



Australian Government
Australian Industrial Registry

Level 35, Nauru House
80 Collins Street, Melbourne, VIC 3000
GPO Box 1994S, Melbourne, VIC 3001
Telephone: (03) 8661 7777
Fax: (03) 9654 6672

Mr Neil Coulson
Chief Executive Officer
Victorian Employers' Chamber of Commerce and Industry
GPO Box 4352QQ
MELBOURNE VIC 3001

Dear Mr Coulson,

**Re: Schedule 1B of the Workplace Relations Act 1996 (the RAO Schedule)
Financial reports for year ended 30 June 2004 - FR2004/326**

I have received the financial report of your organisation for year ended 30 June 2004. The documents were lodged in the Industrial Registry on 15 December 2004.

The documents have been filed.

Although the documents have been filed, I would like to comment on some issues arising out of the report. I make these comments to assist you when you next prepare financial reports and you do not need to take any further action in respect of the financial reports already lodged.

1. Secretary's Certificate (Designated Officer's Certificate)

Your Secretary's certificate (found at item 6 of your correspondence headed 'Regulation 126 Statement') does not indicate whether the lodged financial statements are copies of the documents that were also provided to the members before presentation to the AGM, as required by s265 of the RAO Schedule. As you would be aware, copies of the financial statements must be provided to the members, if presented to a general meeting, at least 21 days prior to the meeting.

2. Operating report

It would appear that a simple typographical error was made in the Operating Report under 'Manner of Resignation'. The figure '23' weeks should read '2' weeks at paragraph (b)(ii).

3. General Purpose Financial Report

The General Purpose Financial Report (GPFR) should contain a notice drawing attention to provisions of the RAO Schedule that prescribed information is available to members on request and which sets out, word for word, subsections 272(1), (2) and (3). Would you please ensure those subsections are included in the GPFR in the next financial report.

A statement of donations made by the organisation for the financial year ending 30 June 2004 accompanied the above financial report. The content of the statement has been noted and has been placed on a Registry file that is not available to the general public.

Please do not hesitate to contact me on (03) 8661 7817 if you wish to discuss this letter.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'R. Pfeiffer', written in a cursive style.

Robert Pfeiffer
Statutory Services Branch

10 February 2005

cc Mr Shaun Strachan
Chief Operations Officer

Regulation 126

STATEMENT

I, Neil Coulson, Secretary of the Victorian Employers' Chamber of Commerce and Industry, hereby confirm that:

1. THAT I am the Chief Executive Officer of the Victorian Employers' Chamber of Commerce and Industry, an organisation of employers registered pursuant to the abovementioned Act.
2. THAT the attached hereto and marked "A" comprises the Office Bearers and Executive Council Members of the Organisation as at 30 November 2004.
3. That the attached hereto and marked "B" is a list of General Councillors of the Organisation as at 30 November 2004.
4. THAT the address of the office of the Organisation for 2004/2005 is 486 Albert Street, East Melbourne, Victoria, 3002 and attached hereto and marked "C" is a listing of all locations, including Head Office, Metropolitan and Regional offices as at 30 November 2004.
5. THAT the attached hereto and marked "D" is a list of donations exceeding \$1,000 made by the Victorian Employers' Chamber of Commerce and Industry for the year ending 30 June 2004.
6. That the attached hereto and marked "E" is a copy of the Financial Statements for the year ending 30 June 2004 and that such elements were presented to the Annual General Meeting of the Organisation held on 30 November 2004.
7. THAT a Register of Members has been kept and maintained during the year 2004.
8. THAT the alterations to the VECCI Rules were made in accordance with the Rules of the Victorian Employers' Chamber of Commerce and Industry.
9. THAT the following action was taken in accordance with those Rules to make the alterations:
 - a. The particulars set out in the Notice of Alteration to the Rules of the Victorian Employers' Chamber of Commerce and Industry (Attachment "F") are true and correct to the best of my knowledge and belief.
 - b. In accordance with a decision of the Executive Council and the provisions of Rule 41 of the Rules of the Victorian Employers' Chamber of Commerce and Industry a notice in writing of the proposed alterations was sent to all members of the organisation on the 5th November 2004.

