-	**13**	5
Shares in other corporations	**6**	6	**6**	6
Units in unit trust	**-**	-	**101**	101
	6	6	**120**	112

(a) Shares in wholly owned subsidiaries

	Consolidated entity		Parent entity	
	2019	2018	**2019**	2018
	$	$	**$**	$
Australian Industry Group Training Services Pty Ltd	**-**	-	**10**	2
Ai Group Legal Pty Ltd	**-**	-	**1**	1
Confectionery BTW Pty Ltd	**-**	-	**1**	1
Australian Industry Group Graduate Employment Pty Ltd	**-**	-	**1**	1
	-	-	**13**	5

(b) Shares in other corporations

	Consolidated entity		Parent entity	
	2019	2018	**2019**	2018
	$	$	**$**	$
Australian Super Pty Ltd	**6**	6	**6**	6

(c) Units in unit trust

	Consolidated entity		Parent entity	
	2019	2018	**2019**	2018
	$	$	**$**	$
Ai Group Legal Unit Trust	**-**	-	**1**	1
Australian Industry Group Graduate Employment Unit Trust	**-**	-	**100**	100
	-	-	**101**	101

These financial assets are carried at cost.

Investment in the shares of Australian Super Pty Ltd represents 50% of its issued capital. Ai Group does not have a controlling interest in this entity and as such it is not consolidated into the Ai Group accounts.

Australian Super Pty Ltd is the Trustee of Superannuation Trust of Australia.

12 Non-current assets - Property, plant and equipment

Consolidated entity	Freehold land $	Buildings $	Plant and equipment $	Leasehold improvements $	Assets under construction $	Total $
At 1 July 2017						
Cost or Fair Value	13,100,000	9,657,257	9,272,893	537,937	367,304	32,935,391
Accumulated depreciation	-	(69,590)	(6,135,626)	(196,988)	-	(6,402,204)
Net book amount	13,100,000	9,587,667	3,137,267	340,949	367,304	26,533,187
Year ended 30 June 2018						
Opening net book amount	13,100,000	9,587,667	3,137,267	340,949	367,304	26,533,187
Revaluation surplus	3,400,000	593,814	-	-	-	3,993,814
Additions	-	-	613,642	16,598	34,916	665,156
Disposals	-	-	(11,611)	-	-	(11,611)
Transfers in/(out)	-	-	50,000	-	(50,000)	-
Depreciation charge	-	(422,205)	(748,520)	(50,229)	-	(1,220,954)
Adjustments	-	-	(1,024)	-	-	(1,024)
Closing net book amount	16,500,000	9,759,276	3,039,754	307,318	352,220	29,958,568
At 30 June 2018						
Cost or Fair Value	16,500,000	9,833,528	9,642,267	554,534	352,220	36,882,549
Accumulated depreciation	-	(74,252)	(6,602,513)	(247,216)	-	(6,923,981)
Net book amount	16,500,000	9,759,276	3,039,754	307,318	352,220	29,958,568

12 Non-current assets - Property, plant and equipment (continued)

	Freehold land $	Buildings $	Plant and equipment $	Leasehold improvements $	Assets under construction $	Total $
Year ended 30 June 2019						
Opening net book amount	16,500,000	9,759,276	3,039,754	307,318	352,220	29,958,568
Revaluation surplus	720,000	(1,318,481)	-	-	-	(598,481)
Additions	-	-	198,480	-	1,734,507	1,932,987
Assets classified as held for sale and other disposals	(12,250,000)	(4,661,544)	(1,486,031)	-	-	(18,397,575)
Disposals	-	-	(25,348)	-	-	(25,348)
Transfers in/(out)	-	-	1,459,049	426,226	(1,885,275)	-
Depreciation charge	-	(162,177)	(577,395)	(53,563)	-	(793,135)
Adjustments	-	-	-	-	(184,890)	(184,890)
Closing net book amount	4,970,000	3,617,074	2,608,509	679,981	16,562	11,892,126
At 30 June 2019						
Cost or Fair Value	4,970,000	3,617,074	6,605,140	980,759	16,562	16,189,535
Accumulated depreciation	-	-	(3,996,631)	(300,778)	-	(4,297,409)
Net book amount	4,970,000	3,617,074	2,608,509	679,981	16,562	11,892,126

