



AUSTRALIAN INDUSTRY
GROUP

25 November, 2004

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Australia

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

FR 2004/618

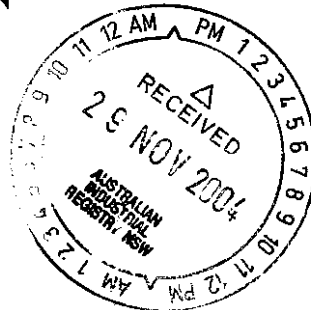
Dear Sir

Enclosed please find the annual accounts and certificates of The Australian Industry Group for the year ended 30 June 2004 together with the Statutory Declaration of the National Secretary-Treasurer.

Yours sincerely


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

cc J Tsimboulas



STATUTORY DECLARATION

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

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

do solemnly and sincerely declare

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

- (2)
1. I am the National Secretary-Treasurer of The Australian Industry Group, a registered organisation of employers under the Workplace Relations Act 1996 and the Workplace Relations Amendment (Registration and Accountability of Organisations) Act 2002.
 2. That I am duly authorised to file the accounts of the consolidated receipts, payments, funds and effects of The Australian Industry Group for the year ended 30 June 2004, a copy of which is annexed hereto.
 3. That the said document is a true and correct copy of the said accounts which after having been duly audited were adopted by the Annual General Meeting of the Organisation which was held on 24 November 2004.

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


(2) Signature of person making the declaration.

(3) 

Declared at **CANBERRA** **TWENTY FIFTH**
day of **NOVEMBER, 2004**

Before me

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

(4) 

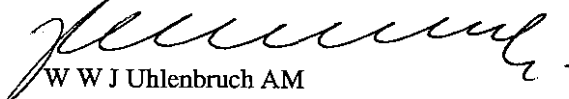
(5) Here insert title of person before whom the declaration is made.

(5) **JUSTICE OF THE PEACE**

**The Australian Industry Group and controlled entities
Designated Officer's Certificate
For the year ended 30 June 2004
s.268 of Schedule 1B of the Workplace Relations Act 1966**

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

- (1) that the documents lodged herewith are copies of the financial report as at 30 June 2004 referred to in section 268 of the RAO Schedule; and
- (2) that the financial report was provided to members on the 6th September 2004; and
- (3) that the financial report was presented to the Annual General Meeting of the reporting unit on 24 November 2004, in accordance with section 266 of the ROA Schedule.


W W J Uhlenbruch AM
National Secretary-Treasurer

Sydney
24 November 2004

The Australian Industry Group Financial Report – 30 June 2004

Contents	Page
Statements of financial performance	3
Statements of financial position	4
Statements of cash flows	5
Notes to the financial statements	6
Committee of Management's Statement	22
Operating Report	23
Independent audit report to the members	25

The Australian Industry Group and controlled entities
Statements of financial performance
For the year ended 30 June 2004

	Notes	Consolidated		Parent entity	
		2004 \$	2003 \$	2004 \$	2003 \$
Revenue from ordinary activities	2	35,266,980	35,967,566	27,133,054	28,349,392
Total expenses from ordinary activities	3	(36,854,620)	(35,867,122)	(28,984,049)	(28,405,783)
(Deficit) / Surplus from ordinary activities	13(b)	(1,587,640)	100,444	(1,850,995)	(56,391)
Transfer of surplus from Manufacturers Training Trust	13(b)	-	-	290,109	-
(Deficit) / Surplus from ordinary activities after transfer of surplus from Manufacturers Training Trust	13(b)	(1,587,640)	100,444	(1,560,886)	(56,391)

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

The Australian Industry Group and controlled entities
Statements of financial position
As at 30 June 2004

	Notes	Consolidated		Parent entity	
		2004 \$	2003 \$	2004 \$	2003 \$
Current assets					
Cash assets	4	4,300,771	3,861,116	3,963,739	2,992,389
Receivables	5	12,186,193	12,722,071	11,780,251	13,309,141
Investments	6	14,783,985	14,180,035	14,783,985	14,180,035
Other		550,645	432,850	546,386	429,890
Total current assets		31,821,594	31,196,072	31,074,361	30,911,455
Non-current assets					
Other financial assets	7	7,333,773	6,867,000	7,333,795	6,867,022
Property, plant and equipment	8	19,401,541	20,144,145	19,180,200	19,983,697
Total non-current assets		26,735,314	27,011,145	26,513,995	26,850,719
Total assets		58,556,908	58,207,217	57,588,356	57,762,174
Current liabilities					
Payables	9	3,806,389	3,959,646	3,293,489	3,595,886
Deferred income	10	11,674,784	9,419,536	11,674,784	9,419,536
Provisions	11	1,651,310	1,760,852	1,285,132	1,706,323
Other		325,496	342,131	325,496	342,131
Total current liabilities		17,457,979	15,482,165	16,578,901	15,063,876
Non-current liabilities					
Provisions	12	1,461,071	1,414,558	1,371,597	1,414,558
Other		524,182	609,178	524,182	609,178
Total non-current liabilities		1,985,253	2,023,736	1,895,779	2,023,736
Total liabilities		19,443,232	17,505,901	18,474,680	17,087,612
Net assets		39,113,676	40,701,316	39,113,676	40,674,562
Members' Funds					
Reserves	13(a)	10,768,685	10,768,685	10,768,685	10,768,685
Retained profits	13(b)	28,344,991	29,932,631	28,344,991	29,905,877
Total members' funds		39,113,676	40,701,316	39,113,676	40,674,562

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

The Australian Industry Group and controlled entities
Statements of cash flows
For the year ended 30 June 2004

