



VECCI

Victorian Employers' Chamber
of Commerce and Industry

2005|06 Annual Financial Report







CONTENTS

President's Address	4-5
CEO's Message	6-7
Operating Report	8-11
Income Statement	12
Balance Sheet	13
Statement of Changes in Equity	14
Cash Flow Statement	15
Notes to the Financial Statements	16-27
Board of Directors Statement	28-29
Independent Audit Report	30

PRESIDENT'S ADDRESS

I have great pleasure in announcing a record performance operationally for VECCI during the last year. This is the second year of a three year plan to ensure the organisation has a sustainable financial base and a clear vision for the future.

As I have said many times, whilst being financially viable and profitable is an imperative, the more important issue is about creating a culture of "value" for all our constituents, delivering what business needs.

This year's result has been achieved through developing a much more focussed and aware management team, recognising what is important for our stakeholders, and not just doing more of what we have done in the past.

The management team, led by Neil Coulson, has implemented many activities and programs during the last year, none more meaningful than the "Victoria Summit", which provided a real opportunity for the business community and government to debate issues and evolve a vision for our state. This was supported by a wide range of networking activities and the introduction of value products for our members, as well as growing our traditional business areas such as trade and OH&S.

The Board is clear that the future of our organisation lies in re-inventing the value offering to all our stakeholders, so that we remain the pre-eminent "influential organisation" making a tangible difference to policies that affect the ability of business to operate successfully within the community at large.

The Board is now looking ahead and developing the next 3-5 year plan. This should see VECCI evolving a new strategy to embrace the future needs of business. We recognise that business today is not about the "old world" employer/employee classification – instead it demands VECCI provide relevant membership offerings consistent with today's business environment.

To this end, we are evaluating programs that offer distinct benefits for both SMEs and larger corporations.

For our SME members, we recognise the need to generate product offerings that provide cost efficiencies and/or revenue generating potential, whilst ensuring there are support services that protect a business's viability.



For our corporate members, we understand the importance of influencing policy and creating an environment that is friendly for business growth and is sensitive to the community we all live in.

One of our major initiatives for the last year has been the launch of CCI Legal Victoria – a high quality legal service with substantial skills in industrial relations, that offers all our members the best in legal services, but at a cost that is affordable.

We will continue to develop our international trade services to ensure we remain the leader in this field, as well as offering a diverse range of commercial services.

We envisage meaningful change over the next period of growth for VECCI, and we will rely heavily on the feedback of our members and, in particular, your take up of our product offerings and policy initiatives.

My thanks to the Board members for their support, for the excellent performance of management and the staff for their commitment in embracing change.

One of our major initiatives for the last year has been the launch of CCI Legal Victoria – a high quality legal service with substantial skills in industrial relations, that offers all our members the best in legal services, but at a cost that is affordable.

Richard Holyman
President

CEO'S MESSAGE

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 have ensured slower growth in the Victorian economy over 2005/06.

VECCI has adapted to the changing business climate with a strong lobbying focus aimed at improving the environment for Victorian business, as well as improving the services we offer members.

To help you run your business more effectively, we have forged new alliance partnerships with Allianz, to deliver better service and pricing around WorkCover premiums, and Energy Australia, to deliver competitively priced power to business.

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 – Regulation Reform, Workplace Privacy and Occupational Health and Safety taskforces operated over financial year 2005/06, not to mention Victoria Summit Taskforces focussing on Commonwealth/State Relations, Energy, Exports, Infrastructure and Labour Supply.

Our Victoria Summit, held at Parliament House in November 2005, was highly successful and outlined a vision for Victoria for the next decade.

POLICY HIGHLIGHTS FOR 2005/06

After cuts in WorkCover premiums and land tax in the May 2005 State Budget, we 'backed it up' with further cuts in WorkCover premiums and land tax in the May 2006 State Budget, as well as significant cuts in the payroll tax rate.

VECCI leadership delivered key benefits for business in the Budget – in dollar terms, these included:

- \$533 million worth of payroll tax relief
- \$167 million worth of land tax relief
- \$170 million in cuts to WorkCover premiums

These measures counteract some of the increased cost pressures faced by business in recent times, brought about by higher interest rates, increased petrol prices and wage pressures.

