



Financial Report 2004/05



VECCI

Victorian Employers' Chamber
of Commerce and Industry

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President's Address

I have great pleasure in reporting to all our stakeholders the positive results for the organisation over the 2004/05 financial year.

The year represented a benchmark in VECCI's history, whereby the organisation achieved all its critical performance hurdles and saw VECCI retain its position as the premier employer body in Victoria. However, this is very much a 'game in play' and part of a concerted three year strategy to ensure we represent our members in key areas and promote participation. Our focus has been:

Influencing State and Federal Politics - represented by our strong stance on issues such as channel deepening, energy and taxes on business inputs. With our resources and those of ACCI, significant headway has been achieved.

Briefings, information and support – management has actively pursued holding wide ranging briefings with members, and provided extensive information through publications. We have also continued to support industrial relations areas and professional services through our phone and consulting related activities.

Training and Education – a continuous offering that has been well supported by members over the year reflected in some 403 courses with 1,495 companies participating.

Networking – providing opportunities for all members to gain contacts through our seminars, Business Leaders series and numerous functions.

Operationally, the organisation is very focussed on providing services that equate to our fee structures and provide the concept of 'value' so that members proactively embrace VECCI.

We have specifically gained extensive ground in the corporate market that supports the strategy of differentiating our services depending on the member's usage.

This has allowed us to enjoy a record performance financially, which has in no small way been supported by the positive results of the New Apprenticeship Services Division.

“The year represented a benchmark in VECCI's history, whereby the organisation achieved all its critical performance hurdles and saw VECCI retain its position as the premier employer body in Victoria”

Specific results for the year can be summarised in the following achievements:

- New Member sign-ups
- Member interaction
- Establishing key policy taskforces (Channel Deepening, Workforce Participation, Occupational Health and Safety)
- A re-invigorated Executive Council
- Demonstrating a real capacity to influence government policy both at the State and Federal levels

Pursuing our ongoing goals is crucial if we are to enhance our membership and perform against our stakeholders' expectations. We are determined to take the policy agenda to government through proactive initiatives such as the Victoria Summit and our targeted approach to having policy taskforces led by business leaders. The Summit in November represents a significant initiative to bring to the forefront the primary issues Victoria needs to confront over the next decade.

Our events calendar is exhaustive and provides an opportunity for every member to benefit. We are targeting 'trade' as a primary issue and have undertaken an initiative in co-operation with different levels of government to establish an 'International Business Centre' that will be opened in November this year.

Overall VECCI is strongly positioned to ensure our members are well represented and informed.

I thank all our staff for their commitment and I am pleased that we were able to pay performance bonuses, appropriately earned under VECCI's new incentive structure. I also thank the Board and Executive Council for their dedication and time.



Richard Holyman
President

CEO's Message



Victoria's economy grew strongly over 2004/05, despite factors such as the aftermath of the drought, continued instability in Iraq and the Middle East, a higher Australian dollar, moderating housing market activity, rising oil prices, emerging infrastructure bottlenecks and shortages in skilled and unskilled labour.

VECCI has responded to these challenges with a strong lobbying focus aimed at improving the Victorian business climate, as well as improving the services we offer members.

We continue to publish newsletters that keep businesses up-to-date with the latest industry trends and developments in WorkCover, OHS, the state of the Australian and Victorian economies and other business areas.

To help you run your business more effectively, we have forged alliance partnerships with Pitcher Partners, Optus, DFP Recruitment and VicSuper. Our alliance with VicSuper delivered a series of informative member briefings on the Federal Government's Choice of Fund legislation, which commenced on 1 July 2005.

We have also continued mechanisms to encourage direct member involvement in the policy-making process. This includes member Policy TaskForces whose role is to shape and influence the direction of the State Government's second-term agenda – taskforces on Channel Deepening Financing, Labour Supply and Business Sustainability operated over the financial year of 2004/05.

Policy Highlights for 2004/05

After the wins contained in the April 2004 Economic Statement, our track record of success in securing real lobbying benefits for business was reaffirmed in policy and related initiatives contained in the State Budget and other major statements during the year that reflected our direct advocacy efforts. Among the key highlights were:

- A further 10 per cent cut in WorkCover premiums; and
- Further land tax relief worth \$800 million over five years;

In fact, our work in driving our State's lead in tax reform is illustrated by the fact that Victoria has only one more tax - stamp duty on the hiring, financing or leasing of goods - to abolish in order to fully meet its obligations under the original GST agreement.

The good news is that Treasurer Brumby has committed to abolishing this tax from January 2007, at a cost to revenue of \$65 million.

In contrast, if we look at what revenue the NSW Government would need to forgo in order to achieve a comparable level of tax reform, the figure would be closer to \$800 million!