	Notes	Consolidated		Parent entity	
		2004 \$	2003 \$	2004 \$	2003 \$
Cash flows from operating activities					
Receipts from trading activities (inclusive of goods and services tax)		39,564,764	34,068,785	31,636,607	25,900,976
Dividends received		406,453	363,958	406,453	363,958
Receipts from investment income		805,569	965,473	781,797	946,325
		40,776,786	35,398,216	32,824,857	27,211,259
Payments to suppliers and employees (inclusive of goods and services tax)		(38,347,583)	(37,071,584)	(29,937,174)	(29,025,453)
Net cash inflow from operating activities	26	2,429,203	(1,673,368)	2,887,683	(1,814,234)
Cash flows from investing activities					
Payments for property, plant and equipment		(1,731,179)	(2,021,394)	(1,657,964)	(1,931,968)
Payments for investments		(8,072,087)	(7,564,294)	(8,072,087)	(7,564,294)
Proceeds from sale of property, plant and equipment		187,976	5,836,384	187,976	5,799,337
Proceeds from sale of investments		7,625,742	5,100,000	7,625,742	5,100,000
Net cash (outflow) from investing activities		(1,989,548)	1,350,696	(1,916,333)	1,403,075
Net increase in cash held		439,655	(322,672)	971,350	(411,159)
Cash at the beginning of the financial year		3,861,116	4,183,788	2,992,389	3,403,548
Cash at the end of the financial year	4	4,300,771	3,861,116	3,963,739	2,992,389

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

The Australian Industry Group and controlled entities
Notes to the financial statements
30 June 2004

Note 1. Summary of significant accounting policies

Rules 38, 73 and 80 of the Rules of The Australian Industry Group provide that the Funds of the Organisation and its Income and Property shall be under the control of the National Executive. The Assets, Liabilities and Reserves included in this financial report as at 30 June 2004 are reported in accordance with these Rules. Consequently, the National Executive confirms that the Organisation indemnifies The Manufacturers Training Trust against any shortfall in the assets of that trust.

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

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

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by The Australian Industry Group ("parent entity") as at 30 June 2004 and the results of all controlled entities for the year then ended. The Australian Industry Group and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

(b) Revenue recognition

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

(c) Receivables

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

(d) Recoverable amount of non-current assets

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

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

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

(e) Revaluations of non-current assets

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

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

(f) Investments

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

(g) Depreciation of property, plant and equipment

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

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

(h) Leasehold improvements

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

(i) Leased non-current assets

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

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

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

(j) Trade and other creditors

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

(k) Employee entitlements

(i) Wages and salaries and annual leave

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

(ii) Long service leave

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

(iii) Superannuation

The amounts charged to the statements of financial performance in respect of superannuation represent the contributions and costs of the Funds made by each entity to superannuation funds. Note 22 provides additional details.

The Australian Industry Group and controlled entities

Notes to the financial statements

30 June 2004

Note 1. Summary of significant accounting policies (continued)

(l) Cash

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

(m) Voluntary contributions

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

(n) Taxation

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

(o) Information to be provided to Members or Registrar

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

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

(p) Comparatives

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

(q) International financial reporting standards

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

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

After the conclusion of this reporting period, the Committee of Management of the Organisation have undertaken to perform a detailed assessment of each component of the audited opening balance sheet at 1 July 2003 for the purposes of identifying those components that are impacted by the transition to IFRS.

The Australian Industry Group and controlled entities
Notes to the financial statements
30 June 2004

Note 2. Revenue

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
(a) Revenue				
Members' Service Account				
Members' subscriptions	12,703,712	13,408,821	12,703,712	13,408,821
Entrance fees	90,687	56,336	90,687	56,336
Associate fees	2,508,653	1,710,038	2,508,653	1,710,038
Other income	99,132	44,598	99,132	44,598
	<u>15,402,184</u>	<u>15,219,793</u>	<u>15,402,184</u>	<u>15,219,793</u>
General Operations Account				
Rents	862,610	1,170,968	862,610	1,170,968
Consulting and management services	4,733,984	5,147,889	4,733,984	5,147,889
Training and other chargeable services	10,853,818	9,905,203	2,743,664	1,902,052
Publications	1,008,985	955,611	1,008,985	833,843
Affiliate fees	122,082	131,000	122,082	131,000
Net profit on disposal of property (refer Note 2(b))	-	1,599,948	-	1,599,948
Other	446,917	633,310	446,917	633,310
	<u>18,028,396</u>	<u>19,543,929</u>	<u>9,918,242</u>	<u>11,419,010</u>
Investment Account				
Interest earned on deposits and debentures	805,569	965,473	781,797	946,325
Distributions and dividends	406,453	363,958	406,453	363,958
Net unrealised gains on investments	401,453	22,623	401,453	22,623
Net Profit / (Loss) on sale of investments	222,925	(148,210)	222,925	(148,210)
	<u>1,836,400</u>	<u>1,203,844</u>	<u>1,812,628</u>	<u>1,184,696</u>
Revenue from ordinary activities	<u>35,266,980</u>	<u>35,967,566</u>	<u>27,133,054</u>	<u>27,823,499</u>
(b) Individually significant items				
Gains				
Net gain on sale of land and buildings				
Cash consideration	-	5,700,000	-	5,700,000
Carrying amount of land and buildings sold	-	(4,000,000)	-	(4,000,000)
Costs on sale	-	(100,052)	-	(100,052)
Gain on sale	-	1,599,948	-	1,599,948

