Attachment 1

Tracing Beneficial Ownership of Securities – Ss 672A to D

Background

A supplementary submission (Attachment 2) has been prepared by AICD in response to an invitation from Mr Robert at the public hearing of the Parliamentary Joint Committee on Corporations and Financial Services Inquiry into Shareholder Engagement and Participation on 16 April 2008, to supply specific recommendations for change to section 672 of the Corporations Act 2001. Section 672 A to D of the Corporations Act 2001 covers the tracing of beneficial ownership of securities.

AICD's original submission to the Committee in November 2007 indicates that one difficulty for directors seeking to communicate directly with their major shareholders is establishing their identity.

Key Issues

This is primarily an issue about engagement with institutional shareholders. The major listed companies spend an enormous amount of time and effort to promote that engagement and tracing through the identity of a company's institutional shareholders is a constant challenge.

Why is that the case? Beneficial ownership is dynamic and complex.

Relatively high threshold levels of share ownership in a company are currently required to trigger the disclosure obligation on the holder of those shares to identify themselves to the company and the financial market. These levels are 5% to qualify as 'substantial holders' and 20% for takeovers. Below these threshold levels, there is no equivalent obligation to identify the holder of shares.

The widespread use of share custodians, derivatives and other legal structures can leave the custodian (legal owner) without information about the true beneficial owners. AICD's supplementary submission lists a number of devices that are engineered to shield identity and gain entitlement to voting rights attached to shares (see section 4.4).

As a consequence the onus can shift back to the company, share scheme or ASIC to pursue share owners through a complex web of entities.

There are practical implications from an engagement perspective when it is difficult to identify beneficial owners and their delegates, such as fund managers with investment and voting responsibility. The link between economic ownership and voting may be lost. Significant holders with economic interests may not be identified for capital raising purposes. Increased costs are experienced by listed companies in researching shareholders and circulating shareholder communications. The effectiveness of investor relations functions, which are designed to support engagement, is constrained.

Recommendations

AICD recommends

- Imposing an administrative obligation on the registered holder of shares or scheme interests to create, maintain and update a register of relevant interests where that interest exceeds, say, 1% of all shareholdings in the company.

- Requiring that a copy of that Register be provided on written request to the company, scheme or ASIC.

- Should third parties desire to have access to such information for bona fide reasons, they may make application via ASIC in the same manner that they can now in the terms of S.672A(2) of the Corporations Act.

Supporting Arguments

The main arguments supporting such a change are as follows:

- No new legal concepts are introduced. The new regime substantially replicates the substantial holdings concepts of S. 671B.

- The suggested amendments are selective and target those from whom information is required, without imposing an administrative burden or legal responsibility on others.

- The proposals reflect a fair balance between transparency and privacy by making provision for access by third parties for bona fide reasons.

- The need for improved access for companies is addressed without imposing an unreasonable reporting burden on the custodian.

Conclusion

Transparency would be enhanced through AICD's reform proposals by improving access by companies, schemes and ASIC to information concerning beneficial ownership of securities held by custodians, agents and trustees.

Attachment 2

PARLIAMENTARY JOINT COMMITTEE
Corporations and Financial Services

- Inquiry into shareholder engagement and participation -

AICD – Supplementary Submission
May 2008

Table of Contents

1. Executive Summary

1.1 Supplementary Submission

This submission is supplementary to AICD's original submission to the Committee in November 2007 and in response to the specific invitation extended on behalf of the Committee to AICD to give guidelines to the suggested need to amend S.672A to D of the Corporations Act 2001 (tracing of beneficial ownership of securities).

1.2 Socio-Economic Utility

There is socio-economic utility in the enhancement of shareholder engagement and the improvement in transparency of Australia's financial markets to better assure the INTEGRITY of those markets. Transparency includes not only information flows from corporations and schemes concerning their business, corporate and financial prospects, but also information to corporations and schemes concerning at least the identity of those who hold material "relevant interests" in them. Regulatory imposition, through legislative amendment, is an acceptable means towards this end.

1.3 Regulatory Burden

The burden of any regulatory imposition should be measured, reasonable, and be complementary to other legislative requirements.

1.4 Suggested Framework for Legislative Amendment

Section 4 of this submission outlines a suggested framework within which Ss.672A to D of the Corporations Act 2001 might be amended.

1.5 No "Silver Bullet"

AICD acknowledges that legislative enactment will not alone provide the way forward to deliver the desired outcomes, but it may be a vital step along that pathway.

2. Introduction

2.1 This submission is supplementary to AICD's submission, dated 8 November 2007, to the Commission ("Original Submission").

2.2 In particular:

(a) on pages 25 and 26, and on pages 53 and 54, of the Original Submission it was asserted:

"Changes to section 672 of the Corporations Act 2001 are required to provide more transparency about the identity of major shareholders in listed companies in order to facilitate [direct communication/shareholder engagement]";

(b) arising from questions by Mr Robert to the National President of AICD, Mr John Story, during the hearings of the Committee, Mr Robert invited Mr Story to give greater guidance to the Committee as to the recommendations AICD may make concerning proposed changes to Sections 672 of the Corporations Act 2001 in the context of the terms of reference of the Committee.

[refer page 62, Proof Committee Hansard for Joint Committee on Corporations and Financial Services, 16 April 2008.]

2.3 This submission responds to the Committee's invitation extended by Mr Robert.

3. Background - "transparency"-

3.1 This submission is premised on the acceptance of the principle of the necessity for Australia's financial markets to have INTEGRITY, implying a sound regulatory framework to deliver fairness, order, transparency and accountability (refer address by Senator the Hon. Nick Sherry, Minister for Superannuation and Corporate Law – speech to Riskmetrics Group Australian Governance Conference - "Corporate Governance in Today's Volatile Market Conditions" – Melbourne 28 April 2008).

3.2 The term "transparency", in a financial markets setting, commonly focuses on information flow from and about the business, corporate and financial prospects of the corporate entity in which a financial investment has been made by the investing public (be that investor institutional or retail in character).

3.3 Yet "transparency" in the context of public financial markets should equally extend to the "identity", and in certain circumstances the "intentions", of those who invest.

3.4 The Corporations Act recognises this in a number of sections including:

(a) S.173 - which confers a right to persons to inspect registers of shares or members.

(b) S.671B - which imposes an affirmative obligation upon persons who, together with their "associates", gain a "substantial holding" in a listed company or registered scheme, or having gained such a "substantial holding", vary that holding by a threshold amount, to promptly notify the relevant company or scheme, and the market operator, of that fact. The notifiable information requirements are quite expansive (refer S.671B(3) and(4)).

(c) Chapter 6 (generally) - which imposes rigorous disclosure requirements as to both "identity" and "intention" of persons seeking to "takeover" (i.e. acquire rights to 20% or more of voting control) a company or a registered scheme.

(d) S.672A to D - concerning the right for a listed company or a listed scheme to seek to trace information concerning the beneficial ownership of shares or scheme interests.

[Refer to Section 4 to a more fulsome discussion on these sections.]

3.5 Particularly in the context of "substantial holder" (S.671B) and "takeover" (Chapter 6) requirements of the Corporations Act:

(a) arbitrary qualifying thresholds are set:

- 5% for "substantial holders";
- 20% for "takeovers"

with further relevant incremental thresholds for variations therefrom;

(b) the onus or responsibility is primarily imposed upon the shareholder/scheme member to:

- be aware of the disclosure and compliance requirement;
- inform relevant parties and the market operator;
- take such other steps as may be required.

3.6 Further, these provisions and their effect, largely inter-relate with a complex mire of other legislative definitions and provisions which are central to corporate regulation in Australia, including definitions of:

- "relevant interest";
- "associate reference".

Although not necessarily without their flaws in the eyes of some commentators, at least for the purposes of this submission, AICD accepts these provisions as fundamentally sound, and the best available, at present. In this submission, AICD makes no recommendation to amend these "relevant interest" and "associate" provisions, rather, to work within them.

3.7 Proper socio-economic policy considerations with respect to "substantial holdings" and "takeovers" have required that this onus or responsibility be imposed upon the shareholder/scheme member to deliver transparency and assist in assuring the integrity of the financial markets.

3.8 Due to the relatively high threshold levels of share/scheme interest ownership involved (5% or 20% plus), and the perceived importance of this information being available to the broader financial market, the socio-economic utility of the availability of this information has been assessed by our legislators to outweigh the practical burden (and associated compliance costs), which these requirements impose upon shareholders/scheme members whose interests exceed these thresholds. AICD does not dispute this assessment by our legislators.

4. Tracing Beneficial Ownership of Securities–Ss.672A to D

4.1 Despite the primary onus and responsibility being imposed upon the shareholder/scheme member with respect to matters concerning substantial holdings and takeovers, in matters concerning the tracing of beneficial ownership of shares and scheme interests:

(a) it is only a secondary, not a primary, responsibility which is imposed by Sections 672A to D, i.e., only to respond to a notice, once received, initiated by the relevant company, scheme or ASIC; and

(b) a number of exculpatory provisions confer effective relief and shelter from the provisions being effective for the purposes of their legislative intent (i.e., to allow the tracing of interests in shares or schemes so as to promote transparency and foster integrity in dealings in public listed securities).

4.2 In particular, these exculpatory provisions include:

(a) the requirement for the information to "only be disclosed <u>to the extent to which it is known</u> to the person";

(b) the relief from providing the information if the person proves the giving of the notice, requiring the information, to be "vexatious".

4.3 Common law concepts of property law entitlement, coupled with more contemporary concepts of privacy law, respect the right of a person generally to structure their affairs discreetly, and at their discretion. There are some obvious exceptions to this including in the cases of taxation evasion, matters in the interest of national security (economic and defence), and matters involving the prudential licensing or regulation of key industry sectors, where the true ultimate identity of the person or persons controlling, or engaged in, the regulated enterprise, and whether they are "fit and proper" for this purpose, are relevant considerations.

4.4 Arising from this, and the creative ingenuity of business people (and their professional advisers) with respect to global financial engineering and corporate structuring, significant barriers and hurdles are presented to any person, whether they be a company or scheme, or even an empowered and more fully resourced regulatory authority (e.g., ASIC), seeking to trace the beneficial ownership of shares or scheme interests. Some of these barriers and hurdles can be categorised as follows:

(a) legal structures which, although not specifically designed to facilitate such purpose, segregate beneficial from legal ownership, with the legal registered owner (e.g., custodian) not having direct access to information concerning the true beneficial owners;

(b) financially engineered instruments (e.g., derivatives) where entitlement to the underlying rights attaching to shares or scheme interests, are "dismembered" or "partitioned and segregated", either on an ongoing basis, or for a short temporal period (e.g., share lending for voting or short selling facilitations);

(c) legal structures specifically designed to mask or shield the identity of the beneficial owner (e.g., corporations or trusts (including discretionary and "blind" trusts));

(d) successively linked legal structures, perhaps even "shadowing" through global jurisdictions whose laws favour identity protection (including commonly known tax havens).

This foregoing categorisation is indicative only, for demonstration purpose, and is by no means exhaustive. The permutations of these barriers and hurdles are accentuated when complex structures include multiple cross overs of structures between each of these categories.

4.5 As a consequence, a legitimate and legislatively compliant response to a notice and direction under Section 672A may very well be:

(a) very limited, as it only need be "to the extent to which it is known"; or

(b) limited to the identity of another intervening entity, which is but one in a complex web of such entities, with the onus then shifting back to the company, scheme or ASIC to initiate another notice and direction to the newly identified entity (the enforcement of rights against which newly identified identity may also be jurisdictionally impaired).

Further, the response may be accurate at the time it is given, but the beneficial ownership (or "relevant interest") may be dynamic, for example by reason of:

(c) the very nature of the instrument that may give rise to the "relevant interest" in the share of scheme interest (e.g., a derivative having a limited temporal significance); or

(d) the structures, by which the original "relevant interest" in the share or scheme interest arises, changing (either in the ordinary and proper cause of commercial dealing by the holder of that interest, or by reactive intent, to maintain the "identity" shield).

5. Suggested Framework for Legislative Amendment

5.1 Having regard to the commentary in Section 4 above, AICD submits that merely to tinker with, and seek to tighten up, Sections 672A to D within their current design framework, is either:

(a) unlikely to deliver enhanced practical outcomes; or

(b) likely to impose a reporting burden upon a "custodian" style registered holder, which is unlikely to be able to be satisfied at the time upon which a notice of direction to deliver up information is served (for example if the exculpatory "to the extent to which it is known" merely was denied to the person).

5.2 However, if it is perceived that the socio-economic utility of enhanced shareholder engagement and transparency of beneficial ownership of securities so warrants, AICD submits that a restructuring of Sections 672A to D to more closely align their provisions with those of the existing provisions of Section 671B ("substantial holder" disclosure) does warrant consideration. Key elements of this meta-regulatory suggested approach would include:

(a) imposing a primary onus, and responsibility, upon the registered holder of shares or scheme interests, to create a register ("Register") of "relevant interests" in shares or scheme interests held by that person, if other than themself;

(b) imposing a further primary obligation upon that person to maintain that Register and to update that Register with any notifications received in the terms of paragraph (c) below, should there be a variation of “relevant interests” from that recorded in the Register in excess of a prescribed threshold percentage (perhaps comparable to the 1% variation threshold for “substantial holding” purposes);

(c) imposing a primary obligation on any person who (together with their associates) holds a “relevant interest” in shares or scheme interests which are registered in the name of another person, and which person (and their associates) together hold in excess of a prescribed threshold percentage (perhaps 1%) of all relevant shares and scheme interests in that corporation or scheme, to give notice to the registered holder of the shares or scheme interests of that information, and any variations to that information in excess of a prescribed threshold percentage (also perhaps 1%), for entry into the Register to be maintained under paragraphs (a) and (b) above;

(d) imposing a secondary (or responsive) obligation upon the registered holder of the shares or scheme interests to deliver up a copy of the Register to the company, scheme or ASIC, in response to a notice or direction given, in much the same manner as under Section 672A at present. As compared with Section 671B (”substantial holding” disclosure), there would be no primary obligation to deliver up the Register, merely a secondary (or responsive) obligation to respond to the initiative of a notice of direction given by the company, scheme or ASIC;

(e) provisions would need to be included to ensure that this regime was complementary to, and did not overlap with, Section 671B (substantial holder notice) so as to create a duplicated compliance burden;

(f) AICD makes no recommendations, and will leave it to the legislators, to suggest appropriate penalties to encourage compliance.

Information derived from the Register would assist companies and schemes in their engagement with securities holders. If the Committee has a concern regarding that information being available to third parties seeking it for strategic or other purposes then, unlike the requirement in Sections 672C and 672DA, information from the Register could be limited to ASIC, the relevant company or scheme and any party that the company or scheme agrees to provide it to. In order to reflect a fair balance between transparency and privacy, should third parties desire to have access to such information for bona fide reasons, then they may make application via ASIC in the same manner that they can now in the terms of S.672A(2) of the Corporations Act.

5.3 Under the current Corporations Act 2001, a primary onus or responsibility is cast upon persons holding “relevant interests” in shares or scheme interests of 5% or more to inform the relevant company or scheme, and the market operator (“substantial holder” requirement).

5.4 Under this suggestion, in addition to the “substantial holder” requirement, a complementary requirement would also apply at the 1% to 5% holding level, to facilitate the tracing of beneficial ownership of securities, but without the need for more public disclosure, other than in response to a statutory notice of direction given by the relevant company, scheme or ASIC.

5.5 It is perceived that the impact of such a legislative amendment would be as follows:

(a) improved access by companies, schemes and ASIC to information concerning the beneficial ownership of securities held by custodians, agents and trustees leading to enhanced transparency;

(b) no additional burden on investors (institutional or retail) who hold securities in their own name;

(c) no additional burden on investors (institutional or retail) who beneficially hold securities registered in the name of a third party, unless the aggregate of their "relevant interest" (and those of their associates) in securities of the entity is material (say 1% or more);

(d) even if the materiality threshold (say 1%) referred to in paragraph (c) is exceeded, their obligation is no more onerous than presently exists under the Corporations Act for "substantial holdings" in excess of 5% - in fact it is less so, as the obligation is only to notify the registered holder of the securities, not the company or scheme and the relevant market operator;

(e) the registered holder of the securities has a mere administrative obligation to maintain a Register and to provide a copy of the Register on written request;

(f) no new substantive legal concepts are introduced that may need to be interpreted or judicially considered – the new regime merely substantially replicates the concepts of S.671B (substantial holdings) and utilises the tried and tested definitions of "relevant interest" and "associate";

(g) for the vast majority of dealings in securities which take place below, or within, the proposed threshold levels, or take place by investments registered in the name of the investor, there is no additional administrative burden or expense;

(h) primarily the suggested amendments are selective in their targeting of those from whom the information is required, without undue administrative burden or legal responsibility being imposed on others.