A copy of that Notice is contained in Attachment "G".
 - c. At the Annual General Meeting of the Victorian Employers' Chamber of Commerce and Industry held on 30 November 2004 a resolution approving the proposed alterations was carried unanimously.

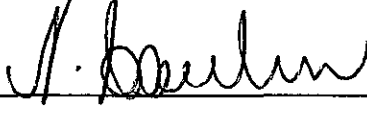
A copy of the resolution of the meeting is contained in Attachment "H".
10. THAT the attached hereto and marked "I" is an updated draft copy of VECCI's Rules requiring endorsement from the Registrar in light of the amendments as outlined in point 8 passed at the Annual General Meeting on 30 November 2004.

WORKPLACE RELATIONS ACT 1996
STATUTORY DECLARATION

DECLARED at 486 Albert Street, East Melbourne in the State of Victoria this
10th Day of December, 2004.

DECLARANT:

Name: NEIL COUWON

Signature: 

Title: CHIEF EXECUTIVE OFFICER.

BEFORE ME:

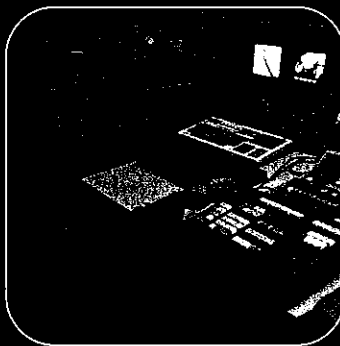
Name: 

Signature: 

Title: Chief Operating Officer - Veeva
(Member ASQA, TIA, ACCO).



2004 Annual Financial Report



2003-2004 Annual Financial Report

ABN: 37 650 959 904

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VECCI

Board Members



Richard Holyman
VECCI President



Neil Coulson
VECCI CEO



Kevin Brown
VECCI Vice President



Dorothy Jellett



Tristram Gray



Peter O'Brien
VECCI Past President



Jeremy Johnson



Pat Leggett



Tony Robinson

President's Report - 'A Year of Doing Business'



VECCI has sharpened its operational focus over the past 12 months to provide an even higher level and quality of service to members.

There has been a growing recognition that our operational performance needs to be improved given our commitment to rebuilding operational profitability and the capital base of the organisation.

This year (2004/05) we are forecasting an operational profit and, at this point, are on target to achieving this.

The importance of this result is not so much due to the financial imperative but rather to ensure that what we are doing as an organisation is highly valued by our members and clients.

In these ever-changing times, Management, Board and Council face a tough challenge to stay ahead of what our members needs and expectations are.

This is especially so given the diversity of industries and business sizes that we represent.

The good news is that we are well on the way to achieving our objectives.

In concrete terms, this year has produced:

- The highest level of member participation at events, briefings and training in VECCI's 153-year history.
- Significant internal restructuring to ensure that our staff can work more closely with members and be accountable for delivering the organisation's goals.
- Membership improvements, including a decline in resignations and growth in new corporate membership.
- We have listened to you and worked hard to improve customer satisfaction by:
 - Internally understanding the concept of value.
 - Building links with specific industry groups seeking a strong presence at the State and Federal level.
 - Clearly segmenting our membership and the different needs they have.
 - Increasing contact with a greater range of key staff within our customers' businesses.
- Ensuring the interests of the Victorian business community in Federal policy matters are effectively represented through our influential and significant membership of the Australian Chamber of Commerce and Industry (ACCI).
- A successful shift to new headquarters in East Melbourne. In order to better serve the needs of business, we have committed to staying centrally located in the Melbourne CBD for the long-term. From October 2003, we have been located at our new building at 486 Albert Street, East Melbourne, which "watches over" Parliament House across the road. This will better assist us in representing your interests to Government.
- Advocacy. As we enter our 153rd year, we have never been stronger as an organisation. VECCI has cemented itself as Victoria's leading employer group, listened to and respected by Governments of all political persuasions. We have made our presence felt on issues as diverse as channel deepening in Port Phillip Bay, occupational health and safety reform, business taxation, environmental policy, skills development and Easter Sunday trading.