The Australian Industry Group and controlled entities

Notes to the financial statements

30 June 2004

Note 3. Profit from ordinary activities

(a) Expenses	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Surplus from ordinary activities includes the following specific expenses:				
Salaries	20,151,767	18,864,462	13,566,646	12,776,958
Superannuation	2,342,217	2,316,746	1,816,054	1,829,567
Long service leave	117,988	196,331	117,988	196,331
Annual leave	87,079	180,209	87,079	180,209
Total Employee benefit expenses	<u>22,699,051</u>	<u>21,557,748</u>	<u>15,587,767</u>	<u>14,983,065</u>
Depreciation				
Buildings	186,303	186,400	186,303	186,400
Plant and equipment	1,744,432	1,788,279	1,732,110	1,724,286
Total depreciation	<u>1,930,735</u>	<u>1,974,679</u>	<u>1,918,413</u>	<u>1,910,686</u>
Amortisation of leasehold improvements	291,361	284,277	291,361	284,277
Total Depreciation and Amortisation	<u>2,222,096</u>	<u>2,258,956</u>	<u>2,209,774</u>	<u>2,194,963</u>
Affiliation fees	27,169	13,658	27,169	13,658
Net bad and doubtful debts	(355,805)	(200,043)	(372,314)	(214,582)
Communications	4,808,491	4,759,587	4,615,926	4,576,531
Legal expenses	245,435	232,512	243,657	211,678
Meeting expenses	596,988	679,490	586,000	677,434
Net loss on disposal of plant and equipment	63,711	25,376	63,711	25,376
Other professional services	891,888	1,261,541	819,671	1,150,302
Rental expense relating to operating leases	1,074,246	1,011,899	1,074,246	1,011,899
Other operating expenses	4,581,350	4,266,398	4,128,442	3,775,459
Total expenses from ordinary activities	<u>36,854,620</u>	<u>35,867,122</u>	<u>28,984,049</u>	<u>28,405,783</u>

Note 4. Current assets – Cash assets

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Cash on hand	16,815	27,287	15,965	26,787
Cash at bank	1,087,028	1,314,889	750,846	446,662
Deposits at call	3,196,928	2,518,940	3,196,928	2,518,940
	<u>4,300,771</u>	<u>3,861,116</u>	<u>3,963,739</u>	<u>2,992,389</u>

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

Grant funds unexpended at year end amounting to \$1,096,390 (2003 \$1,169,456) which are included in the balances above (refer Note 9), can only be used for the purposes of the grant.

Cash not available for use

Included in the above balances is a security deposit of \$7,975 (2003 \$14,265) relating to a lease agreement. This balance is restricted for use until expiration of the lease on 31st January 2005.

Deposits at call

The deposits are bearing floating interest rates between 4.75% and 5.25% (2003 4.18% and 4.70%).

The Australian Industry Group and controlled entities
Notes to the financial statements
30 June 2004

Note 5. Current assets – Receivables

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Members' subscriptions outstanding	8,135,575	9,304,137	8,135,575	9,304,137
Provision for Doubtful Debts	(369,119)	(719,620)	(369,119)	(719,620)
	<u>7,766,456</u>	<u>8,584,517</u>	<u>7,766,456</u>	<u>8,584,517</u>
Accounts receivable	4,636,335	4,291,468	3,467,328	3,585,089
Provision for Doubtful Debts	(220,901)	(156,041)	(124,228)	(146,041)
	<u>4,415,434</u>	<u>4,135,427</u>	<u>3,343,100</u>	<u>3,439,048</u>
Amounts receivable from related entities	-	-	666,392	1,283,449
Interest accrued on investments	4,303	2,127	4,303	2,127
	<u>12,186,193</u>	<u>12,722,071</u>	<u>11,780,251</u>	<u>13,309,141</u>

Note 6. Current assets – Investments

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Deposits and debentures	14,783,985	14,180,035	14,783,985	14,180,035

Note 7. Non-current assets - Other financial assets

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Shares in wholly owned subsidiaries	-	-	22	22
Shares in other corporations	12	12	12	12
Income securities and unsecured convertible notes	845,459	820,613	845,459	820,613
Managed funds	2,650,150	1,083,086	2,650,150	1,083,086
Australian listed investments	3,838,152	4,963,289	3,838,152	4,963,289
	<u>7,333,773</u>	<u>6,867,000</u>	<u>7,333,795</u>	<u>6,867,022</u>

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
(a) Shares in Wholly Owned Subsidiaries				
Ai Group Nominees Pty Limited (Note 23)	-	-	20	20
Australian Industry Group Training Services Pty Ltd (Note 23)	-	-	2	2
	<u>-</u>	<u>-</u>	<u>22</u>	<u>22</u>

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

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

The Australian Industry Group and controlled entities

Notes to the financial statements

30 June 2004

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

Investment in the shares of the above companies represent 50% of the issued capital of each company. Savings Australia Pty Limited is the Trustee of Superannuation Trust of Australia. The Australian Retirement Fund Pty Ltd is the Trustee of The Australian Retirement Fund. They did not trade in their own right in the 2004 financial year. The Ai Group does not have a controlling interest in these two entities and as such they are not consolidated into the Ai Group accounts.

