



AUSTRALIAN  
INSTITUTE OF  
COMPANY  
DIRECTORS

# AICD Holdings Limited

Shareholder Friendly Report – 30 June 2005



Furniture



Human  
Resources  
Consulting

*The AICD wishes to thank*

**PRICEWATERHOUSECOOPERS** 

*for its support in  
developing this SFR*



Land  
Development

# Key Shareholder Information

## How to read this 'Shareholder Friendly Report'

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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" report 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" report. 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](http://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 company's website or alternatively can be mailed to you by calling 1800 XX YY ZZ to request a copy.

## Shareholder's calendar 2005

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

## Shareholder information

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

## Registered offices

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AICD Holdings Limited  
350 Harbour Street  
SYDNEY NSW 2000  
Phone 1800 XX YY ZZ  
Fax (02) XXXX YYYY  
[www.aicdholdings.com.au](http://www.aicdholdings.com.au)

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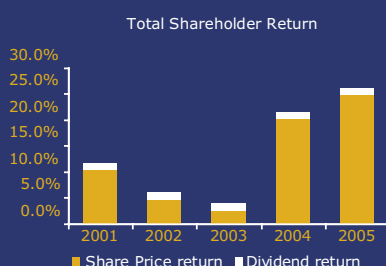
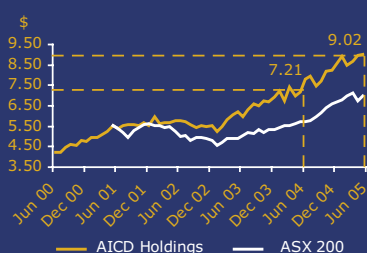
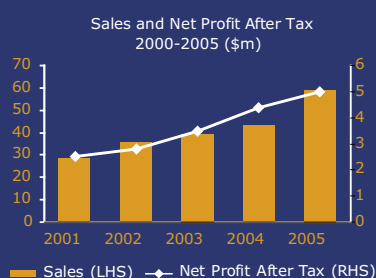
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# Key Shareholder Information

'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)

## Financial highlights



Measure	2005	2004	2003	2002	2001
Revenue from operations (A\$ million)	52.6	41.4	39.2	35.6	28.7
...% growth	27%	6%	10%	24%	15%
Net profit after tax (A\$ million)	5.0	4.4	3.5	2.8	2.5
...% growth	15%	26%	25%	12%	10%
Earnings per share (cents)*	32.7	34.0	22.2	22.4	21.9
<i>EPS shows the year's net profits on a per share basis</i>					
Dividend per share (cents)* (interim/final) – fully franked	3.5/7.0	2.6/5.0	4.0/3.0	3.0/5.0	3.0/4.0
<i>This represents earnings per share which the board has elected to distribute to shareholders</i>					
Total shareholder return	26%	22%	4%	6%	12%
<i>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</i>					
Gearing ratio	24%	30%	29%	28%	26%
<i>Being the extent to which total assets are financed by total borrowings</i>					

\* 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 in 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

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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 Group expectations and targets for 2006 and beyond.

### 1. Business growth

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**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) and made a profit after tax and minority interest of \$4.01m (\$3.98m in 2004). A fully franked dividend of 7.0 cents per share (10.5 cents in respect of total dividends for the full year, compared to 5.8 cents final and 7.1 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 37% (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

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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 and reduced staff turnover rates from 23% to 17% in 2005. 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%

### 3. Capital management

The fundamental criteria 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 audit committee has also undertaken 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 10).