12 Non-current assets - Property, plant and equipment (continued)

Parent entity	Freehold land $	Buildings $	Plant and equipment $	Leasehold improvements $	Assets under construction $	Total $
At 1 July 2017						
Cost or Fair Value	13,100,000	9,657,257	8,583,968	537,937	367,303	32,246,465
Accumulated depreciation	-	(69,590)	(5,731,950)	(196,988)	-	(5,998,528)
Net book amount	13,100,000	9,587,667	2,852,018	340,949	367,303	26,247,937
Year ended 30 June 2018						
Opening net book amount	13,100,000	9,587,667	2,852,018	340,950	367,303	26,247,938
Revaluation surplus	3,400,000	593,814	-	-	-	3,993,814
Additions	-	-	560,339	16,597	34,917	611,853
Disposals	-	-	(7,063)	-	-	(7,063)
Transfers in/(out)	-	-	50,000	-	(50,000)	-
Depreciation charge	-	(422,205)	(632,875)	(50,229)	-	(1,105,309)
Closing net book amount	16,500,000	9,759,276	2,822,419	307,318	352,220	29,741,233
At 30 June 2018						
Cost or Fair Value	16,500,000	9,833,528	9,164,647	554,534	352,220	36,404,929
Accumulated depreciation	-	(74,252)	(6,342,228)	(247,216)	-	(6,663,696)
Net book amount	16,500,000	9,759,276	2,822,419	307,318	352,220	29,741,233

12 Non-current assets - Property, plant and equipment (continued)

	Freehold land $	Buildings $	Plant and equipment $	Leasehold improvements $	Assets under construction $	Total $
Year ended 30 June 2019						
Opening net book amount	16,500,000	9,759,276	2,822,419	307,318	352,220	29,741,233
Revaluation surplus	720,000	(1,318,481)	-	-	-	(598,481)
Additions	-	-	198,480	-	1,734,507	1,932,987
Assets classified as held for sale and other disposals	(12,250,000)	(4,661,544)	(1,486,031)	-	-	(18,397,575)
Disposals	-	-	(24,840)	-	-	(24,840)
Transfers in/(out)	-	-	1,459,049	426,226	(1,885,275)	-
Depreciation charge	-	(162,177)	(476,674)	(53,563)	-	(692,414)
Adjustments	-	-	-	-	(184,890)	(184,890)
Closing net book amount	4,970,000	3,617,074	2,492,403	679,981	16,562	11,776,020
At 30 June 2019						
Cost or Fair Value	4,970,000	3,617,074	6,127,520	980,759	16,562	15,711,915
Accumulated depreciation	-	-	(3,635,117)	(300,778)	-	(3,935,895)
Net book amount	4,970,000	3,617,074	2,492,403	679,981	16,562	11,776,020

12 Non-current assets - Property, plant and equipment (continued)

(a) Significant estimates - valuations of land and buildings

The consolidated entity obtains independent valuations for its land and buildings (non-financial assets) at least annually. At the end of each reporting period, the Officers update their assessment of the fair value of land and buildings, taking into account the most recent independent valuations. The Officers determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar land and buildings. Where such information is not available the Officers consider information from a variety of sources including:

- (i) current prices in an active market for land and buildings of different nature or recent prices of similar land and buildings in less active markets, adjusted to reflect those differences
- (ii) discounted cash flow projections based on reliable estimates of future cash flows
- (iii) capitalisation income projections based upon the land and building's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

At the end of the reporting period the key assumptions used by the Officers in determining fair value were in the following ranges for the consolidated entity's land and buildings:

	2019	**2018**
Terminal yield	Not applied	7.75%
Capitalisation rate	7%	6.25%-7.75%
Expected vacancy rate	Not applied	0
Rental growth rate	Not applied	3.68%
Discount Rate	Not applied	7.50%

All of the above key assumptions have been taken from the last independent valuations report for the assets in the portfolio. For FY19, the Adelaide and Brisbane properties have both been valued using the capitalisation method. In the prior year, the Sydney property's carrying value was determined using the discounted cash flow method.

As such, certain assumptions are not applicable to the current year, as represented in the table above.