(c) **Income securities and unsecured convertible notes**

Market value at 1 July 2003	820,613	1,737,899	820,613	1,737,899
Purchase (sale) of income securities at cost	-	(999,978)	-	(999,978)
Interest earned on deposits	24,846	50,698	24,846	50,698
Profit/(Loss) on revaluation at 30 June 2004	-	31,994	-	31,994
Market value at 30 June 2004	<u>845,459</u>	<u>820,613</u>	<u>845,459</u>	<u>820,613</u>

(d) **Managed funds**

Managed fund investments were revalued to market value at 30 June 2004:

Market value 1 July 2003	1,083,086	496,225	1,083,086	496,225
Purchases at cost	1,943,000	600,000	1,943,000	600,000
Proceeds on redemption	(577,044)	-	(577,044)	-
Net surplus (deficit) on redemption	43,106	-	43,106	-
Retained investments	2,492,148	1,096,225	2,492,148	1,096,225
Revaluation increment/(decrement) at 30 June 2004	158,002	(13,139)	158,002	(13,139)
Market value at 30 June 2004	<u>2,650,150</u>	<u>1,083,086</u>	<u>2,650,150</u>	<u>1,083,086</u>

(e) **The Australian listed investments**

A gain was made when all shares were valued at market prices at 30 June 2004:

Market value 1 July 2003	4,963,289	6,882,808	4,963,289	6,882,808
Purchase of shares at cost	1,525,137	-	1,525,137	-
Proceeds of sale	(3,073,550)	(1,816,442)	(3,073,550)	(1,816,442)
Net surplus on redemption	179,819	(106,845)	179,819	(106,845)
Revaluation increment at 30 June 2004	243,457	3,768	243,457	3,768
Market value at 30 June 2004	<u>3,838,152</u>	<u>4,963,289</u>	<u>3,838,152</u>	<u>4,963,289</u>

The Australian Industry Group and controlled entities
Notes to the financial statements
30 June 2004

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

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Land and buildings				
Freehold land				
At fair value 2004	4,300,000	4,300,000	4,300,000	4,300,000
	<u>4,300,000</u>	<u>4,300,000</u>	<u>4,300,000</u>	<u>4,300,000</u>
Buildings				
At fair value 2004	6,598,664	6,598,664	6,598,664	6,598,664
Less: Accumulated depreciation	(372,703)	(186,400)	(372,703)	(186,400)
	<u>6,225,961</u>	<u>6,412,264</u>	<u>6,225,961</u>	<u>6,412,264</u>
Leasehold improvements – at cost	3,467,227	2,925,716	3,467,227	2,925,716
Less: Accumulated amortisation	(1,331,506)	(1,040,146)	(1,331,506)	(1,040,146)
	<u>2,135,721</u>	<u>1,885,570</u>	<u>2,135,721</u>	<u>1,885,570</u>
Total land and buildings	<u>12,661,682</u>	<u>12,597,834</u>	<u>12,661,682</u>	<u>12,597,834</u>
Plant and equipment				
At cost	17,234,506	16,684,275	16,841,152	16,357,638
Less: Accumulated depreciation	(10,494,647)	(9,147,336)	(10,322,634)	(8,981,147)
	<u>6,739,859</u>	<u>7,536,939</u>	<u>6,518,518</u>	<u>7,376,491</u>
Capital works in progress	-	9,372	-	9,372
Total plant and equipment	<u>6,739,859</u>	<u>7,546,311</u>	<u>6,518,518</u>	<u>7,385,863</u>
	<u>19,401,541</u>	<u>20,144,145</u>	<u>19,180,200</u>	<u>19,983,697</u>

Valuations of land and buildings

The basis of valuation of land and buildings is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction. The last formal valuation was conducted in April 2002 and the carrying values were suitably adjusted. The next valuation is due in April 2005 and the Committee of Management has assessed the April 2002 valuation as reasonable for the current period.

	Freehold land	Buildings	Leasehold improve-ments	Plant & equipment	Capital works in progress	Total
	\$	\$	\$	\$	\$	\$
Consolidated						
Carrying amount at 1 July 2003	4,300,000	6,412,264	1,885,570	7,536,939	9,372	20,144,145
Revaluations	-	-	-	-	-	-
Additions	-	-	541,512	1,189,667	-	1,731,179
Disposals	-	-	-	(251,687)	-	(251,687)
Transfers	-	-	-	9,372	(9,372)	-
Depreciation/amortisation expense (note 3(a))	-	(186,303)	(291,361)	(1,744,432)	-	(2,222,096)
Carrying amount at 30 June 2004	<u>4,300,000</u>	<u>6,225,961</u>	<u>2,135,721</u>	<u>6,739,859</u>	<u>-</u>	<u>19,401,541</u>

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

	Freehold land	Buildings	Leasehold improvements	Plant & equipment	Capital works in progress	Total
	\$	\$	\$	\$	\$	\$
Parent						
Carrying amount at 1 July 2003	4,300,000	6,412,264	1,885,570	7,376,491	9,372	19,983,697
Revaluations	-	-	-	-	-	-
Additions	-	-	541,512	1,116,452	-	1,657,964
Disposals	-	-	-	(251,687)	-	(251,687)
Transfers	-	-	-	9,372	(9,372)	-
Depreciation/amortisation expense (note 3(a))	-	(186,303)	(291,361)	(1,732,110)	-	(2,209,774)
Carrying amount at 30 June 2004	4,300,000	6,225,961	2,135,721	6,518,518	-	19,180,200

Note 9. Current liabilities – Payables

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Accounts payable	2,700,731	2,755,324	2,187,831	2,391,564
Unexpended government grants	1,096,930	1,169,456	1,096,930	1,169,456
Special Contribution for Defence of Members' Interests (note 15)	8,728	34,866	8,728	34,866
	3,806,389	3,959,646	3,293,489	3,595,886

Under arrangements with the Commonwealth and various State Governments the Organisation was either given, or acted as custodian of, various grants earmarked for specific purposes in the Manufacturing, Engineering, Construction, Information Technology and Telecommunications Industry. Total Government Grants received during the year amounts to \$3,489,966 (2003 \$3,446,082) for the consolidated entity. Grant funds unexpended at year end amount to \$1,096,930 (2003 \$1,169,456) for the consolidated entity. Any grant funds not expended at the completion of the grant for the purposes of the grant are repayable to the Government.

