AUSTRALIAN INDUSTRY
DEVELOPMENT CORPORATION

ANNUAL REPORT

2010

AUSTRALIAN INDUSTRY DEVELOPMENT CORPORATION

ANNUAL REPORT 30 JUNE 2010

Contents

Chairman and Chief Executive's Report

The members of the Board of the Australian Industry Development Corporation are responsible under Section 9 of the *Commonwealth Authorities and Companies Act 1997* for the preparation and content of a Report of Operations and Financial Statements in accordance with the Finance Minister's Orders.

The Report of Operations, Financial Statements and the Statement by Board Members submitted in respect of the year ended 30 June 2010 are set out on pages 3 to 31.

Signed for and on behalf of Members' of the Board in accordance with a resolution of the Board.

D J Yarra
Chairman

Canberra, 16 August 2010

ISSN 1835–7660

REPORT OF OPERATIONS

SCOPE OF REPORT

This Report covers the activities of the Australian Industry Development Corporation (the 'Corporation'). These activities are confined to the winding down of the operations of the Corporation. This process is expected to be completed in 2010 - 11 after the sole remaining commercial financing arrangement, a fee earning guarantee of certain third party obligations in relation to a Bond issue, terminates with the redemption of the Bonds in September 2010.

POWERS, FUNCTIONS AND OBJECTIVES

The functions and objectives of the Corporation are set out in Section 6 of the *Australian Industry Development Corporation Act 1970* (the 'Act'). In summary, they are to facilitate the establishment, development and advancement of Australian industries, and the participation in those industries by Australian residents, by providing finance to those engaged in the industries and by participating in enterprises or projects.

Until the sale of the majority of the subsidiaries comprising the AIDC Ltd Group on 15 September 1997, the Corporation and its subsidiaries were an investment and development house to Australian industry, including resource companies and infrastructure projects. The sale of the bulk of the AIDC Ltd Group was completed on 3 February 1998.

The sale involved a defeasance of the Corporation's treasury debt by a portfolio of Commonwealth securities, to be managed by UBS Australia Ltd under a Cashflow Matching Deed to ensure the repayment of the treasury debt interest and capital through to maturity. The Corporation's obligations under the matching deed matured in December 2008 when the outstanding Treasury liabilities were reduced to zero. At the time of reporting the Corporation had no borrowings and its assets largely comprised short term deposits.

In accordance with Section 9 of the Act, the Minister has the power to direct the Corporation on the performance of its functions or the exercise of its powers. With effect from 3 May 2002, the Minister directed that the Corporation, in carrying out its functions and powers under Section 6 of the Act, should only do those things necessary in order to wind down to finality the residual financial and other obligations of the Corporation.

OVERVIEW OF OPERATIONS

Treasury Borrowings

At the time of reporting, the Corporation had no treasury borrowings.

As noted earlier, the operations of the Corporation for the reporting period have been confined to preparing for wind-down, including the payment during the year of $3 million of surplus funds to the Commonwealth as a return of capital. The remaining liquid assets are held in interest bearing deposits.

The processes to complete the wind-down of the Corporation will not commence until the sole remaining commercial financing arrangement, a fee earning guarantee of third party obligations in relation to a Bond issue in 1995, terminates with the redemption of the Bonds in September 2010.

There have been no other business or other operational activities, outputs or outcomes.

REPORT OF OPERATIONS

Fee Earning Guarantee

For the year ended 30 June 2010 the Corporation earned approximately $307,500 (2009: $307,500) from an arrangement where it has guaranteed certain third party obligations in relation to a Bond issue. Given the Corporation's liability arises only in the event of a default by the borrower, and by a major interposed Australian Bank, the Corporation's risk and exposure are considered to be minimal. On 29 June 2010 the Corporation received formal notice from the one remaining Bond holder that it will redeem all its Bonds on 30 September 2010. This action will conclude the Guarantee facility for the Corporation.

COMMONWEALTH GUARANTEE

The Commonwealth Guarantee, which is embodied in the Act, applied to all the Corporation's borrowings and other obligations on behalf of the consolidated entity entered into on or before 30 June 1998, including the guarantee related to the Bond facility that will expire in September 2010. From 1 July 1998, the Commonwealth Guarantee ceased in respect of new commitments.

Following the sale of AIDC Ltd, the Corporation has been winding down its ongoing liabilities, including all of its borrowings to which guarantees apply, and since 1 July 1998 has not entered into any material financial commitments (other than in respect to its day to day operations) without the consent or direction of the Commonwealth.

FINANCIAL RESULT

The Corporation's financial result for the year was a net profit after income tax of $410,865 (2009: profit of $402,622).

During the year, the Corporation received fees from a fee earning guarantee totalling $307,500 (2009: $307,500).

DIVIDENDS

The Corporation has declared an unfranked dividend of $410,685 on 16 August 2010, which is payable in the new financial year (2009: $402,622).

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

In accordance with the Direction of the then Minister for Finance & Administration dated 3 May 2002, the Corporation continues to manage down its residual obligations and undertakings with a view to a complete shut-down during 2010 - 2011. At the time of writing this report, there are no other significant likely developments that impact on the operations of the Corporation.

REPORT ON NATIONAL INTEREST PROJECTS

There were no National Interest Projects undertaken during or since the end of the financial year.

REPORT OF OPERATIONS

CORPORATE GOVERNANCE

Enabling Legislation

The Corporation's enabling legislation is the *Australian Industry Development Corporation Act 1970* (the 'Act').