### *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

## 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.

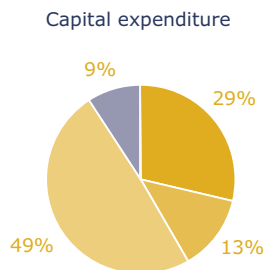
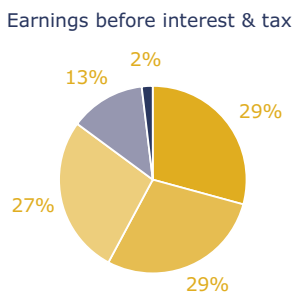
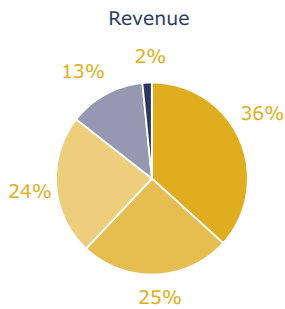
"AICD Holdings continues to exceed market growth"

## 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
<b>Income statement</b>								
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
<b>Total revenue</b>		<b>17,300</b>	<b>16,700</b>	<b>11,050</b>	<b>8,937</b>	<b>53,987</b>	<b>5,510</b>	<b>59,497</b>
...% Growth		1%	11%	-	20%	49%	-22%	37%
<b>Profit</b>								
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)
<b>Net Profit before taxation</b>		<b>2,438</b>	<b>2,422</b>	<b>2,268</b>	<b>(121)</b>	<b>7,007</b>	<b>166</b>	<b>7,173</b>
...% Growth		10%	37%	-	-	20%	-20%	19%
<b>Balance sheet</b>								
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
<b>Net operating assets</b>		<b>14,325</b>	<b>10,350</b>	<b>10,360</b>	<b>4,446</b>	<b>39,481</b>	<b>-</b>	<b>39,481</b>
Non operating assets		550	500	300	3,875	5,225	-	5,225
Interest bearing liabilities		-	-	-	(12,125)	(12,125)	-	(12,125)
<b>Net non operating assets</b>		<b>550</b>	<b>500</b>	<b>300</b>	<b>(8,250)</b>	<b>(6,900)</b>	<b>-</b>	<b>(6,900)</b>
<b>Net assets</b>		<b>14,875</b>	<b>10,850</b>	<b>10,660</b>	<b>(3,804)</b>	<b>32,581</b>	<b>-</b>	<b>32,581</b>
<b>Cash flow</b>								
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
<b>Net cash flows</b>		<b>(687)</b>	<b>1,160</b>	<b>(2,405)</b>	<b>2,806</b>	<b>874</b>	<b>155</b>	<b>1,029</b>

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



**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 \$10,050,000, 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 manufacturing and selling various component parts for the electrical and motor trades industries, as well as general construction contracting. 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	<b>7,810</b>
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
	<b>5,519</b>
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)
	<b>(3,440)</b>
FY05 EBITDA	<b>9,889</b>

# 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 the systems on which its safety depends. We measure our achievements in this area through tracking lost time injury frequency rate (LTIFR) of 1.3 compared with 4.5 in 2004 (which translates to seven lost time line injuries compared with 18 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 compared to the previous year, a saving of \$50,000.

Measure	2006	2005		2004	
	Target	Target	Actual	Target	Actual
Lost time injuries	5.0	10.0	7.0	19.0	18.0
Lost time injuries frequency rate (LTIFR)	1.0	2.0	1.3	4.8	4.5

## 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*

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Strong customer relationships underpin our continued success

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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*

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We must continue to contribute economically and socially

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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*

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

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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

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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