Note 10. Current liabilities – Deferred Income

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Membership Subscriptions	11,674,784	9,419,536	11,674,784	9,419,536

Membership subscription income is brought to account on a pro-rata basis over the period to which it relates. The deferred income account contains income generated from the early issue of yearly subscription billings and income generated from the issue of the six-monthly billings that relate to 1 April 2004 to 30 September 2004.

Note 11. Current liabilities – Provisions

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Annual leave	1,578,104	1,435,389	1,211,926	1,380,860
Long service leave	73,206	325,463	73,206	325,463
	1,651,310	1,760,852	1,285,132	1,706,323

The Australian Industry Group and controlled entities
Notes to the financial statements
30 June 2004

Note 12. Non-current liabilities – Provisions

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Long service leave	1,411,071	1,414,558	1,321,597	1,414,558
Other employee entitlements	50,000	-	50,000	-
	1,461,071	1,414,558	1,371,597	1,414,558

Note 13. Reserves and retained profits

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
(a) Reserves				
Asset revaluation reserve	3,081,378	3,081,378	3,081,378	3,081,378
Capital profits reserve	7,687,307	7,687,307	7,687,307	7,687,307
	10,768,685	10,768,685	10,768,685	10,768,685
Movements:				
Asset revaluation reserve:				
Balance 1 July 2003	3,081,378	5,644,227	3,081,378	5,644,227
Increment on revaluation of freehold land at the end of the financial year	-	-	-	-
Increment on revaluation of buildings at the end of the financial year	-	-	-	-
Transfer to retained profits	-	(2,562,849)	-	(2,562,849)
Balance 30 June 2004	3,081,378	3,081,378	3,081,378	3,081,378
(b) Retained profits				
Retained profits at the beginning of the financial year	29,932,631	27,269,338	29,905,877	27,399,421
Transfer from Asset revaluation reserve (Canberra)	-	2,562,849	-	2,562,849
Net profit / (loss) attributable to members of The Australian Industry Group	(1,587,640)	100,444	(1,560,886)	(56,393)
Retained profits at the end of the financial year	28,344,991	29,932,631	28,344,991	29,905,877
(c) Nature and purpose of reserves				
(i) Asset revaluation reserve				
The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in accounting policy note 1(e).				
(ii) Capital profits reserve				
The capital profits reserve is no longer used. The reserve was created at 30 June 1986 upon sale of freehold land and buildings of \$6,949,286 and a further capital profit at 30 June 1999 of \$738,021.				

The Australian Industry Group and controlled entities
Notes to the financial statements
30 June 2004

Note 14. Financial instruments

(a) Credit risk exposures

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

(b) Interest rate risk exposures

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

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

2004		Floating interest rate \$	1 year or less \$	More than 5 years \$	Non- Interest Bearing \$	Total \$
	Notes					
Financial assets						
Cash and deposits	4	4,300,771	-	-	-	4,300,771
Receivables	5	-	-	-	12,186,193	12,186,193
Deposits and debentures	6	-	8,706,358	6,077,627	-	14,783,985
Other financial assets - investments	7	-	-	845,459	6,488,314	7,333,773
		<u>4,300,771</u>	<u>8,706,358</u>	<u>6,923,086</u>	<u>18,674,507</u>	<u>38,604,722</u>
Weighted average interest rate		4.35%	5.16%	5.32%		
Financial liabilities						
Trade and other creditors	9	-	-	-	3,806,389	3,806,389
		-	-	-	<u>3,806,389</u>	<u>3,806,389</u>
Net financial assets		<u>4,300,771</u>	<u>8,706,358</u>	<u>6,923,086</u>	<u>14,211,192</u>	<u>34,141,407</u>
2003						
	Notes					
Financial assets						
Cash and deposits	4	3,861,116	-	-	-	3,861,116
Receivables	5	-	-	-	12,722,071	12,722,071
Deposits and debentures	6	-	9,916,724	4,263,311	-	14,180,035
Other financial assets - investments	7	-	-	820,613	6,046,387	6,867,000
		<u>3,861,116</u>	<u>9,916,724</u>	<u>5,083,924</u>	<u>18,768,458</u>	<u>37,630,222</u>
Weighted average interest rate		3.70%	5.76%	6.75%		
Financial liabilities						
Trade and other creditors	9	-	-	-	3,959,646	3,959,646
		-	-	-	<u>3,959,646</u>	<u>3,959,646</u>
Net financial assets		<u>3,861,116</u>	<u>9,916,724</u>	<u>5,083,924</u>	<u>14,808,812</u>	<u>33,670,576</u>

The Australian Industry Group and controlled entities
Notes to the financial statements
30 June 2004

Note 14. Financial Instruments (continued)

(c) Net fair value of financial assets and liabilities

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

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

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

Note 15. Special contribution for defence of members' interests

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

Summarised below are the Fund transactions for the year ended 30 June 2004.

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Balance brought forward 1 July 2003	34,866	192,272	34,866	192,272
Contributions from Member companies	-	-	-	-
Payments	(26,138)	(157,406)	(26,138)	(157,406)
Balance deferred to future periods. Refer Note 1(m)	<u>8,728</u>	<u>34,866</u>	<u>8,728</u>	<u>34,866</u>

Note 16. Special contribution for defence of enterprise bargaining

The National Executive approved the creation of a fund via a voluntary contribution by members to oppose a union campaign aimed at replacing enterprise bargaining with pattern bargaining and forcing industry wide concessions on union claims relating to wages and conditions. The Fund was fully expended at the end of 30 June 2003.