5.6 AICD accepts that this suggestion alone is not a "silver bullet" to the issues raised by the current tracing of beneficial ownership provisions of the Corporations Act 2001, nor to enhanced shareholder engagement and financial market transparency of the true owners of securities, but it may be a vital step in the right direction.

6. Socio-Economic Utility of Suggested Framework

6.1 Each new regulatory burden intrudes upon the personal rights and freedoms of persons impacted by the regulatory burden.

6.2 Regulatory burdens should not be imposed unless the socio-economic benefit and utility of the regulatory burden, for the greater good of the greater number, warrants the intrusion upon, and subjugation of the personal freedom, as well as the compliance cost (including the actual expense, and the utility of time and effort).

6.3 At present, our legislators perceive there to be socio-economic utility for:

- compulsory primary substantial holder disclosure to the public above the 5% holding threshold (and 1% variations therefrom);
- "to the extent of knowledge" compulsory responses to attempted tracing of beneficial ownership of securities.

6.4 The question is whether the added socio-economic utility of the suggested revised provision is such to warrant the <u>net</u> burden of its compliance (ameliorated by reason of its complement to, and alignment with, the "substantial holder" provisions of S.671B, and its substitution for the existing provisions of S.672A to D).

6.5 It is not the purpose of this supplementary submission to reiterate extensively the various submissions made in the Original Submission as to the desirable socio-economic utility of:

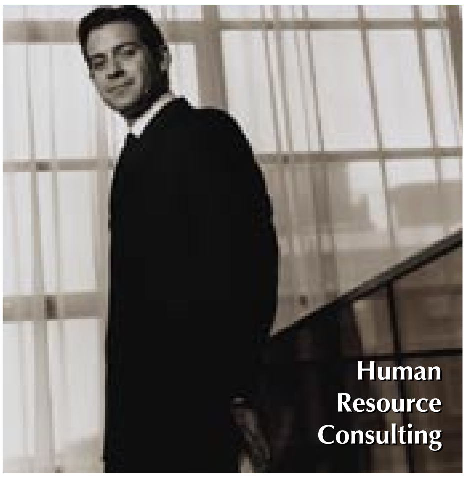
- enhanced engagement between security holders and the entities in which they invest; and
- transparency of ownership and control of securities, given the power of such ownership and control to impact upon the fortunes and outcomes of others, particularly retail investors.

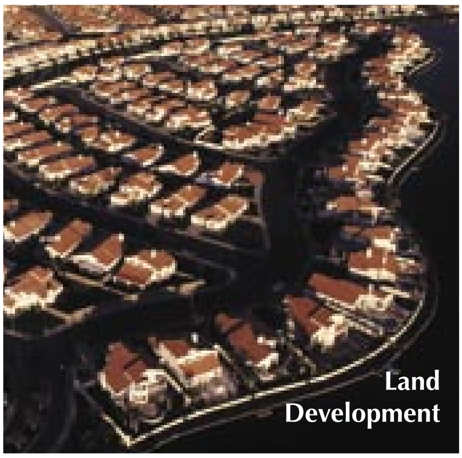
6.6 Suffice to say that this supplementary submission is premised on there being socio-economic utility to such matters, and suggests that there is merit in this framework for legislative amendment being further considered and developed.

6.7 However, AICD accepts that legislative amendment alone cannot and will not be an end in itself. Rather, at best, it can be but another flight in the quiver of the full range of initiatives; political, economic and social; prescriptive and cultural; which together, in a dynamic and ever changing, technologically enabled world of commerce, may move society closer towards the INTEGRITY its desires for its financial markets.

AICD Holdings Limited

Shareholder Friendly Report – 30 June 2005





The *Shareholder Friendly Report* has been jointly developed by the AICD and PricewaterhouseCoopers

ABN 12 345 678

Key Shareholder Information

How to read this *Shareholder Friendly Report*

We have summarised the performance of the AICD Holdings Limited Group (the Group) over the past year in the following *Shareholder Friendly Report*. Your board and management have included the information we believe is important for the reader to clearly understand and assess the performance of the Group for the period.

The *Chairman's Review of Strategy* section provides an overview of the Group-wide strategy. A more detailed analysis of the historic performance and trends follows in the *CEO's Review of Operations* section. Our focus is on both the Group's financial performance, as well as its performance in operational areas, which measure our success in building a long-term sustainable business.

We have included quantified future targets in this report. The ability of the Group to achieve these goals will depend on many known and unknown risks and uncertainties, including changes in general economic and business conditions. The reader should be aware that changes in such factors could cause the performance of the Group to differ materially from these forward-looking targets.

The *Shareholder Friendly Report* does not provide general information on the Group, such as its history, structure, financial and operating policies, nor does the information provided comply with all relevant reporting requirements and regulations. Such additional information can be found on the Group's website, www.aicdholdings.com.au and to some extent in the Group's full 2005 annual report, a copy of which is available free of charge on the Group's website or alternatively can be mailed to you by calling 1800 11 33 77 to request a copy.

Shareholder's calendar 2005

7 October	Annual General Meeting
11 November	Payment of final dividend
31 December	AICD Holdings half year
2 February	Half year results and interim dividend announced
2 March	Payment of Interim dividend
30 June	AICD Holdings year end

Shareholder information

Auditor	General Audit Firm
Bankers	ABC Corporation Ltd
Solicitors	Law and Partners
Share and debenture register	Independent Registry

Registered offices

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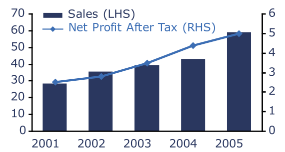
Key Shareholder Information

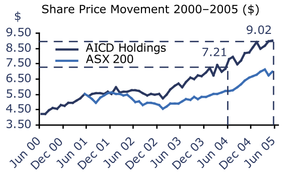
"2005 was an outstanding year for the AICD Holdings Ltd Group. At the start of 2005, we set ourselves challenging targets; however we are pleased to announce that we not only achieved, but also exceeded these targets in the majority of key business areas."

Andrew Brown, Chairman

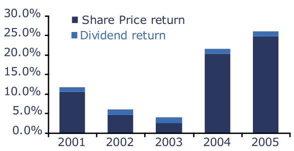
Sales and Net Profit After Tax 2000-2005 ($m)



Share Price Movement 2000–2005 ($)



Total Shareholder Return 2000–2005 (%)



Financial highlights

Measure	2005	2004	2003	2002	2001
Revenue from operations (A$ million) …% growth	52.7 27%	41.4 6%	39.2 10%	35.6 24%	28.7 15%
Net profit after tax (A$ million) …% growth	5.0 15%	4.4 26%	3.5 25%	2.8 12%	2.5 10%
Earnings per share (cents)* *EPS shows the year's net profits on a per share basis*	32.7	34.0	22.2	22.4	21.9
Dividend per share (cents)* (interim/final) – fully franked *This represents earnings per share which the board has elected to distribute to shareholders*	3.5 / 7.0	2.6 / 5.0	4.0 / 3.0	3.0 / 5.0	3.0 / 4.0
Total shareholder return *This is the sum of the increase in share price and the dividend return over the year as a percentage of prior year end share price*	26%	22%	4%	6%	12%
Gearing ratio *Being the extent to which total assets are financed by total borrowings*	24%	30%	29%	28%	26%

* The number of shares increased by 548,291 in 2005, having a diluting effect on these 'per share' ratios

Operational highlights

Measure	
Customer retention survey	Increased from 42% to 54% year on year.
Customer satisfaction survey	Increased 14% year on year to 4 out of 5.
Employee satisfaction survey	An 11% increase in positive responses year on year from 60% to 71%.
Innovation	68% of employees contributed to our innovation program, resulting in 67 new products and services.
Health and safety	Accreditation to the Workplace Safety Management Practices Scheme resulting in a 20% discount in insurance premiums.

Chairman's Review of Strategy

"I have pleasure in presenting this shareholder friendly report. Whilst the full annual report (available on our website or by mail) meets all of the statutory requirements of applicable accounting standards and the Corporations Act 2001, your board believes that this report is simpler and focuses more clearly on the financial and operational information you need to understand how we run AICD Holdings Limited and its controlled entities (the Group) the way we do and how we have performed this year."

Andrew Brown, Chairman

Group strategy

The Group operates three core businesses. These are Land Development, Human Resource Consulting and Furniture divisions. The Group's strategy is to bring together businesses that operate in complementary markets, where we believe that we can exploit certain core management skills to achieve synergies across the various business divisions and so provide a attractive return to shareholders. To fulfil this ambition, we have developed a strategic plan for management to focus on three key areas:

1. Business growth – to operate niche businesses in a series of related markets that offer growth potentials of at least 5% per annum.
2. Operational efficiencies – to create an environment and compensation that rewards greater efficiency through process innovation, improved customer satisfaction (and therefore retention and penetration) and enhanced staff loyalty.
3. Capital management – to adopt stringent capital management guidance across and within each business division.

For each of our strategy's 3 key areas, we provide below an overview of our performance against 2005 targets, as well as the Group expectations and targets for 2006 and beyond.

1. Business growth

2005 was an outstanding year – At the start of 2005, we set ourselves challenging targets; however we are pleased to announce that we have not only achieved but also exceeded these targets in the majority of key business areas (refer table below). The Group made a revenue of $52.7m ($41.4m in 2004), a profit after tax and minority interest of $4.01m ($3.98m in 2004), and a final fully franked dividend of 7.0 cents per share (10.5 cents per share for the full year, compared to 5.0 cents final and 7.6 cents total for 2004).

The year was not without problems – We were adversely affected by a fire in our new Hobart plant and suffered industrial disputes. Despite these set-backs, our robust performance demonstrates the skills of our management team and the strength of our core businesses.

2005 Target	2005 Actual	2006 Target
Overall total revenue growth of 30%	✓ achieved 32% (27% from ordinary activities)	Revenue growth of at least 10%
Reduce operating costs by 6%	✓ achieved 8%*	Reduce operating costs by 6% per annum over the next two years
Expand furniture manufacturing business with Ergonomic range	✓ new line launched	Increase output by 5% to meet demand for Ergonomic range

* Excludes costs associated with starting new division, Furniture

2. Operating efficiencies

Our continued efforts throughout the year to improve customer service are paying off, with the retention rate now at 54%, from 42% in 2004 and satisfaction ratings increasing from 3.5 to 4 out of 5.
The motivation of our staff, whose dedication and hard work are responsible for the Group's excellent results, is evident through improved satisfaction levels increasing 14% to 4 out of 5 in 2005. However staff turnover rates remain constant at 20% and require further work. We aim to continue to attract and develop employees who like to work in a dynamic and challenging environment.

2005 Target	2005 Actual	2006 Target
Improve customer satisfaction by at least 5%	✓ achieved 14%	Improve by a further 5%

Chairman's Review of Strategy

3. Capital management

The fundamental criterion for capital management is based on the board's objective to achieve at least 5% organic growth in existing businesses in the short to medium term. The remaining balance is then used to acquire and expand into new businesses. In line with our strategic aims to invest only in businesses with growth potential, we successfully sold our Machinery Hire division and focused on establishing and driving forward our Furniture business.

2005 Target	2005 Actual	2006 Target
Total shareholder return of 10%	✓ achieved 26%	Improve by a further 10% with investment in the Human Resource Consulting business to develop an IT sub-division, with an expected 20% growth in IT Human Resources Consulting revenues

Note: 26% return is a reflection of both a strong performing Australian market as well as AICD Holdings ability to continue to perform well relative to its competitors.

Governance and regulation

Corporate governance

ASX Corporate Governance Council released its *Principles of Good Corporate Governance and Good Practice Recommendations* in March 2003. The Board supports these principles and moved quickly to bring the Group's governance procedures in line with these recommendations.

Risk management

Once a year, the board audit committee undertakes an assessment of the key risks facing the Group. In 2005, the board audit committee undertook a detailed review with management to understand and rectify the cause of the error found in the 2004 financial statements as well as to review our insurance coverage after the Hobart fire (*CEO's Review of Operations*, page 11).

Board performance

I have been well supported by my fellow board members in 2005. During the year Mr W R Dunlop retired as a director and we thank him for his valuable contribution. We would like to welcome Mr H G Wells to the board, who has considerable experience in general management consulting and especially in IT contracting. The Group's performance clearly shows the viability of our strategies. However, there is always room for improvement and so in 2006, I am commissioning an independent review to benchmark the effectiveness of the board, the respective board committees and each individual board member's contribution. I will report the results of this review at the half year.

Impact of Australian Equivalents to International Financial Reporting Standards (AIFRS)

From 1 July 2005, the Group will have to prepare its financial statements in accordance with AIFRS. Full details of the impact of AIFRS on the 2005 financial statements are provided in the full annual report. The impact on the Group's 2005 performance is not considered to be significant for further disclosure in this report.

Outlook

We do not expect to see significant changes in trading conditions for our three core business divisions this year. Overall, we believe the outlook is positive for the Group over the next twelve months and offers promising opportunities. We expect that our strategy of building and operating complementary businesses will continue to deliver long-term value for our shareholders and other stakeholders.

CEO's Review of Operations

"The Chairman has outlined our Group strategy. In my report, I provide a review of the Group's performance for 2005 and our outlook for next year."

Ann Thomas, CEO

Ann Thomas - CEO

"AICD Holdings continues to exceed market growth"

The market

Following a period of global instability, triggered by corporate collapses, markets have performed strongly over the last twelve months. This renewed investor confidence in global markets has been particularly evident in the Asia-Pac region, which registered growth of 3.9% in 2004, more than 0.5% above that of Europe and North America.

The current strength of the Australian economy, the stable political landscape and the demographics of our population combine to present each business division with unique opportunities for market growth. Our diversified business portfolio allows us to minimise risk and our share price has outperformed the ASX All Ordinaries index by 5 percentage points in 2005. Further details on the market conditions for each business division are provided in divisional reports in the Appendix.

Business growth

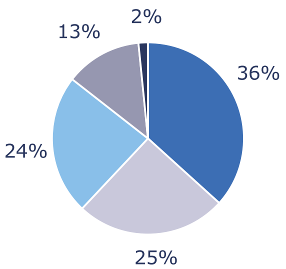
The table below summarises the divisional performance for the 2005 year.

	$'000	Land Development	Human Resource Consulting	Furniture*	Head office and administration	Continuing Operations	Discontinued Operations	Total
Income statement								
Revenue from operations		17,000	16,400	10,600	7,350	51,350	1,300	52,650
Other revenue		300	300	450	1,587	2,637	4,210	6,847
Total revenue		17,300	16,700	11,050	8,937	53,987	5,510	59,497
…% Growth		1%	11%	-	20%	49%	-22%	37%
Profit								
Gross profit from operations		4,886	3,774	2,394	1,100	12,154	1,057	13,211
EBITDA		2,984	2,752	2,542	1,100	9,378	511	9,889
EBIT		2,438	2,422	2,268	1,100	8,228	166	8,394
Interest		-	-	-	(1,221)	(1,221)	-	(1,221)
Net Profit before taxation		2,438	2,422	2,268	(121)	7,007	166	7,173
…% Growth		10%	37%	-	-	20%	-20%	19%
Balance sheet								
Property, plant and equipment		5,925	1,750	6,665	-	14,340	-	14,340
Working capital		8,400	8,600	3,695	4,446	25,141	-	25,141
Net operating assets		14,325	10,350	10,360	4,446	39,481	-	39,481
Non operating assets		550	500	300	3,875	5,225	-	5,225
Interest bearing liabilities		-	-	-	(12,125)	(12,125)	-	(12,125)
Net non operating assets		550	500	300	(8,250)	(6,900)	-	(6,900)
Net assets		14,875	10,850	10,660	(3,804)	32,581	-	32,581
Cash flow								
Operating cash flows		1,875	2,190	1,310	(3,335)	2,040	155	2,195
Capital expenditure		(2,182)	(950)	(3,715)	691	(6,156)	-	(6,156)
Financing cash flows		(380)	(80)	-	5,450	4,990	-	4,990
Net cash flows		(687)	1,160	(2,405)	2,806	874	155	1,029

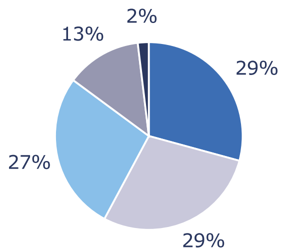
Note: *The Furniture business is in the first year of operation

CEO's Review of Operations

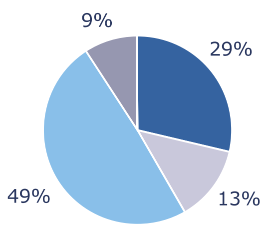
Revenue



Earnings before interest & tax



Capital expenditure



Land Development
Human Resource Consulting
Furniture Manufacturing
Head Office & other operations
Discontinued Operations

Land Development division - The top priority for the Land Development division in 2005 was to consolidate and strengthen operations to meet a 7% growth target (moving our share of the prestige market to 22%. Although revenue growth for the division was below our target growth of 5%, profits grew by 10%

Human Resource Consulting division - Our priority of recruiting high quality contractors, especially within the premium IT area has helped us to exceed our 5% revenue growth target and achieve 11%.