Suffice to say a great deal of credit for these achievements needs to be attributed to senior management and staff, as well as our especially dedicated Board, two-thirds of whom are new faces.

Over 2004/05, we will continue to reinforce the "business message" to Government and the wider community, particularly the importance of continued business investment in underpinning the health of the economy and wider community.

We can only do so, however, with your continued support, which we look forward to receiving over 2004/05.

A handwritten signature in black ink, appearing to read 'Richard Holyman'. The signature is stylized and written in a cursive script.

Richard Holyman
President

CEO's Message



Despite strong economic growth, 2003/04 was nevertheless a challenging year for business.

A number of factors took their toll, including the aftermath of the drought, continued instability in Iraq and the Middle East, a higher Australian dollar, moderating housing market activity, rising oil prices and patchy global economic recovery.

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 have launched our new, user-friendly VECCI website that provides the real-time information busy members need, and have rolled out a number of new member newsletters that keep businesses up-to-date with the latest industry trends and developments in WorkCover, OHS and other business regulations.

To help you run your business smoothly, we have established a Pitcher Partners tax hotline exclusively for VECCI members and forged an alliance partnership with DFP Recruitment.

We have also created new 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.

Policy Highlights for 2003/04

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

- A 10 per cent cut in average WorkCover premiums.
- Land tax relief worth \$1 billion over five years.
- A commitment to build a new 5,000 seat plenary hall for Melbourne.
- Reforms to streamline planning and development approval processes.
- Commitment to fast track the channel deepening process and improve inter-modal infrastructure around the Port of Melbourne.
- Reforms to provide relief from the devastating impact on business costs of the sharp increases in public liability insurance.

Looking Ahead

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

Previous State Government restrictions on Easter Sunday Trading had a major negative impact on the retail, tourism and hospitality sectors. Following our strong lobbying, the Government modified its bans on Easter Sunday trading. Although bakeries, hardware and other stores are now allowed to trade on Easter Sunday, more reform is needed to allow major supermarkets and department stores to trade as per normal.

We have been successful in moderating the impact of the extension by common rule application of Federal award coverage across Victoria, which will take 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.

We remain concerned that the recommendations of the 'Maxwell' Review of the regulatory framework of occupational health and safety in Victoria could lead to a 'blame culture' in Victorian workplaces, rather than a shared approach to safety issues on the part of employers and employees. To this end we will continue to be actively involved in ongoing high-level talks with policy-makers on the Government's proposed response to the Report.

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.

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.

We will be seeking your active support on these and other VECCI priorities throughout 2004/05.

In closing I would like to thank our President, Board, Executive Council and Staff for their valuable respective roles in contributing to VECCI's success in 2003/04.

Neil Coulson
Chief Executive Officer

Operating Report

MEMBERS OF COMMITTEE OF MANAGEMENT

The Members of the Committee of Management ("Board of Directors") comprise nine elected representatives of the Executive Council of The 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 2004 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 Kevin Brown (Vice President), appointed 27.5.03
 Mr Tristram Gray (Committee Member/Director), appointed 25.11.03
 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
 Mr Peter O'Brien (Immediate Past President), appointed 16.12.99, resigned as President 25.11.03
 Mr Peter McMullin (Committee Member/Director), appointed 4.9.01, resigned 9.7.04
 Mr John Strang (Committee Member/Director), appointed 27.11.01, resigned 26.8.03
 Mr Neil Coulson (Chief Executive Officer), appointed 11.8.01

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	19	17
Mr Kevin Brown	19	18
Mr Tristram Gray	12	7
Mr Jeremy Johnson	19	15
Mr Tony Robinson	17	15
Ms Dorothy Jellett	19	17
Mr Peter O'Brien	19	13
Mr Neil Coulson	19	19

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 Loss for the year ended 30 June 2004 of \$543,056 (2003: loss \$1,000,161)
 Net Assets at 30 June 2004 totalled \$46,471,949 (2003: Net Assets \$47,015,005)

MEMBERSHIP OF VECCI

As at 30 June 2004 VECCI had 4,263 voting members and 2,414 other contributors, totalling 6,677.