The Act was amended on 5 June 1997 by the *AIDC Sale Act 1997* (Sale Act), to facilitate the sale of AIDC Ltd and the winding down of the Corporation's residual activities. The Corporation will be abolished when Schedule 2 of the Sale Act is proclaimed after the Minister gives the Governor-General a written certificate stating that the Minister is satisfied that the Corporation has no assets and no liabilities.

The Minister

At reporting date the Minister responsible for the Corporation was the Hon Lindsay Tanner MP, Minister for Finance and Deregulation.

The Staff

At financial year end, the Corporation's only staff member was the Chief Executive engaged on a part-time, unpaid basis. The Chief Executive is not employed by the Corporation under the *Public Service Act 1922*. The Corporation has engaged ANL Container Line Pty Ltd to provide routine financial and accounting services and retained PricewaterhouseCoopers to provide taxation advice.

Organisational Structure

The Corporation has one employee and no office. It is not engaged in any business activities except for necessary actions to effect the wind down of the entity.

The Board

The members of the Board are responsible for the corporate governance of the Corporation. They directly and jointly oversee activities of the Corporation, including the performance of service providers. The Board meets quarterly or more regularly as required.

On 29 October 2009 Mr Mark Heazlett resigned as Chief Executive Officer of the Corporation due to other work commitments. On 2 November 2009 the Board resolved to appoint Ms Stacie Hall as the Chief Executive Officer of the Corporation as from 29 October 2009

Audit Committee

The Audit Committee comprises all Non-Executive Board members. For the reporting period the Audit Committee was chaired by a member of the Corporation, Mr Colin Plowman.

Auditors

The *Commonwealth Authorities and Companies Act 1997* requires the Corporation's financial statements to be audited by the Auditor-General. In addition, Ernst & Young provide an audit opinion to the Board in order to satisfy the terms of the current treasury portfolio instruments.

REPORT OF OPERATIONS

Other Statutory Requirements

Occupational Health and Safety

The *Occupational Health and Safety (Commonwealth Employment) Act 1991* applies to the Corporation. No health and safety incidents occurred during the year ended 30 June 2010 (2009: Nil).

Freedom of Information

Commonwealth Freedom of Information Act 1982 – AIDC Section 8 Statement

Details of the Corporation's establishment, organisation, functions and powers are detailed elsewhere in the Report of Operations section of this Report. As the Corporation is in its final wind down phase, and is not engaged in any business activities except for necessary actions to effect the wind down of the entity, there are no decision-making powers of the Corporation and/or other powers of the Corporation that affect members of the public as they relate to the functions of the Corporation in its final wind down.

FOI procedures and facilities for access

Requests under the Commonwealth *Freedom of Information Act 1982* ("FOI Act") for access to documents in the possession of the Corporation should be addressed to:

Company Secretary
AIDC
Level 11
30 Convention Centre Place
South Wharf Vic 3006

All requests to the Corporation under the FOI Act are processed centrally. Enquiries regarding access may be directed to the Company Secretary by telephoning (03) 8842 5618 during business hours. The Chief Executive Officer of the Corporation is the Principal Officer for the purposes of the Act and is responsible for internal review decisions. The Corporation can provide facilities for inspection of documents at its registered offices.

Categories of documents

Some records of the Corporation are located at its registered offices, however, given that the Corporation has been in wind down for a number of years the majority of documents are retained for administrative or legal purposes in off-site archival storage.

Categories of documents are: minutes and business papers, annual reports, and correspondence and business files which comprise financial and accounting records. The Corporation's Annual Reports are also available through the Government's Library Deposit Scheme.

REPORT OF OPERATIONS

Ecologically Sustainable Development

The *Environment Protection and Biodiversity Conservation Act 1999* applies to the Corporation. As the Corporation's function is only to wind down to finality its residual assets and liabilities, and it is not involved in any other activities that are affected by the principles of ecologically sustainable development, the Corporation considers that it has complied with these principles. (2009: Nil).

Commonwealth Disability Strategy

The *Disability Discrimination Act 1992* applies to the Corporation. As the Corporation's function is only to wind down to finality its residual assets and liabilities, it had only one employee (part time Chief Executive) and the provision of office facilities for the Corporation are outsourced, the Corporation believes it has complied with the requirements of the strategy.

BOARD MEMBERSHIP AND OTHER INFORMATION

Members of the Board and Terms of Appointment

The names of the members of the Board, and their terms of appointment, are set out in the table below.

In regard to qualifications and experience, all the members at reporting date are currently serving Senior Executive Service officers in the Department of Finance and Deregulation whose extensive experience equips them to deal with the governance and other matters associated with the winding down of a statutory corporation.

Mr Yarra has over 33 years of experience in the Commonwealth public sector in a number of Departments and agencies. He has held senior management positions in the sales and restructuring of major Commonwealth business enterprises and assets, Budget Policy, and Evaluation and Audit.

Mr Plowman has long experience in senior management in the State and Commonwealth public sectors, including Evaluation and Audit, Director of the Governance Unit of the NSW Aboriginal Land Council, a senior Executive of the NSW Police, and a Program Manager in the Aboriginal and Torres Strait Islander Commission.

Mr Heazlett has over 25 years experience in the Commonwealth public sector and has undertaken senior management roles in relation to the Defence property disposal program, the Telstra 2 and 3 sales, and the sale of AIDC Ltd.