Furniture division - We successfully opened our Furniture business in August 2004 and launched the AICD Ergonomics office range. Despite the fire at the Hobart plant, which stopped production for a month, the new business and its quality range, has generated impressive revenues of $10,6m, representing market penetration of 7% and exceeding our revenue targets by 4%. We expect this growth to continue in 2006. Further details on divisional performance are provided in the Appendix.

Head Office and other operations - Head office is responsible for central costs, including all funding and treasury operations. AICD also has smaller non-core operations which manufacture and sell various component parts for the electrical and motor trades industries, and provide general construction contracting services. These businesses are small and do not represent reportable segments.

Duplicate costs were eliminated in each division through a significant management restructuring program initiated in 2004. Costs as a percentage of revenue have been reduced by 5.3% to 81% over the past two years.

Our cash position continues to improve as a result of the cash generated through divisional operating activities as well as capital raisings. We expect our cash position to continue to strengthen when land development projects currently underway are completed.

The Furniture division suffered unexpected after tax losses of $637,000 from a fire in the new Hobart plant in September 2004. The Hobart premises were closed for 1 month, but are now once again fully operational.

The table below reconciles the movement in the Group's earnings before interest, tax, depreciation and amortisation (EBITDA) year on year, explaining both one-off gains (such as the sale of the Machinery Hire business) as well as expected recurring improvements (such as the cost rationalisation savings).

EBITDA	A$'000
FY04 EBITDA	**7,810**
Recurring:	
Growth in Land Development segment	322
Increase in Furniture business	3,452
Increase in Human Resource Consulting (mainly IT services)	1,192
Cost rationalisation savings	553
	5,519
Non-recurring:	
Gain on sale of Machinery Hire business	830
Reduction in profits from Machinery Hire business	(2,860)
Hobart fire costs	(910)
Correction of error in consolidated accounts	(500)
	(3,440)
FY05 EBITDA	**9,889**

CEO's Review of Operations

Operating efficiencies

Achievement of our strategy is dependent upon our continued focus on our customer relationships, the safety and commitment of our employees, our respect of the environment in which we operate and our overriding ability to instil financial discipline and generate operational efficiencies within our business divisions. Accordingly, we determine our success using operational performance measures focused around these areas.

Building customer relationships takes time and effort. We measure customer satisfaction and retention in order to identify potentially dissatisfied customers. Each time we lose and must replace a profitable customer, it causes an estimated minimum $5,000 hit to our bottom line. Our customer base from the Land Development division provides us with cross-selling opportunities for our Human Resource Consulting and Furniture divisions and we reward our staff who capitalise on those opportunities.

Our strategy can only be executed effectively if we take advantage of the opportunities and mitigate the risks of the markets in which we operate.

Our people

Our priority is to recruit and retain high quality people

We use the following metrics as indicators of our success in establishing and maintaining a motivated and committed workforce. Improvements in employee retention are closely linked to increased job satisfaction and in many areas skills development. We have calculated that a 1% improvement in retention rates equates to a $30,000 improvement in our net profit across all three divisions, as well as being associated with greater customer satisfaction and retention.

Employee training		2006 Target	2005	2004
Employees who receive training (%)	↑	98	95	85
Average number of training hours per employee	↑	50	45	42
Investment in training as a proportion of total salaries (%)	↑	2.5	2.3	2.1
Investment in training per employee ($)	↑	1200	958	879

Job satisfaction

Survey:
5 means employees are fully satisfied and 1 means employees are dissatisfied

The results of the 2005 staff survey indicate a 14% improvement on last year job satisfaction levels.

Job satisfaction	Rating
Overall job satisfaction for 2005	4.5
Career development	4.0
Skills building	4.9
Lifestyle	5.0
Rewards*	3.8
Target for 2006	4.7

*Our remuneration and rewards framework will be reassessed over the next 12 months in an effort to further improve overall job satisfaction.

CEO's Review of Operations

Employee turnover

2006	2005		2004	
Target	Target	Actual	Target	Actual
18%	19%	20%	18%	20%

Retaining our staff is vital to our success

Our employee turnover has remained constant year on year, but was 1% worse than target. Management has established a cross-organisation team to urgently identify the major causes for staff losses and implement mitigating actions. Quick results are needed to achieve our 2006 target of 18%.

Health and safety

A safe workplace for all employees and contractors is paramount

We have implemented the Safe Place Program, focused on improving the safety of the work environment and related systems. We measure our achievements in this area through tracking the lost time injury frequency rate (LTIFR) of 2.0 compared with 2.3 in 2004 (which on a comparable basis translates to 17 lost time injuries compared with 19 in 2004). During the year, the Group gained accreditation to the Workplace Safety Management Practices Scheme, achieving tertiary status and a resulting 20% discount in our insurance premiums, a saving of $50,000.

Measure	2006	2005*		2004	
	Target	Target	Actual	Target	Actual
Lost time injuries	25	35	32	18	19
Lost time injuries frequency rate (LTIFR)	1.7	2.1	2.0	2.1	2.3

*Note: Furniture business was acquired in 2005.

Innovation

Innovation encourages organic growth and cost savings

We encourage innovation as a source of organic growth and categorise ideas identified into three areas: new product initiatives, efficiency measures and ways to improve the working environment. The most outstanding ideas receive special recognition through an Innovation Award. We estimate that the value of staff innovation has a $500,000 impact on our net profit in terms of cost savings and new revenue streams. Our target for 2006 is to consider 360 new ideas.

25 innovation awards granted in 2005 (16 in 2004)

Innovation		2005	2004
Number of new products and services	↑	67	65
Employees contributing ideas and best practices (%)	↑	68	40
Number of staff suggestions lodged	↑	337	161
Average number of ideas per employee	↑	0.7	0.4

CEO's Review of Operations

Our customers

Strong customer relationships underpin our continued success

We monitor customer satisfaction through our annual customer survey, carried out by an independent third party. Our products are considered to be of the 'highest quality' in both ergonomic furniture sales and residential project development based on our customer responses. We have also improved our customer retention rates by 10% across the Group. However, our customer satisfaction survey result of 4 out of 5 indicates there are number of areas where we can do better. We are addressing areas of known deficiency through enhancements to our customer service program. Our target for 2006 is to increase customer satisfaction by a further 5%.

Community involvement

We must continue to contribute economically and socially

In our experience, top companies only attract and retain top people and blue chip clients if they are, and are seen to be, socially and environmentally responsible. The Group's profitable performance contributes to the community through generation of wealth and employment, as disclosed in the value-add table below.

Distribution to key stakeholders	2005	2004
	$'000	$'000
Paid to government (including GST and PAYG deductions)	8,463	6,827
Paid to shareholders	940	698
Paid to employees (excluding PAYG deductions)	15,527	11,348
Total	24,930	18,873

We are involved in several community partnerships and our activities include sponsorship of sporting events, small business awards, crime prevention schemes and education scholarships totalling $250,000. In addition, we support three major Australian charities, donating $100,000 (2004: $100,000). In January 2005 the board approved a one-off payment to the Asia Pacific Tsunami Appeal (Australian Red Cross) of a further $100,000.

Environment

We are conscious of our commitment to the environment. We will maintain our impressive record

During the year, we installed a new environment, health and safety management system (EHSMS) for each of the divisions, which allow us to systematically identify environmental issues and ensure they are managed appropriately. The system sets a framework for each business division's environmental organisation, audit systems and training programs. We expect that the costs of implementation will be recovered within three years both through the reduction of waste and through further progress in the days lost through workplace accidents.

We intend to engage an audit firm to review compliance with our EHSMS during the next twelve months. At this time, we are not aware of any environmental issues that would have a material adverse impact on the Group's business.

Further information on the EHSMS and the environmental regulation is contained on our website.

CEO's Review of Operations

Capital management

We have seen increased trading across all core business divisions whilst profit margins continue to improve. Our overall return to shareholders in terms of increase in the value of the Group is excellent at 26%, 5% above the market based on the ASX 200 Index. As our Machinery Hire division was not expected to be able to achieve the Group's economic return targets, it was sold, generating a profit after tax of $581,000.

An error in the processing of sales invoices caused overstatement of consolidated profit before tax by $500,000, consolidated income tax expense by $150,000 and consolidated profit after tax by $350,000 for the year ended 30 June 2004. The correction of the error in the current year reduced the corresponding line items for the year by the same amounts. The graphs in this report have been restated to show the results as they would have been reported had the error not been made last year.

Risk management

AICD is a conglomerate of businesses operating in diversified (but complementary) markets, and as such it faces a number of strategic, operational and financial risks. As noted, the board audit committee formally reviews the Group's risks, and assesses how management has performed in not only managing and monitoring the day-to-day risks, but also in achieving a satisfactory return for the level of risk taken. In 2005, with the exception of the fire in Hobart and certain industrial disputes in Queensland, we performed well in achieving our strategic and operational objectives and managing the Group's risks. Below we summarise the key financial and operational risks faced.

Financial risks

Treasury: The group has little FX exposure, as most of its business is performed in Australia. We have effectively hedged all major FX exposures on the purchase of new plant for the Hobart site. Head office manages the group's funding, ensuring that best interest rates are achieved.

Insurance: The board audit committee's annual risk review includes an assessment of our insurance cover. We achieved a $50,000 discount on our premiums through accreditation in the Workplace Safety Management Practices Scheme noted above. However, we failed to sufficiently insure our new Hobart premises after construction and so suffered the loss noted above when we had a fire. This cover has been rectified now.

Operational risks

We outline the key risks in each division:

Land Development - We are exposed to the residential property cycle. We apply a staged approach to development, where construction does not commence until 60% is pre sold. This introduces a risk that construction costs increase ahead of assumptions in setting pre sales prices. However, we consider this an acceptable risk, especially as the staged development allows us to change site configurations and property styles to meet changing consumer demand.

Human Resource Consulting - maintaining relationships with key accounts and retention of good contractors is critical. Currently our revenues are well diversified, with no single account contributing in excess of 15% of the results. We also have a strong track record in retaining contractors.

Furniture - We are dependent on an efficient supply chain for materials, which are predominantly locally sourced. We have contracts in place with key suppliers extending out 3-5 years. We have developed a network of alternative suppliers also to reduce exposure to any single source supplier.

Further, details on the types of strategic and operational risks we face are provided in the table (page 12) where we summarise the sensitivities and critical success factors for AICD in achieving the 2006 outlook.

CEO's Review of Operations

Overall group-wide outlook for 2006

In summary, our three core business divisions are pursuing strategies aimed at maximising their potential and contributing to Group-wide targets. We summarise these 2006 targets below, including our proposed actions to help achieve them. We also identify a number of significant assumptions, which if prove to be wrong in the future, are likely to have a material impact on the future targets set. Please consider these matters when reviewing the outlook statements in this report.

Goal	Action	Sensitivities and critical success factors
1. Business growth		
Revenue growth of 10%	• Achieve pre-sales for the first stages of Koolabah estate of 20% • Increase IT contractors by 70 • Increase sales of Ergonomics range by 5%	• Continued low interest rates • Continuation of First Home Owners' Grant • Ability to attract and retain IT expert contractors • Maintenance of premium pricing for Ergonomics range
Reduce operating costs by 6% per annum over the next two years	• Continue management restructuring program to eliminate duplicate costs • Continue preferred supplier program in Land Development division and introduce it as a key metric in the Furniture division • Focus on improved staff or contractor retention in all divisions	• Unforeseen material or service price increases • Continued success of new workplace agreement • Higher than forecast salary and wage inflation due to the skills shortages
Increase output of Ergonomic furniture by 5%	• Renegotiate workplace agreements to reflect increased productivity targets	• Continued success of Ergonomics advertising campaign • Unplanned machinery downtimes • Unforeseen industrial action
2. Operational efficiencies		
Increase customer satisfaction by a further 5% year on year	• Deliver properties on major estates on time and of high quality • Retain high quality long-term contractors and staff in Human Resource Consulting division • Continue with implementing quality control program in Land Development and Furniture divisions • Meet delivery targets for Furniture division	• Unforeseen industrial action • Unforeseen competitor activity, including poaching of best contractors • Factory and/ or supply chain problems • Shipping issues (especially from Tasmania to mainland Australia)
3. Capital management		
Create IT sub-division within human resource consulting, with 20% expected growth of IT Human Resource Consulting revenues	• Recruit and integrate IT contractors into Human Resource Consulting workforce	• Continued unmet demand for IT services • Successful recruitment of IT contractors • Maintenance of premium pricing for IT services
Total shareholder's return growth of 10% on 2005.	• Cumulative effect of the above actions, sensitivities and critical success factors	

Summarised Financial Statements

These financial statements have been presented in a shareholder friendly format and include alternative headings and analysis, where considered appropriate, to the full annual report. Financial statements that are presented in accordance with the Corporations Act 2001 and all applicable accounting standards can be found in the full annual report available on the Group's website or via by calling 1800 11 33 77.

Directors

Ann G Thomas – LLB, BCom, FCA

CEO since November 2000

Age 49

Ms Thomas was the Chief Executive and Managing Director of Property Developers Ltd and Executive Director of The High Rise Corporation (1990-1997). For 8 years previously she was Chief Executive and Managing Director of the Civiland Limited.

Andrew Brown - AM, FCA, FAICD

Chairman since October 1996

Age 44

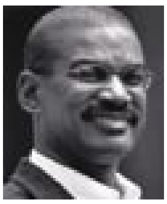
Chartered Accountant; formerly Managing Partner Walter Partners NSW (1990–1999); Chairman, Human Capital Company Ltd and Riding Coal Limited; Deputy Chairman, Australian Resource Commission; Director, Consult Holdings Ltd Group and General Health Care Ltd.

Simon J Toddington – LLB (Hons), LLM

Director since November 2000

Age 46

Managing Director and Chief Executive Officer of Di Vinci Ltd from 10 September 2001. Formerly Chief Executive and Managing Director of Bringles Industries Ltd (retired 1 December 2000). Mr Toddington was employed by Bringles in various management positions for 18 years including an assignment in the United States.



Wayne R Dunlop – BEc, FCA

Director since November 2001

Age 57

Director, Propulsion Australia Limited, Tyre Ltd, ABC Insurance Group Limited, Fours Wheels Group Ltd, Rubber Group and Pneumatic Investors Ltd. Mr Dunlop has a long association with the banking industry and has been associated with the Phillip Bank since 1982. Mr Dunlop was an Executive Director of Phillip Bank and was previously a Vice President of Rim Bank Ltd.

Harry G Wells – BA (Hons), FCA, FTSE

Director since November 2000

Age 61

Chairman, RFGT and the Australian Children's Foundation; Director, Rural Aid Ltd, Member, Department of Commerce Advisory Board, Governors University. Formerly Managing Director of Literal Ltd and Director of BBB Ltd until 19 March 2003.