Over 2004/05, VECCI also worked hard to limit the damage that could potentially be caused by the new Occupational Health and Safety legislation and, against strong environmental opposition,

"...we are continuing to work with members, the State and Federal Governments, the education sector and wider community to develop practical solutions to some of these issues on behalf of Victorian employers"

was the leading business voice in support of channel deepening in Port Phillip Bay, Victoria's key trade gateway, and the continuation of the life of the Hazelwood Power Station, which supplies nearly 25 percent of the State's power at a competitive price.

We were also successful in moderating the impact of the extension by common rule application of Federal award coverage across Victoria, which took effect from 1 January 2005. Following our lobbying, the starting date for the changes was delayed for 12 months and recognition was given for the right of employers to offset current benefits that exceed award minima against the new award conditions. We are now rolling out briefings on a statewide basis to help employers adjust to the changes.

Looking Ahead

Looking forward, the current financial year poses a number of new challenges for business that we will be actively lobbying on.

The impact of the new Occupational Health and Safety legislation will be closely monitored.

Though VECCI recognises that further efforts are needed to reduce greenhouse gas emissions, we will continue to oppose heavy-handed approaches to greenhouse gas abatement, such as carbon taxes and emissions trading regimes. Such measures would drive up the price of energy and reduce the international competitiveness of Victorian industry.

Despite environmental opposition from some elements, VECCI will continue to support channel deepening in Port Phillip Bay and the continuation of the Hazelwood Power Station.

To help address the twin problems of skills shortages and an ageing population, we are continuing to work with members, the State and Federal Governments, the education sector and wider community to develop practical solutions to some of these issues on behalf of Victorian employers.

In a major leadership initiative, the Victorian Employers' Chamber of Commerce and Industry (VECCI) is convening The Victoria Summit, a gathering of prominent figures from government and industry who will discuss Victoria's future economic direction.

This important event has the support of the Commonwealth and Victorian Governments, the City of Melbourne and an array of corporate sponsors and participants.

To be held at Parliament House, Melbourne, on 8 November 2005, the Summit comes at an important time for Victoria ahead of the March 2006 Commonwealth Games and the November 2006 State Election.

In the lead up to the Summit, five policy taskforces comprised of key players from the business and Government sectors are preparing papers on the following issues:

- Commonwealth/State Relations
- Infrastructure
- Labour Supply
- Energy
- Export

These topics and their impact on Victoria's long-term direction will be discussed by panels of experts on the day of the event.

We will be seeking your active support on these and other VECCI priorities throughout 2005/06.

In closing, I would like to thank our President, Board, Executive Council and our dedicated staff for their valuable respective roles in contributing to VECCI's success in 2004/05.



Neil Coulson
Chief Executive Officer

*Victorian Employers' Chamber of Commerce and Industry***OPERATING REPORT*****MEMBERS OF COMMITTEE OF MANAGEMENT***

The Members of the Committee of Management ("Board of Directors") comprise of elected representatives of the Executive Council of Victorian Employers' Chamber of Commerce and Industry ("VECCI") whom form the Board of Directors. The immediate past President of VECCI is able to attend meetings of the Board of Directors but is not entitled to be a member of the Board, move or second a vote on any motion.

The Directors present their report together with the financial report of VECCI for the ended 30 June 2005 and the Auditors' Report there on.

The persons who held office as members of the Board of Directors of VECCI during the reporting period were:

Mr Richard Holyman (President), appointed 28.3.00
 Mr Kevin Brown (Vice President), appointed 27.5.03
 Mr Tristram Gray (Committee Member/Director), appointed 25.11.03, resigned 26.04.05
 Mr Jeremy Johnson (Committee Member/Director), appointed 30.7.02
 Mr Tony Robinson (Committee Member/Director), appointed 26.8.03
 Ms Dorothy Jellett (Committee Member/Director) appointed 28.3.00, resigned 21.06.05
 Mr Peter O'Brien (Immediate Past President), appointed 16.12.99
 Mr Peter McMullin (Committee Member/Director), appointed 4.9.01, resigned 9.7.04
 Mr Neil Coulson (Chief Executive Officer), appointed 11.8.01
 Mr Patrick Leggett (Committee Member/Director) appointed 27.07.04
 Ms Wendy Swift (Committee Member/Director) appointed 26.04.05

MEETINGS – BOARD OF DIRECTORS

The number of meetings attended by each of the Directors of VECCI during the financial year were:

	No of Meetings Held while in Office	Meetings Attended
Mr Richard Holyman	13	13
Mr Kevin Brown	13	12
Mr Tristram Gray (Resigned 26.04.05)	10	5
Mr Jeremy Johnson	13	9
Mr Tony Robinson	13	11
Ms Dorothy Jellett (Resigned 21.06.05)	13	9
Mr Peter O'Brien (Immediate Past President)	13	9
Mr Patrick Leggett	12	11
Ms Wendy Swift (Appointed 26.04.05)	3	1
Mr Neil Coulson	13	13

PRINCIPAL ACTIVITIES

The principal activities of VECCI during the financial year were to assist the interests of Victorian business members and contributors via representation and advocacy to Government and policy makers along with providing membership services primarily involving Industrial Relations, information, advice, networking and value added professional services. There was no significant change in the nature of these activities during the period.