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Balance brought forward 1 July 2003	-	253,063	-	253,063
Contribution from Member companies	-	33,800	-	33,800
Expenditure	-	(286,863)	-	(286,863)
Balance carried forward 30 June 2004	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note 17. National industry training fund

A special fund was created to accept payments from members under the Training Guarantee (Administration) Act 1990. In accordance with this legislation payments by members into the Fund qualify as eligible training expenditure. Subsequent payments from the Fund relate solely to training activities and administration of the Fund consistent with the Training Guarantee legislation. The Fund was fully expended at the end of 30 June 2003.

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Balance brought forward	-	25,262	-	25,262
Interest earned	-	492	-	492
Expenditure	-	(25,754)	-	(25,754)
Balance carried forward	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Australian Industry Group and controlled entities
Notes to the financial statements
30 June 2004

Note 18. Remuneration of committee of management

There is no remuneration paid to the members of the committee of management.

Note 19. Remuneration of auditors

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Remuneration for audit of the financial reports of the parent entity or any entity in the consolidated entity:				
Auditor of the parent entity – PricewaterhouseCoopers	139,887	115,433	128,747	117,870
Other audit-related work	1,200	43,592	1,200	43,592
	141,087	159,025	129,947	161,462

Note 20. Contingent liabilities

There are no contingent liabilities.

Note 21. Commitments for expenditure

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
<i>Operating leases</i>				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	1,558,462	1,258,451	1,558,462	1,258,451
Later than one year but not later than 5 years	663,472	1,420,173	663,472	1,420,173
Later than 5 years	249,179	7,016	249,179	7,016
Commitments not recognised in the financial statements	2,471,113	2,685,640	2,471,113	2,685,640
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	450,654	354,008	450,654	354,008

Note 22. Employee entitlements

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Employee entitlement liabilities				
Provision for employee entitlements				
Current (note 11)	1,651,310	1,760,852	1,285,132	1,706,323
Non-current (note 12)	1,461,071	1,414,558	1,371,597	1,414,558
Aggregate employee entitlement liability	3,112,381	3,175,410	2,656,729	3,120,881
Employee numbers				
- The Australian Industry Group	187	200	187	200
- The Australian Industry Group Training Service Pty Ltd	287	260	-	-
Average number of employees during the financial year (equivalent full time employee basis)	474	463	187	200

The Australian Industry Group and controlled entities
Notes to the financial statements
30 June 2004

Note 21. Employee entitlements (continued)

Superannuation – Consolidated and parent entities

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

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

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

All members at 1 March 1994, prior to restructuring of the Plan, were provided with a guarantee that their benefit under the new arrangements would not be less than the benefit which would have been paid if the restructuring had not occurred. An actuarial assessment is undertaken on the Plan every three years. The last actuarial assessment of the Plan was as at 1 October 2002 being carried out by an actuary from Mercer Human Resource Consulting Pty Ltd, who is a Fellow of the Institute of Actuaries of Australia.

The accrued benefits, plan assets at net market value and vested benefits of the plan were determined by actuarial valuation dated 1 October 2002 and are set out below. Accrued benefits are benefits which the plan is presently obliged to pay at some future date, as a result of membership of the plan. Vested benefits are benefits which are not conditional upon the continued membership of the plan or any factor other than resignation from the plan.

	Defined Benefits	Accumulation Benefits	Total Fund
	\$	\$	\$
Plan assets at net market value	11,141,292	4,473,601	15,614,893
Total accrued benefits	10,689,292	4,473,601	15,162,893
Deficit	<u>(452,000)</u>	<u>-</u>	<u>(452,000)</u>
 Total vested benefits	 10,515,726	 4,473,601	 14,989,327

As a result of this valuation, the actuary advised that the assets represent 99% of the value of accrued benefits and recommended a cash injection of the defined benefits fund amounting to \$250,000 by 30 September 2003, which the consolidated entity undertook prior to 30 June 2003.

Since the actuarial assessment, Mercer Human Resource Consulting Pty Ltd provided a financial update on the Plan as at 30 June 2003 recommending that the consolidated entity continue to budget an additional unallocated contribution to the defined benefits fund with \$250,000 per annum for the next 3 years. The need for this contribution to be injected into the Plan would be assessed in the June quarter of each year following consideration of the actual earnings for the year to date. Based on this recommendation, the consolidated entity injected a further \$250,000 into the fund prior to 30 June 2004. Currently, no further injections payable, based on financial update at 30 June 2003, have been accrued for in the financial statements.

The next actuarial valuation of the Plan will be performed as at 30 June 2005, at which time the contribution rates will be reassessed.

The Australian Industry Group and controlled entities
Notes to the financial statements
30 June 2004

Note 23. Related parties

Wholly-owned group

The wholly-owned group consists of The Australian Industry Group and its wholly-owned controlled entities, Ai Group Nominees Pty Limited, Australian Industry Group Training Services Pty Ltd and The Manufacturers Training Trust. Ownership interests in these controlled entities are set out in note 24.