Ms Hall has senior management experience in relation to the governance framework for Government Business Enterprises and Insurance and risk management for the Commonwealth, combined with extensive commercial experience in the private sector.

Members of the Board	Special responsibilities	Terms of Appointment*
D J Yarra	Chairman	**18/04/08 to 17/04/11**
S N Hall	Chief Executive	**29/10/09 to 28/10/12**
C J Plowman	Chairman of Audit Committee	**01/07/08 to 30/06/11**
M H Heazlett	Chief Executive	**Resigned on 29/10/09**

* Pursuant to the Act, the Chairman and Board members, other than the Chief Executive, are appointed by the Minister and hold office during the Minister's pleasure. The Chief Executive is appointed by the Board.

REPORT OF OPERATIONS

Secretary:	Nicholas Slingsby
Chief Financial Officer:	Kamlesh Devchand

Information Officer:	Nicholas Slingsby
Telephone:	(03) 8842 5618
Facsimile:	(03) 8842 5609
Email:	Slingsby@anl.com.au

Meetings of Members of the Board

The number of meetings of the Board members held during the year ended 30 June 2010, and the numbers of meetings attended by each member were:

	Full meeting of Board members	Meetings of Audit Committees
Number of meetings held:	4	1
Number of meetings attended by:		
- D J Yarra	4	1
- M J Heazlett	0	0
- C J Plowman	4	1
- S N Hall	3	0

Benefits and interests in contracts with members of the Board

Members of the Board declare that none of them have interest in contracts, transactions, arrangements or agreements with the Corporation, other than contracts entered into, or to be entered into, in the ordinary course of the Corporation's business. Note 20 to the Financial Statements sets out the remuneration received, or due and receivable, by Members of the Board during the year ended 30 June 2010.

RISK MANAGEMENT

The Corporation has no significant risk exposures.

Insurances maintained relate to run-off cover for the prior activities of the Corporation and its subsidiaries prior to the sale of AIDC Ltd in 1997.

The risks associated with the third party guarantee of the 1995 Bond issue are considered minimal given the Corporation's liability arises only in the event of a default by the borrower, and by a major interposed Australian Bank, The final Bond holder formally advised the Corporation on 29 June 2010 of its intention to redeem all Bonds on 30 September 2010, terminating the contingent liability.

INDEMNITY AND INSURANCE

The Corporation has entered into an agreement with the Board members and the Secretary of the Corporation which indemnifies them against any liability (including reasonable fees and costs) for any act or omission by the officer in their capacity as an officer of the Corporation. The Corporation has obtained a Directors and Officers' Insurance policy which provides benefits in respect of liabilities incurred for the acts or omissions of Corporation officers. A premium of $20,788 (2009: $18,776) was paid in respect of this policy of insurance.

The indemnity provided by the Corporation will not apply in respect of any liability to the Corporation, nor for conduct involving a lack of good faith or for costs and expenses incurred in proceedings where judgment is given against the officer. No liability has arisen in respect of the proposed indemnity and no claims have been made against the Directors and Officers Indemnity Insurance policy as at the date of this report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS AND FINANCIAL STRUCTURE

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

No matter or circumstance has arisen since 30 June 2010 and before the date of this report that has significantly affected or may significantly affect:

- the Corporation's operations in future financial years, or
- the results of those operations in future financial years, or
- the Corporation's state of affairs in future financial years.

OTHER MATTERS

Judicial Decisions

There are no judicial decisions, decisions of administrative tribunals or reviews of the Auditor-General, a Parliamentary committee or the Commonwealth Ombudsman that will have a significant impact on the operations of the Corporation.

Ministerial Directions

No Ministerial Directions were given to the Corporation under the *Australian Industry Development Corporation Act 1970* during the year, or since the end of the year.

Community Service Obligations

The Corporation does not have any specific community service obligations.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $000	2009 $000
INCOME			
Revenue			
Interest revenue	2	**227**	652
Other revenue		**308**	308
Total revenue		**535**	960
Gains			
Realised gain on settlement of Cashflow Matching Portfolio		**5**	-
Total gains		-	-
TOTAL INCOME		**540**	960
EXPENSES			
Employees	3	-	(18)
Suppliers		**(129)**	(140)
Finance costs	3	-	(294)
Net write-down from fair value revaluation of the Cashflow Matching Portfolio		-	(105)
Total expenses		**(129)**	(557)
Profit before income tax expense		**411**	403
Income tax expense	4	-	-
Net profit for the year		**411**	403
Other comprehensive income		-	-
Total comprehensive income for the year		**411**	403

The accompanying notes form an integral part of this financial report.

BALANCE SHEET AS AT 30 JUNE 2010

	Note	2010 $000	2009 $000
ASSETS			
Current Assets			
Cash and cash equivalents	6	**4,139**	7,173
Receivables	7	**105**	286
Investments	8	**-**	2,055
Total Current Assets		**4,244**	9,514
Non-Current Assets			
Receivables	9	**-**	65
Total Non-Current Assets		**-**	65
TOTAL ASSETS		**4,244**	9,579
LIABILITIES			
Current Liabilities			
Payables	10	**147**	150
Derivatives	11	**-**	2,060
Other	12	**65**	280
Total Current Liabilities		**212**	2,490
Non-Current Liabilities			
Other	13	**-**	65
Total Non-Current Liabilities		**-**	65
TOTAL LIABILITIES		**212**	2,555
NET ASSETS		**4,032**	7,024
EQUITY			
Contributed Equity	14	**14,661**	17,661
Accumulated Losses	15	**(10,629)**	(10,637)
TOTAL EQUITY		**4,032**	7,024