Operating Report

EMPLOYEES OF VECCI

As at 30 June 2004 the total number of employees was 158.

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;
- (ii) in any other case:
1. at the expiration of 23 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, provided 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.

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. The present default option provides employees with 39 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, 28 September 2004

Statement of Financial Performance

for the year ended 30 June 2004

	Note	2004 \$	2003 \$
Revenues from ordinary activities	2	20,070,738	20,099,149
Expenditure from ordinary activities			
Depreciation expenses	3a.	1,335,716	845,359
Advertising expense		209,277	327,847
Affiliation Fees		429,171	383,721
Business Fighting Fund		135,178	98,245
Consulting		613,339	532,215
Cost of disposal of property, plant and equipment		322,652	101,269
Catering		197,064	261,860
Donations		11,247	7,459
Federal & State Government Programs (excluding remuneration)		2,167,461	3,187,624
Occupancy		1,621,135	2,181,944
Other expenses from ordinary activities		1,877,056	1,875,566
Printing and Stationery		401,738	428,325
Telephone and facsimiles		176,273	251,266
Postage and freight		220,643	222,272
Remuneration -- employees		9,584,046	9,105,318
Remuneration -- office bearers	4a.	402,137	362,328
Superannuation		819,980	817,283
Travel		89,681	109,409
Total Expenditure		20,613,794	21,099,310
Profit/(Loss) from ordinary activities before income tax expense			
Income tax expense	3	(543,056)	(1,000,161)
Income tax expense relating to ordinary activities	1a.		
Profit/(Loss) from ordinary activities after income tax expense attributable to members of the Chamber		(543,056)	(1,000,161)
Total changes in equity other than those resulting from transactions with members and contributors	11	(543,056)	(1,000,161)

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 30 June 2004

	Note	2004 \$	2003 \$
CURRENT ASSETS			
Cash assets	5	1,376,923	402,750
Receivables	6	1,913,348	1,505,106
Other financial assets	7	6,506,338	-
TOTAL CURRENT ASSETS		9,796,609	1,907,856
NON-CURRENT ASSETS			
Other financial assets	7	21,997,698	29,997,417
Property, plant and equipment	8	18,350,577	18,216,976
TOTAL NON-CURRENT ASSETS		40,348,275	48,214,393
TOTAL ASSETS		50,144,884	50,122,249
CURRENT LIABILITIES			
Payables	9	2,612,625	1,694,888
Provisions	10	772,438	990,912
Other			101,801
TOTAL CURRENT LIABILITIES		3,385,063	2,787,601
NON-CURRENT LIABILITIES			
Provisions	10	287,872	319,643
TOTAL NON-CURRENT LIABILITIES		287,872	319,643
TOTAL LIABILITIES		3,672,935	3,107,244
NET ASSETS	11	46,471,949	47,015,005

The accompanying notes form part of these financial statements.

Statement of Cash Flows

for the year ended 30 June 2004

	Note	2004 \$	2003 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from members and others		17,981,602	17,653,679
Payments to suppliers and employees		(17,939,582)	(20,355,701)
Interest received		1,231,568	1,686,296
Net cash (used in) operating activities	14b	1,273,588	(1,015,726)
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		23,490,979	18,167,959
Payments for investments		(21,997,597)	-
Proceeds from sale of property, plant and equipment		-	386,729
Payment for purchase of property, plant and equipment		(1,792,796)	(18,214,099)
Net cash (used in)/provided by investing activities		(299,414)	340,589
Net increase/(decrease) in cash held		974,173	(675,137)
Cash at beginning of the financial year		402,750	1,077,887
Cash at end of the financial year	14a	1,376,923	402,750

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2004

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 VECCL as an individual entity. VECCL 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, except where stated, current valuations of non-current assets. 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, VECCL 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, where applicable, any accumulated depreciation.