Furthermore, the Budget's hard targets for red tape reductions are directly aligned to our recommendations and will assist businesses become more efficient in their day-to-day operations. Measures include limiting the dollar impact of new regulations by cutting old regulations and moving to cut paperwork by 15 per cent over three years.

VECCI also continued to be the leading business voice in support of channel deepening in Port Phillip Bay, Victoria's key trade gateway.



A major initiative we worked on over 2005/06 ahead of a July 2006 launch was the VECCI/EPA Grow Me the Money Project.

Essentially what this Program does is encourage businesses to make savings in terms of energy and water inputs and waste outputs, helping the environment and saving money on the bottom line.

It is estimated that the savings from implementing environmentally friendly measures can produce a positive return on investment in many cases within a matter of months.

LOOKING AHEAD

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

VECCI recognises that further efforts are needed to reduce greenhouse gas emissions – we will continue to favour practical solutions based on technology and demand management rather than solutions aimed at pushing up the price of power.

The Port Phillip Bay channel deepening project will continue to be a focus of our lobbying efforts and, we trust, will move forward after the November 2006 State Election.

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. To assist us formulate policy in this area, we have conducted a major skills survey of Victorian businesses, the results of which are due to be released in late 2006.

VECCI will also play a close monitoring role in relation to the upcoming 2006 State Election, holding key policy forums with major party representatives on Energy, Infrastructure and Skills and Labour Supply

Your active support on these and other VECCI priorities throughout 2006/07 will be essential.

Finally, I would like to thank our President, Board, Executive Council and staff for their efforts in contributing to VECCI's success in 2005/06.

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. To assist us formulate policy in this area, we have conducted a major skills survey of Victorian businesses, the results of which are due to be released in late 2006.

A handwritten signature in black ink, which appears to read 'N. Coulson'. The signature is fluid and cursive.

Neil Coulson

Chief Executive Officer

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”) who 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 year ended 30 June 2006 and the Auditors’ Report thereon.

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 Peter McMullin (Vice President), appointed 22.11.05

Mr Kevin Brown (Committee Member/Director), appointed 27.5.03

Mr Jeremy Johnson (Committee Member/Director), appointed 30.7.02

Mr Tony Robinson (Committee Member/Director), appointed 26.8.03 (Resigned 27/07/06)

Mr Peter O’Brien (Immediate Past President), appointed 16.12.99

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	11	10
Mr Peter McMullin	6	5
Mr Kevin Brown	11	9
Mr Jeremy Johnson	11	8
Mr Tony Robinson	11	8
Mr Peter O’Brien	11	5
Mr Neil Coulson	11	11
Mr Pat Leggett	11	11
Ms Wendy Swift	11	9

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.

REVIEW AND RESULTS OF OPERATIONS

VECCI recorded an Operating Profit for the year ended 30 June 2006 of \$5,023,908 (2005: \$3,493,496).

Net Assets at 30 June 2006 totalled \$57,264,786 (2005: \$49,965,445).

MEMBERSHIP OF VECCI

As at 30 June 2006, VECCI had 4,604 voting members and 1,583 other contributors, totalling 6,187.

EMPLOYEES OF VECCI

As at 30 June 2006 the total number of employees was 194.

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:

OPERATING REPORT (cont.)

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 have no claim of any kind – monetary or otherwise – on the organisation or its assets.

SUPERANNUATION TRUSTEES

VECCI (as the employer) has nominated both ING's Integra Master Trust and VicSuper's Public Offer Superannuation fund as the default platform options. The present default options provide employees with various investment options. A policy committee within VECCI also exists working in conjunction with the trustee. The policy committee within VECCI comprises two employer representatives in the Chief Operating Officer and Human Resources Manager, along with two elected staff representatives. The policy committee meets quarterly and provides a forum for dealing with any queries regarding the plan's investment options and benefits.