Summarised Financial Statements

Income statement for the year ended 30 June 2005

	2005 $'000	2004 $'000
Revenue from continuing operations		
Land Development	**17,000**	16,810
Human Resource Consulting	**16,400**	14,640
Furniture	**10,600**	0
Revenue from core activities	**44,000**	31,450
Non core revenue from continuing activities (a)	**9,987**	3,630
Revenue from continuing operations	**53,987**	35,080
Revenue from discontinued operations	**5,510**	10,200
Total revenue	**59,497**	45,280
Expenses from continuing operations		
Expenses from core activities	**(35,722)**	(26,728)
Expenses from non core activities	**(8,887)**	(2,930)
Expenses from continuing operations	**(44,609)**	(29,658)
Expenses from discontinued operations	**(4,999)**	(7,812)
Total expenses (b)	**(49,608)**	(37,470)
Earnings before interest, tax depreciation and amortisation (EBITDA)		
Land Development	**2,984**	2,662
Human Resource Consulting	**2,752**	2,060
Furniture	**2,542**	0
Continuing non core activities	**1,100**	700
EBITDA from continuing operations	**9,378**	5,422
Other significant non recurring items (including discontinued operations)	**61**	2,018
Share of profits from associates	**450**	370
Total EBITDA (c)	**9,889**	7,810
Depreciation	**(1,100)**	(900)
Amortisation	**(395)**	(275)
Earning before interest and tax (EBIT)	**8,394**	6,635
Interest	**(1,221)**	(585)
Tax	**(2,133)**	(1,680)
Profit for the year	**5,040**	4,370
Share of profit attributable to minority interests in controlled entities	**(1,030)**	(387)
Profit attributable to shareholders	**4,010**	3,983
Earnings per share EPS shows current profits on a per share basis	**32.7 cents**	34.0 cents
Diluted profit /earnings per share	**32.7 cents**	34.0 cents

a) Non-core revenue includes:
- Sale of assets
- Rental revenue
- Government grants
- Foreign exchange gains
- Debt forgiven
- Gain on disposal of business

b) The total expenses broken down into core activities, central admin and discretionary costs are as follows:

Core activities	$'000
Variable costs	37,042
Fixed overheads	6,824
Central admin	
Variable costs	1,239
Fixed overheads	3,338
Discretionary costs	
R&D	715
Charitable donations	450
	49,608

c) Included within this income statement are revenue and expenses relating to events which we do not foresee occurring in the future years. These events impact EBITDA as follows:

$'000	
2005 EBITDA	9,889
- Cost of Hobart fire	910
- Gain on sale of Machinery Hire business	(830)
- Reduction in profits from Machinery Hire business	2,860
- Accounting error	500
Excluding these events the EBITDA from ongoing operations would be	13,329

Summarised Financial Statements

Balance sheet as at 30 June 2005

	2005 $'000	2004 $'000
Operating assets / (liabilities) for continuing operations		
Property plant & equipment	**14,340**	10,075
Investment properties	**3,300**	3,000
Working capital – short term (< 12 months)		
Cash (a)	**4,202**	3,081
Trade receivables	**9,697**	7,432
Sundry receivables	**707**	393
Inventories	**7,153**	6,062
less: trade creditors	**(3,615)**	(2,872)
less: sundry creditors and provisions	**(1,699)**	(1,862)
Total short term working capital	**16,445**	12,234
Working capital – long term (> 12 months)		
Trade receivables	**1,476**	380
Inventories	**2,650**	2,350
Other non current assets	**100**	20
Provisions	**(400)**	(360)
Total long term working capital	**3,826**	2,390
Net operating assets for continuing operations	**37,911**	27,699
Financing (b)		
Short term bank debt	**(3,040)**	(3,605)
Long term bank debt	**(8,185)**	(6,945)
Lease liabilities	**(900)**	(700)
Total financing	**(12,125)**	(11,250)
Intangibles (c)	**650**	655
Other assets / liabilities		
Deferred tax assets	**510**	420
Investment in associates	**5,635**	3,975
Total other assets / liabilities	**6,145**	4,395
Net assets	**32,581**	21,499
Shareholders funds		
Contributed equity	**18,503**	14,106
Reserves (d)	**3,810**	970
Retained earnings	**7,893**	4,823
Minority interests	**2,375**	1,600
Total shareholder funds	**32,581**	21,499
Total No of shares on issue	**14,134,080**	12,464,358
AICD's weighted average number of shares for EPS calculation	**12,262,993**	11,714,706

a) $3.9 million of cash is held on deposit and is accessible on 24 hours notice. AICD also has a bank overdraft totalling $2.3m included within short term bank debt. Total bank overdraft facility is $5m.

b) Summary of financing

	Interest	$m
Bank overdraft	4.5%	2.3
Bank loans	5.2%	3.8
Debentures	10%	2.0
Leases liabilities	11.9%	0.9
Bills payable	9%	2.1
Preference shares	6%	1.0
		12.1

$3.0m of the financing is included within current liabilities.

c) Intangible assets represent goodwill which is the difference between the amount AICD pays to buy a business and the fair value of that business's identifiable assets.

Our goodwill relates to the acquisition of ABC Land Development Co in 1998 and is being amortised over 10 years.

d) The reserves relate to revaluation of property ($1.2m) and foreign currency reserves ($2.6m).

e) Dividends paid for 2004/2005 were fully franked at a tax rate of 30%. Franking credits of $8.25m are available for future distributions, which means that $19.25m of future dividends can be paid fully franked. However the total amount available for distribution for the payment of dividends is $7,893,000 (2004: $4,823,000).

f) It has been Group policy to retain substantial profits in order to fund expansion. Going forward however, the directors have resolved to pay 50-60% of profits annually as a dividend.

Total equity 30 June 2004	21,499
Profit after tax	4,010
Dividend paid	(940)
Additional equity raised by issuing 548k shares	4,397
Change in Reserves/Minority Interest	3,615
Total equity 30 June 2005	32,581

Summarised Financial Statements

Cash flow statement for year ended 30 June 2005

	Consolidated	
	2005 $'000	2004 $'000
Operating cash flows		
Earnings before interest, and taxation	**8,394**	6,635
Depreciation and amortisation	**1,495**	1,175
Total EBITDA	**9,889**	7,810
Net movement in working capital	**(8,374)**	(5,048)
Interest paid	**(1,340)**	(595)
Taxation paid	**2,020**	1,434
Net operating cash flows	**2,195**	3,601
Capital expenditure and investment cash flows		
Payments for property, plant and equipment (b)	**(7,025)**	(2,756)
Proceeds from sale of property plant and equipment	**925**	565
Payments for investments	**(1,360)**	(450)
Proceeds from sale of Machine Hire business	**3,960**	0
Purchase of other investments	**(2,656)**	(133)
Total capital expenditure and investment cash flows	**(6,156)**	(2,774)
Financing cash flows		
New shares issued	**4,397**	236
Proceeds from borrowings	**7,503**	3,419
Repayment of borrowings	**(6,725)**	(1,145)
Dividends paid	**(940)**	(698)
Other financing cash flows	**755**	(2,604)
Total financing cash flows	**4,990**	(792)
Total net cash flow	**1,029**	35

a) All cash flows represented here are net of GST

b) Capital expenditure relating to:

	$'000
On-going core activities	1,425
Growth of business	5,600
	7,025

Interest cover (times)
2005: 8.3 2004: 12.8
(The Group's EBIT divided by its interest expense, showing the number of times the company can service the interest cost of its borrowings out of profits.)

Summarised Financial Statements

Notes to the financial statements

We summarise below certain additional information, which has not already been disclosed elsewhere in this report and is likely to be of interest to the reader. More detail can be found in the full annual report.

1.Directors' and executives' remuneration

2005	Primary		Post-employment	
Director's name	Cash salary and fees $	Non-monetary benefits $	Superannuation $	**Total $**
A G Thomas (CEO)	365,500	44,996	20,500	**430,996**
A Brown (Chairman)	175,000	46,821	21,500	**243,321**
S J Toddington	120,000	44,966	20,000	**184,966**
W R Dunlop	109,000	29,292	16,000	**154,292**
H G Wells	25,000	43,490	19,500	**87,990**
Total	794,500	209,565	97,500	**1,101,565**
2004 Total	595,600	91,929	70,632	**758,161**

2005	Primary			Post-employment		Equity	
Executive's name	Cash salary $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Retirement benefits $	Options $	**Total $**
J C Martin (Land Development)	200,000	85,000	81,821	51,500	–	10,867	**429,188**
T W Andrews (Human Resource Consulting)	200,000	60,000	59,996	40,500	–	16,298	**376,794**
G C Townsend (Furniture)	190,000	50,000	19,966	36,500	–	–	**296,466**
A B Smith (CFO)	150,000	45,000	14,997	15,000	–	–	**224,997**
Total	740,000	240,000	176,780	143,500	–	27,165	**1,327,445**
2004 Total	661,948	156,000	121,929	90,648	–	15,484	**1,045,829**

2. Auditor's remuneration

	Consolidated	
	2005 $	2004 $
During the year the following fees were paid for services provided by the auditor of the parent entity and its related practices:		
Assurance services		
Audit services	**123,900**	111,800
Other assurance services	**48,000**	36,500
Total remuneration for assurance services	**171,900**	148,300
Taxation services*	**84,700**	78,600
Advisory services*	**84,300**	68,100
Total fees paid to the audit firm	**340,900**	295,000

* All taxation and advisory services are approved by the board audit committee in line with our policy on non-audit services (see AICD website).

3. Post balance date event

On 15 August 2005, we paid $3.7 million to acquire Better Office Furnishings Limited, a manufacturer of office furniture and equipment. This acquisition will result in goodwill of $340,000. As this occurred after year end, we have not reflected this transaction within the balances detailed above.

Directors' Declaration and Auditor's report

Directors' declaration

The directors declare that the summarised financial statements and notes set out on pages 12 to 16 are consistent with the annual statutory financial reports from which they are derived and which give a true and fair view of AICD Holdings Ltd (the Company) and its consolidated entities (the Group) financial position as at 30 June 2005 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Andrew Brown
Chairman
31 August 2005

Sydney

Independent audit report to the members of AICD Holdings Ltd

The directors of AICD Holdings Ltd (the company) are responsible for the preparation of this summarised *Shareholder Friendly Report*, which contains the chairman's review of strategy, CEO's review of operations, summarised financial statements and the directors' declaration.

Scope

We have audited the information provided within the summarised financial statements of AICD Holdings Ltd (the Company) and its consolidated entities (the Group) for the financial year ended 30 June 2005 as set out on pages 12 to 16 in accordance with Australian Auditing Standards.

Audit opinion

In our opinion, the information reported in the summarised financial statements is consistent with the annual statutory financial report from which it is derived and upon which we expressed an unqualified audit opinion in our report to the members dated 31 August 2005. For a more detailed understanding of the company's (and the Group's) financial position and performance, as represented by the results of its operations and cash flows for the financial year and the scope of our audit, this report should be read in conjunction with the Group's annual statutory financial report and our audit report thereto.

Chairman's and CEO's report

We have read the chairman's review of strategy and CEO's review of operations, as set out on pages 3 to 11 and are satisfied that they contained no material inconsistencies with the results of our audit procedures as disclosed in the Group's annual statutory financial report.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

General Audit Firm

A Partner
31 August 2005

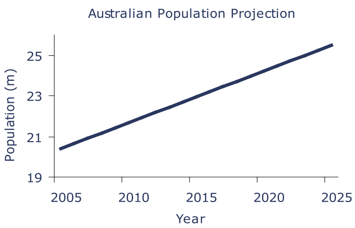
Sydney

Appendix

Summarised Divisional Reports

Appendix - Summarised Divisional Reports

John Martin,
Land development MD



Land Development

Market

We develop residential estates and invest in the Australian commercial property market, with 22% of the 'prestige' property development market in 2005. Population growth rates in both New South Wales and Queensland are forecast to continue increasing by 5% and 7% respectively and immigration rates of new residents to Australia are also skewed toward these states.

Our major developments currently in progress are the Eureka Estate in New South Wales and the Koolabah Estate in Queensland. Our land bank in these regions continues to grow. At current rates of development, we have 7.2 years supply of land in NSW and 5.7 years in Queensland. The commercial property market is currently trending towards long-term leasing rather than capital investment in property. Although rental and occupancy rates have held steady, overall growth in our market is predicted to be down from the 6% achieved in 2005 due principally to the slow recovery to the Queensland building industry which is estimated at 4.5% for 2006.

Performance against strategic goals

The top priority for the land development division in 2005 was to consolidate and strengthen operations to meet a 7% growth target (moving our share of the prestige market to 22%). Although revenue growth for the division was below our target growth of 5% net profits before tax were higher at 10%. This is attributable to a mis-match in recognition of revenue and expenses. The following table outlines our performance against our strategic goals.

Business Growth	
Reduction of operating costs by 5% across all development projects.	✓achieved 5.0%
Operational Efficiency	
Implementation of a preferred supplier program to improve the timeliness and quality of building supplies:	
- Target of 5% improvement in material quality control results	✓achieved 5.1%
- Targeted reduction in delivery time from 5 to 4 working days.	✓achieved 4 days
Reduction in the number and severity of lost-time injuries through 75 % of employees attending and implementing Safety First training initiatives. The remaining 25% of staff will attend in 2006.	✓achieved 76%
Impact of a new workplace agreement, negotiated in April 2005 and structured to increase employee productivity by at least 3%.	✓ achieved 3.2%
Capital Management	
Total economic return to shareholders in excess of 10%	✓achieved 11%

Appendix - Summarised Divisional Reports

Land Development

Financial performance

Income statement	2005	2004	2003	2002	2001
	$'000	$'000	$'000	$'000	$'000
Revenue from operations	**17,000**	16,810	16,745	16,428	15,203
Cost of sale of goods	**(8,397)**	(8,882)	(5,986)	(6,328)	(6,186)
Direct employee expenses	**(3,717)**	(3,112)	(7,153)	(6,486)	(6,585)
Gross profit from operations	**4,886**	4,816	3,606	3,614	2,432
Gross profit margin from operation	**29%**	29%	22%	22%	16%
Other non-operating revenue	**200**	350	1,000	800	700
Share of profits from associates and joint ventures	**100**	50	555	284	427
Administration cost	**(1,817)**	(2,123)	(3,126)	(1,997)	(2,103)
Other costs	**(385)**	(431)	(160)	(1,828)	(1,328)
Earnings before interest, taxation depreciation and amortisation (EBITDA)	**2,984**	2,662	1,875	873	128
Depreciation and amortisation	**(546)**	(435)	(389)	(320)	(229)
Earnings before interest and taxation (EBIT)	**2,438**	2,227	1,486	553	(101)

Balance sheet	2005	2004	2003	2002	2001
	$'000	$'000	$'000	$'000	$'000
Total current assets	**8,900**	9,000	5,016	4,714	4,200
Total non-current assets	**6,975**	6,100	7,800	6,600	4,800
Total assets	**15,875**	15,100	12,816	11,314	9,000
Total liabilities	**(1,000)**	(1,200)	(1,500)	(1,300)	(1,700)
Net assets	**14,875**	13,900	11,316	10,014	7,300

Cash flow statement	2005	2004	2003	2002	2001
	$'000	$'000	$'000	$'000	$'000
Operating cash flows	**1,875**	713	418	239	(167)
Capital expenditure	**(2,182)**	(1,879)	(987)	(1,248)	(1,079)
Financing cash flows	**(380)**	(362)	(238)	(198)	(128)
Net cash flows	**(687)**	(1,528)	(807)	(1,207)	(1,030)

Koolabah Estate 65% complete. Pre-sales of $8.3m generated through successful advertising

The Koolabah Estate development is currently proceeding ahead of schedule, being 65% complete as at 30 June 2005 and due for completion in June 2007. During the year ended 30 June 2005 sales of $8.3 million and $10.9 million had been secured for the Koolabah and Eureka estates, a measure of success of our advertising campaign. While the number of sales was 4% above our expectations, the prices were 2% lower than originally forecast for the Koolabah estate. This general fall in prices is consistent with the slow recovery in the building industry in Queensland.