The accompanying notes form an integral part of this financial report.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

		Accumulated Losses		Contributed Equity		Total Equity	
		2010	2009	**2010**	2009	**2010**	2009
		$000	$000	**$000**	$000	**$000**	$000
Opening balance		**(10,637)**	(10,194)	**17,661**	17,661	**7,024**	7,467
Profit for the year		**411**	403	**-**	-	**411**	403
Other comprehensive income		**-**	-	**-**	-	**-**	-
Total comprehensive income for the year		**411**	403	**-**	-	**411**	403
Transactions with owners							
Distributions to owners							
Return of capital		**-**	-	**(3,000)**	-	**(3,000)**	-
Dividends	Note 5	**(403)**	(846)	**-**	-	**(403)**	(846)
Closing balance at the end of the year		**(10,629)**	(10,637)	**14,661**	17,661	**4,032**	7,024

The accompanying notes form an integral part of this financial report.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $000	2009 $000
OPERATING ACTIVITIES			
Cash received			
Interest		**188**	376
Other		**318**	317
Total cash received		**506**	693
Cash used			
Suppliers		**(137)**	(147)
Employees		**-**	(18)
Total cash used		**(137)**	(165)
Net Cash from Operating Activities	16(b)	**369**	528
FINANCING ACTIVITIES			
Cash used			
Return of capital		**(3,000)**	-
Dividend paid		**(403)**	(846)
Total cash used		**(3,403)**	(846)
Total Cash used in Financing Activities		**(3,403)**	(846)
Net decrease in Cash held		**(3,034)**	(318)
Cash at the beginning of the reporting period		**7,173**	7,491
Cash at the end of the reporting period	16(a)	**4,139**	7,173

The accompanying notes form an integral part of this financial report.

SCHEDULE OF COMMITMENTS AS AT 30 JUNE 2010

The Corporation has no commitments in the 2010 year (2009: Nil).

SCHEDULE OF CONTINGENCIES AS AT 30 JUNE 2010

	Note	2010 $000	2009 $000
Contingent liabilities			
Guarantee and credit risk facilities:			
Balance from previous period		**75,000**	**90,000**
Obligations expired		**-**	**(15,000)**
Total contingent liabilities	17	**75,000**	**75,000**

Contingencies are conditions, situations or circumstances that:

- exist at the end of the financial year;
- create uncertainty as to possible gain or loss to an entity; and
- will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

The accompanying notes form an integral part of this financial report.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation of the Financial Statements

The financial statements and notes are required by clause 1 (b) of Schedule 1 to the *Commonwealth Authorities and Companies Act 1997* and are a General Purpose Financial Report. The continued existence of the Corporation in its present form and with its present programs is dependent on Government policy.

The Financial statements and notes have been prepared in accordance with:

- Finance Minister's Orders (or FMOs) for reporting periods ending on or after 1 July 2009; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial report has been prepared on an accrual basis and is in accordance with the historical cost convention, except for certain assets at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The Financial Report is presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Unless an alternative treatment is specifically required by an Accounting Standard or the FMOs, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow to the Corporation and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an Accounting Standard.

Unless alternative treatment is specifically required by an accounting standard, revenues and expenses are recognised in the statement of comprehensive income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

(b) Significant Accounting Judgments and Estimates

In the process of applying the accounting policies listed in this note, the Corporation has made the following judgments that have the most significant impact on the amounts recorded in the financial statements:

Financial guarantees

The fair value of the financial guarantee contract has been assessed using a probability weighted discounted cash flow approach. In order to estimate the fair value under this approach the following assumptions are made:

- Probability of Default (PD): This represents the likelihood of the guaranteed party defaulting in a 1 year period and is assessed based on historical default rates of companies rated by Standard & Poors. The rate used in this model is 0%.
- Loss Given Default (LGD): This represents the proportion of the exposure that is not expected to be recovered in the event of a default by the guaranteed party and is based on the result of studies in the recovery rate for unsecured debt obligations. The rate used in the model is 25%.

- Exposure at Default (EAD): This represents the maximum loss that the Corporation is exposed to if the guaranteed party were to default. The model assumes that the guaranteed agreement is at maximum possible exposure at the time of default and hence, equates to the value of $100,000,000.

The value of the financial guarantee over each future year of the guarantees' life is equal to future premium payments on the guarantee less PD x LGD x EAD, which is discounted over the contractual term of the guarantee, to reporting date to determine the fair value. The discount rate adopted is the Commonwealth government bond yield as at 30 June. The contractual term of the guarantee matches the underlying obligation to which it relates.

(c) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AEIFRS).

Financial instruments disclosure

Under AASB 139 *Financial Instruments: Recognition and Measurement,* the Corporation has designated irrevocably on initial recognition any financial asset or financial liability as one to be measured at fair value with gains and losses recognised in profit or loss. This treatment is referred to as the "fair value option", which applies to the capital of a financial instrument and excludes any component of the total fair value attributable to accrued interest.

The Corporation has considered the requirements of AASB 7 *Financial Instruments: Disclosure* and given that the Corporation is nearing the end of its wind-down operations it has determined that the disclosures made in the notes to the financial statements, and commentary included in the attached Report of Operations, clearly underlines the minimal net risk exposure to the Corporation.