13 Non-current assets - Intangible assets

Consolidated entity	**Computer software $**	**Capital works in progress $**	**Total $**
At 1 July 2017			
Cost	6,589,564	671,164	7,260,728
Accumulated amortisation and impairment	(1,899,483)	-	(1,899,483)
Net book amount	4,690,081	671,164	5,361,245
Year ended 30 June 2018			
Opening net book amount	4,690,081	671,164	5,361,245
Additions	14,553	1,115,908	1,130,461
Transfers in/(out)	1,599,429	(1,599,429)	-
Impairment charge	(4,380,104)	-	(4,380,104)
Amortisation charge	(224,102)	-	(224,102)
Closing net book amount	1,699,857	187,643	1,887,500
At 30 June 2018			
Cost	3,823,442	187,643	4,011,085
Accumulated amortisation and impairment	(2,123,585)	-	(2,123,585)
Net book amount	1,699,857	187,643	1,887,500
Year ended 30 June 2019			
Opening net book amount	1,699,857	187,643	1,887,500
Additions	-	2,480,435	2,480,435
Transfers in/(out)	430,791	(430,791)	-
Adjustments	-	44,576	44,576
Amortisation charge	(846,026)	-	(846,026)
Closing net book amount	1,284,622	2,281,863	3,566,485
At 30 June 2019			
Cost	4,260,233	2,281,863	6,542,096
Accumulated amortisation and impairment	(2,975,611)	-	(2,975,611)
Net book amount	1,284,622	2,281,863	3,566,485

13 Non-current assets - Intangible assets (continued)

Parent entity	**Computer software $**	**Capital works in progress $**	**Total $**
At 1 July 2017			
Cost	6,589,564	671,164	7,260,728
Accumulated amortisation and impairment	(1,899,483)	-	(1,899,483)
Net book amount	4,690,081	671,164	5,361,245
Year ended 30 June 2018			
Opening net book amount	4,690,081	671,164	5,361,245
Additions	14,553	1,115,908	1,130,461
Transfers in/(out)	1,599,429	(1,599,429)	-
Impairment charge	(4,380,104)	-	(4,380,104)
Amortisation charge	(224,102)	-	(224,102)
Closing net book amount	1,699,857	187,643	1,887,500
At 30 June 2018			
Cost	3,823,442	187,643	4,011,085
Accumulated amortisation and impairment	(2,123,585)	-	(2,123,585)
Net book amount	1,699,857	187,643	1,887,500
Year ended 30 June 2019			
Opening net book amount	1,699,857	187,643	1,887,500
Additions	-	2,480,435	2,480,435
Transfers in/(out)	430,791	(430,791)	-
Adjustments	-	44,576	44,576
Amortisation charge	(846,026)	-	(846,026)
Closing net book amount	1,284,622	2,281,863	3,566,485
At 30 June 2019			
Cost	4,260,233	2,281,863	6,542,096
Accumulated amortisation and impairment	(2,975,611)	-	(2,975,611)
Net book amount	1,284,622	2,281,863	3,566,485

14 Current liabilities - Trade and other payables

	Consolidated entity		Parent entity	
	2019	2018	**2019**	2018
	$	$	**$**	$
Trade payables	**6,958,994**	5,606,177	**5,053,011**	4,178,693
Special contribution for defence of members' interests	**8,728**	8,728	**8,728**	8,728
Unexpended government contracts	**2,858,286**	3,383,074	**2,858,287**	3,383,075
	9,826,008	8,997,979	**7,920,026**	7,570,496

(a) Unexpended government contracts

Under arrangements with the Commonwealth and various State Governments the consolidated entity was either given, or acted as custodian of, various contracts earmarked for specific purposes in the Manufacturing, Engineering, Construction, Information Technology and Telecommunications Industries. Total government contracts received during the year amounts to $12,259,982 (2018: $11,114,663) for the consolidated entity. Any contract funds not expended at the completion of the contract for the purposes of the contract are repayable to the appropriate government body.

(b) Special contribution for defence of members' interest

Since 1995/96, special contributions of $89,109 have been collected from members on several occasions to defend members' interests in relation to major union claims and campaigns. There were no further contributions, or any further expenditure relating to such contributions during the year, and the balance in the account represents funds carried forward to future periods.

(c) Legal Liability

Included in trade payables is an amount for legal case liabilities of $111,455 (2018: $82,500). There are no litigation case liabilities.

15 Current liabilities - Deferred revenue

	Consolidated entity		Parent entity	
	2019	2018	**2019**	2018
	$	$	**$**	$
Other deferred income	**7,512,241**	8,335,920	**7,512,241**	8,058,812

(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 the three-monthly, six-monthly and yearly subscription billings in June 2019.

16 Current liabilities – Provisions

	Consolidated entity		Parent entity	
	2019	2018	**2019**	2018
	$	$	**$**	$
Employee benefits - provision for annual leave	**2,787,770**	2,851,538	**1,764,461**	1,750,200
Employee benefits - provision for long service leave	**2,490,960**	2,454,761	**2,128,918**	2,095,481
	5,278,730	5,306,299	**3,893,379**	3,845,681

There are no employee benefit provisions in respect of officeholders of the reporting unit. There was a provision of $19,484 (2018: $65,427) for annual leave in relation to separation and redundancy and other employee provisions at the end of the reporting period.