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AICD is a conglomerate of businesses operating in diversified (but complimentary) markets, 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 11) 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
<b>1. Business Growth</b>		
Revenue Growth of 10%	<ul style="list-style-type: none"> <li>Achieve pre-sales for the first stages of Koolabah estate of 20%</li> <li>Increase IT contractors by 70</li> <li>Increase sales of Ergonomics range by 5%</li> </ul>	<ul style="list-style-type: none"> <li>Continued low interest rates</li> <li>Continuation of First Home Owners' Grant</li> <li>Ability to attract and retain IT expert contractors</li> <li>Maintenance of premium pricing for Ergonomics range</li> </ul>
Reduce operating costs by 6% per annum over the next two years	<ul style="list-style-type: none"> <li>Continue management restructuring program to eliminate duplicate costs</li> <li>Continue preferred supplier program in land development division and introduce it as a key metric in the furniture division</li> <li>Focus on improved staff or contractors retention in all divisions</li> </ul>	<ul style="list-style-type: none"> <li>Unforeseen material or service price increases</li> <li>Continued success of new workplace agreement</li> <li>Higher than forecast salary and wage inflation due to the skills shortage</li> </ul>
Increase output of Ergonomic furniture by 5%	<ul style="list-style-type: none"> <li>Renegotiate workplace agreements to reflect increased productivity targets</li> </ul>	<ul style="list-style-type: none"> <li>Continued success of Ergonomics advertising campaign</li> <li>Unplanned machinery downtimes</li> <li>Unforeseen industrial action</li> </ul>
<b>2. Operational Efficiencies</b>		
Increase customer satisfaction by a further 5% year on year	<ul style="list-style-type: none"> <li>Deliver properties on major estates on time and of high quality</li> <li>Retain high quality long-term contractors and staff in human resource consulting division</li> <li>Continue with implementing quality control program in land development and furniture divisions</li> <li>Meet delivery targets for furniture division</li> </ul>	<ul style="list-style-type: none"> <li>Unforeseen industrial action</li> <li>Unforeseen competitor activity, including poaching of best contractors</li> <li>Factory and/ or supply chain problems</li> <li>Shipping issues (especially from Tasmania to mainland Australia)</li> </ul>
<b>3. Capital Management</b>		
Create IT sub-division within human resource consulting, with 20% expected growth of IT Human Resource Consulting revenues	<ul style="list-style-type: none"> <li>Recruit and integrate IT contractors into human resource consulting workforce</li> </ul>	<ul style="list-style-type: none"> <li>Continued unmet demand for IT services</li> <li>Successful recruitment of IT contractors</li> <li>Maintenance of premium pricing for IT services</li> </ul>
Total shareholder's return growth of 10% on 2005.	<ul style="list-style-type: none"> <li>Cumulative effect of the above actions, sensitivities and critical success factors</li> </ul>	



# Summarised

## Financial Statements June 2005

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 XX YY ZZ

### 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)		
Property	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	32.7 cents	34.0 cents
EPS shows current profits on a per share basis		
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
	<u>49,608</u>

### 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)
- Gain on disposal of machinery hire business	2,860
- Accounting error	500
Excluding these events the EBITDA from ongoing operations would be	<u>13,329</u>

# Summarised Financial Statements

## Balance sheet for year ended 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 interest bearing liabilities. 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
		<u>12.1</u>

\$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 (1,200k) and foreign currency reserves (2,610k).

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 the 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.

g) Total equity 30 June 2004	21,499
Profit after tax and minority interests	4,010
Dividend paid	(586)
Additional equity raised by issuing 548k shares	3,838
Reserves	<u>38,100</u>
Total equity	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
	<hr/>
	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	
Executive Director's / CEO name	Cash salary and fees \$	Non-monetary benefits \$	Super-annuation \$	Total \$
A G Thomas (CEO)	365,500	44,996	20,500	430,996
A Brown	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
<b>Total</b>	<b>794,500</b>	<b>209,565</b>	<b>97,500</b>	<b>1,101,565</b>
2004 Total	595,600	91,929	70,632	758,161

2005	Primary			Post-employment		Equity	
Executive's name	Cash salary & fees \$	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
<b>Total</b>	<b>740,000</b>	<b>240,000</b>	<b>176,780</b>	<b>143,500</b>	<b>-</b>	<b>27,165</b>	<b>1,327,445</b>
2004 Total	661,948	156,000	121,929	90,648	-	15,484	1,045,829

### 2. Auditors 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	<b>123,900</b>	111,800
Other assurance services	<b>48,000</b>	36,500
<b>Total remuneration for assurance services</b>	<b>171,900</b>	148,300
Taxation services*	<b>84,700</b>	78,600
Advisory services	<b>84,300</b>	68,100
<b>Total fees paid to the audit firm</b>	<b>340,900</b>	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

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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 the company's 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.