Land Development

Operational performance

We measure quality by number of product quality complaints received

Value Creating Measures	2005	2004	2003	2002	2001
Material quality complaints (no.)	**15**	23	24	26	29
Average supplier delivery time (days)	**4**	5	5.5	6	6.2
Lost time injuries (no.)	**17**	19	23	25	26
% of staff attending Safety First training in year	**76**	-	-	-	-
% increase in employee productivity year on year	**3.2**	1.9	1.4	1.0	0.8
Employee retention	**80%**	73%	72%	70%	68%

Retention rates up 7%, lost time injuries down 11%, keeping operating costs down

The safety of our worksites and our ability to retain our employees helps us to complete projects on time and keep operating costs down. The 7% improvement in employee retention rates and 11% reduction in lost time injuries reflects the success of our new workplace agreements and has also helped to achieve our divisional goal of 7% growth through a 3.2% increase in employee productivity.

Outlook

Eureka Stage 5 due in March 2006

Additional property analysts to be recruited

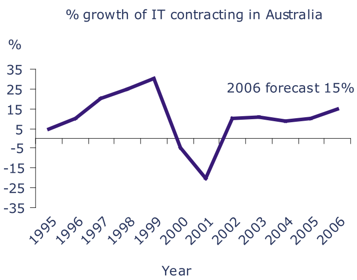
Advertising campaign to continue

With the Eureka Estate due for completion in early 2006, we are working to identify new land development projects over the next several months. We intend to recruit two additional expert property analysts to assist in the prediction of market trends and cement our place as a market leader in the identification of quality development opportunities. We will also seek to build on the successful advertising campaign and e-commerce platforms to expand global marketing opportunities through our web site and use of web-cams and other internet technologies.

Overall we expect a continued solid performance in this division over the next twelve months, with the focus on maximising returns from current developments and identifying new opportunities. We will continue to work with employees, contractors and suppliers to achieve the cost reduction targets set by the board.

Appendix - Summarised Divisional Reports

Tessa Andrews,
Human Resource
Consulting MD



Human Resource Consulting

Market

We provide human resource consulting, contracting, recruitment and training services to major corporate clients across various industry groups Australia-wide, under short and long-term arrangements. Major growth opportunities exist in the information technology (IT) contracting arena where we saw 10% growth in the market in 2005. We have plans in place to capitalise on the forecast 2006 growth of 15% in IT contracting services, built around our performance and capability in attracting and retaining new expert contractors.

Performance against strategic goals

Our priority of recruiting high quality contractors, especially within the premium IT area has helped us to achieve our 5% growth target. In addition to the Group-wide strategies outlined by the Chairman, we set ourselves the following targets for 2005:

Business Growth	
Maintenance of a 10% pricing premium for IT contracting services	✓ achieved 11.1%
Operating Efficiency	
Successful recruitment of 60 expert IT contractors	✓ achieved 65 new expert IT contractors on our books
Capital Management	
Total economic return to shareholders in excess of 18%	X not achieved, at 14% for the year

We have struggled to meet demand for IT services without a specialist unit within the Human Resource Consulting division. Accordingly, our strategic goals for 2006 focus on the creation of a specialist IT contracting service unit to supplement large government and corporate clients and, increasingly, support staff shortages at major outsourcing companies.

Appendix - Summarised Divisional Reports

Human Resource Consulting

Financial performance

Income statement	2005 $'000	2004 $'000	2003 $'000	2002 $'000	2001 $'000
Revenue					
IT professional services	**12,225**	8,572	5,687	4,567	3,312
Secretarial services	**1,690**	2,172	1,313	1,054	764
HR services	**1,670**	2,738	1,050	843	612
Management services	**815**	1,158	700	562	408
Revenue from operations	**16,400**	14,640	8,750	7,028	5,096
Direct employee expenses	**(12,626)**	(12,008)	(6,786)	(5,897)	(4,328)
Gross profit from operations	**3,774**	2,632	1,964	1,131	768
Gross profit margin from operation	**23%**	18%	22%	16%	15%
Other non-operating revenue	**300**	340	320	290	280
Administration cost	**(880)**	(698)	(182)	(570)	(496)
Other costs	**(442)**	(214)	(202)	(382)	(216)
Earnings before interest, taxation depreciation and amortisation (EBITDA)	**2,752**	2,060	1,900	469	336
Depreciation and amortisation	**(330)**	(290)	(389)	(320)	(229)
Earnings before interest and taxation (EBIT)	**2,422**	1,770	1,511	149	107

Balance sheet	2005 $'000	2004 $'000	2003 $'000	2002 $'000	2001 $'000
Total current assets	**10,200**	11,800	9,200	7,000	4,200
Total non-current assets	**1,950**	2,100	1,900	1,200	1,400
Total assets	**12,150**	13,900	11,100	8,200	5,600
Total liabilities	**(1,300)**	(1,700)	(1,500)	(1,400)	(1,300)
Net assets	**10,850**	12,200	9,600	6,800	4,300

Cash flow statement	2005 $'000	2004 $'000	2003 $'000	2002 $'000	2001 $'000
Operating cash flows	**2,190**	1,504	680	(308)	(509)
Capital expenditure	**(950)**	(369)	(249)	(349)	(129)
Financing cash flows	**(80)**	(88)	(120)	(278)	(78)
Net cash flows	**1,160**	(457)	(369)	(627)	(207)

The division's results were affected by an error which occurred in the year ended 30 June 2004 in the processing of sales invoices of a controlled entity and was corrected in the first half of the year ended 30 June 2005. All graphs and statistics in this report have been restated to reflect the division's performance had the error not been made. The market demand for IT specialists, who command premium prices, has driven profitability for the human resource consulting division up by 23% for the year.

Human Resource Consulting

Operational performance

Value Creating Measures	2005	2004	2003	2002	2001
Employee/contractor numbers	**457**	392	378	370	360
% attendance at employee training	**74%**	73%	70%	68%	62%
Contractor utilisation	**100%**	97%	94%	92%	90%
Contractor retention	**80%**	76%	72%	71%	69%
Repeat work	**72%**	69%	61%	60%	59%

Contractors fully utilised. Market share increased to 15%

The key to this people business is to attract and retain the right specialist contractors on our books. We have estimated that an experienced contractor with strong client relationships can add an additional $30,000 to the net profit of the organisation, when compared to a first year contractor. New recruitment and placements throughout the year allowed contractor numbers for this division to reach a record of 457 people, with an additional 65 IT contractors being added to our books. Our commitment to training continued, with 74% of staff attending during the year.

Overall market share has increased from 12% in 2003/04 to 15% and our contractors were fully utilised.

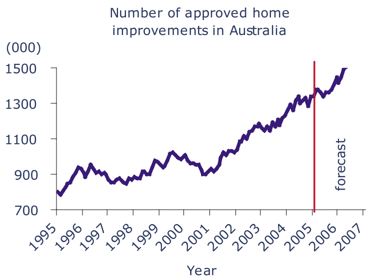
Outlook

The key to continued success for the division is our ability to retain our best contractors, attract new specialist ones and continually deliver a fully integrated, quality service which exceeds clients' expectations. This strategy has been successful to date and our market share has increased to 15%.

To continue this success, we have set significant 'stretch' targets to contribute to Group-wide strategic measures, as well as meet our own divisional targets. We will create a specialist IT contracting unit within Human Resource Consulting and expect revenue growth of 20% from IT services. Our success in meeting this target will depend upon the continued unmet demand for IT services and maintenance of a 10% premium pricing for IT services and most importantly the attraction and retention of expert staff and contractors. At the end of 2006, we expect to have 18% market share.

Appendix - Summarised Divisional Reports

Greg Townsend,
Furniture MD



Furniture

Market

We manufacture and sell quality furniture within Australia as well as in New Zealand and South East Asia. Our furniture operations are currently based in Hobart where the AICD Ergonomics office range is manufactured. Continued low interest rates and a buoyant property market have resulted in an increase in home renovations and improvements. Related industries such as ours have enjoyed the flow on benefits from consumers wanting to refurnish their homes.

This division commenced operations in August 2004. Our market analysis in that year identified growth opportunities for an Ergonomic range, targeting the ageing workforce, the forecast increase in retirement age and employers' concerns at increasing Workcover premiums. We planned out 2005 growth strategy to capitalise on these opportunities.

Our brand equity has served us well and we are viewed as a trusted supplier in the marketplace, but there are productivity challenges to be addressed due to increasing competition from imported product. The current uncertainty over import tariffs will provide us limited protection in the short term, but our efforts towards reducing operating costs are paramount to us maintaining and increasing market share.

Performance against strategic goals

The Furniture division's goals for 2005 focused on expanding our product range, as well as reducing operating costs to be more competitive with imported goods in the market. These goals were partially achieved through the following measures:

Business Growth	
Introduction of the Ergonomics range	✓ achieved in August 2004
Operational Efficiency	
Implementation of a preferred supplier program with success measured against targets of: - A 5% improvement in raw material quality control results	✓ achieved 5.3%
- Achievement of our delivery target at least 98.5% of orders within 24 hours	X not achieved, at 98% for the year
Capital Management	
Total economic return to shareholders in excess of 10 %	✓ achieved 26%

Appendix - Summarised Divisional Reports

Furniture

Financial performance

Income statement	2005 $'000
Revenue from operations	**10,600**
Cost of sale of goods	**(6,021)**
Direct employee expenses	**(2,185)**
Gross profit from operations	**2,394**
Gross profit margin from operation	**23%**
Other non-operating revenue	**450**
Administration cost	**(300)**
Other costs	**(2)**
Earnings before interest, taxation depreciation and amortisation (EBITDA)	**2,542**
Depreciation and amortisation	**(274)**
Earnings before interest and taxation (EBIT)	**2,268**

Balance sheet	2005 $'000
Total current assets	**7,360**
Total non-current assets	**4,200**
Total assets	**11,560**
Total liabilities	**(900)**
Net assets	**10,660**

Cash flow statement	2005 $'000
Operating cash flows	**1,310**
Capital Expenditure	**(3,715)**
Financing Cash flows	**-**
Net Cash Flow	**(2,405)**

In August 2004 the Furniture division opened its new Hobart factory incorporating the latest manufacturing technology. The success of this division, as reflected in the results above, is largely attributable to the release of the diverse AICD Ergonomics office range during the year. This product was launched with an extensive advertising campaign in the second half of 2005 and resulted in sales revenue 4% above target at $10.6m.

Appendix - Summarised Divisional Reports

Furniture

Operational performance

Raw material quality and on time deliveries are our measures of success

Value Creating Measures	2005
Employee numbers	**91**
Staff numbers attending “Safety First” training in year	**77%**
Lost time injuries	**15**
Material quality control results (no. of complaints)	**14**
% On time deliveries	**98**
Orders on hand (no.)	**380**

The Group-wide commitment to employee safety is a priority for this division. 77% of our employees have attended Safety First training and the remaining employees will attend in 2006.

Our quality control results improved by 5% on target as a result of a change in a major supplier. We expect further improvements of over 4% in this measure to flow from the introduction of a preferred supplier program.

Delivery performance below target at 98%

Our logistics systems ensure prioritisation of manufacturing capacity for those authorised distributors whose stocks are running low and are in greater need of supplies facilitating prompt delivery. We set the ongoing objective of delivering at least 98.5% of orders within 24 hours. Our performance was below target during the last three months of 2004/05, resulting in only a 98% success rate for the year. Influencing the result was a positive market response to a number of new product launches, offset by a lack of manufacturing capacity to keep pace with sales in the last quarter.

Outlook

Revenue growth of 6%, productivity increase of 3% and costs down 4%

We will contribute to the Group-wide revenue growth target of 10% by increasing the output of ergonomic furniture by 5% and relying on the continued success of the Ergonomics advertising campaign. Workplace agreements are currently being reviewed to build in productivity measures so that the division can meet its goal of increasing productivity by 3% p.a. over the next three years. We also aim to reduce operating costs by 4% through the establishment of a preferred supplier program similar to that which has been successfully introduced in the Land Development division.
We will also implement a new 8 hour production schedule to facilitate just-in-time manufacturing and avoid the stock-outs experienced in 2005.

Notes

Notes

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16 April 2008

Mr Frank Curtiss
Chairman
ICGN Non-financial Business Reporting Committee
c/- International Corporate Governance Network Secretariat
16 Park Crescent
London W1B 1AH
United Kingdom

By email to consultations@icgn.org

**ICGN BOARD STATEMENT AND POSITION PAPER:
NON-FINANCIAL BUSINESS REPORTING CONSULTATIVE DOCUMENT**

Thank you for the opportunity to make a submission in relation to the ICGN Board Statement and Position Paper: Non-financial Business Reporting.

The Australian Institute of Company Directors (AICD) is the peak organisation representing the interests of company directors in Australia, and is a member of ICGN. AICD provides education, information and advocacy for company directors Australia-wide, with offices in each state to cater for over 22,000 members. AICD members work in diverse corporations such as small-to-medium enterprises, the Top 200 listed companies, public sector organisations, not-for-profit companies, large private companies and smaller private family concerns.

ICGN is to be commended for its efforts in promoting better understanding of non-financial business reporting (NFBR). In furtherance of the current consultations, AICD would like to contribute a summary of our recent work in this area (attached).

AICD through its policy committees has made a number of submissions in the area of sustainability and corporate social responsibility reporting. We have also issued several pieces of guidance on this topic, a selected list of which is attached.

I would also like to highlight the *Shareholder Friendly Report*, which was a joint project of AICD and PricewaterhouseCoopers. The *Shareholder Friendly Report* is a plain English, easy to digest document to communicate financial and non-financial performance goals and results from a company's directors to everyday shareholders. A copy is enclosed with our compliments.

AICD's position on NFBR may be briefly summarized as follows:

- AICD strongly supports the concept of corporate social responsibility, including effective and transparent communication by companies with their shareholders and markets. However AICD is opposed to any mandating of associated corporate behaviour or specific reporting requirements.
- The variety and depth of NFBR already being reported in the market shows that directors take this issue very seriously.
- The wide range of stakeholders, industry segments, and company sizes would create great difficulties in generating a workable 'one-size-fits-all' reporting framework.
- The growth of voluntary disclosures in annual reports to shareholders should be encouraged – including both financial and non-financial reporting.
- Australian listed companies already include NFBR within the reporting framework of the Australian Securities Exchange Corporate Governance Principles and Recommendations (Principle 7: Recognise and manage risk, and Principle 3: Promote ethical and responsible decision making).

We trust this information will be of use to ICGN. If you have any questions or we can be of further assistance, please do not hesitate to contact me or Mr. Rob Elliott (General Manager, Policy and General Counsel).

Yours faithfully,

Andrew Madry
Acting CEO

Encl.

AUSTRALIAN INSTITUTE OF COMPANY DIRECTORS
ABN 11 008 484 197

Australian Institute of Company Directors (AICD)

Selected resources relevant to Non-financial Business Reporting

Submissions

- **Corporations and Markets Advisory Committee discussion paper: Social Responsibility of Corporations** (2006)

  This was an Australian government enquiry soliciting feedback on whether the Australian *Corporations Act* should be amended to require NFBR, and on associated issues. AICD's submission provided an overview of the take-up of corporate social responsibility by Australian boards, and advocated against any mandating of CSR reporting. The submission expressed support for Government and industry initiatives to encourage voluntary reporting.

  Submission:
  http://www.companydirectors.com.au/Policy/Submissions/2006/CAMAC+submission+on+CSR.htm

  Media release following issuance of final report:
  http://www.companydirectors.com.au/Media/Media+Releases/2006/company+directors+professionally+and+socially+responsible.htm

- **Parliamentary Joint Committee on Corporations and Financial Services Inquiry into Corporate Responsibility** (2005)

  A joint committee of the Australian Parliament held an enquiry Committee into corporate responsibility and triple bottom line reporting in 2005. AICD expressed its strong support for corporate social responsibility, but equally strongly advocated against making CSR reporting mandatory. AICD's submission contains an in-depth review of the growth and development of NFBR by Australian companies.

  Submission:
  http://www.companydirectors.com.au/Policy/Submissions/2005/Parliamentary+Joint+Committee+on+Corporations+and+FinancialServices+Inquiry+into+Corporate+Responsib.htm

  Media release following issuance of final report:
  http://www.companydirectors.com.au/Media/Media+Releases/2006/AICD+supports+strong+stand+on+corporate+social+responsibility.htm

- **Review of the Australian Securities Exchange Corporate Governance Principles** (2007)

  Listed companies in Australia are guided by the *Corporate Governance Principles and Recommendations*, published by the ASX Corporate Governance Council (of which AICD is a member). Compliance is not mandatory, rather companies may choose not to adopt a Recommendation as long as an explanation is provided ("if not, why not" approach).