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes accrued annual leave, long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	Consolidated entity		Parent entity	
	2019	2018	**2019**	2018
	$	$	**$**	$
Current leave obligations expected to be settled after 12 months	**2,352,491**	2,305,306	**2,249,286**	1,955,098

17 Non-current liabilities - Trade and other payables

	Consolidated entity		Parent entity	
	2019	2018	**2019**	2018
	$	$	**$**	$
Lease related payables	**389,441**	320,667	**389,441**	320,667

These lease related payables comprise:

(a) Lease incentives

The consolidated entity has provided tenants at the Adelaide and North Sydney premises with lease incentives, which are currently recognised over a 5 years 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.

18 Non-current liabilities - Provisions

	Consolidated entity		Parent entity	
	2019	2018	**2019**	2018
	$	$	**$**	$
Employee benefits - long service leave	**442,205**	651,094	**442,205**	602,798
Make good provision	**105,086**	102,559	**105,086**	102,559
	547,291	753,653	**547,291**	705,357

There are no employee benefit provisions in respect of officeholders of the reporting unit. There was a provision of $57,046 (2018: $65,427) for long service leave in relation to separation and redundancy and other employee provisions at the end of the reporting period.

(a) Lease make good provision

The consolidated entity is required to restore the leased premises of its offices to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

(b) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

2019	**Make good provision $**	**Total $**
Carrying amount at start of year	102,559	102,559
- additional provisions recognised	2,527	2,527
Carrying amount at end of year	105,086	105,086

19 Reserves and retained earnings

(a) Reserves

	Consolidated entity		Parent entity	
	2019	2018	**2019**	2018
	$	$	**$**	$
Asset revaluation reserve	**14,250,636**	14,849,117	**14,250,636**	14,849,117

Movements:

Revaluation surplus - Property, plant and equipment				
Balance 1 July 2018	**14,849,117**	10,855,303	**14,849,117**	10,855,303
Increment on revaluation of freehold land	**720,000**	3,400,000	**720,000**	3,400,000
Increment/(decrement) on revaluation of buildings	**(1,318,481)**	593,814	**(1,318,481)**	593,814
Balance 30 June 2019	**14,250,636**	14,849,117	**14,250,636**	14,849,117

19 Reserves and retained earnings (continued)

(b) Retained earnings

	Consolidated entity		Parent entity	
	2019	2018	**2019**	2018
Movements	**$**	$	**$**	$
Retained earnings at the beginning of the financial year	**58,123,909**	63,307,787	**59,297,244**	63,792,951
Net profit/(loss) attributable to members of The Australian Industry Group (i)	**(3,516,240)**	(5,183,878)	**(3,879,969)**	(4,495,707)
Retained earnings at the end of the financial year	**54,607,669**	58,123,909	**55,417,275**	59,297,244

Net loss attributable to members includes the net loss of $363,727 (2018: $688,171) from Australian Industry Group Graduate Employment Unit Trust.

(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(k).

20 Related party transactions

In the audit of these financial statements, The Australian Industry Group must comply with

• the Australian Accounting Standards (AASB), and
• the Reporting Guidelines issued under the Fair Work (Registered Organisations) Act 2009 (the Act), and
• the Act and its regulations.

(i) Related Party Transactions Under the Standard

AASB 124 (the Standard) requires disclosure of related party transactions and for the purposes of this Note 20(i), the definition of related party in AASB 124 has been adopted. Key Management Personnel in the Standard includes the Officers (non-executive appointees) of Ai Group and senior executive management (employees) of Ai Group.

(a) Officers of Ai Group

The Officers of Ai Group (refer to Note 1 in the Operating Report) together control the entity, and have the responsibility for the management of the affairs of the entity, determination of the policy of the entity and to make, rescind, alter and enforce the rules of the entity. Other than a payment regarding property consulting services performed by Alford Capital, none of the Officers entered into any related party transactions as required to be disclosed under AASB 124 for the reporting period. Nor, during the financial year, did any of those Officers receive any payment or benefit in relation to their duties performed as Officers to Ai Group. No payments were made to a former related party of The Australian Industry Group (the reporting unit).