Signed in accordance with a resolution of the Committee of Management



Signed: Secretary/Chief Executive Officer

At Melbourne, 4 October 2006

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 \$	2005 \$
Revenues from continuing operations	2	28,784,608	24,777,101
Expenditure from continuing operations			
Affiliation Fees		514,473	499,594
Business Fighting Fund		95,318	109,896
Depreciation expenses	3a.	1,319,175	1,320,964
Donations		2,831	4,606
Federal & State Government Programs (excluding remuneration)		2,216,974	1,385,393
Occupancy		1,446,446	1,081,463
Remuneration – employees		10,314,102	10,134,125
Remuneration – office bearers	4a.	343,278	367,357
Superannuation		1,238,437	1,057,516
Other expenses from continuing operations		6,269,666	5,322,691
TOTAL EXPENDITURE		23,760,700	21,283,605
Profit from continuing operations before income tax expense	3	5,023,908	3,493,496
Income tax expense	1a.	-	-
Profit from continuing operations after income tax expense attributable to members of the Chamber		5,023,908	3,493,496
Total changes in equity other than those resulting from transactions with members and contributors	12	5,023,908	3,493,496

The accompanying notes form part of these financial statements.

BALANCE SHEET AS AT 30 JUNE 2006

	Note	2006 \$	2005 \$
CURRENT ASSETS			
Cash assets	5	1,897,006	2,132,202
Receivables	6	2,650,803	2,085,184
Financial Assets at Fair Value	7	3,046,119	2,398,951
TOTAL CURRENT ASSETS		7,593,928	6,616,337
NON-CURRENT ASSETS			
Financial Assets at Fair Value	7	35,379,517	30,952,646
Intangibles	8	144,462	157,594
Property, plant and equipment	9	19,026,254	17,265,649
TOTAL NON-CURRENT ASSETS		54,550,233	48,375,889
TOTAL ASSETS		62,144,161	54,992,226
CURRENT LIABILITIES			
Payables	10	3,635,263	3,721,564
Provisions	11	854,604	929,284
TOTAL CURRENT LIABILITIES		4,489,867	4,650,848
NON-CURRENT LIABILITIES			
Provisions	11	389,508	375,933
TOTAL NON-CURRENT LIABILITIES		389,508	375,933
TOTAL LIABILITIES		4,879,375	5,026,781
NET ASSETS		57,264,786	49,965,445
MEMBERS' FUNDS			
Retained earnings	12	54,989,353	49,965,448
Reserves	12	2,275,433	-
TOTAL EQUITY		57,264,786	49,965,445

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 \$	2005 \$
TOTAL EQUITY AT THE BEGINNING OF THE FINANCIAL YEAR		49,965,445	46,471,949
Gain on revaluation of Land and Buildings net of tax	12	2,275,433	-
Profit for the year	12	5,023,908	3,493,496
TOTAL EQUITY AT THE END OF THE FINANCIAL YEAR		57,264,786	49,965,445

The accompanying notes form part of these financial statements

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006	2005
CASH FLOW FROM OPERATING ACTIVITIES		\$	\$
Receipts from members and others		28,203,488	21,232,164
Payments to suppliers and employees		(22,657,619)	(15,783,408)
Interest received		501,258	604,882
NET CASH PROVIDED BY OPERATING ACTIVITIES	15b	6,047,127	6,053,638
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for investments		(5,074,039)	(4,847,562)
Proceeds from sale of property, plant and equipment		-	500
Payment for purchase of property, plant and equipment		(1,208,284)	(451,297)
NET CASH (USED IN) INVESTING ACTIVITIES		(6,282,323)	(5,298,359)
Net (decrease) / increase in cash held		(235,196)	755,279
Cash at beginning of the financial year		2,132,202	1,376,923
CASH AT END OF THE FINANCIAL YEAR	15a	1,897,006	2,132,202

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

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 of VECCI complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety. The following is a summary of the material accounting policies adopted by the entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

First-time Adoption of Australian Equivalents to International Financial Reporting Standards

VECCI has prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to VECCI's financial statements resulting from the introduction of IFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These are the first financial statements of VECCI to be prepared in accordance with AIFRS.