  The Principles were originally published in 2003 and reviewed in 2006-07. The review included consideration of how sustainability/corporate responsibility reporting issues should be incorporated into the Principles. Council concluded that sustainability/corporate responsibility issues are best reflected in the 'mainstream' of corporate governance activities (Principle 7: Recognise and Manage Risk).

  The revised Principles are consistent with AICD's view that NFBR should not be driven by reporting standards but rather allowed to develop after proper consideration by companies.

  Submission:
  http://www.companydirectors.com.au/Policy/Submissions/2007/Review+of+the+ASX+CGC+Principles.htm

  Media release following issuance of revised Principles:
  http://www.companydirectors.com.au/Media/Media+Releases/2007/Revised+ASX+Corporate+Governance+Principles+reflect+the+current+business+environment.htm

Guidance

- ***Guide to Sustainability in your Company*** (AICD 2003)

  Checklist for directors to assist them in implementing a practice of sustainability in their companies.

  Additional information from AICD Bookshop:
  http://www.companydirectors.com.au/Bookshop/Book+Categories/BK0170.htm

- **Principles of Good Communication with Shareholders** (AICD 2007)

  Ten Principles with accompanying examples, designed to provide practical guidance to directors and others regarding the preparation of simplified reports. The Principles follow on from the earlier "Shareholder Friendly Report." The Principles are equally applicable to financial and non-financial reporting.

  Link to Principles:
  http://www.companydirectors.com.au/Policy/Policies+And+Papers/2007/Good+Communication+With+Shareholders.htm

- ***Shareholder Friendly Report*** (AICD and PricewaterhouseCoopers 2005)

  Written from a non-technical perspective, the Shareholder Friendly Report provides an example of a comprehensive scorecard on a company's overall performance. It reports not only the historic results and trends against key financial and non-financial strategies, but also the company's outlook for the future.

  [Complimentary copy attached]

Company Director Journal

- **Cover Story - The Good Corporate Citizen** (AICD March 2006)

  In-depth article covering the NFBR debate in Australia, including implications for directors.

  Link to article:
  http://www.companydirectors.com.au/Media/Company+Director+Journal/2006/March/cover+story+-+the+good+corporate+citizen.htm

Principles of Good Communication with Shareholders

Abstract

The Australian Institute of Company Directors (AICD) has developed ten principles of good communication with shareholders. These are designed to provide practical guidance to directors and others regarding the preparation of simplified reports. The principles follow on from the *Shareholder Friendly Report* prepared by AICD and PricewaterhouseCoopers in 2005.

Introduction

In recent years there has been greater recognition of the problems caused by compliance driven reporting, and of the need for better communication with shareholders. Some companies have begun voluntarily producing simplified reports, designed to address the complexity and volume of information inherent in statutory reports. An inhibiting factor however has been the additional cost burden that simplified reports represent.

In January 2006, the Banks Review recommended that the Australian Government should introduce amendments to allow companies to make annual reports available on the internet and require hard copies to be sent only to investors who request them (hereafter "the Banks recommendation").

The Banks recommendation will fundamentally alter annual reporting practices:

- The main rationale for statutory concise reports (as a means of companies saving of printing and mail-out costs associated with annual reports) falls away; and
- Many companies are likely to seek a shortened form of annual disclosure, possibly for dispatch with an AGM notice or a dividend statement.

On 16 November 2006, the Australian Government released a Proposals Paper concerning its review of corporate and financial services regulation. As part of the proposed reforms, the Government reaffirmed its intention to implement the Banks recommendation.

AICD has developed ten principles which are intended to provide practical guidance to company directors and others regarding the preparation of simplified reports in a wide variety of companies, where the intended audience is mainly retail shareholders. The principles follow on from the Shareholder Friendly Report example prepared by AICD and PricewaterhouseCoopers in 2005. Adherence to the principles is regarded as good practice when producing simplified reports.

The ten principles are set out below, together with some practical examples. Links to further examples of simplified reports are included as an appendix.

Principles

Principle 1 : A Simplified Report should present a balanced view

Principle 2 : A Simplified Report should be in plain English

Principle 3 : A Simplified Report should be written specifically to inform shareholders about company performance

Principle 4 : A Simplified Report should be designed to provide a clear understanding of the components of the financial results of the business, rather than just statements which comply with regulatory requirements

Principle 5 : A Simplified Report should set out key highlights

Principle 6 : Company performance should be described against stated corporate strategies, although companies should assess what level of strategic disclosure is appropriate in their circumstances

Principle 7 : Companies should consider their own circumstances when deciding whether to include financial forecasts or projections

Principle 8 : A Simplified Report should include summarised divisional reports

Principle 9 : A Simplified Report should include Reviews by the Chairman and the CEO

Principle 10 : Consideration should be given to the appropriateness of a directors' declaration and/or an auditor's report.

Appendix : Examples of simplified reports

Good Communication with Shareholders

Principle 1: A Simplified Report should present a balanced view.

It is important that companies present a balanced view of their activities; not only the good points. As such, simplified reports should not be viewed in the same light as "marketing documents".

This principle should apply not only at one point in time but also in relation to successive simplified reports. In this regard, information provided by companies should not seek to change past measures used to highlight performance merely because the company is no longer seen in a favourable light.

Example

2005 Target	2005 Actual	2006 Target
Overall total revenue growth of 30%	✔ achieved 32% (27% from ordinary activities)	Revenue growth of at least 10%
Reduce operating costs by 6%	X achieved 4%*	Reduce operating costs by 6% per annum over the next two years
Expand furniture manufacturing business with Ergonomic range	✔ new line launched	Increase output by 5% to meet demand for Ergonomic range

* Excludes costs associated with starting new division, Furniture.

Good Communication with Shareholders

Principle 2: A Simplified Report should be in plain English.

Australia has one of the highest proportions of adult share ownership in the world. According to a 2004 ASX survey, 55 percent of adult Australians (8 million people) include shares as an asset class in their investment portfolio. Many of these investors are not financially sophisticated – often they are "mum and dad" investors. Companies should have regard to the nature of their existing and potential shareholders in the preparation of simplified reports. In particular, language used should not be overly technical and a glossary of abbreviations and terminology should be provided. Where measures are used, definitions should be provided as to what the measures are. Shareholders should not need to rely on expert advice to understand or interpret a simplified report.

Examples

Description of intangible assets

Intangible assets represent goodwill which is the difference between the amount the Company pays to buy a business and the fair value of that business's identifiable assets.
Our Company's goodwill relates to the acquisition of ABC Land Development Co in 1998 and is being amortised over 10 years.

(Source: Shareholder Friendly Report, p14)

Plain English Annual Review

Reuters Group PLC's 2005 Annual Review was awarded the Clear English Standard by the UK Plain Language Commission (www.clearest.co.uk), which promotes clear and concise communication in documents and on websites. The Annual Review is located at -

http://about.reuters.com/investors/data/companyreports/

Good Communication with Shareholders

Principle 3: A Simplified Report should be written specifically to inform shareholders about company performance.

A major purpose of annual reports, whether in full or simplified statutory form, is to inform shareholders about the performance of a company. Not only should reports assist shareholders with their investment evaluation, they should also serve as an account of the stewardship of the board and management.

Example

Results and Outlook

We are pleased to report that the Commonwealth Bank had a very good year. The Bank announced its full year result on 9 August 2006 delivering a statutory net profit after tax (NPAT) for the 12 months to 30 June 2006 of $3,928 million – an increase of 16 per cent on the prior year. Cash NPAT grew 16 per cent to $4,053 million with cash return on equity increasing from 18.8 per cent to 21.3 per cent. Excluding the one-off gain of $145 million from the sale of the Bank's Hong Kong based insurance business, cash earnings per share were up 15 per cent to 304.6 cents per share.

In a competitive market, we continued to focus on profitable growth, avoiding business which we perceived to have a high risk profile or which did not meet our return criteria.
The Board again declared a record final dividend of $1.30 per share – a 16 per cent increase on last year's final dividend. The final dividend, which is fully franked, will be paid on 5 October, 2006. This will take total dividends for the year to $2.24 per share – up 14 per cent on last year. Over the last three years, dividends have grown at an annual compound rate of 14 per cent.

Going into the new financial year, we remain confident that we will be a tougher competitor and will continue to deliver both revenue growth and productivity improvements. Given the strength of the Bank's competitive position and our earnings momentum we expect, in the absence of any exogenous shocks, to see good profit growth for the 2007 fiscal year with the Bank delivering earnings per share growth which meets or exceeds the average of our peers. We do not plan to trade off credit quality for growth.

Which new Bank and Strategic Priorities

This year marks the successful completion of the three year Which new Bank transformation programme. The Bank has met all of the major financial and productivity targets it set out to achieve in September 2003. This included financial benefits of $1,044 million for the 2006 fiscal year which exceed the original target of $900 million, 14 per cent compound EPS growth (compared to a revised target of 12 per cent) and impressive productivity improvements for Banking, Funds Management and Insurance.

However, despite these achievements we recognise that we have more work to do if we are to realise our vision of being Australia's finest financial services organisation through excelling in customer service. Building on the Which new Bank platform, we have identified four strategic imperatives which will empower our people, deliver better service to our customers and enhance returns to our shareholders. The four strategies are Customer Service; Business Banking; Technology and Operational Excellence; and Trust and Team Spirit. We explain the philosophy behind each of these strategies and the progress we have made already on pages 4 to 7 of this Review.

Source: CBA Shareholder Review 2006 (p3).

Good Communication with Shareholders

Principle 4: A Simplified Report should be designed to provide a clearer understanding of the components of the financial results of the business, rather than just statements which comply with regulatory requirements.

One of the major drawbacks of existing concise reports is that they have a conformance focus; to the point where much of the information contained in them is incomprehensible to most shareholders. When designing summarised financial statements, a goal should be to ensure they are understandable and presented in a more 'user friendly' format than existing statutory layouts. In this regard it should be considered whether there is important shareholder information that needs to be included or explained, even though regulatory standards might not require it.

In order to ensure the integrity of simplified reports, it is important that financial totals contained in summarised financial statements are reconciled to the financial statements contained in the full statutory annual report.

Examples

The examples that follow are taken, respectively, from the Telstra 2006 Annual Review (p13) and the Shareholder Friendly Report (SFR) developed by the AICD and PwC (pp 12-15).

EXPENSES

Selected items from income statement

Year ended 30 June	2006 $m	2005 $m	%
Labour	**4,364**	3,858	13.1
Goods and services purchased	**4,730**	4,211	12.3
Other expenses	**4,427**	3,815	16.0
Total operating expenses	**13,521**	11,884	13.8
Depreciation and amortisation	**4,087**	3,529	15.8
Total expenses	**17,608**	15,413	14.2

Labour expense grew 13.1% to $4.4 billion due to:

- redundancy expense of $348 million, split between normal course of business redundancy costs of $178 million and current year transformation related redundancy costs of $170 million. These costs were associated with the reduction of our workforce by 3,859 staff (excluding the impact of the CSL New World merger in Hong Kong); total workforce now 49,443;
- $186 million included in the overall restructuring and redundancy provision associated with making a further 2,600 staff reductions over the next two years; and
- excluding redundancy costs, labour expense was up 1.7% mainly due to salary increases.

Goods and services purchased grew 12.3% to $4.7 billion due to:

- cost of goods sold increased driven by mobile marketing campaigns;
- mobile handsets subsidies increased as we compete aggressively in the market; and
- network payments increased driven by volume increases of domestic mobile and SMS terminating on other carriers' networks.

Other expenses grew 16.0% to $4.4 billion. Excluding transformation related costs, other expenses grew 12.5% to $4.3 billion. The main drivers of other expenses include:

- maintenance costs associated with the existing 3G network;
- higher consultancy costs due to transformation activities;
- increased market research due to a focus on understanding customer needs; and
- costs associated with property rationalisation, cancellation of server leases, and the decommissioning of certain IT platforms and operational and business support systems.

Depreciation and amortisation costs grew by 15.8% to $4.1 billion as we have accelerated depreciation and amortisation on our CDMA network, switching systems, certain business and operational support systems and related software totalling $422 million. Excluding accelerated depreciation and amortisation the increase would have been 3.9%.

BALANCE SHEET

Selected items from balance sheet

As at 30 June	2006 $m	2005 $m	Change $m
Current assets	**4,879**	5,582	(703)
Property, plant and equipment	**23,622**	22,891	731
Total non current assets	**31,296**	29,629	1,667
Total assets	**36,175**	35,211	964
Total liabilities	**23,343**	21,553	(1,790)
Net assets/Equity	**12,832**	13,658	(826)

The increase in total assets of $964 million was mainly due to the net impact of the following:

- a $731 million increase in property, plant and equipment, following assets acquired in the CSL New World Mobility merger and additional capital expenditure on our transformation, offset by depreciation expense;
- a $782 million increase in superannuation assets following recognition of actuarial gains on the Telstra Superannuation Scheme; offset by
- an $859 million decrease in cash and cash equivalents to pay dividends and interest on our borrowings.

The increase in total liabilities of $1.8 billion was due to:

- a $930 million increase in total borrowings to fund our various working capital and business requirements as part of transformation and two special dividend payments; and
- an increase of $860 million in other liabilities, such as trade and other payables following additional accrued expenditure in the rollout of the wireline and wireless networks and IT systems.

CASH FLOW

Selected items from cash flow statement

Year ended 30 June	2006 $m	2005 $m	Change $m
Net cash provided by operating activities	**8,562**	8,960	(398)
Capital expenditure	**(4,303)**	(4,129)	(174)
Free cash flow	**4,550**	5,194	(644)

The decline in free cash flow to $4.6 billion was due to:

- a $234 million decline in cash flow generated by our core business following the decline in our fixed line revenues and higher levels of expenditure as we commenced our transformation in the second half and increased marketing activity to drive revenue;
- a $164 million increase in tax paid during the year due to an instalment rate correction by the Australian Taxation Office; and
- a $246 million increase in investing cash flows generated mainly as a result of increased spend on building and upgrading our networks and systems to improve the customer experience as a result of our transformation.

We predominantly used our free cash flow to:

- pay dividends to our shareholders of $4.9 billion, representing 40 cents per share (this included two special dividends totalling 12 cents per share); and
- pay finance costs of $940 million to our debt holders.

These payments totalled $5.9 billion, $1.4 billion higher than our free cash flow. This excess was funded mainly by an increase in our net debt (borrowings less cash on hand) of $1.3 billion.