*Victorian Employers' Chamber of Commerce and Industry***OPERATING REPORT (CONT.)****REVIEW AND RESULTS OF OPERATIONS**

VECCI recorded an Operating Profit for the year ended 30 June 2005 of \$3,493,496 (2004: loss of \$543,056).

Net Assets at 30 June 2005 totalled \$49,965,445 (2004: Net Assets \$46,471,949).

MEMBERSHIP OF VECCI

As at 30 June 2005 VECCI had 4,351 voting members and 2,200 other contributors, totalling 6,551.

EMPLOYEES OF VECCI

As at 30 June 2005 the total number of employees was 171.

MANNER OF RESIGNATION

Rule 10 provides for the process of resignations.

- (a) (i) A member may resign from membership of the Organisation by written notice addressed and delivered to the Secretary. Such notice shall be taken to have been received by the Organisation when delivered to the Secretary.
- (ii) A notice of resignation that has been received by the Organisation is not invalid because it was not addressed and delivered to the Secretary.
- (iii) A resignation from membership of the Organisation is valid even if it is not effected in accordance with paragraph (i) hereof if the member is informed in writing by or on behalf of the Organisation that the resignation has been accepted.
- (b) A notice of resignation from membership of the Organisation takes effect:
- (i) where the member ceases to be eligible to become a member of the Organisation:
1. on the day on which the notice is received by the Organisation; or
 2. on the day specified in the notice, which is a day not earlier than the day when the member ceases to be eligible to become a member;
- whichever is later; or
- (ii) in any other case:
1. at the expiration of 2 weeks after the notice is received by the Organisation; or
 2. on the day specified in the notice;
- whichever is later.
- (c) If a member ceases to be engaged in or as an employer in the industry the membership of such member may, subject to the member being accorded natural justice, be determined summarily by resolution of the Executive Council, provide however that such determination shall not affect the liability of the member to pay all monies owing by the member to the Organisation.
- (d) Any dues payable but not paid by a former member of the Organisation, in relation to a period before the member's resignation or termination from the Organisation took effect, may be sued for and recovered in the name of the Organisation in a court of competent jurisdiction, as a debt due to the Organisation.
- (e) If a member becomes unfinancial in accordance with Rule 9 his name may be struck off the Register of Members by Order of the Executive Council. Any member shall cease to be a member of the Organisation as soon as his name shall have been struck off the Register of Members by Order of the Executive Council and not sooner. Provided that where a member has become unfinancial and at least fourteen (14) days before the Executive Council orders that the member be struck off the Register of Members, the Secretary shall advise the person, in writing, that if he fails to pay the outstanding subscriptions within fourteen (14) days of the date of the letter then he will be struck off the Register of Members without further notice. If the person pays the outstanding subscriptions within that time then he shall not be struck off the Register of Members.
- (f) Any member who shall be expelled from the Organisation under the Provisions of Rule 40 hereof shall thereupon cease to be a member.
- (g) Members ceasing to be such from any cause whatsoever shall have no claim of any kind – monetary or otherwise – on the organisation or its assets



*Victorian Employers' Chamber of Commerce and Industry***OPERATING REPORT (CONT.)*****SUPERANNUATION TRUSTEES***

VECCI (as the employer) has nominated ING's Integra Master Trust platform as the default employer fund. The trustee (ING Custodian Pty Ltd) is responsible for the funds investment selection process within Integra and performs this duty with the assistance of an independent asset consultant.

Signed in accordance with a resolution of the Committee of Management



.....
Signed: Secretary/Chief Executive Officer
At Melbourne, 26 September 2005



Victorian Employers' Chamber of Commerce and Industry

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005**

	Note	2005 \$	2004 \$
Revenues from ordinary activities	2	24,777,101	20,070,738
Expenditure from ordinary activities			
Depreciation expense	3a.	1,320,964	1,335,716
Advertising expense		68,619	209,277
Affiliation Fees		499,594	429,171
Business Fighting Fund		109,896	135,178
Consulting		1,097,553	613,339
Loss on disposal of property, plant and equipment		57,167	322,652
Catering		310,338	197,064
Donations		4,606	11,247
Federal & State Government Programs - excluding remuneration		1,385,393	2,167,461
Occupancy		1,081,463	1,621,135
Printing and Stationery		693,644	401,738
Telephone and facsimiles		63,290	176,273
Postage and freight		206,287	220,643
Remuneration – employees		11,558,998	9,584,046
Remuneration – office bearers	4a.	388,950	402,137
Superannuation		866,177	819,980
Travel		100,215	89,681
Other expenses from ordinary activities		1,470,451	1,877,056
Total Expenditure		21,283,605	20,613,794
Profit/(Loss) from ordinary activities before income tax expense	3	3,493,496	(543,056)
Income tax expense relating to ordinary activities	1a.	-	-
Profit/(Loss) from ordinary activities after income tax expense attributable to members of the Chamber		3,493,496	(543,056)
Total changes in equity other than those resulting from transactions with members and contributors	11	3,493,496	(543,056)

The accompanying notes form part of these financial statements.