The Corporation has been winding down its ongoing liabilities, including all its borrowings to which guarantees apply, and has not entered into any new material financial commitments (other than in respect to its day to day operations) since 1 July 1998.

Adoption of new Australian Accounting Standards

The accounting policies adopted are consistent with those of the previous financial year.

The Corporation considers that all new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2009, applicable to the current reporting period, have no material financial impact on the Corporation.

Future Australian Accounting Standard requirements

The following new standards, amendments to standards or interpretations that may impact on the Corporation have been issued by the Australian Accounting Standard Board but are effective for future reporting periods. It is estimated that the impact of adopting these pronouncements when effective will have no material financial impact on future reporting periods:

Reference	Title
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9
AASB 2009-12	Amendments to Australian Accounting Standards

(d) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised (refer Note 4).

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets are not carried forward as it is not probable that sufficient taxable profits will be available to allow all or part of the deferred income tax assets to be utilised (refer Note 4).

(e) Revenue Recognition

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement.*

For fee income, guarantee fees are accrued and credited to income over the relevant period of the facility or service.

(f) Finance Costs

Finance costs are recognised as an expense when incurred.

(g) Foreign Currency Transactions

Both the functional and presentation currency of the Corporation is Australian Dollars ($). For the year ended 30 June 2010, the Corporation had no foreign currency transactions.

(h) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(i) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off when identified. An impairment provision is recognised when there is objective evidence that the Corporation will not be able to collect the receivable.

(j) Investments and Other Financial Assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available for sale of investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Corporation determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Corporation commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss
Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Government and Semi-Government bonds have been designated by the Corporation at fair value through profit or loss. Gains or losses on investments held for trading are recognised in profit or loss.

Substitution of investment securities
The Corporation has entered into an arrangement that provides for substitution of assets in the Cashflow Matched Portfolio under certain circumstances, primarily to re-balance the portfolio for structural risk management purposes or to take advantage of pricing arbitrage between securities. These securities are held for investment purposes. Profits on substitution of assets within the cashflow matching portfolio are included in profit and loss when realised.

(k) Trade and Other Payables

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Corporation prior to the end of the financial year which are unpaid and arise when the Corporation becomes obliged to make future payments in respect of the purchase of these goods and services.

(l) Interest-Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at fair value through profit or loss.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

(m) Derivative Financial Instruments and Hedging

The Corporation uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are recognised at fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to net profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market value for similar instruments.

For purposes of hedge accounting, hedges are classified as:

(i) fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or

(ii) cash flow hedges when they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the Corporation formally designates and documents the hedge relationship to which the Corporation wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Corporation will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair values or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

(i) Fair value hedges

Fair value hedges are hedges of the Corporation's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured to fair value and gains and losses from both are taken to profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

The Corporation discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Corporation revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged

(ii) Cash flow hedges

Cash flow hedges are hedges of the Corporation's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts taken to equity are transferred to the statement of comprehensive income when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs.

If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the statement of comprehensive income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transactions occurs. If the related transaction is not expected to occur, the amount is taken to the statement of comprehensive income.

(n) Derecognition of Financial Assets and Liabilities

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or the asset is transferred to another entity. In the case of a transfer to another entity, it is necessary that the risks and rewards of ownership are also transferred.

Financial liabilities are derecognised when the obligation under the contract is discharged, cancelled or expired.

(o) Employee benefits

Employee benefit expenses arising in respect of wages and salaries are charged against profits.
Contributions made to superannuation funds by the Corporation are charges against profits when due.

(p) Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the Balance Sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an existing liability or asset in respect of which settlement is not probable or the amount cannot be reliably measured. Contingent assets are reported when settlement is probable, and contingent liabilities are recognised when settlement is greater than remote.

(q) Rounding

Amounts in the financial report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

	2010 $000	2009 $000

2 INTEREST REVENUE

	2010 $000	2009 $000
Loans	-	294
Deposits	227	358
	227	652

3 EXPENSES

	2010 $000	2009 $000
Finance Costs		
Interest and discount paid/payable	-	294
Employees		
Salaries	-	18
Superannuation	-	-
	-	18

4 INCOME TAX

(a) Income tax expense

The major components of income tax expense are:

	2010 $000	2009 $000
Current income tax		
Current income tax charge	112	129
Recoupment of previous year tax losses not brought to account	(112)	(129)
Loss not recognised	-	-
Deferred income tax		
Relating to the origination and reversal of temporary differences	11	(50)
Timing differences not recognised	(11)	50
	-	-
Tax expense recognised in the statement of comprehensive income	-	-

(b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Corporation's applicable income tax rate is as follows:

	2010 $000	2009 $000
Accounting profit before income tax	411	403
At the Corporation's statutory income tax rate of 30% (2009: 30%)	123	121

4 INCOME TAX (continued)

	2010	2009
	$000	$000
Non-assessable interest income		(37)
Recoupment of previous year tax losses not brought to account	(112)	(129)
Prior tax losses brought to account	-	-
Adjustments relating to prior year deferred tax balances	-	(5)
Timing differences not brought to account	(11)	50
Tax Expense	-	-