The accounting policies set out below have been consistently applied to all years presented. VECCI has however elected to adopt the exemptions available under AASB 1 relating to AASB 132: Financial Instruments: Disclosure and Presentation, and AASB 139: Financial Instruments: Recognition and Measurement. Refer Note 18 for further details.

Reconciliations of the transition from previous Australian GAAP to AIFRS have been included in Note 18 to this report.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

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.

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.

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

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 Income Statement. Managed investments and deposits at call, although readily convertible to cash, are classified as non-current as the intention is to hold these investments for greater than 12 months.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (cont.)

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 long service 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 in to 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 Balance Sheet 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.

NOTE 2: REVENUE

	2006	2005
	\$	\$
MEMBERSHIP AND CONTRIBUTORS SUBSCRIPTIONS		
Membership and Contributors	6,651,767	6,227,374
OTHER NON SUBSCRIPTION INCOME		
Business Fighting Fund	95,317	109,896
Non Subscription Income	1,142,630	1,119,524
	<u>7,889,714</u>	<u>7,456,794</u>
Federal and State Government Program	11,093,893	8,752,221
Professional Services	4,025,713	3,804,667
INVESTMENT INCOME		
Net Gain on Managed Investments	4,381,473	3,098,359
Interest Income	501,258	604,882
	<u>4,882,731</u>	<u>3,703,241</u>
Property Income	892,557	1,060,178
	<u>28,784,608</u>	<u>24,777,101</u>

NOTE 3: PROFIT FROM ORDINARY ACTIVITIES

	2006	2005
	\$	\$
Profit from ordinary activities before income tax expense has been determined after:		
a. Expenses		
Depreciation of property, plant and equipment	1,319,175	1,320,964
Bad and doubtful debts	299,353	227,499
Legal expenses	47,260	75,558
Remuneration of auditor		
— audit	52,000	52,000
— other services	14,731	38,030
b. REVENUE AND NET GAINS		
Net loss on disposal of plant and equipment	67,561	57,167
Net gain on disposal of investments	-	24,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (cont.)

NOTE 4: REMUNERATION AND RETIREMENT BENEFITS

a. Remuneration Of Directors

Remuneration received or receivable by all directors of VECCI:	2006	2005
	\$	\$
— or any related party in connection with the management of VECCI	343,278	367,357

Number of directors whose income was within the following bands:	No	No
\$0 – 9,999	1	-
\$10,000 – 19,999	6	7
\$20,000 – 29,999	-	-
\$30,000 - \$39,999	1	1
\$250,000 – 259,999	-	-
\$300,000 – 309,999	1	1

The names of directors who have held office during the financial year:

Mr Richard Holyman (First Appointed – 28.03.00) (President)
Mr Peter McMullin (First Appointed – 22.11.05) (Deputy President)
Mr Kevin Brown (First Appointed – 27.05.03)
Mr Jeremy Johnson (First Appointed – 30.07.02)
Mr Tony Robinson (First Appointed – 26.08.03) (Resigned 27.07.06)
Mr Peter O'Brien (First Appointed – 29.01.98) (Immediate Past President)
Mr Patrick Leggett (First Appointed 27.07.04)
Mr Neil Coulson (First Appointed 11.8.01) (Chief Executive Officer)
Ms Wendy Swift (First Appointed 26.04.05)

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	93,817	43,500
---	--------	--------

NOTE 5: CASH ASSETS

	2006	2005
	\$	\$
Cash at bank	1,897,006	2,132,202
Cash at bank includes \$664,482 (2005 \$649,166) of Carnet deposits held in trust.		

NOTE 6: RECEIVABLES

	2006	2005
	\$	\$
Trade debtors	2,030,273	1,874,090
Less: Provision for doubtful debts	(259,353)	(227,499)
	<hr/>	<hr/>
Other debtors	1,770,920	1,646,591
Other related entities	676,125	438,593
	6(a) 203,758	-
Total Receivables	2,650,803	2,085,184

a. Wholly-owned Subsidiaries

Unsecured interest-free loans made to related entities, repayable within two years.