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

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

Transactions between The Australian Industry Group and other entities in the wholly-owned group during the years ended 30 June 2004 and 2003 consisted of:

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

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

	Parent entity	
	2004	2003
	\$	\$
Aggregate amounts included in the determination of profit from ordinary activities that resulted from transactions with entities in the wholly-owned group:		
Rental revenue paid to The Australian Industry Group	146,302	112,800
Aggregate amounts receivable from entities in the wholly-owned group at balance date:		
Current receivables (loans)	666,391	1,283,449

Note 24. Investments in controlled entities

Name of entity	Country of Incorporation	Class of shares	Equity Holding	
			2004	2003
			%	%
Ai Group Nominees Pty Limited	Australia	Ordinary	100	100
Australian Industry Group Training Services Pty Ltd	Australia	Ordinary	100	100
TP Mel Pty Ltd	Australia	Ordinary	-	100

TP Mel Pty Ltd was deregistered on 1 July 2003.

Note 25. Events occurring after reporting date

At the date of signing this report, no other matter or circumstance has arisen since 30 June 2004 that has significantly affected, or may significantly affect:

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

The Australian Industry Group and controlled entities
Notes to the financial statements
30 June 2004

Note 26. Reconciliation of surplus from ordinary activities to net cash inflow from operating activities

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Surplus/(Deficit) from ordinary activities	(1,587,640)	100,444	(1,560,886)	(56,391)
Depreciation and amortisation	2,222,096	2,258,956	2,209,774	2,194,963
(Profit)/loss on disposal of investments	(222,925)	138,839	(222,925)	138,839
(Profit)/loss on revaluation of investments	(401,453)	9,371	(401,453)	9,371
Net (profit) / loss on sale of non-current assets	63,711	(1,574,572)	63,711	(1,574,572)
Change in operating assets and liabilities				
(Increase) / decrease in trade receivables	538,054	(3,879,106)	914,009	(3,523,360)
(Increase) / decrease in receivables from related parties	-	-	617,057	(164,627)
(Increase) / decrease in other receivables and prepayments	(119,971)	(53,476)	(118,672)	(56,003)
Increase / (decrease) in subscriptions in advance	2,255,248	1,988,504	2,255,248	1,988,504
Increase / (decrease) in trade and other creditors	(153,257)	(547,492)	(302,397)	(638,966)
Increase / (decrease) in provisions	(164,660)	(114,836)	(565,783)	(131,992)
Net cash inflow (outflow) from operating activities	2,429,203	(1,673,368)	2,887,683	(1,814,234)

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

On 27 August 2004, the Committee of Management of The Australian Industry Group and controlled entities passed the following resolution in relation to the general purpose financial report (GPFR) of the reporting unit for the financial year ended 30 June 2004:

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

- (a) the financial statements and notes comply with the Australian Accounting Standards;
- (b) the financial statements and notes comply with the Reporting Guidelines of the Industrial Registrar;
- (c) the financial statements and notes give a true and fair view of the financial performance, financial position and cash flows of the reporting unit for the financial year to which they relate;
- (d) there are reasonable grounds to believe that the reporting unit will be able to pay its debts as and when they become due and payable;
- (e) during the financial year to which the GPFR relates and since the end of that year:
 - (i) meetings of the Committee of Management were held in accordance with the Rules of the Organisation including the Rules of the branches concerned; and
 - (ii) the financial affairs of the reporting unit have been managed in accordance with the Rules of the Organisation including the Rules of a branch concerned; and
 - (iii) the financial records of the reporting unit have been kept and maintained in accordance with the RAO Schedule and the RAO Regulations; and
 - (iv) the Organisation is divided into branches however the financial records of the reporting unit have been kept, as far as practicable, in a consistent manner to each of the other reporting units of the Organisation; and
 - (v) no member has requested any information from the Organisation and no Registrar has made such a request of the Organisation under section 272 of the RAO Schedule; and
 - (vi) no orders have been made by the Commission under section 273 of the RAO Schedule .

For the Committee of Management:



J W Ingram
National President



W W J Uhlenbruch AM
National Secretary-Treasurer

Sydney
1 September 2004

The Australian Industry Group and controlled entities Operating Report

The Committee of Management presents their report on The Australian Industry Group and controlled entities for the year ended 30 June 2004.

Committee of Management

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

G J Ashton AM*	R Leeming (<i>National Vice President</i>)
K Bridges (<i>Alternate</i>)	R Leupen (<i>Alternate</i>)
I Campbell	D McGree
T Carroll	P J Nicholls
R L Chadwick (<i>Deputy National President</i>)	K J G Porter
R Cooper (<i>Alternate</i>)	R J Rolls (<i>Alternate</i>)
L Di Bartolomeo	P Salteri
R Dunning AC (<i>National Vice President</i>)	G Smith
J A Hale*	P Sutton
D M Harland	M Symes
L E Hockridge	Dr W W J Uhlenbruch AM* (<i>National Secretary-Treasurer</i>)
J W Ingram (<i>National President</i>)	R J C Wilson (<i>Alternate</i>)
I D James* (<i>Immediate Past National President</i>)	

* Also Emeritus Councillors

Messrs L Di Bartolomeo, R Cooper, R Leupen and P Sutton were appointed as members of the Committee of Management during the financial year and continue in office at the date of this report.

Messrs P J Brown, P J Dignam, R G Elliot, C E B Toms and Sir William Tyree OBE resigned as members of the Committee of Management during the financial year.

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

L R Andrewartha	R D Hill-Ling AO (<i>Alternate</i>)
R K Colebatch (<i>Alternate</i>)	D B McNeil (<i>Alternate</i>)
A Drysdale	C J Peters (<i>Alternate</i>)
P G Haysman	

During the year, Mr A Drysdale was appointed to replace Mr M J Terlet AO.