20 Related party transactions (continued)

(b) Executive Management

The executive managers of Ai Group during the reporting period were the following persons:

Peter Burn, Mark Goodsell, Megan Lilly, Kate Louis, Michael McConnell, Michael Mead, Anthony Melville, Stephen Myatt, Tim Piper, Shane Rodgers, Stephen Smith, Helen Waldron and Innes Willox.

(These persons are not Officers under the Act as their participation in the management of Ai Group is only in accordance with the directions given to them by the Committee of Management of Ai Group or by an Officer for the purpose of implementing the policy of the entity or a decision concerning the entity.)

Aside from their compensation as employees of Ai Group (noted below), none of the abovementioned persons entered into any related party transactions as required to be disclosed under AASB 124 for the reporting period.

Key management personnel compensation

	Consolidated entity		**Parent entity**	
	2019	2018	**2019**	2018
	$	$	**$**	$
Short-term employee benefits	**4,308,145**	5,351,036	**4,308,145**	5,351,036
Termination benefits	**-**	254,312	**-**	254,312
	4,308,145	5,605,348	**4,308,145**	5,605,348

(c) Transactions with other related parties

The following transactions occurred with other related parties (the subsidiaries of the reporting entity):

	Consolidated entity		**Parent entity**	
	2019	2018	**2019**	2018
	$	$	**$**	$
Sales and purchases of goods and services				
Rental revenue paid to The Australian Industry Group	**-**	-	**418,500**	556,257

(d) Loans to/from related parties

	Consolidated entity		**Parent entity**	
	2019	2018	**2019**	2018
	$	$	**$**	$
Loans to other related parties				
Beginning of the year	**-**	-	**2,760,268**	2,744,183
Loans advanced	**-**	-	**8,580,483**	10,186,085
Loans repayments received	**-**	-	**(9,593,000)**	(10,170,000)
End of year	**-**	-	**1,747,751**	2,760,268

20 Related party transactions (continued)

(ii) Related Party Payments under the Act and the Reporting Guidelines

Under the Act Ai Group (the reporting unit under the Act) is required to disclose to its members all payments made by it to its related parties during the financial year 2018-19.

A related party to Ai Group under the Act includes the following:

• a related body corporate (Ai Group Training Services Pty Ltd; Ai Group Legal Pty Ltd; Confectionery BTW Pty Ltd and Australian Industry Group Graduate Employment Pty Ltd) and other controlled entities;
• Officers of Ai Group;
• Relatives of Officers;
• Persons or entities in which an Officer has disclosed a material personal interest ("declared persons").

Ai Group and its branches are required to disclose any payments made in the 2018-19 financial year to related parties and declared persons and bodies in excess of $5,000 (cumulative).

A related party is any of the following:

a. an entity controlled by the Ai Group or a branch of the Ai Group;
b. the Ai Group's national and branch officers and their spouses;
c. relatives of the Ai Group's national and branch officers and their spouses (meaning a parent, step-parent, child, step-child, grandparent, grandchild, brother or sister);
d. an entity controlled by a related party referred to in paragraphs (a), (b) or (c) above.

Note: an entity is a related party:

i. at a particular time if it was a related party of a kind referred to in paragraphs (a), (b), (c) or (d) at any time within the previous 6 months;
ii. if the entity believes or has reasonable grounds to believe, that it is likely to become a related party of a kind referred to in paragraphs (a), (b), (c) or (d) at any time in the future;
iii. if the entity acts in concert with a related party on the understanding that the related party will receive a financial benefit if the Ai Group or a branch of the Ai Group gives that entity a financial benefit.

A declared person or body is defined in section 293G(6) of the *Fair Work (Registered Organisations) Act 2009*.

The Ai Group and its branches have made the following payments (which cumulate to $5,000 or more) to persons, bodies or entities in paragraphs (a), (b), (c) or (d) (having also regard to the further information set out in points (i), (ii) and (iii) above) as required to be disclosed under section 293J of the *Fair Work (Registered Organisations) Act 2009* and Rule 30 of the Rules of the Ai Group for the reporting period:

Name	Nature of relationship	Purpose of payment	Amount (GST Inclusive)
Alford Capital Pty Ltd	National Officer is a Shareholder, Director and Secretary of the Entity	Property Consulting Services	$33,000

Ai Group has made payments on behalf of the related entities in paragraph (d) on an interest free basis, repayable by the entities at the cost incurred by Ai Group from external providers. Ai Group has received funds at various times throughout the year from the related entities in paragraph (d) in repayment of costs incurred and in reduction of trust distributions received by Ai Group.