*Victorian Employers' Chamber of Commerce and Industry***STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005**

	Note	2005 \$	2004 \$
CURRENT ASSETS			
Cash assets	5	2,132,202	1,376,923
Receivables	6	2,085,184	1,913,348
Other financial assets	7	2,398,951	6,506,338
TOTAL CURRENT ASSETS		6,616,337	9,796,609
NON-CURRENT ASSETS			
Other financial assets	7	30,952,646	21,997,698
Property, plant and equipment	8	17,423,243	18,350,577
TOTAL NON-CURRENT ASSETS		48,375,889	40,348,275
TOTAL ASSETS		54,992,226	50,144,884
CURRENT LIABILITIES			
Payables	9	3,721,564	2,612,625
Provisions	10	929,284	772,438
TOTAL CURRENT LIABILITIES		4,650,848	3,385,063
NON-CURRENT LIABILITIES			
Provisions	10	375,933	287,872
TOTAL NON-CURRENT LIABILITIES		375,933	287,872
TOTAL LIABILITIES		5,026,781	3,672,935
NET ASSETS	11	49,965,445	46,471,949

The accompanying notes form part of these financial statements.



*Victorian Employers' Chamber of Commerce and Industry***STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2005**

	Note	2005 \$	2004 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from members and others		21,232,164	17,981,602
Payments to suppliers and employees		(15,783,408)	(17,939,582)
Interest received		604,882	1,231,568
Net cash provided by operating activities	14b	6,053,638	1,273,588
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		-	23,490,979
Payments for investments		(4,847,562)	(21,997,597)
Proceeds from sale of property, plant and equipment		500	-
Payment for purchase of property, plan and equipment		(451,297)	(1,792,796)
Net cash (used in) investing activities		(5,298,359)	(299,414)
Net increase in cash held		755,279	974,173
Cash at beginning of the financial year		1,376,923	402,750
Cash at end of the financial year	14a	2,132,202	1,376,923

The accompanying notes form part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report is for the entity VECCI as an individual entity. VECCI is a registered Employer Association under the Workplace Relations Act 1996, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or current valuations of non-current assets, except where stated. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the association in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

a. Income Tax

As a registered Employer Association, VECCI is, together with the Trade Unions, exempt from income tax in accordance with Section 50-15 of the Income Tax Assessment Act 1997.

b. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less any accumulated depreciation, where applicable.

Property

Freehold land and buildings are measured on the fair value basis, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. It is VECCI's policy to have an independent valuation every three years, with annual appraisals being made by the directors.

The revaluation of freehold land and buildings has not taken account of the potential capital gains tax on assets acquired after the introduction of capital gains tax.

Plant and equipment

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining the recoverable amount.

c. Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on a straight line basis over their useful lives to VECCI commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable asset are:

Class of Fixed Asset	Depreciation Rate
Buildings	2.5%
Plant and equipment	20-27%

d. Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the association are classified as finance leases. Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value.

Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that VECCI will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.



*Victorian Employers' Chamber of Commerce and Industry***NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (CONT.)****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)****e. Investments**

Managed investments are recorded at their redemption value as at the reporting date, and changes in the net market value of these investments are recognised in the Statement of Financial Performance. Managed investments and deposits at call, although readily convertible to cash, are classified as non-current as the intention is to hold these investments longer than 12 months.

f. Employee Benefits

Provision is made for VECCI's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, annual leave and sick leave which will be settled within one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits and on-costs payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by VECCI to an employee superannuation fund and are charged as expenses when incurred.

g. Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in at call deposits with banks or financial institutions.

h. Revenue

Membership Subscription and Rental income is recognised on an accrual basis.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

i. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

j. Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (CONT.)**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)****k. Impact of Adoption of Australian Equivalents to International Financial Reporting Standards**

VECCI is preparing and managing the transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) effective for the financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in VECCI's financial statements for the year ending 30 June 2006. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of the AIFRS transitional adjustments will be made retrospectively against retained earnings at 1 July 2004.

VECCI's management, along with its auditors, have assessed the significance of the expected changes and are preparing for their implementation. The impact of the alternative treatments and elections under AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards, has been considered where applicable.

The Directors are of the opinion that the key material differences in VECCI's accounting policies on conversion to AIFRS and the financial effect of these differences where known are as follows:

Investment Property

Currently VECCI carries its property at 486 Albert Road within fixed assets and is depreciating the building over 40 years. Under the AASB 140 'Investment Property' the investment property will be held at fair value and no longer depreciated. Refer to Note 17 for an analysis of the quantitative impact.