[Director's name]

[City]

[Date]

## Independent audit report to the members of AICD Holdings Ltd

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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 is derived and upon which we expressed an unqualified audit opinion in our report to the members dated [xx] 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 their operations and their 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 10 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

[City]

[Partner's name]

[Date]



## Summarised Divisional Reports



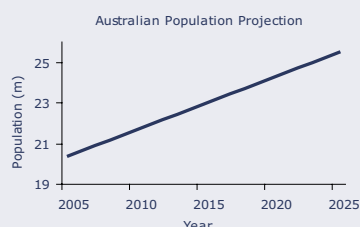
John Martin,  
Land development MD

## 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	
Shareholder return greater than 10%	✓ achieved 11%

# Appendix - Summarised Divisional Reports

## Financial performance

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

Balance sheet	2005	2004	2003	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000
Total current assets	<b>8,900</b>	9,000	5,016	4,714	4,200
Total non-current assets	<b>6,425</b>	6,100	7,800	6,600	4,800
Total assets	<b>15,325</b>	15,100	12,816	11,314	9,000
Total liabilities	<b>(1,000)</b>	(1,200)	(1,500)	(1,300)	(1,700)
Net assets	<b>14,325</b>	13,900	11,316	10,014	7,300

Cash flow statement	2005	2004	2003	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating cash flows	<b>1,875</b>	713	418	239	(167)
Capital expenditure	<b>(2,182)</b>	(1,879)	(987)	(1,248)	(1,079)
Financing cash flows	<b>(380)</b>	(362)	(238)	(198)	(128)
Net cash flows	<b>(687)</b>	(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.

# Appendix - Summarised Divisional Reports

## Operational performance

Value Creating Measures	2005	2004	2003	2002	2001	
We measure quality by number of product quality complaints received	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

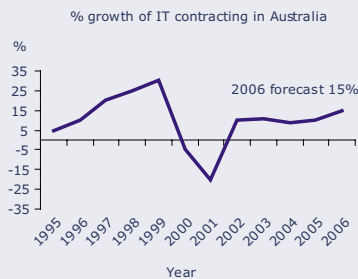
Advertising campaign to continue

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.



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:

<b>Business Growth</b>	
Maintenance of a 10% pricing premium for IT contracting services	✓ achieved 11.1%
<b>Operating Efficiency</b>	
Successful recruitment of 60 expert IT contractors	✓ achieved 65 new expert IT contractors on our books
<b>Capital Management</b>	
Shareholder Return in excess of 18%	✗ not achieved, at 14% for the year

We have struggled to meet demand for IT services without a specialist unit with 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

## Financial performance

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

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

Cash flow statement	2005	2004	2003	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating cash flows	<b>2,190</b>	1,504	680	(308)	(509)
Capital expenditure	<b>(950)</b>	(369)	(249)	(349)	(129)
Financing cash flows	<b>(80)</b>	(88)	(120)	(278)	(78)
Net cash flows	<b>1,160</b>	(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 68% for the year and now accounts for 75% of revenues for 2005, compared to only 51% in the prior year.

# Appendix - Summarised Divisional Reports

## 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

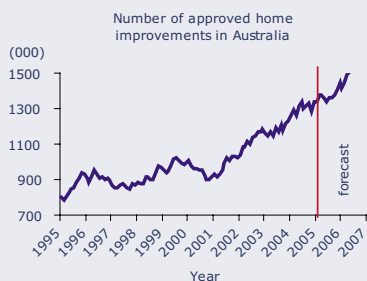
## Furniture

### 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, namely the ageing workforce population, 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 in the 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. Although revenue growth for the division was below our target growth of 5% profits were considerably higher at 14%. This is attributable to a miss-match in recognition of revenue and expenses. 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	✗ not achieved, at 98% for the year
Capital Management	
Total economic return to shareholders in excess of 10 %	✓ achieved 26%

# Appendix - Summarised Divisional Reports

## 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

## Operational performance

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

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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.

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.