Ai Group, together with Australian Industry Group Training Services Trust, provides continued financial support to Australian Industry Group Graduate Employment Unit Trust while it establishes a business presence. This support consists of payment of employment and operational costs and is treated as an interest free loan for future repayment.

For the purposes of the Act, it is also noted that none of the branches of Ai Group has any power or authority to make payments and none maintains any bank accounts for this purpose. Accordingly, there are no disclosures of any payments made by any of the New South Wales Branch, Victorian Branch, Queensland Branch or South Australian Branch for the financial year 2018-19 to any related parties or declared persons of those branches.

21 Contingent liabilities and contingent assets

Contingent liabilities

The consolidated entity had contingent liabilities at 30 June 2019 in respect of:

(i) Claims

The consolidated entity had no contingent liabilities in respect of claims at 30 June 2019 (2018: Nil).

(ii) Guarantees

The Australian Industry Group has guaranteed payment of the debts of Australian Industry Group Training Services Pty Ltd (and Australian Industry Group Training Services Trust). Total liabilities at the end of 30 June 2019 was $3,117,057 (2018: $3,335,339).

(iii) Bank Guarantees

The consolidated entity has a bank guarantee of $762,380 (2018: $702,555) relating to four (2018: three) lease agreements.

22 Commitments

(a) Capital commitments

Capital expenditure and operational commitments contracted for at the end of each reporting period but not recognised as liabilities is as follows:

	Consolidated entity		**Parent entity**	
	2019	2018	**2019**	2018
	$	$	**$**	$
Property, plant and equipment:				
Within one year	**2,210,051**	172,526	**2,210,051**	172,526
Later than one year but not later than five years	**493,511**	267,824	**493,511**	267,824
Later than five years	**-**	66,956	**-**	66,956
	2,703,562	507,306	**2,703,562**	507,306

(b) Lease commitments: consolidated entity as lessee

Non-cancellable operating leases

The consolidated entity leases various offices under non-cancellable operating leases expiring within one to six years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	Consolidated entity		**Parent entity**	
	2019	2018	**2019**	2018
	$	$	**$**	$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**1,658,908**	1,730,658	**1,658,908**	1,730,658
Later than one year but not later than five years	**6,018,148**	6,207,918	**6,018,148**	6,207,918
Later than five years	**1,051,220**	1,948,050	**1,051,220**	1,948,050
	8,728,276	9,886,626	**8,728,276**	9,886,626

23 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:

PwC Australia

Assurance services

	Consolidated entity		Parent entity	
	2019	2018	**2019**	2018
Audit services	**$**	$	**$**	$
Audit services	**200,239**	210,512	**157,121**	169,012
Total remuneration for audit and other assurance services	**200,239**	210,512	**157,121**	169,012

Other services

Tax and other services	**539,565**	34,915	**539,565**	34,915
Total remuneration for other services	**539,565**	34,915	**539,565**	34,915
Total remuneration of PwC Australia	**739,804**	245,427	**696,686**	203,927

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**	
			2019	2018
			%	%
Australian Industry Group Training Services Pty Ltd	Australia	Ordinary shares	**100**	100
Ai Group Legal Pty Ltd	Australia	Ordinary shares	**100**	100
Confectionery BTW Pty Ltd	Australia	Ordinary shares	**100**	100
Australian Industry Group Graduate Employment Pty Ltd	Australia	Ordinary shares	**100**	100
Ai Group Limited	Australia	Limited by guarantee	**-**	-

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

(i) Ai Group Legal Pty Ltd which acted as trustee for Ai Group Legal Unit Trust (the whole of the issued units in which are held beneficially and legally by Ai Group) which unit trust provides legal services under the various Legal Profession Acts;

(ii) Australian Industry Group Training Services Pty Ltd which acted as trustee for The Australian Industry Group Training Services Trust, a discretionary trust in which Ai Group is a member of the class of beneficiaries, which trust provides registered training organisation (VET accredited training) services and group training services for apprentices and trainees.

24 Subsidiaries (continued)

(continued)

(iii) Confectionery BTW Pty Ltd which acted as trustee for The Confectionery Trust, which trust is a unit trust owned by external parties for a special purpose and none of the income or assets of which is held beneficially by or on behalf of Ai Group.

(iv) Australian Industry Group Graduate Employment Pty Ltd acted only as the trustee of the Australian Industry Group Graduate Employment Unit Trust. There are two classes of units - A class held exclusively by Ai Group who controls income and capital distributions and B class units held by Australian Industry Group Training Trust which entitle AiGTS to a discretionary distribution of income. The Trust operates a recruitment and employment service and incidental labour hire business.