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 VECCL'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 VECCL 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 VECCL 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 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.

Notes to the Financial Statements

for the year ended 30 June 2004

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 after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits 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 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.

k. Adoption of Australian Equivalents to International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

VECCI's management is currently assessing the significance of these changes and preparing for their implementation. The Directors are of the opinion that the key difference in the Association's accounting policy which will arise from the adoption of IFRS are:

Investment Property

Currently VECCI carries its property at 486 Albert Street within fixed assets and is depreciating the building over 50 years. Under the AASB 140 'Investment Property', VECCI will be obliged to split the fixed asset between an investment property and fixed assets. The investment property is then either held at cost and depreciated or held at fair value.

Non Current Investments

Under AASB 139 'Financial Instruments, Recognition and Measurement', financial instruments have to be classified as either a financial asset at fair value or as financial assets available for sale. Depending on the classification, unrealised gains or losses are either recognised in income or directly in retained earnings.

Currently, VECCI's accounting policy states that unrealised gains are recognised as income or expenditure.

Notes to the Financial Statements

for the year ended 30 June 2004

NOTE 2 REVENUE

	2004 \$	2003 \$
Operating activities		
Membership and Contributors		
Subscriptions		
Membership and Contributors	3,785,896	3,364,066
Other Contributors	2,018,442	2,018,899
	5,804,338	5,382,965
Other Non Subscription Income		
Business Fighting Fund	135,178	98,245
Non Subscription Income	781,790	367,877
	6,721,306	5,849,087
Federal and State Government Program	7,223,446	6,533,584
Professional Services	3,217,558	4,131,921
Investment Income		
Net Gain/(Loss) on Managed Investments	347,455	(260,670)
Interest Income	1,231,568	1,620,785
	1,579,023	1,360,115
Property Income	1,329,404	1,686,296
Other Income	-	151,417
Non Operating Activities		
Proceeds on disposal of building	-	386,729
	20,070,738	20,099,149

NOTE 3 LOSS FROM ORDINARY ACTIVITIES

	2004 \$	2003 \$
Loss from ordinary activities before income tax expense has been determined after:		
a. Expenses		
Depreciation of property, plant and equipment	1,335,716	845,359
Bad and doubtful debts	177,000	100,000
Legal expenses	42,206	55,915
Remuneration of auditor		
— audit	49,500	45,000
— other services	40,150	25,062
b. Revenue and Net Gains		
Net loss on disposal of plant and equipment	322,652	-
Net loss on disposal of investments	-	260,670
c. Significant Revenue and Expenses		
The following revenue and expense items are relevant in explaining the financial performance		
Restructure Costs	624,868	-
Profit on Sale of Building	-	285,460
Provision for onerous contracts	-	(173,981)

Notes to the Financial Statements

for the year ended 30 June 2004

NOTE 4	2004	2003
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	402,137	362,328
Number of Directors whose income was within the following bands:	No	No
\$0 – 9,999	2	2
\$10,000 – 19,999	5	6
\$20,000 – 29,999	1	1
\$250,000 – 259,999	-	1
\$300,000 – 309,999	1	-
The names of Directors who have held office during the financial year: 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 Mr Jeremy Johnson (Committee Member/Director), appointed 30.7.02 Mr Tony Robinson (Committee Member/Director), appointed 26.8.03 Ms Dorothy Jeller (Committee Member/Director) appointed 28.3.00 Mr Peter O'Brien (Immediate Past President), appointed 16.12.99, resigned as President 25.11.03 Mr Peter McMullin (Committee Member/Director), appointed 4.9.01, resigned 9.7.04 Mr John Strang (Committee Member/Director), appointed 27.11.01, resigned 26.8.03 Mr Neil Coulson (Chief Executive Officer), appointed 11.8.01		
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	37,759	29,125
NOTE 5		
CASH ASSETS		
	2004	2003
	\$	\$
Cash at bank	1,375,023	400,250
Cash on hand	1,900	2,500
	<u>1,376,923</u>	<u>402,750</u>
Cash at bank includes \$736,542 (2003 \$177,190) of Carnet deposits held in trust.		
NOTE 6		
RECEIVABLES		
Trade debtors	1,984,947	1,262,857
Less: Provision for doubtful debts	(177,063)	(100,000)
	<u>1,807,884</u>	<u>1,162,857</u>
Other debtors	105,464	342,249
Total Receivables	<u>1,913,348</u>	<u>1,505,106</u>
NOTE 7		
OTHER FINANCIAL ASSETS		
CURRENT		
Short-term deposits	6,506,338	
Non-Current		
Shares in wholly owned subsidiary company (non-operating) at cost	100	100
Shares in listed corporations — at cost	1,514,817	-
Non-listed marketable securities	2,900,000	-
Managed Investments	17,582,781	-
Term Deposits	-	29,997,317
	<u>21,997,698</u>	<u>29,997,417</u>
Total Investments	<u>28,504,036</u>	<u>29,997,417</u>
Market value of shares in listed corporations	<u>1,531,096</u>	