Non Current Investments

Under AASB139 'Financial Instruments, Recognition and Measurement', financial instruments are required to be classified as either a financial asset at fair value or as financial assets available for sale. Depending on the classification, unrealized gains or losses are either recognized in income or directly in retained earnings. Currently VECCI's accounting policy states that unrealized gains are recognised as income or expenditure.

Users of the financial statements should, however, note that the amounts disclosed could change if there are any amendments by standard-setters to the current AIFRS, or interpretation of the AIFRS requirements changes from the continued work by VECCI's management.



*Victorian Employers' Chamber of Commerce and Industry***NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (CONT.)**

NOTE 2: REVENUE	2005	2004
	\$	\$
Operating activities		
<u>Membership and Contributors</u>		
<u>Subscriptions</u>		
Membership and Contributors	4,268,794	3,785,896
Other Contributors	1,958,580	2,018,442
	<hr/>	<hr/>
	6,227,374	5,804,338
<u>Other Non Subscription Income</u>		
Business Fighting Fund	109,896	135,178
Non Subscription Income	1,119,524	781,790
	<hr/>	<hr/>
	7,456,794	6,721,306
	<hr/>	<hr/>
Federal and State Government Program	8,752,221	7,223,446
Professional Services	3,804,667	3,217,558
	<hr/>	<hr/>
<u>Investment Income</u>		
Net Gain on Managed Investments	3,098,359	347,455
Interest Income	604,882	1,231,568
	<hr/>	<hr/>
	3,703,241	1,579,023
	<hr/>	<hr/>
Property Income	1,060,178	1,329,404
	<hr/>	<hr/>
	24,777,101	20,070,738
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Victorian Employers' Chamber of Commerce and Industry

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (CONT.)

NOTE 3: PROFIT/(LOSS) FROM ORDINARY ACTIVITIES	2005	2004
	\$	\$
Profit/(Loss) from ordinary activities before income tax expense has been determined after:		
a. Expenses		
Depreciation of property, plant and equipment	1,320,964	1,335,716
Bad and doubtful debts	227,499	177,000
Legal expenses	75,558	42,206
Remuneration of auditor		
— audit	52,000	49,500
— other services	38,030	40,150
b. Revenue and Net Gains		
Net loss on disposal of plant and equipment	57,167	322,652
Net gain on disposal of investments	24,000	-
c. Significant Revenue and Expenses		
The following revenue and expense items are relevant in explaining the financial performance		
Restructure Costs	-	624,868

NOTE 4: REMUNERATION AND RETIREMENT BENEFITS

a. Remuneration of Directors		
Remuneration received or receivable by all directors of VECCI:		
— or any related party in connection with the management of VECCI	388,950	402,137
Number of directors whose income was within the following bands:		
\$0 – 9,999	No	No
\$10,000 – 19,999	-	2
\$20,000 – 29,999	7	5
\$30,000 - \$39,999	-	1
\$250,000 – 259,999	1	-
\$300,000 – 309,999	-	-
The names of directors who have held office during the financial year:	1	1
<i>Mr Richard Holyman (First Appointed – 28.03.00)</i>		
<i>Mr Kevin Brown (First Appointed – 27.05.03)</i>		
<i>Mr Tristram Gray (First Appointed – 25.11.03)(Resigned 26.04.05)</i>		
<i>Mr Jeremy Johnson (First Appointed – 30.07.02)</i>		
<i>Mr Tony Robinson (First Appointed – 26.08.03)</i>		
<i>Ms Dorothy Jellet (First Appointed – 28.03.00)(Resigned 21.06.05)</i>		
<i>Mr Peter O'Brien (Immediate Past President) (First Appointed – 29.01.98)</i>		
<i>Mr Patrick Leggett (First Appointed 27.07.04)</i>		
<i>Mr Peter McMullin (First Appointed 4.09.01) (Resigned 9.07.04)</i>		
<i>Mr Neil Coulson (First Appointed 11.8.01) (Chief Executive Officer)</i>		
<i>Ms Wendy Swift (First Appointed 26.04.05)</i>		



*Victorian Employers' Chamber of Commerce and Industry***NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (CONT.)****NOTE 4: REMUNERATION AND RETIREMENT BENEFITS (CONT)**

	2005	2004
	\$	\$
b. Retirement Benefits		
Amounts paid to a superannuation plan for the provision of retirement benefits by VECCI or any related party for directors of VECCI	40,904	37,759

NOTE 5: CASH ASSETS

Cash at bank	2,132,202	1,375,023
Cash on hand	-	1,900
	2,132,202	1,376,923

Cash at bank includes \$649,166 (2004 \$736,542) of Carnet deposits held in trust.