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

L Roy	B Williams
-------	------------

Mr B Williams replaced Mr L Rowe as a representative during the year

Mr P J Gallagher resigned his position as a representative of the National Construction and Contractors Council, together with Mr P O'Connor.

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

M A Besley AO	F R D Morgan CBE
J M Dowrie OBE	P G Thomas AM
G J Kraehe AO	Sir William Tyree OBE

Principal activities

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

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

Review of principal activities

The Australian Industry Group and controlled entities reported a deficit from ordinary activities of \$1,587,640 (2003 surplus of \$100,444) for the year ending 30 June 2004. However, substantial improvement occurred in the second half of the year, with only a deficit of \$49,725 compared to the first half deficit of \$1,537,915.

Total income of \$35,266,980 (2003 \$35,967,566) was below the previous year by \$700,586 (-1.9%), with total income improving by 1.5% in the second half of the financial year.

Total expenditure of \$36,854,620 (2003 \$35,867,122) was above the previous year by \$987,498 (+2.7%), with total expenditure decreasing by 8.3% in the second half of the financial year.

During the year Mr R N Herbert retired from 1 March 2004 as Chief Executive. Mrs H M Ridout was appointed Chief Executive after serving as Deputy Chief Executive since 2002.

Significant changes in the state of affairs

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

Number of Recorded Members

The number of persons recorded in the Register of Members of the Organisation as at 30 June 2004 for the purposes of section 244 of the RAO Schedule was 7,170.

Number of Employees

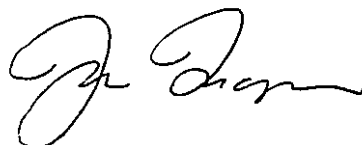
The average number of employees during the financial year (equivalent full time employee basis) as at 30 June 2004 was 474. (refer note 21)

Rights of members to resign

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

Details of superannuation trustees

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



J W Ingram
National President



W W J Uhlenbruch AM
National Secretary-Treasurer

Sydney
1 September 2004

The Australian Industry Group and controlled entities

Independent audit report to the members of The Australian Industry Group

Audit opinion

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

- gives a true and fair view, as required by the Workplace Relations Act 1996 in Australia, of the financial position of The Australian Industry Group and consolidated entities as at 30 June 2004, and of their performance for the year ended on that date, and
- is presented in accordance with the Workplace Relations Act 1996, Accounting Standards and other mandatory financial reporting requirements in Australia.

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

Scope

The financial report and Committee of Management' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, the Operating Report and the Committee of Management's Statement for both The Australian Industry Group (the entity) and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The Committee of Management of the entity are responsible for the preparation and true and fair presentation of the financial report in accordance with the Workplace Relations Act 1996. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the entity. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

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

We formed our audit opinion on the basis of these procedures, which included:

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

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

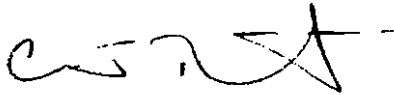
While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

Independence

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

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'CBurt', with a horizontal line extending to the right.

Chris Burt
Partner

Sydney
1 September 2004



Australian Government
Australian Industrial Registry

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

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

Dear Mr Uhlenbruch,

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

Re: Financial Documents for year ended 30 June 2004 - FR2004/618
Schedule 1B - Workplace Relations Act 1996 (RAO Schedule)

I acknowledge receipt of the financial reports of The Australian Industry Group for the year ended 30 June 2004. The documents were lodged in the Registry on 14 December 2004.

The documents have been filed.

Although the documents have been filed, enclosed are some comments that may assist you when you next prepare financial reports. No further action is required with respect to the financial documents already lodged.

'Employee benefits' paid to officers or employees

Organisations are required to separately disclose the employee benefits paid to *office holders* and *employees*. This requirement is set out in point 11 of the Industrial Registrar's Reporting Guidelines. Employee benefits are defined in the glossary of the Reporting Guidelines as follows:

employee benefits means all forms of consideration given by the reporting unit in exchange for services rendered by holders of office or employees

The accounts did not appear to disclose any employee benefits paid to office holders. In future financial years the organisation should ensure that any employee benefits given by the reporting unit to any office holder(s) in exchange for services rendered by office holders are *separately* disclosed in the accounts.

Trustees of superannuation entities

The Operating Report must give details (including details of the position held) of any officer or member of the reporting unit who is:

- (i) a trustee of a superannuation entity or an exempt public sector superannuation scheme; or
- (ii) a director of a company that is a trustee of a superannuation entity or an exempt public sector superannuation scheme; and

where a criterion for the officer or member being the trustee or director is that the officer or member is an officer or member of a registered organisation (s254(2)(d) RAO Schedule)

The Operating Report lodged by the organisation stated with respect to this requirement:

Details of superannuation trustees:

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

It would appear that this disclosure does not specifically address the particular requirements of the RAO Schedule.

Accordingly, future financial years should ensure that the information required by s254(2)(d) is disclosed in the Operating Report.

Periods of office for members of the Committee of Management

The Operating Report is required to provide the name of each person who has been a member of the Committee of Management of the reporting unit at any time during the reporting period, *and the period for which he or she held such a position.*

It is noted that the lodged documents did not provide details concerning the period each member of the Committee of Management held office during the financial year. In future financial years this information should also be provided in the Operating Report - see RAO Reg 159(c).

Loans, grants and donations

I have also received four statements relating to loans, grants and donations. These statements have been placed on a file that is not available to the general public in accordance with s237(4) of the RAO Schedule.

If you have any queries concerning any of the issues raised in this letter please contact me on (03) 8661 7799.

Yours faithfully,



Andrew Schultz
Statutory Services Branch

14 January 2005