AUSTRALIAN INSTITUTE OF COMPANY DIRECTORS
ABN 11 008 484 197

Summarised Financial Statements

Income statement for the year ended 30 June 2005

	2005 $'000	2004 $'000
Revenue from continuing operations		
Land Development	17,000	16,810
Human Resource Consulting	16,400	14,640
Furniture	10,600	0
Revenue from core activities	44,000	31,450
Non core revenue from continuing activities (a)	9,987	3,630
Revenue from continuing operations	53,987	35,080
Revenue from discontinued operations	5,510	10,200
Total revenue	59,497	45,280
Expenses from continuing operations		
Expenses from core activities	(35,722)	(26,728)
Expenses from non core activities	(8,887)	(2,930)
Expenses from continuing operations	(44,609)	(29,658)
Expenses from discontinued operations	(4,999)	(7,812)
Total expenses (b)	(49,608)	(37,470)
Earnings before interest, tax depreciation and amortisation (EBITDA)		
Land Development	2,984	2,662
Human Resource Consulting	2,752	2,060
Furniture	2,542	0
Continuing non core activities	1,100	700
EBITDA from continuing operations	9,378	5,422
Other significant non recurring items (including discontinued operations)	61	2,018
Share of profits from associates	450	370
Total EBITDA (c)	9,889	7,810
Depreciation	(1,100)	(900)
Amortisation	(395)	(275)
Earning before interest and tax (EBIT)	8,394	6,635
Interest	(1,221)	(585)
Tax	(2,133)	(1,680)
Profit for the year	5,040	4,370
Share of profit attributable to minority interests in controlled entities	(1,030)	(387)
Profit attributable to shareholders	4,010	3,983
Earnings per share EPS shows current profits on a per share basis	32.7 cents	34.0 cents
Diluted profit /earnings per share	32.7 cents	34.0 cents

a) Non-core revenue includes:
- Sale of assets
- Rental revenue
- Government grants
- Foreign exchange gains
- Debt forgiven
- Gain on disposal of business

b) The total expenses broken down into core activities, central admin and discretionary costs are as follows:

	$'000
Core activities	
Variable costs	37,042
Fixed overheads	6,824
Central admin	
Variable costs	1,239
Fixed overheads	3,338
Discretionary costs	
R&D	715
Charitable donations	450
	49,608

c) Included within this income statement are revenue and expenses relating to events which we do not foresee occurring in the future years. These events impact EBITDA as follows:

$'000	
2005 EBITDA	9,889
- Cost of Hobart fire	910
- Gain on sale of Machinery Hire business	(830)
- Reduction in profits from Machinery Hire business	2,860
- Accounting error	500
Excluding these events the EBITDA from ongoing operations would be	13,329

AUSTRALIAN INSTITUTE OF COMPANY DIRECTORS
ABN 11 008 484 197

Summarised Financial Statements

Balance sheet as at 30 June 2005

	2005 $'000	2004 $'000
Operating assets / (liabilities) for continuing operations		
Property plant & equipment	**14,340**	10,075
Investment properties	**3,300**	3,000
Working capital – short term (< 12 months)		
Cash (a)	**4,202**	3,081
Trade receivables	**9,697**	7,432
Sundry receivables	**707**	393
Inventories	**7,153**	6,062
less: trade creditors	**(3,615)**	(2,872)
less: sundry creditors and provisions	**(1,699)**	(1,862)
Total short term working capital	**16,445**	12,234
Working capital – long term (> 12 months)		
Trade receivables	**1,476**	380
Inventories	**2,650**	2,350
Other non current assets	**100**	20
Provisions	**(400)**	(360)
Total long term working capital	**3,826**	2,390
Net operating assets for continuing operations	**37,911**	27,699
Financing (b)		
Short term bank debt	**(3,040)**	(3,605)
Long term bank debt	**(8,185)**	(6,945)
Lease liabilities	**(900)**	(700)
Total financing	**(12,125)**	(11,250)
Intangibles (c)	**650**	655
Other assets / liabilities		
Deferred tax assets	**510**	420
Investment in associates	**5,635**	3,975
Total other assets / liabilities	**6,145**	4,395
Net assets	**32,581**	21,499
Shareholders funds		
Contributed equity	**18,503**	14,106
Reserves (d)	**3,810**	970
Retained earnings	**7,893**	4,823
Minority interests	**2,375**	1,600
Total shareholder funds	**32,581**	21,499
Total No of shares on issue	**14,134,080**	12,464,358
AICD's weighted average number of shares for EPS calculation	**12,262,993**	11,714,706

a) $3.9 million of cash is held on deposit and is accessible on 24 hours notice. AICD also has a bank overdraft totalling $2.3m included within short term bank debt. Total bank overdraft facility is $5m.

b) Summary of financing

	Interest	$m
Bank overdraft	4.5%	2.3
Bank loans	5.2%	3.8
Debentures	10%	2.0
Leases liabilities	11.9%	0.9
Bills payable	9%	2.1
Preference shares	6%	1.0
		12.1

$3.0m of the financing is included within current liabilities.

c) Intangible assets represent goodwill which is the difference between the amount AICD pays to buy a business and the fair value of that business's identifiable assets.

Our goodwill relates to the acquisition of ABC Land Development Co in 1998 and is being amortised over 10 years.

d) The reserves relate to revaluation of property ($1.2m) and foreign currency reserves ($2.6m).

e) Dividends paid for 2004/2005 were fully franked at a tax rate of 30%.

Franking credits of $8.25m are available for future distributions, which means that $19.25m of future dividends can be paid fully franked. However the total amount available for distribution for the payment of dividends is $7,893,000 (2004: $4,823,000).

f) It has been Group policy to retain substantial profits in order to fund expansion. Going forward however, the directors have resolved to pay 50-60% of profits annually as a dividend.

Total equity 30 June 2004	21,499
Profit after tax	4,010
Dividend paid	(940)
Additional equity raised by issuing 548k shares	4,397
Change in Reserves/Minority Interest	3,615
Total equity 30 June 2005	32,581

Summarised Financial Statements

Cash flow statement for year ended 30 June 2005

	Consolidated	
	2005 $'000	2004 $'000
Operating cash flows		
Earnings before interest, and taxation	**8,394**	6,635
Depreciation and amortisation	**1,495**	1,175
Total EBITDA	**9,889**	7,810
Net movement in working capital	**(8,374)**	(5,048)
Interest paid	**(1,340)**	(595)
Taxation paid	**2,020**	1,434
Net operating cash flows	**2,195**	3,601
Capital expenditure and investment cash flows		
Payments for property, plant and equipment (b)	**(7,025)**	(2,756)
Proceeds from sale of property plant and equipment	**925**	565
Payments for investments	**(1,360)**	(450)
Proceeds from sale of Machine Hire business	**3,960**	0
Purchase of other investments	**(2,656)**	(133)
Total capital expenditure and investment cash flows	**(6,156)**	(2,774)
Financing cash flows		
New shares issued	**4,397**	236
Proceeds from borrowings	**7,503**	3,419
Repayment of borrowings	**(6,725)**	(1,145)
Dividends paid	**(940)**	(698)
Other financing cash flows	755	(2,604)
Total financing cash flows	**4,990**	(792)
Total net cash flow	**1,029**	35

a) All cash flows represented here are net of GST

b) Capital expenditure relating to:

	$'000
On-going core activities	1,425
Growth of business	5,600
	7,025

Interest cover (times)

2005: 8.3 2004: 12.8

(The Group's EBIT divided by its interest expense, showing the number of times the company can service the interest cost of its borrowings out of profits.)

Good Communication with Shareholders

Principle 5: A Simplified Report should set out key highlights.

Ideally key shareholder information should be provided at the beginning of a simplified report. This would often include overviews of both financial and operational highlights.

The presentation of highlights should include pertinent financial and non-financial measures, relevant to the company and the main industries in which it operates. Of particular relevance are key business drivers.

Examples of widely used ratios include:

- Earnings before interest, taxes depreciation and amortization (EBITDA) margin = EBITDA/Revenue;
- Earnings per share; and
- Return on equity.

Examples of ratios useful in certain industries include:

- cost to income ratios for banks;
- percentage of seats filled and revenue per passenger kilometres for airlines; and
- average revenue per user (ARPU) for telecommunication companies.

Those measures used should be defined (refer to Principle 2), and presented in tables and graphs where they lend themselves to this. The analysis should include a 5 year history, where it exists.

Examples

Following are two examples relating to the reporting of highlights. The first is taken from the Shareholder Friendly Report (SFR) developed by the AICD and PwC, while the other is taken from the ANZ's 2005 Shareholder Review (p1).

Key Shareholder Information

"2005 was an outstanding year for the AICD Holdings Ltd Group. At the start of 2005, we set ourselves challenging targets; however we are pleased to announce that we not only achieved, but also exceeded these targets in the majority of key business areas."

Andrew Brown, Chairman

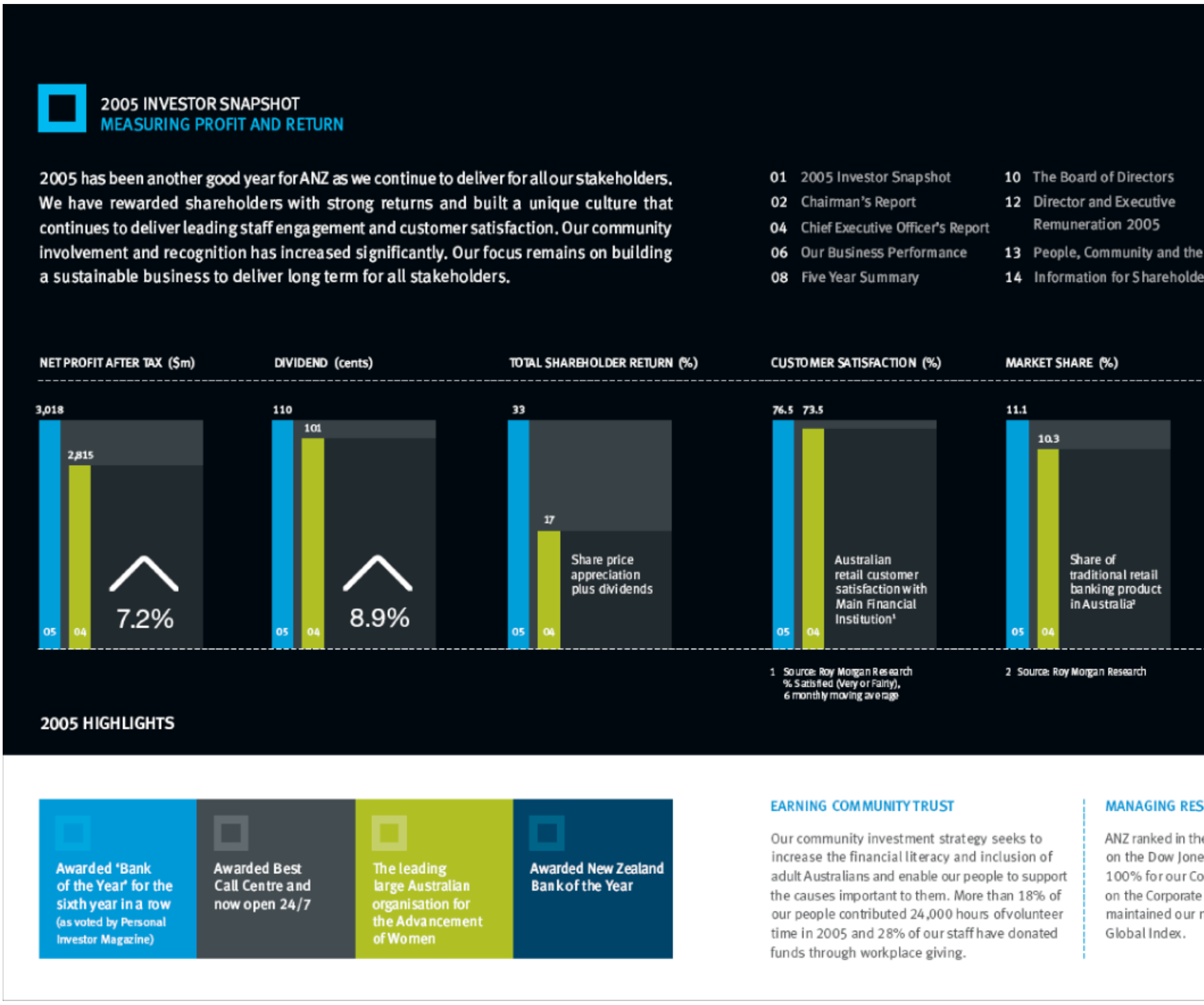
Financial highlights

Measure	2005	2004	2003	2002	2001
Revenue from operations (A$ million) …% growth	52.7 27%	41.4 6%	39.2 10%	35.6 24%	28.7 15%
Net profit after tax (A$ million) …% growth	5.0 15%	4.4 26%	3.5 25%	2.8 12%	2.5 10%
Earnings per share (cents)* *EPS shows the year's net profits on a per share basis*	32.7	34.0	22.2	22.4	21.9
Dividend per share (cents)* (interim/final) – fully franked *This represents earnings per share which the board has elected to distribute to shareholders*	3.5 / 7.0	2.6 / 5.0	4.0 / 3.0	3.0 / 5.0	3.0 / 4.0
Total shareholder return *This is the sum of the increase in share price and the dividend return over the year as a percentage of prior year end share price*	26%	22%	4%	6%	12%
Gearing ratio *Being the extent to which total assets are financed by total borrowings*	24%	30%	29%	28%	26%

* The number of shares increased by 548,291 in 2005, having a diluting effect on these 'per share' ratios

Operational highlights

Measure	
Customer retention survey	Increased from 42% to 54% year on year.
Customer satisfaction survey	Increased 14% year on year to 4 out of 5.
Employee satisfaction survey	An 11% increase in positive responses year on year from 60% to 71%.
Innovation	68% of employees contributed to our innovation program, resulting in 67 new products and services.
Health and safety	Accreditation to the Workplace Safety Management Practices Scheme resulting in a 20% discount in insurance premiums.



2005 INVESTOR SNAPSHOT
MEASURING PROFIT AND RETURN

2005 has been another good year for ANZ as we continue to deliver for all our stakeholders. We have rewarded shareholders with strong returns and built a unique culture that continues to deliver leading staff engagement and customer satisfaction. Our community involvement and recognition has increased significantly. Our focus remains on building a sustainable business to deliver long term for all stakeholders.

1 Source: Roy Morgan Research % Satisfied (Very or Fairly), 6 monthly moving average

2 Source: Roy Morgan Research

2005 HIGHLIGHTS

Awarded 'Bank of the Year' for the sixth year in a row (as voted by Personal Investor Magazine)

Awarded Best Call Centre and now open 24/7

The leading large Australian organisation for the Advancement of Women

Awarded New Zealand Bank of the Year

EARNING COMMUNITY TRUST

Our community investment strategy seeks to increase the financial literacy and inclusion of adult Australians and enable our people to support the causes important to them. More than 18% of our people contributed 24,000 hours of volunteer time in 2005 and 28% of our staff have donated funds through workplace giving.

MANAGING RES

ANZ ranked in the
on the Dow Jone
100% for our Co
on the Corporate
maintained our r
Global Index.

Good Communication with Shareholders

Principle 6: Company performance should be described against stated corporate strategies, although companies should assess what level of strategic disclosure is appropriate in their circumstances.

Companies should disclose the broad strategy that follows from their corporate objectives. This should occur in such a way investors remain confident with the direction of the company, but does not jeopardise business interests of the company. As a guiding principle, companies should not knowingly disclose aspects of their strategy in the name of good communication that would hurt the company's business through the actions of its competitors.

The examples that follow, reproduced from Alumina Limited's 2005 Annual Review and Reuters Group PLC's 2005 Annual Review, illustrate how strategic information might usefully be presented.

Examples

The examples that follow, reproduced from Alumina Limited's 2005 Annual Review and Reuters Group PLC's 2005 Annual Review, illustrate how strategic information might usefully be presented.

In 2005, Alumina Limited generated a net profit after tax of $315.6 million, maintained dividends to shareholders, and paved the way for significant future growth.

OBJECTIVES	ACHIEVEMENTS IN 2005
Deliver substantial returns to shareholders	Alumina Limited net profit in line with 2004 at $316 million 20 cents per share dividends – fully franked Alumina Limited dividends declared represented 73 per cent of profits Return on equity of 21 per cent Released franking credits from Alcoa of Australia
Maintain AWAC's leadership in the alumina industry	AWAC produced 13.7 million tonnes of alumina, up 1 per cent from 13.6 million tonnes in 2004 AWAC produced 377,000 tonnes of aluminium, down 2 per cent from 2004
Grow AWAC to meet market demands and maintain leadership position	AWAC progressed construction of the Pinjarra efficiency upgrade to increase annual production by 657,000 tonnes AWAC commenced construction of the 150,000 tonne Phase 1 expansion of an expected overall 1.5 million tonne expansion of the Jamalco refinery in Jamaica AWAC approved a 2.1 million tonne expansion of the jointly owned Alumar alumina refinery in Brazil. (AWAC 54 per cent share)
Increase market understanding of Alumina Limited	We provided a clear strategy to grow solely through AWAC AWAC announced a substantial pipeline of growth projects
Participate in the strategic direction of AWAC	We are positioned to participate in AWAC growth Alumina Limited acquired a 40 per cent interest in the Juruti bauxite deposits in Brazil

Chief Executive's review continued

Our strategy **is straightforward:**

1/ Fix it

Status: Complete

We have completed the Fast Forward programme which aimed to transform our core business. We have made Reuters more competitive, simpler, more customer-focused and more efficient.

What we said we would do:

- Make our information indispensable
- Simplify and segment our product line
- Reduce and reshape our cost base
- Streamline our Group portfolio

What we have done:

- Expanded our data coverage while moving much of our data production to our Bangalore content centre
- Reduced our 1,300 products to 400 as we head towards 50 desktop financial information products
- Made savings of £360 million by the end of 2005, putting us on track to deliver £440 million in 2006
- Simplified our business by divesting or closing portfolio holdings, generating total cash proceeds of £1.3 billion

2/ Strengthen it

Status: Ongoing

We have to keep ahead of the competition by constantly improving what we offer our customers. We are continuing to make our operations more efficient.