NOTE 6: RECEIVABLES

Trade debtors	1,874,090	1,984,947
Less: Provision for doubtful debts	(227,499)	(177,063)
	1,646,591	1,807,884
Other debtors	438,593	105,464
Total Receivables	2,085,184	1,913,348

NOTE 7: OTHER FINANCIAL ASSETS

<u>Current</u>		
Short term deposits	2,398,951	6,506,338
<u>Non-Current</u>		
Shares in wholly owned subsidiary company (non-operating) at cost	100	100
Shares in listed corporations — at cost	1,514,817	1,514,817
Non listed marketable securities	3,295,916	2,939,327
Managed Investments	26,141,813	17,543,453
Term Deposits	-	-
	30,952,646	21,997,698
Total Investments	33,351,597	28,504,036
Market value of shares in listed corporations	1,531,506	1,531,096



Victorian Employers' Chamber of Commerce and Industry

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (CONT.)

NOTE 15: FINANCIAL INSTRUMENTS (CONT.)

c. **Market Risk**

The maximum exposure to market risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in the market price of the financial instruments, amounts to the value of the financial instrument as disclosed in the Balance Sheet.

d. **Credit Risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial report.

VECCI does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by VECCI.

NOTE 16: ASSOCIATION DETAILS

The registered office and principal place of business of VECCI is:

Victorian Employers' Chamber of Commerce and Industry (VECCI)
486 Albert Street
EAST MELBOURNE VIC 3002

The principal activity of the association is an employer association.

NOTE 17: ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Reconciliation of equity reported under Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS).

(a) Balance Sheet extract at the date of Transition to AIFRS: 1 July 2004

	Note	AGAAP \$	Effect of Transition \$	AIFRS \$
Current Assets				
Other Financial Assets	1	6,506,338	(6,506,338)	-
Financial Assets at Fair Value	1	-	6,506,338	6,506,338
Non-Current Assets				
Other Financial Assets	1	21,997,698	(21,997,698)	-
Financial Assets at Fair Value	1	-	21,997,698	21,997,698
Property, Plant and Equipment	2(i)	20,411,498	(16,973,259)	3,438,239
Accumulated Depreciation	2(i)	(2,060,921)	580,647	(1,480,274)
Net Property, Plant and Equipment	2(i)	18,350,577	(16,392,612)	1,957,965
Investment Property	2(i)	-	16,973,259	16,973,259
Net Assets		46,471,949	580,647	47,052,596



*Victorian Employers' Chamber of Commerce and Industry***NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (CONT.)****NOTE 8: PROPERTY, PLANT AND EQUIPMENT**

	2005	2004
	\$	\$
Land and Buildings		
Freehold land at cost	1,100,000	1,100,000
	<hr/> 1,100,000	<hr/> 1,100,000
Buildings at cost	15,891,909	15,873,259
Less accumulated depreciation	(977,714)	(580,647)
	<hr/> 14,914,195	<hr/> 15,292,612
Total Land and Buildings	<hr/> 16,014,195	<hr/> 16,392,612
Plant and equipment at cost	3,216,416	3,438,239
Less accumulated depreciation	(1,807,368)	(1,480,274)
	<hr/> 1,409,048	<hr/> 1,957,965
Total Plant and Equipment	<hr/> 1,409,048	<hr/> 1,957,965
Total Property, Plant and Equipment	<hr/> <hr/> 17,423,243	<hr/> <hr/> 18,350,577

a. Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Freehold Land	Buildings	Plant and Equipment	Total
	\$	\$	\$	\$
Balance at the beginning of year	1,100,000	15,292,612	1,957,965	18,350,577
Additions	-	18,650	432,647	451,297
Disposals	-	-	(57,665)	(57,665)
Depreciation expense	-	(397,067)	(923,899)	(1,320,966)
Carrying amount at the end of year	<hr/> 1,100,000	<hr/> 14,914,195	<hr/> 1,409,048	<hr/> 17,423,243

NOTE 9: PAYABLES

	2005	2004
	\$	\$
Current		
Trade creditors	824,060	482,799
Sundry creditors	2,248,338	1,393,284
Carnet deposits held in trust	649,166	736,542
Total Payables	<hr/> 3,721,564	<hr/> 2,612,625



Victorian Employers' Chamber of Commerce and Industry

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (CONT.)