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Delivery performance below target at 98%

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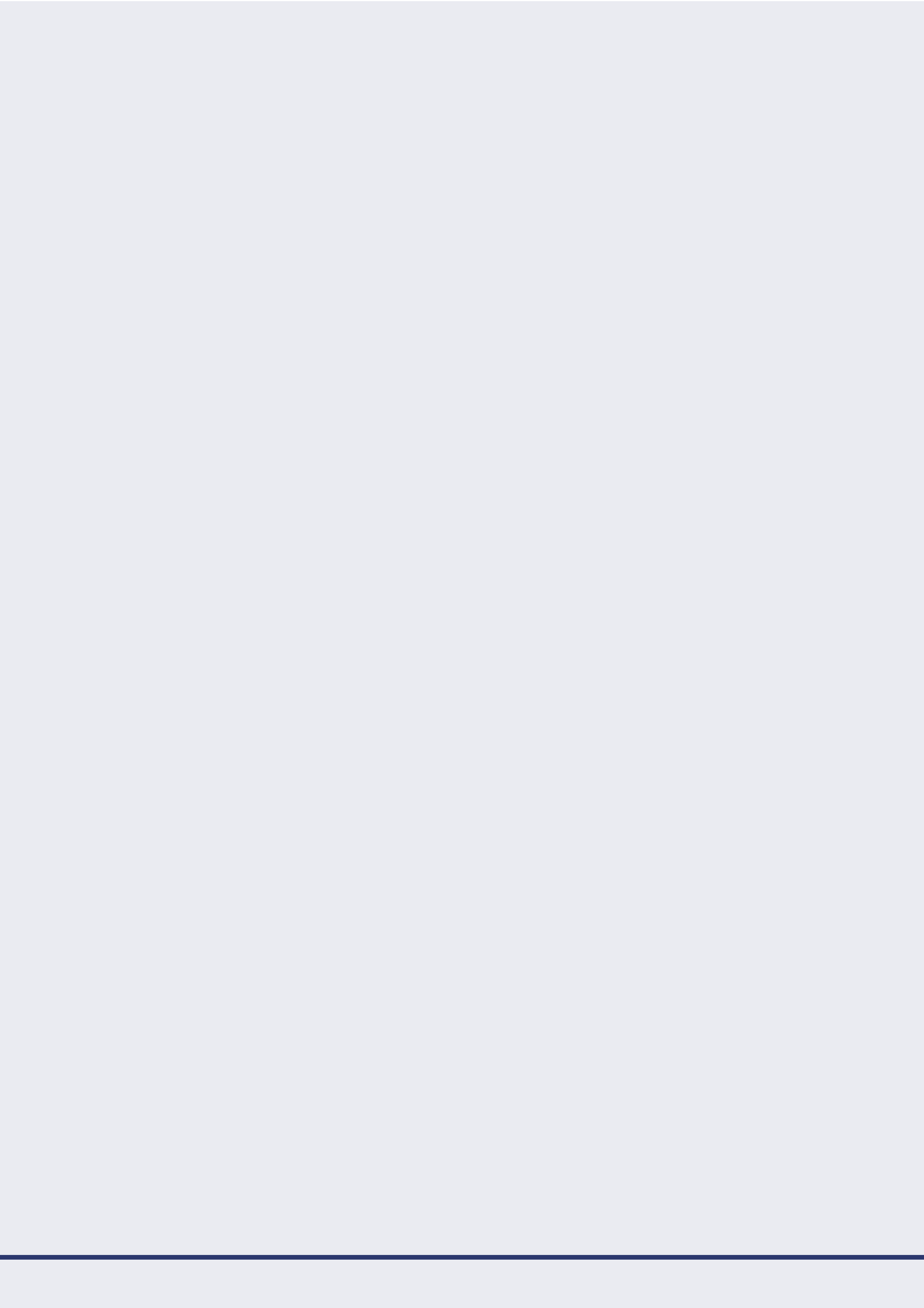
## Outlook

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.

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

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