	Balance Sheet		Statement of comprehensive income	
	2010	2009	2010	2009
	$000	$000	$000	$000
(c) Deferred Income Tax				
Deferred income tax at 30 June relates to the following:				
Deferred Tax Liabilities				
Accrued interest income	12	2	10	(22)
Realised gain on settlement of cash flow matching portfolio	-	17	(17)	(60)
Gross deferred tax liabilities	12	19		
Set-off of deferred tax assets	12	19	(7)	(82)
Gross deferred tax liabilities	-	-		
Deferred Tax Assets				
Accrued audit fee	6	6	-	3
Revaluation of cash flow matching portfolio to fair value	-	18	18	29
Potential tax losses	-	-	-	45
Deferred differences and losses not recognised	6	(5)	(11)	5
Gross deferred tax assets	12	19		
Set-off of deferred tax assets	12	19	7	82
Net deferred tax assets	-	-		
Deferred income tax charge			-	-

(d) Tax Losses

The Corporation has accumulated tax losses for which no deferred tax asset has been recognised of $17,969,945 (2009: $18,311,596). The deferred tax asset associated with the loss will only be realised in the future in the event of sufficient taxable profits being available to utilise the losses, subject to loss recoupment rules.

5 DIVIDEND PAID AND PROPOSED

	2010	2009
	$000	$000
Declared and paid during the year		
Dividends on statutory capital		
Unfranked dividend	403	846
Proposed for approval by the Board (not recognised as a liability as at 30 June 2010):		
Dividends on statutory capital		
Unfranked dividend	411	403

	2010	2009
	$000	$000

6 CASH AND CASH EQUIVALENTS

Cash at bank and on hand	111	325
Short-term deposits	4,028	6,848
	4,139	7,173

Cash at bank earns interest at floating rates. Short-term deposits are for a period of sixty days and earn interest at the respective short-term deposit rates.

7 RECEIVABLES (CURRENT)

Accrued Interest	40	6
Fee earning guarantee at fair value	65	280
	105	286

The Corporation earns a fee from an arrangement where it has guaranteed certain third party obligations. The contractual term of the guarantee matches the underlying obligation to which it relates. The Corporation notes the final Bond holder notice dated 29 June 2010 that the Bond holder will redeem all Bonds it holds on 30 September 2010.

8 INVESTMENTS (CURRENT)

Government and Semi-Government Bonds		
- at fair value	-	2,055

All bonds were repaid on 15 September 2009.

9 RECEIVABLES (NON CURRENT)

Fee earning guarantee at fair value	-	65

The Corporation earns a fee from an arrangement where it has guaranteed certain third party obligations. The contractual term of the guarantee matches the underlying obligation to which it relates. The Corporation notes the final Bond holder notice dated 29 June 2010 that the Bond holder will redeem all Bonds it holds on 30 September 2010.

	2010 $000	2009 $000

10 PAYABLES (CURRENT)

Suppliers	**127**	122
Accrued audit fees	**20**	21
Accrued interest payable	**-**	7
	147	150

11 DERIVATIVE LIABILITIES (CURRENT)

Swaps – interest rate and foreign currency		
- at fair value	**-**	2,060

The Corporation's exposure to the risk of changes in market interest rates relates primarily to the Corporation's issued and held bonds that have floating interest rates. The Corporation therefore uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rates. All derivatives were expired on 15 September 2009. The weighted average interest rates for derivatives are detailed at Note 18.

12 OTHER CURRENT LIABILITIES

Financial guarantee	**65**	280

The Corporation earns a fee from an arrangement where it has guaranteed certain third party obligations. The contractual term of the guarantee matches the underlying obligation to which it relates. The Corporation notes the final Bond holder notice dated 29 June 2010 that the Bond holder will redeem all Bonds it holds on 30 September 2010.

13 OTHER NON-CURRENT LIABILITIES

Financial guarantee	**-**	65

The Corporation earns a fee from an arrangement where it has guaranteed certain third party obligations. The contractual term of the guarantee matches the underlying obligation to which it relates. The Corporation notes the final Bond holder notice dated 29 June 2010 that the Bond holder will redeem all Bonds it holds on 30 September 2010

14 EQUITY

CONTRIBUTED

Statutory Capital*	**200,000**	200,000
Less Uncalled Capital	**(182,339)**	(182,339)
Paid up Capital	**17,661**	17,661
Paid up capital at the beginning of the financial year	**17,661**	17,661
Return of Capital	**(3,000)**	-
Paid up capital at the end of the financial year**	**14,661**	17,661

* The *Australian Industry Development Corporation Act 1970* provides for payment of $200 million to the Corporation as its capital. This statutory capital is similar to the issued capital of a company. The unpaid amount is payable to the Corporation out of money appropriated by the Parliament for the purpose, in such instalments as the Minister for Finance and Deregulation determines. The appropriation is a special appropriation under section 24(4) of the *Australian Industry Development Corporation Act 1970*. In accordance with the FMOs it has been disclosed in the Department of Finance and Deregulation's financial statements.

** Due to the vesting out of the Corporation's interest in the Australian Submarine Corporation by Ministerial Direction on 7 December 2000 for no consideration, the Corporation, in the process of winding down its residual activities, is unlikely to be able to repay all the balance of share capital (currently $14.661m).