NOTE 10: PROVISIONS

	2005	2004
	\$	\$
Employee benefits also include office and non-bearer entitlements within the provision for annual and long service leave.		
<u>CURRENT</u>		
Employee benefits		
Annual Leave	661,118	610,663
Long Service Leave	268,166	161,775
	929,284	772,438
<u>NON-CURRENT</u>		
Long Service Leave	311,144	207,574
Staff Scholarship	64,789	80,298
	375,933	287,872
a. Aggregate employee entitlement liability	1,240,428	980,012
b. Number of employees at year end	171	158
c. Provisions		
Carrying amount at beginning of period	1,060,310	1,310,555
Additional provisions recognised during the period	962,171	743,894
Payments of provisions during the period	717,264	(994,139)
Carrying amount at reporting date	1,305,217	1,060,310

NOTE 11: RETAINED PROFITS

Retained profits at the beginning of the financial year	46,471,949	47,015,005
Net profit / (loss) attributable to members of VECCI	3,493,496	(543,056)
Retained profits at the end of the financial year	49,965,445	46,471,949

NOTE 12: CAPITAL AND LEASING COMMITMENTS

a. Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable		
— not later than 1 year	993,940	701,120
— later than 1 year but not later than 5 years	415,399	1,053,777
	1,409,339	1,754,897

Leases consist of:

- non-cancellable leases for motor vehicles with a 3 year term, with rentals payable monthly in advance;
- leases for properties between 12 and 24 month terms. Rentals are payable monthly in advance; and
- leases for office equipment with a four year term, with rental payable monthly in advance.



*Victorian Employers' Chamber of Commerce and Industry***NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (CONT.)****NOTE 12: CAPITAL AND LEASING
COMMITMENTS (CONT)**

	2005	2004
	\$	\$
b. Operating Lease Receivables		
Leasing Arrangements		
Approximately 35% of the property at 486 Albert Street is leased to tenants under 1 to 3 year operating leases with rentals payable monthly in advance.		
Minimum lease payments under non-cancellable operating leases of investment properties not recognized in the financial statements are receivable as follows:		
— not later than 1 year	701,338	885,712
— later than 1 year but not later than 5 years	764,880	417,495
	1,466,218	1,303,207

NOTE 13: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

2005

During the financial year VECCI paid \$124,612 to DFP Recruitment in respect of services rendered for temporary and permanent staff recruitment. Payments made throughout the financial period were made on an arms length commercial basis. Dorothy Jellett was the Managing Director of DFP Recruitment until December 2004 and served on VECCI's Board of Directors and was a member of the Executive Council to the 21 June 2005.

During the financial year VECCI paid \$154,327 to OAMPS Insurance Brokers in respect of Insurance premiums. Payments made throughout the financial period were made on an arms length commercial basis. Tony Robinson is the Chief Executive Officer of OAMPS and serves on VECCI's Board of Directors and is a member of the Executive Council.

During the financial year VECCI paid \$8,704 to Couriers Express Pty Ltd in respect to services rendered for courier services. Payments made throughout the financial year were made on an arms length commercial basis. Patrick Leggett is the Managing Director of Couriers Express Services Pty Ltd and serves on VECCI's Board of Directors and is a member of the Executive Council.

2004

During the financial year VECCI paid \$104,634 to DFP Recruitment in respect of services rendered for temporary and permanent staff recruitment. Payments made throughout the financial period were made on an arms length commercial basis. Dorothy Jellett was the Managing Director of DFP Recruitment during the year and served on VECCI's Board of Directors and was a member of the Executive Council.

There were no other related party transactions during the year.

NOTE 14: CASH FLOW INFORMATION**a. Reconciliation of Cash**

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash on hand	2,132,202	1,376,923
	2,132,202	1,376,923



Victorian Employers' Chamber of Commerce and Industry

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (CONT.)

NOTE 14: CASH FLOW INFORMATION (CONT)

	2005	2004
	\$	\$
b. Reconciliation of Cash Flow from Operations with Profit / (Loss) from Ordinary Activities after Income Tax		
Profit / (Loss) from ordinary activities after income tax	3,493,496	(543,056)
Non-cash flows in profit from ordinary activities:		
— Depreciation	1,320,965	1,335,716
— Net loss/(gain) on disposal of plant and equipment	57,795	322,652
— Net loss on managed investments	-	-
Changes in assets and liabilities, net of the effects of purchase and disposals of subsidiaries		
Decrease/(Increase) in receivables and prepayments	(171,836)	(408,242)
(Decrease)/Increase in payables	1,108,939	816,763
(Decrease)/Increase in provisions	244,907	(250,245)
Cash flows from operations	6,053,638	1,273,588

NOTE 15: FINANCIAL INSTRUMENTS

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate		Non-Interest Bearing		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	%	%	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets										
Cash	3.28	3.05	-	-	2,132,202	1,375,023	-	-	2,132,202	1,375,023
Bank Deposits	5.50	5.25	-	-	2,398,951	6,506,338	-	-	2,398,951	6,506,338
Other financial assets – investments	7.11	6.75	4,810,833	4,454,244	-	-	26,141,813	17,543,453	30,952,646	21,997,598
Receivables			-	-	-	-	2,085,184	1,913,348	2,085,184	1,913,348
Total Financial Assets			4,810,833	4,454,244	4,531,153	7,881,361	28,226,997	19,456,801	37,568,983	31,792,307
Financial Liabilities										
Trade and other creditors			-	-	-	-	3,721,564	2,612,625	3,721,564	2,612,625
Total Financial Liabilities			-	-	-	-	3,721,564	2,612,625	3,721,564	2,612,625

The weighted average rate of interest has been calculated using the applicable interest rates and balances at the beginning and the end of the financial year.

a. **Net Fair Values**

The net fair values of listed investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. For other assets and other liabilities net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in a standardised form other than listed investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the association intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

b. **Interest Rate Risk**

The exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates.