What we said we would do:

- Improve our product delivery
- Streamline our product delivery infrastructure
- Continue to invest in new content
- Make Reuters simpler to do business with

What we are doing:

- Simplifying our product development process and concentrating development into fewer centres to improve product quality
- Rationalising our data centres from 250 to around 10 globally to reduce costs, simplify our product delivery and improve service quality
- Streamlining our content management processes to improve the accuracy, timeliness and breadth of our data
- Modernising our customer administration systems to make it easier for customers to buy from us

3/ Grow it

Status: Started

Our relentless focus on the basics means that we can now also begin to look ahead: where will our future growth come from? We are identifying and investing in new opportunities for revenue growth and building on our strong brand.

What we said we would do:

- Continue to grow our healthy core financial markets and media businesses
- Look for new high-growth opportunities adjacent to the core, which we call Core Plus

What we are doing:

- Launching improved versions of key products such as Reuters 3000 Xtra, Reuters Trader and Reuters Knowledge and upgrading our family of reuters.com websites
- Introducing four new Core Plus revenue growth initiatives to enable us to compete in markets with a combined value of £11 billion, almost double the market opportunity that we currently serve:
  - Extending our range of electronic trading services
  - Offering high-value content that attracts a premium for providing not just information but insight
  - Packaging our content and software to provide one-stop toolkits for market activities such as automated trading
  - Creating services for rapidly developing geographic markets, new asset classes and new audiences

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Good Communication with Shareholders

Principle 7: Companies should consider their own circumstances when deciding whether to include financial forecasts or projections.

Forward looking information can assist shareholders in understanding management expectations regarding future corporate performance. It also has the potential to lower a company's cost of capital on the basis there is less uncertainty for investors.

The future is of course uncertain, and actual results can differ materially from earlier expectations. The ability to forecast results accurately will be influenced by various factors including the industry in which a company operates and its size. In those circumstances where the company's environment is relatively volatile, the board and management may quite understandably be reluctant to provide forward looking information. This problem is exacerbated so long as there remains no legislative safe harbour for such information (ie an extended statutory business judgment rule).[1]

ASIC has issued Policy Statement 170 "Prospective Financial Information" to guide the provision of forward looking or "prospective" financial information in prospectuses, including a discussion on reasonable grounds for prospective financial information and how prospective financial information should be disclosed. Many of these principles are equally applicable to forward looking statements in simplified reports.

Examples

Forward Looking Statement

"Given the strength of the Bank's competitive position and our earnings momentum we expect, in the absence of any exogenous shocks, to see good profit growth for the 2007 fiscal year with the Bank delivering earnings per share growth which meets or exceeds the average of our peers. We do not plan to trade off credit quality for growth"

(Source: CBA Shareholder Review 2006, p3)

[1] AICD has argued for an extension to the statutory business judgement rule contained in section 180(2) of the Corporations Act.

Forward Looking Statement

"Outlook
We have witnessed moderate growth rates in the Australian economy over the past year with the rate of growth being very much State-dependent. New South Wales has relatively underperformed while commodity-based regions have performed exceptionally well. High fuel costs remain a significant negative while relatively low interest rates continue to support the economy. Tax cuts and generally solid global growth will also
help boost activity.

From the Board's perspective, St.George is well positioned to deal with the highly competitive environment because of our key differentiators. These include a track
record of excellent credit quality, effective cost management, high levels of customer service and satisfaction, together with a strong focus on delivering on business growth strategies.

As indicated, St.George has established a track record of delivering on its targets, while laying the foundations for long-term success. For the full year 2006 to 2007 we are targeting EPS growth of 10 per cent."

(Source: St George Newsletter, June 2006)

Forward Looking Statement

"Outlook*

The fiscal 2007 year will be the largest transformational spend year.
We expect first half earnings to decline between minus 17% to minus 20%, but the declines will be more than offset in the second half. This variation in performance from first half to second half is purely a result of timing changes and not underlying business performance. For example, first half fiscal 2007 will include transformation costs unlike the first half of 2006, and the second half of fiscal 2007 will include the recognition of the Melbourne Yellow Pages print revenue, previously recognised in the first half.
For the full fiscal 2007 year we expect EBIT to increase by plus 2% to plus 4% and we intend to pay a fully franked ordinary dividend of 28 cents per share.

* Guidance assumes no FTTN build, a Band 2 ULL price of $17.70 applying for wholesale customers for the remainder of fiscal 2007, no additional redundancy and restructuring provision and fiscal 2007 being the largest transformational spend year.

(Source: Telstra 2006 Annual Review, p12)

Good Communication with Shareholders

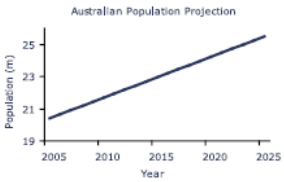
Principle 8: A Simplified Report should include summarised divisional reports.

Divisional summarised reports for diversified or multinational companies give shareholders insights into what is occurring within key areas of the company's business, which are not apparent from aggregated information. It is envisaged that divisional reports will typically be prepared on the basis of existing organisational lines. In some cases it may be considered more meaningful in assessing the risks and returns of a company to present information on another segmented basis (eg on a geographical basis). In any event, the divisional reports should be written as performance reports, and in a format consistent with the CEO's Review of Operations.

Example

The example that follows is extracted from the Shareholder Friendly Report (SFR) developed by the AICD and PwC (pp19-21).

John Martin,
Land development MD



Land Development

Market

We develop residential estates and invest in the Australian commercial property market, with 22% of the 'prestige' property development market in 2005. Population growth rates in both New South Wales and Queensland are forecast to continue increasing by 5% and 7% respectively and immigration rates of new residents to Australia are also skewed toward these states.

Our major developments currently in progress are the Eureka Estate in New South Wales and the Koolabah Estate in Queensland. Our land bank in these regions continues to grow. At current rates of development, we have 7.2 years supply of land in NSW and 5.7 years in Queensland. The commercial property market is currently trending towards long-term leasing rather than capital investment in property. Although rental and occupancy rates have held steady, overall growth in our market is predicted to be down from the 6% achieved in 2005 due principally to the slow recovery to the Queensland building industry which is estimated at 4.5% for 2006.

Performance against strategic goals

The top priority for the land development division in 2005 was to consolidate and strengthen operations to meet a 7% growth target (moving our share of the prestige market to 22%). Although revenue growth for the division was below our target growth of 5% net profits before tax were higher at 10%. This is attributable to a mis-match in recognition of revenue and expenses. The following table outlines our performance against our strategic goals.

Business Growth	
Reduction of operating costs by 5% across all development projects.	✓achieved 5.0%
Operational Efficiency	
Implementation of a preferred supplier program to improve the timeliness and quality of building supplies:	
- Target of 5% improvement in material quality control results	✓achieved 5.1%
- Targeted reduction in delivery time from 5 to 4 working days.	✓achieved 4 days
Reduction in the number and severity of lost-time injuries through 75 % of employees attending and implementing Safety First training initiatives. The remaining 25% of staff will attend in 2006.	✓achieved 76%
Impact of a new workplace agreement, negotiated in April 2005 and structured to increase employee productivity by at least 3%.	✓ achieved 3.2%
Capital Management	
Total economic return to shareholders in excess of 10%	✓achieved 11%

AUSTRALIAN INSTITUTE OF COMPANY DIRECTORS
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Land Development

Financial performance

Income statement	2005	2004	2003	2002	2001
	$'000	$'000	$'000	$'000	$'000
Revenue from operations	**17,000**	16,810	16,745	16,428	15,203
Cost of sale of goods	**(8,397)**	(8,882)	(5,986)	(6,328)	(6,186)
Direct employee expenses	**(3,717)**	(3,112)	(7,153)	(6,486)	(6,585)
Gross profit from operations	**4,886**	4,816	3,606	3,614	2,432
Gross profit margin from operation	**29%**	29%	22%	22%	16%
Other non-operating revenue	**200**	350	1,000	800	700
Share of profits from associates and joint ventures	**100**	50	555	284	427
Administration cost	**(1,817)**	(2,123)	(3,126)	(1,997)	(2,103)
Other costs	**(385)**	(431)	(160)	(1,828)	(1,328)
Earnings before interest, taxation depreciation and amortisation (EBITDA)	**2,984**	2,662	1,875	873	128
Depreciation and amortisation	**(546)**	(435)	(389)	(320)	(229)
Earnings before interest and taxation (EBIT)	**2,438**	2,227	1,486	553	(101)

Balance sheet	2005	2004	2003	2002	2001
	$'000	$'000	$'000	$'000	$'000
Total current assets	**8,900**	9,000	5,016	4,714	4,200
Total non-current assets	**6,975**	6,100	7,800	6,600	4,800
Total assets	15,875	15,100	12,816	11,314	9,000
Total liabilities	**(1,000)**	(1,200)	(1,500)	(1,300)	(1,700)
Net assets	14,875	13,900	11,316	10,014	7,300

Cash flow statement	2005	2004	2003	2002	2001
	$'000	$'000	$'000	$'000	$'000
Operating cash flows	**1,875**	713	418	239	(167)
Capital expenditure	**(2,182)**	(1,879)	(987)	(1,248)	(1,079)
Financing cash flows	**(380)**	(362)	(238)	(198)	(128)
Net cash flows	**(687)**	(1,528)	(807)	(1,207)	(1,030)

Koolabah Estate 65% complete. Pre-sales of $8.3m generated through successful advertising

The Koolabah Estate development is currently proceeding ahead of schedule, being 65% complete as at 30 June 2005 and due for completion in June 2007. During the year ended 30 June 2005 sales of $8.3 million and $10.9 million had been secured for the Koolabah and Eureka estates, a measure of success of our advertising campaign. While the number of sales was 4% above our expectations, the prices were 2% lower than originally forecast for the Koolabah estate. This general fall in prices is consistent with the slow recovery in the building industry in Queensland.

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Land Development

Operational performance

We measure quality by number of product quality complaints received

Value Creating Measures	2005	2004	2003	2002	2001
Material quality complaints (no.)	**15**	23	24	26	29
Average supplier delivery time (days)	**4**	5	5.5	6	6.2
Lost time injuries (no.)	**17**	19	23	25	26
% of staff attending Safety First training in year	**76**	-	-	-	-
% increase in employee productivity year on year	**3.2**	1.9	1.4	1.0	0.8
Employee retention	**80%**	73%	72%	70%	68%

Retention rates up 7%, lost time injuries down 11%, keeping operating costs down

The safety of our worksites and our ability to retain our employees helps us to complete projects on time and keep operating costs down. The 7% improvement in employee retention rates and 11% reduction in lost time injuries reflects the success of our new workplace agreements and has also helped to achieve our divisional goal of 7% growth through a 3.2% increase in employee productivity.

Outlook

Eureka Stage 5 due in March 2006

Additional property analysts to be recruited

Advertising campaign to continue

With the Eureka Estate due for completion in early 2006, we are working to identify new land development projects over the next several months. We intend to recruit two additional expert property analysts to assist in the prediction of market trends and cement our place as a market leader in the identification of quality development opportunities. We will also seek to build on the successful advertising campaign and e-commerce platforms to expand global marketing opportunities through our web site and use of web-cams and other internet technologies.

Overall we expect a continued solid performance in this division over the next twelve months, with the focus on maximising returns from current developments and identifying new opportunities. We will continue to work with employees, contractors and suppliers to achieve the cost reduction targets set by the board.

Good Communication with Shareholders

Principle 9: A Simplified Report should include Reviews by the Chairman and the CEO.

It is customary for periodic reports to contain reviews by the Chairman and/or CEO. In view of the role of boards, a Chairman's review might usefully focus on corporate strategy and governance, while the review by the CEO in contrast would typically focus on operations and risk management. In some cases it may be considered desirable to combine these reviews (eg where there exists an Executive Chairman). Whether they are separate or combined, the reviews should include an evaluation of past performance, current direction and an outline of quantified future targets, key assumptions and sensitivities.

Examples

An example of separate Chairman and CEO reports is ANZ's 2005 Shareholder Review located at:

http://www.anz.com/Documents/AU/Investor/agm/2005/ShareholderReview.pdf

Examples of combined Chairman and CEO reports are:

Alumina Limited's 2005 Annual Review located at:

http://aluminalimited.com.au/pdf/ALU4050%20Short%20Form%20FA2.pdf

CBA's 2006 Shareholder Review located at:

http://shareholders.commbank.com.au/GAC_File_Metafile/0,1687,11264%255Ffinal%252520shareholder%252520review%25252012sep06,00.pdf

Telstra's 2005 Annual Review located at:

http://www.telstra.com.au/abouttelstra/investor/docs/tls466_annualreview2006.pdf

Good Communication with Shareholders

Principle 10: Consideration should be given to the appropriateness of a directors' declaration and/or an auditor's report.

A directors' declaration can help to assure shareholders that in the board's opinion the report is presenting a true financial picture of the company and that the company is not at risk of insolvent trading. Ideally there should be a directors' declaration which states that the summarised financial statements and notes contained in the simplified report are consistent with the full annual statutory financial reports from which they are derived and which give a true and fair view and the financial position and the performance of the company and its consolidated entities.

An auditor's report can help give shareholders greater confidence that, from an independent standpoint, the summarised financial statements give an accurate reflection of the company's financial affairs as presented in the fully compliant annual report. To the extent there is an auditor's report, it should make it clear that:

- in relation to the summarised financial statements, auditors are examining whether the summarised financial statements are consistent with the company's full financial report; and
- in relation to the audit work on the Chairman's and CEO's reports, auditors are not auditing this information, instead merely identifying where such information contradicts disclosures in the summarised financial report.

Example

Directors' declaration

The directors declare that the summarised financial statements and notes set out on pages 12 to 16 are consistent with the annual statutory financial reports from which they are derived and which give a true and fair view of AICD Holdings Ltd (the Company) and its consolidated entities (the Group) financial position as at 30 June 2005 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Andrew Brown
Chairman
31 August 2005

(Source: Shareholder Friendly Report (SFR) developed by the AICD and PwC p17)

Examples of Reports that Exhibit Aspects of Good Shareholder Communication

Australian examples include -

The 2005 **Shareholder Friendly Report (SFR)** example developed by the AICD and PricewaterhouseCoopers -

http://www.companydirectors.com.au/Media/Media+Releases/2005/More+clarity+for+shareholders+needed+say+Directors.htm

Alumina Limited's 2005 Annual Review -

http://aluminalimited.com.au/pdf/ALU4050%20Short%20Form%20FA2.pdf

BHP Billiton 2006 Annual Review –

http://www.bhpbilliton.com/bbContentRepository/20061012146404/bhpbreview2006.pdf

ANZ 2006 Shareholder Review -

http://www.anz.com/Documents/AU/Investor/agm/2006/Shareholder%20Review_06.pdf

CBA's 2006 Shareholder Review –

http://shareholders.commbank.com.au/GAC_File_Metafile/0,1687,11264%255Ffinal%252520shareholder%252520review%25252012sep06,00.pdf

St George 2006 Shareholder Newsletter -

http://www.stgeorge.com.au/resources/sgb/downloads/about_us/shareholder_news0706.pdf

Telstra 2006 Annual Review -

http://www.telstra.com.au/abouttelstra/investor/docs/tls466_annualreview2006.pdf

Overseas examples include -

Generico Example Report Prepared by Chartered Institute of Management Accountants (CIMA), PricewaterhouseCoopers LLP, Radley Yeldar and Tomkins plc -

http://www.reportleadership.com/

Pfizer 2006 Annual Review -

http://media.pfizer.com/pfizer/annualreport/2006/annual/review2006.pdf

Reuters Group PLC's 2006 Annual Review -

http://about.reuters.com/investors/data/companyreports/docs/2007/Reuters_2006_Annual_Review.pdf

Rinker 2006 Concise Annual Report -

http://www.rinker.com.au/InvestorRelations/AnnualRpt/Concise2006PDFv.shtml

PepsiCo 2005 Annual Report -

http://www.pepsico.com/PEP_Investors/AnnualReports/05/Pepsi2005Annual.pdf