Notes to the Financial Statements

for the year ended 30 June 2004

NOTE 8

PROPERTY, PLANT AND EQUIPMENT

	2004	2003
	\$	\$
Land and Buildings		
Freehold land at cost	1,100,000	1,100,000
	<u>1,100,000</u>	<u>1,100,000</u>
Buildings at cost	15,873,259	15,077,113
Less accumulated depreciation	(580,647)	(197,091)
	<u>15,292,612</u>	<u>14,880,022</u>
Total Land and Buildings	<u>16,392,612</u>	<u>15,980,022</u>
Plant and equipment at cost	3,438,239	3,211,837
Less accumulated depreciation	(1,480,274)	(974,883)
Total Plant and Equipment	<u>1,957,965</u>	<u>2,236,954</u>
Total Property, Plant and Equipment	<u>18,350,577</u>	<u>18,216,976</u>

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	14,880,022	2,236,954	18,216,976
Additions	-	820,824	971,145	1,791,969
Disposals	-	(14,964)	(305,688)	(322,652)
Depreciation expense	-	(391,384)	(944,332)	(1,335,716)
Carrying amount at the end of year	<u>1,100,000</u>	<u>15,292,498</u>	<u>1,958,079</u>	<u>18,350,577</u>

NOTE 9

PAYABLES

	2004	2003
	\$	\$
CURRENT		
Trade creditors	482,799	41,367
Sundry creditors	1,393,284	1,476,331
Current deposits held in trust	736,542	177,190
Total	<u>2,612,625</u>	<u>1,694,888</u>

NOTE 10

PROVISIONS

	2004	2003
CURRENT		
Employee benefits		
Annual Leave	610,663	578,356
Long Service Leave	161,775	180,559
Provision for onerous contract	-	173,981
Strategic Development Program	-	58,016
	<u>772,438</u>	<u>990,912</u>
NON-CURRENT		
Long Service Leave	207,574	239,345
Staff Scholarship	80,298	80,298
	<u>287,872</u>	<u>319,643</u>
a. Aggregate employee entitlement liability (includes office and non-office bearers)	<u>980,012</u>	<u>998,260</u>
b. Number of employees at year end	158	149
c. Provisions		
Carrying amount at beginning of period	1,310,555	1,359,071
Additional provisions recognised during the period	743,894	650,896
Payments of provisions during the period	(994,139)	(699,412)
Carrying amount at reporting date	<u>1,060,310</u>	<u>1,310,555</u>

Notes to the Financial Statements

for the year ended 30 June 2004

NOTE 11 RETAINED PROFITS

	2004	2003
	\$	\$
Retained surplus at the beginning of the financial year	47,015,005	48,015,166
Net (loss) attributable to members of VECCI	(543,056)	(1,000,161)
Retained surplus at the end of the financial year	<u>46,471,949</u>	<u>47,015,005</u>

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	701,120	967,847
— later than 1 year but not later than 5 years	1,053,777	760,121
	<u>1,754,897</u>	<u>1,727,968</u>

Leases consist of:

The leases are 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. The leases are for office equipment with a 4 year term, with rental payable monthly in advance.

b. Operating Lease Receivables

Leasing Arrangements

Approximately 39% 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 recognised in the financial statements are receivable as follows:

— not later than 1 year	885,712	885,712
— later than 1 year but not later than 5 years	417,495	1,303,207
	<u>1,303,207</u>	<u>2,188,919</u>

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.