Victorian Employers' Chamber of Commerce and Industry

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (CONT.)

NOTE 17: ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT.)**(b) Balance Sheet extract at under AGAAP: 30 June 2005**

	Note	AGAAP \$	Effect of Transition \$	AIFRS \$
Current Assets				
Other Financial Assets	1	2,398,951	(2,398,951)	-
Financial Assets at Fair Value	1	-	2,398,951	2,398,951
Non-Current Assets				
Other Financial Assets	1	30,952,646	(30,952,646)	-
Financial Assets at Fair Value	1	-	30,952,646	30,952,646
Property, Plant and Equipment	2(ii)	20,208,325	(16,991,912)	3,216,413
Accumulated Depreciation	2(ii)	(2,785,082)	977,714	(1,807,368)
Net Property Plant and Equipment	2(ii)	17,423,243	(16,014,198)	1,409,045
Investment Property	2(ii)	-	16,991,912	16,991,912
Net Assets	2(ii)	49,965,445	977,714	50,943,158

Note 1

Only a change in terminology. No financial impact, as financial assets are measured at Fair Value.

Note 2

Under AGAAP Land and Building is included with property, plant and equipment. At date of transition VECCI has recognized Land and Buildings as an investment property at fair value, in accordance with AASB 140 Investment Property, with the effect that:

(i) At 1 July 2004:

Reclassification of investment property and write back of accumulated depreciation to retained profits.

(ii) At 30 June 2005:

Reclassification of investment property and an increase in retained profits of \$977,713 resulting from the write back of accumulated depreciation.



*Victorian Employers' Chamber of Commerce and Industry***BOARD OF DIRECTORS STATEMENT**

On 26 September 2005 the Board of Directors of the VECCI passed the following resolution in relation to the general purpose financial report of the reporting unit for the financial year ended 30 June 2005.

The Board of Directors declares in relation to the general purpose financial report that in its opinion:

- (a) The financial statements and notes comply with the Australian Accounting Standards;
- (b) The financial statements and notes comply with the reporting guidelines of the Industrial Registrar;
- (c) The financial statements and notes give a true and fair view of the financial performance, financial position and cash flows of the reporting unit for the financial year to which they relate;
- (d) There are reasonable grounds to believe that the reporting unit will be able to pay its debts as and when they become due and payable;
- (e) During the financial year to which the general purpose financial report relates and since the end of that year:
 - i. Meetings of the board of directors were held in accordance with the rules of the organisation including the rules of a branch concerned;
 - ii. The financial affairs of the reporting unit have been managed in accordance with the rules of the organisation including the rules of a branch concerned;
 - iii. The financial records of the reporting unit have been kept and maintained in accordance with the RAO Schedule and the RAO Regulations;
 - iv. There has been compliance with any order for inspection of financial records made by the Commission under section 273 of the RAO Schedule.
 - v. The information sought in any request of a member of the reporting unit or a Registrar of the RAO Schedule has been furnished to the member or Registrar. VECCI have complied with Section 272 - information to be provided to members or Registrar, including subsection:
 - (1) a member of a reporting unit, or a Registrar, may apply to the reporting unit for specified prescribed information in relation to the reporting unit to be made available to the person making the application;
 - (2) the application must be in writing and must specify the period within which, and the manner in which, the information is to be made available. The period must not be less than 14 days after the application is given to the reporting unit; and
 - (3) A reporting unit must comply with an application made under subsection (1).

For Board of Directors:

Name: Neil Coulson
Title of Office held: Chief Executive Officer/Secretary

Signature: 
Date: 26 September 2005

Name: Richard Holyman
Title of Office held: President

Signature: 
Date: 26 September 2005



RSM Bird Cameron Partners

Chartered Accountants

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INDEPENDENT AUDIT REPORT

To the members of the Victorian Employers' Chamber of Commerce and Industry.

Scope

We have audited the financial report of the Victorian Employers' Chamber of Commerce and Industry (VECCI) for the year ended 30 June 2005 as set out on pages 6 to 25. The directors are responsible for the preparation and presentation of the financial report and the information contained. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of VECCI.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the financial position, the results of its operations and cashflows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion the attached financial report is prepared in accordance with Section 257 of the Workplace Relations Act 1996 including:

- (a) giving a true and fair view of the financial position of VECCI as at 30 June 2005 and the performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards.



RSM BIRD CAMERON PARTNERS

Chartered Accountants



K C WOOD

Partner

28 September 2005
Melbourne

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