NOTE 7: FINANCIAL ASSETS AT FAIR VALUE

	2006	2005
	\$	\$
Current		
Short term deposits	3,046,119	2,398,951
Non-Current		
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	3,339,893	3,295,916
Managed Investments	30,524,707	26,141,813
	<hr/>	<hr/>
Total Investments	38,425,636	33,351,597

Market value of shares in listed corporations	1,531,457	1,531,506
---	-----------	-----------

NOTE 8: INTANGIBLES

	2006	2005
	\$	\$
Software	211,967	403,591
Less accumulated amortisation	(67,505)	(245,997)
	<hr/>	<hr/>
	144,462	157,594

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (cont.)

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	2006 \$	2005 \$
Land and Buildings		
Freehold land at cost	-	1,100,000
Freehold land at valuation (30 June 2006)	1,157,768	-
	1,157,768	1,100,000
Buildings at cost	-	15,891,909
Buildings at valuation (30 June 2006)	16,842,232	-
Less accumulated depreciation	-	(977,714)
	16,842,232	14,914,195
Total Land and Buildings	18,000,000	16,014,195
Plant and equipment at cost	3,117,550	2,812,825
Less accumulated depreciation	(2,091,296)	(1,561,371)
Total Plant and Equipment	1,026,254	1,251,454
Total Property, Plant and Equipment	19,026,254	17,265,649

a. Movements in Carrying Amounts 2006

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	14,914,195	1,251,454	17,265,649
Additions	-	129,475	726,249	855,724
(Disposals)	-	(19,515)	(421,524)	(441,039)
Increment on revaluation	57,768	440,777	-	498,545
Depreciation (expense)/write-back	-	1,377,300	(529,925)	847,375
Carrying amount at the end of year	1,157,768	16,842,232	1,026,254	19,026,254

b. Movement in Carrying Amount 2005

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the 2005 financial year

	Freehold Land \$	Buildings \$	Plant and Equipment \$	Total \$
Balance at the beginning of year	1,100,000	15,292,612	1,627,037	18,019,649
Additions	-	18,650	432,647	451,297
(Disposals)	-	-	(57,665)	(57,665)
Depreciation (expense)	-	(397,067)	(750,565)	(1,147,632)
Carrying amount at the end of year	1,100,000	14,914,195	1,251,454	17,265,649

NOTE 10: PAYABLES

	2006 \$	2005 \$
Current		
Trade creditors	946,137	824,060
Sundry creditors	2,024,644	2,248,338
Carnet deposits held in trust	664,482	649,166
Total Payables	3,635,263	3,721,564

NOTE 11: PROVISIONS

Employee benefits include office bearer and non-bearer entitlements within the provision for annual and long service leave.

	2006	2005
Current		
Annual Leave	650,905	661,118
Long Service Leave	203,699	268,166
	854,604	929,284
Non-Current		
Long Service Leave	324,719	311,144
Staff Scholarship	64,789	64,789
	389,508	375,933
a. Aggregate employee entitlement liability	1,179,322	1,240,428
b. Number of employees at year end	194	171
c. Provisions		
Carrying amount at beginning of period	1,305,217	1,060,310
Additional provisions recognised during the period	736,097	962,171
Payments of provisions during the period	797,202	717,264
Carrying amount at reporting date	1,244,112	1,305,217

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (cont.)

NOTE 12: RESERVES AND RETAINED PROFITS

	2006	2005
	\$	\$
a. Reserves		
Asset revaluation reserve	2,275,433	-
Movements		
Balance at 1 July	-	-
Revaluation as at 30 June	2,275,433	-
Balance at 30 June	2,275,433	-
b. Retained profits		
Retained profits at the beginning of the financial year	49,965,445	46,471,949
Net profit attributable to members of VECCI	5,023,908	3,493,496
Retained profits at the end of the financial year	54,989,353	49,965,445

c. Nature and purpose of reserves - Property, plant and equipment revaluation reserve

The property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

NOTE 13: CAPITAL AND LEASING COMMITMENTS

	2006	2005
	\$	\$
a. Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable		
— not later than 1 year	1,071,523	993,940
— later than 1 year but not later than 5 years	1,007,671	415,399
	2,079,194	1,409,339

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.