(v) Ai Group Limited is a company limited by guarantee. The only member of the company is The Australian Industry Group as at balance date. Ai Group Limited was incorporated on 15 April 2019. It has not traded during the reporting period.

25 Events occurring after the reporting period

No matters or circumstances have occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity or economic entity in subsequent financial years.

26 Cash flow information

Reconciliation of profit/(loss) after income tax to net cash (outflow)/inflow from operating activities

	Consolidated entity		**Parent entity**	
	2019	2018	**2019**	2018
	$	$	**$**	$
Profit/(loss) for the year	**(3,516,240)**	(5,183,878)	**(3,879,969)**	(4,495,707)
Adjustments for				
Depreciation and amortisation	**1,639,194**	5,824,705	**1,538,474**	5,709,059
(Profit)/loss on disposal of investments	**-**	(92,706)	**-**	(92,724)
(Profit)/loss on revaluation of investments	**-**	(2,148,985)	**-**	(2,148,985)
(Gains)/losses on financial assets at fair value through profit or loss	**(55,566)**	-	**(55,566)**	-
Change in operating assets and liabilities, net of effects from purchase of controlled entity and sale of engineering division:				
(Increase)/decrease in trade receivables	**(775,643)**	6,550,248	**65,183**	5,888,529
(Increase)/decrease in receivables from related parties	**-**	-	**-**	(16,085)
(Increase)/decrease in other receivables	**-**	153,829	**-**	175,357
(Decrease)/increase in deferred income	**(823,175)**	4,010,597	**(546,581)**	3,901,450
(Decrease)/increase in trade and other payables	**896,816**	(2,790,315)	**418,314**	(2,559,949)
(Decrease)/increase in provisions	**(233,941)**	365,405	**(110,378)**	173,901
Net cash (outflow)/inflow from operating activities	**(2,868,555)**	6,688,900	**(2,570,523)**	6,534,846

No other reporting unit and/or controlled entity of the organisation are the source of a cash inflow or the application of a cash outflow other than those disclosed in note 20(d).

27 Section 272 Fair Work (Registered Organisations) Act 2009

In accordance with the requirements of the Fair Work (Registered Organisations) Act 2009, the attention of members is drawn to the provisions of subsections (1) to (3) of section 272, which reads as follows:

Information to be provided to members or Commissioner24A:

1. A member of a reporting unit, or the Commissioner, 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).

28 Reporting Guidelines under the RO Act (RGs)

For the purposes of the Reporting Guidelines, all activities during the reporting period required to be mentioned in the General Purpose Financial Report (GPFR) are noted on the face of the financial statements or in these Notes or in the Officer's Declaration Statement.

Committee of management's statement

This Statement is made by the Committee of Management of The Australian Industry Group (the National Executive) pursuant to a resolution passed by the National Executive on 11 September 2019 (the date of passage of the resolution) in relation to the matters requiring declaration under the Reporting Guidelines issued in accordance with section 255 of the Fair Work (Registered Organisations) Act 2009 (the Act) and is signed by the Designated Officer within the meaning of section 243 of the Act and is dated as at the date the Designated Officer signs this Statement:

The National Executive declared on the date of passage of the resolution in relation to the financial and operating reports and other prescribed information of The Australian Industry Group (the reporting unit) for the financial year ending 30 June 2019 (the reporting period) that in the opinion of the committee of management:

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

(b) the financial statements and notes comply with the Reporting Guidelines issued pursuant to section 255 of the Act;

(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) no revenue hes been derived from undertaking recovery of wages activity during the reporting period; and

(f) During the financial year to which the General Purpose Financial Report relates and since the end of that year:

(i) meetings of the National Executive were held in accordance with the Rules of the reporting unit; and

(ii) the financial affairs of the reporting unit have been managed in accordance with its Rules; and

(iii) the financial records of the reporting unit have been kept and maintained in accordance with the Act and its related Regulations; and

(iv) no information from the reporting unit has been requested or sought under or pursuant to section 272 of the Act; and

(v) no orders for inspection of financial records of the reporting unit have been made by the Fair Work Commission under section 273 of the Act.

This statement is signed by the National Secretary-Treasurer being the authorised Designated Officer under the Rules within the meaning of section 243 of the Act; and is dated the date on which the Designated Officer signs this statement.