15 ACCUMULATED LOSSES

	2010 $000	2009 $000
Accumulated losses at the beginning of the year	**(10,637)**	(10,194)
Net profit attributable to the Australian Government	**411**	403
Dividend paid	**(403)**	(846)
Accumulated losses at the end of the year	**(10,629)**	(10,637)

16 CASH FLOW RECONCILIATION

(a) Reconciliation of Cash per Balance Sheet to Statement of Cash Flows

	2010 $000	2009 $000
Cash at year end per statement of cash flows	**4,139**	7,173
Cash at the end of the financial year as shown in the balance sheet	**4,139**	7,173

(b) Reconciliation of Net Profit to Net Cash from Operating Activities

	2010 $000	2009 $000
Net Profit	**411**	403
Adjustments for:		
Fair value revaluation of the Cashflow Matching Portfolio	**(5)**	105
Net decrease/(increase) in assets:		
Receivables	**182**	396
Net increase/(decrease) in liabilities:		
Payables	**(4)**	(53)
Other liabilities	**(215)**	(323)
Net Cash From Operating Activities	**369**	528

17 CONTINGENT LIABILITIES

For guarantees and credit risk facilities:

	2010 $000	2009 $000
- Paper Bond Ltd	**75,000**	75,000
	75,000	75,000

[*See earlier note on 2010 valuation*]

The amount shown above as net exposure in relation to guarantee and credit risk facilities represents the balance of contingent liability after allowing for the proportion of such risks which have been syndicated to banks.

There is still one guarantee in place, which guarantees the performance of AIDC Ltd under various financial transactions. The exposure under the Paper Bond Ltd guarantee is covered by a Letter of Credit from the Commonwealth Bank. The contingent liability noted above expires in September 2010 and the Corporation has received formal notice from the Bond holder that it will redeem all Bonds it holds on 30 September 2010.

18 Financial Instruments

The Corporation notes that AASB 7 *Financial Instruments: Disclosure* is effective for reporting periods beginning on or after 1 January 2007, and amends the disclosure requirements for financial instruments. The Corporation has carefully considered the requirements of AASB 7. Whilst noting the contents of AASB 7, given that the Corporation is nearing the end of its wind-down operations, with its final Treasury liability having matured in mid-December 2008 ($6.7m), the Corporation has determined that the disclosures made in the notes to the financial statements, as well as these commentary notes, adequately explain the minimal net risk exposure to the Corporation from its remaining investments and derivative financial instruments.

The Corporation notes that under a Cashflow Matching Deed entered into between the Corporation and UBS Australia Ltd (now UBS AG), UBS was required to manage the Corporation's defeasance portfolio, to ensure the treasury debt was repaid both as interest and capital payments through to maturity (11 December 2008). Derivative instruments forming part of the portfolio included interest rate swaps, which were used to hedge the difference between interest rate and cashflow mismatches between financial assets and the financial liabilities they were matching. UBS bore all the financial risks associated with the repayments and the defeasance.

In reaching this conclusion the Corporation also notes that the following activities were and remain in place to manage risk:

- Appropriate insurances, including run-off cover for the prior activities of the Corporation and its subsidiaries prior to the sale of AIDC Ltd in 1997;
- The cashflow matched portfolio managed by UBS AG effectively removed all exposure of the Corporation to repayment obligations, interest rate, currency and timing of cashflows on its treasury borrowings; and
- Progressive sale, novation or cancellation of investments, liabilities, guarantees and other financial exposure of the Corporation.

The Corporation also notes that it has been winding down its ongoing liabilities, including all its borrowings to which guarantees apply, and has not entered into any new material financial commitments (other than in respect to its day to day operations) since 1 July 1998, without the consent or direction of the Commonwealth.

(a) Financial, Risk Management Objectives and Policies

The Corporation's principal financial instruments, other than derivatives, comprise cash and short term deposits, Government and Semi-Government Bonds and interest bearing securities. The main purpose of these financial instruments is to ensure that the treasury debt is repaid both as to interest and capital payments through to maturity. The Corporation has entered into derivative transactions, principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Corporation's operations and its source of finance. The main risks arising from the Corporation's financial instruments are cash flow interest risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of the risks as summarised below.

(b) Credit Risk

The credit risk on all balance sheet financial assets is the carrying amount of those assets.

In relation to derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement.

All credit risk associated with the Cashflow Matching Swap was borne by the Cashflow Matching Portfolio manager, UBS AG, in accordance with the terms of the Cashflow Matching Deed. The cashflow matched portfolio managed by UBS AG effectively removed almost all exposure of the Corporation to credit risk.

(c) Foreign Currency Risk

At 30 June 2010, the Corporation holds no assets or liabilities denominated in foreign currencies. As such, there is no significant exposure of the Corporation to foreign currency risk.

(d) Interest Rate Risk Exposure

The Corporation's exposure to the risk of changes in market interest rates relates primarily to the Corporation's issued and held bonds that have floating interest rates. The Corporation therefore uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rates. The cashflow matched portfolio managed by UBS AG effectively removed almost all exposure of the Corporation to interest rate risk on its Treasury liabilities. These liabilities matured on 11 December 2008.

The Corporation's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities for the last two reporting periods is set out in the table below. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Corporation intends to hold fixed rate assets and liabilities to maturity.