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	651,162	701,338
— later than 1 year but not later than 5 years	2,145,913	764,880
	2,797,075	1,466,218

NOTE 14: 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.

2006

During the financial year VECCI paid \$11,404 to Australian National Couriers in respect of services rendered for courier services. Payments made throughout the financial period were made on an arms length commercial basis. Pat Leggett is the Managing Director of Australian National Couriers and serves on the VECCI Board of Directors and is a member of the Executive Council.

During the financial year VECCI paid \$169,003 to OAMPS Insurance in respect of services rendered for Insurance Brokerage Services and 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 is a member of the Executive Council.

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 serves on VECCI's Board of Directors and is a member of the Executive Council.

During the financial year VECCI paid \$154,327 to OAMPS Insurance in respect of services rendered for 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (cont.)

NOTE 15: CASH FLOW INFORMATION

	2006 \$	2005 \$
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	1,897,006	2,132,202
b. Reconciliation of Cash Flow from Operations with Profit from Ordinary Activities after Income Tax		
Profit from ordinary activities after income tax	5,023,908	3,493,496
Non-cash flows in profit from ordinary activities:		
— Depreciation	1,319,175	1,320,965
— Net loss on disposal of plant and equipment	67,561	57,195
Changes in assets and liabilities, net of the effects of purchase and disposals of subsidiaries		
Decrease/(Increase) in receivables and prepayments	(79,862)	(171,836)
(Decrease)/Increase in payables	(222,550)	1,108,939
(Decrease)/Increase in provisions	(61,105)	244,907
Cash flows from operations	6,047,127	6,053,638

NOTE 16: FINANCIAL INSTRUMENTS

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate		Non-Interest Bearing		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	%	%	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets										
Cash	3.23	3.28	-	-	1,897,006	2,132,202	-	-	1,897,006	2,132,202
Bank Deposits	5.77	5.50	-	-	3,046,119	2,398,951	-	-	3,046,119	2,398,951
Other financial assets – investments		7.11	4,854,810	4,810,833	-	-	30,524,707	26,141,813	35,379,517	30,952,646
Receivables			-	-	-	-	2,650,803	2,085,184	2,650,803	2,085,184
Total Financial Assets			4,854,810	4,810,833	4,943,125	4,531,153	33,175,510	28,226,997	42,973,445	37,568,983
Financial Liabilities										
Trade and other creditors			-	-	-	-	3,635,263	3,721,564	3,635,263	3,721,564
Total Financial Liabilities			-	-	-	-	3,635,263	3,721,564	3,635,263	3,721,564

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 is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates.

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 17: 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 18: ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS)

With the introduction of Australian Equivalents to the International Financial Reporting Standards, there has been no adjustment required to the Net Profit for the comparative year ended 30 June 2005 or the Total Equity at that date, reported under Australian Generally Accepted Accounting Principles (GAAP).

BOARD OF DIRECTORS STATEMENT

On 04 October 2006 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 2006.

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 income statement, balance sheet 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: 4 October 2006

Name: Richard Holyman
Title of Office held: President

Signature: 
Date: 4 October 2006

RSM Bird Cameron Partners

Chartered Accountants

Level 8 Rialto South Tower
525 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West Melbourne VIC 8007
T +61 3 9286 1800 F +61 3 9286 1999
www.rsmi.com.au

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 2006 as set out on pages 5 to 19. 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 2006 and the results of its operations and its cash flows for the year then ended; and
- (b) complying with Australian Accounting Standards.



RSM BIRD CAMERON PARTNERS

Chartered Accountants



K C WOOD
Partner

5 October 2006
Melbourne

Liability limited by a
scheme approved under
Professional Standards
Legislation

Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
ABN 36 965 185 036

RSM Bird Cameron Partners is an
independent member firm of RSM
International, an affiliation of independent
accounting and consulting firms.