For the Committee of Management By its Designated Officer

Russell Rolls (National Secretary-Treasurer)
Officer

Canberra
11 September 2019

I, Russell Rolls, being the National Secretary-Treasurer of The Australian Industry Group, declare that the following activities did not occur during the reporting period ending 30 June 2019.

The reporting unit did not -

- Acquire an asset or liability due to an amalgamation under Part 2 of Chapter 3 of the RO Act, a restructure of the branches of an organisation, a determination or revocation by the General Manager, Fair Work Commission
- Agree to receive financial support from another reporting unit to continue as a going concern
- Agree to provide financial support to another reporting unit to ensure they continue to operate as a going concern
- Pay to a person fees or allowances to attend conferences or meeting as a representative of the reporting unit
- Have a payable with another reporting unit
- Transfer to or withdraw from a fund (other than the general fund), account, asset or controlled entity
- Have a balance within a general fund
- Provide cashflows to another reporting unit
- Receive cashflows from another reporting unit
- Have another entity administer the financial affairs of the reporting unit
- Have a payable with an employer for making payroll deductions for membership subscriptions

For the Committee of Management By its Designated Officer

Russell Rolls (National Secretary-Treasurer)
Officer

Canberra
11 September 2019

The Committee of Management of The Australian Industry Group (the National Executive) presents the expenditure report as required under subsection 255(2A) on the Reporting Unit for the year ended 30 June 2019.

	2019 $	2018 $
Categories of expenditures		
Remuneration and other employment-related costs and expenses - employees	**32,828,102**	29,373,869
Advertising	-	-
Operating costs	**16,169,102**	16,267,948
Donations to political parties	-	-
Legal costs	**998,091**	149,734
Total Expenses from continuing operations for the Reporting Unit	**49,995,295**	45,791,551

This statement is signed by the National Secretary-Treasurer being the authorised Designated Officer under the Rules within the meaning of section 243 of the Act; and is dated the date on which the Designated Officer signs this statement.

For the Committee of Management By its Designated Officer

Russell Rolls (National Secretary-Treasurer)
Officer

Canberra
11 September 2019

Independent auditor's report to the members of The Australian Industry Group

Report on the audit of the financial report

Our opinion

I have audited the financial report of The Australian Industry Group and its controlled entities (the Reporting Unit), which comprises the balance sheets as at 30 June 2019, the statements of comprehensive income, statements of changes in members' funds and statements of cash flows for the year ended 30 June 2019 for both the Australian Industry Group (Parent entity) and for the Reporting Unit (Consolidated), notes to the financial statements, including a summary of significant accounting policies, Report Required Under Subsection 255(2A), Officer declaration statement and the Committee of management's statement.

In my opinion, in all material aspects,

- the accompanying financial report presents fairly, the financial positions of the Australian Industry Group (Parent entity) and of the Reporting Unit (Consolidated) as at 30 June 2019, and their financial performance and their cash flows for the year ended on that date in accordance with:

a) the Australian Accounting Standards;
b) the Reporting Guidelines or Part 3 of Chapter 8 of the Fair Work (Registered Organisations) Act 2009 (the RO Act); and

- the committee of management's use of the going concern basis of accounting in the preparation of the Reporting Unit's financial statements is appropriate.

Basis for opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

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

Independence

I am independent of the Reporting Unit in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

Other information

The Committee of Management is responsible for the other information. The other information comprises the Operating Report accompanying the Reporting Unit's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Committee of Management for the financial report

The Committee of Management of the Reporting Unit is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the RO Act, and for such internal control as the Committee of Management determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Committee of Management is responsible for assessing the Reporting Unit's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Committee of Management either intend to liquidate the Reporting Unit or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

My objective is to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Reporting Unit's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Committee of Management.

- Conclude on the appropriateness of the Committee of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Reporting Unit's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Reporting Unit to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Reporting Unit to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the Reporting Unit audit. I remain solely responsible for my audit opinion.

I communicate with the Committee of Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I declare that I am an approved auditor registered under the RO Act, a member of Chartered Accountants Australia and New Zealand, with membership number 257407, and hold a current Public Practice Certificate.

pwc

Report on the Recovery of Wages Activity financial report

The Australian Industry Group and its controlled entities have not undertaken any recovery of wages activity during the year ended 30 June 2019 as referred to in point (e) of the Committee of Management's Statement. As a result, no opinion can be provided in relation to recovery of wages activity.

PricewaterhouseCoopers

David Kennett
Partner

Melbourne
11 September 2019

Registration number (as registered by the RO Commissioner under the RO Act): AA2019/3