2010	Weighted Average interest rate %	Floating Interest rate $000	Fixed interest maturing in 1 year or less $000	1 to 5 years $000	More than 5 years $000	Non-interest bearing 1 year or less $000	1 to 5 years $000	Total $000
Financial Assets								
Cash and cash equivalents	4.55%	111	4,028					**4,139**
Receivables						39		**39**
Investments								
Derivatives								
Total Financial Assets		**111**	**4,028**			**39**		**4,178**
Financial Liabilities								
Payables						146		**146**
Interest bearing liabilities								
Derivatives								
Other								
Total Financial Liabilities						**146**		**146**

2009	Weighted Average interest rate %	Floating Interest rate $000	Fixed interest maturing in 1 year or less $000	Fixed interest maturing in 1 to 5 years $000	Fixed interest maturing in More than 5 years $000	Non-interest bearing 1 year or less $000	Non-interest bearing 1 to 5 years $000	Total $000
Financial Assets								
Cash and cash equivalents	4.52%	325	6,848					**7,173**
Receivables						6		**6**
Investments	7.5%			2,055				**2,055**
Derivatives								
Total Financial Assets		**325**	**6,848**	**2,055**		**6**		**9,234**
Financial Liabilities								
Payables						150		**150**
Interest bearing liabilities								
Derivatives	8.6%		2,060					**2,060**
Other								
Total Financial Liabilities			**2,060**			**150**		**2,210**

(e) Price Risk

The Corporation has been winding down its operations since 1 July 1998. It has not entered into any new material financial commitments (other than in respect to its day to day operations), without the consent or direction of the Commonwealth since that time.

The Corporation does not have any exposure to commodity and/or equity securities price risk.

(f) Liquidity Risk

The Corporation has been winding down its operations since 1 July 1998. Since that time it has not entered into any bank overdrafts, bank loans, preference shares, finance leases and/or committed any credit lines.

The Corporation does not have any exposure to liquidity risk.

(g) Net fair value of financial assets and liabilities

All assets and liabilities recognised in the Balance Sheet are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

19 AUDITORS REMUNERATION

	2010 $	2009 $
The cost of financial statement audit services provided to the Corporation were:		
Ernst & Young – financial statement audit	**14,000**	17,000
Australian National Audit Office – financial statement audit	**2,970**	2,970
	16,970	19,970

No other services were provided by Ernst & Young or the Australian National Audit Office.

20 BOARD MEMBERS REMUNERATION

The number of Board members whose remuneration fell within the following bands were:

RANGE $000		RANGE $000	2010	2009
15	–	30		
30	–	45		
45	–	60		
60	–	75		
			-	-

	2010 $	2009 $
Remuneration of Board members	-	18,226

The aggregate amount of separation and redundancy/termination benefit payments during the year to key management personnel above is $nil (2009: $18,226).

21 RELATED PARTY INFORMATION

Members of the Board

Board members holding office during the year ended 30 June 2010 were:

D J Yarra (Chairman)

C J Plowman

S N Hall (Chief Executive) (Appointed 29 October 2009)

M H Heazlett (Resigned 29 October 2009)

Ultimate Controlling Entity

The Commonwealth of Australia is the ultimate controlling entity of the Australian Industry Development Corporation, established under the *Australian Industry Development Corporation Act 1970.*

22 SEGMENT INFORMATION

The Corporation operated in one business and one geographical segment being the finance industry predominantly within Australia.

23 EVENTS OCCURRING AFTER BALANCE DATE

No matter or circumstance has arisen since 30 June 2010 that has significantly or will significantly affect the operations of the Corporation, the results of those operations or the state of affairs of the Corporation in subsequent financial years.

STATEMENT BY BOARD MEMBERS FOR THE YEAR ENDED 30 JUNE 2010

In the opinion of the Board members of Australian Industry Development Corporation (the Corporation):

(a) the financial statements set out on pages 11 to 30 are drawn up so as to show fairly the state of affairs as at 30 June 2010 and the results and cashflows for the financial year ended on that date of the Corporation;

(b) the financial statements give a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997* for the year ended 30 June 2010;

(c) the financial statements have been prepared based on properly maintained financial records;

(d) at the date of this statement, there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they fall due; and

(e) the financial statements have been drawn up in accordance with the Guidelines for Financial Statements of Commonwealth Agencies and Authorities and applicable Accounting Standards and other mandatory professional reporting requirements.

Signed in accordance with a resolution of the Board members.

D. Yarra

D J Yarra
Chairman

Canberra, 16 August 2010

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Independent auditor's report to the board members of the Australian Industry Development Corporation

We have audited the accompanying financial report of the Australian Industry Development Corporation (the Corporation), which comprises the balance sheet as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the statement by the board members.

Board Members' Responsibility for the Financial Report

The board members of the Corporation are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board members, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the Australian professional accounting bodies.

Auditor's Opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of the Australian Industry Development Corporation as of 30 June 2010, and of its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*

Ernst & Young

Ernst & Young

James Palmer
Partner
Canberra

16 August 2010

Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Minister for Finance and Deregulation

Scope

I have audited the accompanying financial statements of the Australian Industry Development Corporation (the Corporation) for the year ended 30 June 2010, which comprise: a statement by Board Members; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Statement of Cash Flows; Schedules of Commitments and Contingencies; a Summary of Significant Accounting Policies; and other explanatory notes.

The Board Members' Responsibility for the Financial Statements

The members of the Board are responsible for the preparation and fair presentation of the financial statements in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997,* including the Australian Accounting Standards (which include the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

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expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

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

Independence

In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion, the financial statements of the Australian Industry Development Corporation:

(a) have been prepared in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997,* including the Australian Accounting Standards; and

(b) give a true and fair view of the matters required by the Finance Minister's Orders including the Corporation's financial position as at 30 June 2010 and its financial performance and cash flows for the year then ended.

Australian National Audit Office

CR Jago

Carla Jago

Executive Director

Delegate of the Auditor-General

Canberra

16 August 2010

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