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 arm's length commercial basis. Dorothy Jellett was the Managing Director of DFP Recruitment during the year and serves on VECCI's Board of Directors and is a member of the Executive Council.

2003

During the financial year, VECCI paid \$44,898 to DFP Recruitment in respect of services rendered for temporary and permanent staff recruitment. Dorothy Jellett was the Managing Director of DFP Recruitment and also serves on VECCI's Board of Directors and is a member of the Executive Council. During the financial year VECCI paid \$10,009 to Oceanis Australia Pty Ltd in respect of functions held at its premises. Peter O'Brien is the Managing Director of Oceanis Australia Pty Ltd and serves on VECCI's Board of Directors as the Immediate Past President and is also a member of the Executive Council. VECCI paid \$2,420 for consultancy services from Home Wilkinson Lowry. Peter McMullin was a Consultant of Home Wilkinson Lowry and previously 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.

Notes to the Financial Statements

for the year ended 30 June 2004

NOTE 14

CASH FLOW INFORMATION

	2004 \$	2003 \$
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	1,376,923	402,750
	<u>1,376,923</u>	<u>402,750</u>
b. Reconciliation of Cash Flow from Operations with Loss from Ordinary Activities after Income Tax		
Loss from ordinary activities after income tax	(543,056)	(1,000,161)
Non-cash flows in profit from ordinary activities:		
— Depreciation	1,335,716	845,358
— Net loss/(gain) on disposal of plant and equipment	322,652	(285,460)
— Net loss on managed investments		260,670
Changes in assets and liabilities, net of the effects of purchase and disposals of subsidiaries		
Decrease/(increase) in receivables and prepayments	(408,242)	(317,298)
(Decrease)/Increase in payables	816,763	(470,319)
(Decrease)/Increase in provisions	(250,245)	(48,516)
Cash flows from operations	<u>1,273,588</u>	<u>(1,015,726)</u>

NOTE 15

FINANCIAL INSTRUMENTS

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate		Non-Interest Bearing		Total	
	2004 %	2003 %	2004 \$	2003 \$	2004 \$	2003 \$	2004 \$	2003 \$	2004 \$	2003 \$
Financial Assets										
Cash	3.05	3.58			1,375,023	400,250			1,375,023	400,250
Commercial Bills	-	4.65				513,030			-	513,030
Bank Deposits	5.25	4.87			6,506,338	29,484,287			6,506,338	29,484,287
Other financial assets -- investments	6.75		4,414,817				17,582,781		21,997,598	
Receivables							1,913,348	1,505,106	1,913,348	1,505,106
Total Financial Assets			4,414,817		7,881,361	30,397,567	19,496,129	1,505,106	31,792,307	31,902,673
Financial Liabilities										
Trade and other creditors							2,612,625	1,694,888		
Total Financial Liabilities							2,612,625	1,694,888		

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

Notes to the Financial Statements

for the year ended 30 June 2004

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 employer association.

Board of Director's Statement

On 28 September 2004, the Board of Directors of VECCI passed the following resolution in relation to the general purpose financial report of the reporting unit for the financial year ended 30 June 2004.

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. The information sought in any request of a member of the reporting unit or a Registrar duly made under section 272 of the RAO Schedule has been furnished to the member or Registrar; and
 - v. There has been compliance with any order for inspection of financial records made by the Commission under section 273 of the RAO Schedule.

For Board of Directors:

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



Signature:
Date: 28 September 2004

Name: Richard Holyman
Title of Office held: President



Signature:
Date: 28 September 2004

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 2004 as set out on pages 4 to 15. 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 2004 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 2004
Melbourne