



VCAMM Limited

Annual Report 2010



ACCELERATING INNOVATION

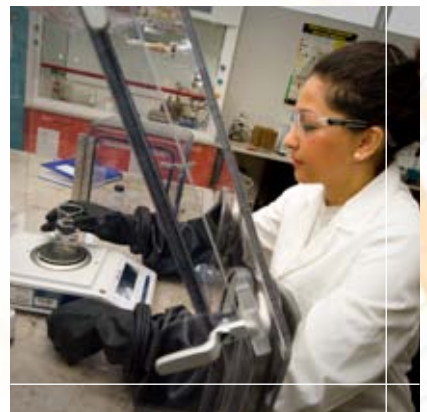




# CONTENTS



- 1. VISION / MISSION / PRIMARY OBJECTIVES ..... 4
- 2. CONSORTIUM MEMBERS ..... 5
- 3. REGISTERED OFFICE ..... 5
- 4. LAWYERS ..... 5
- 5. ACCOUNTANTS ..... 5
- 6. AUDITORS ..... 5
- 7. EXECUTIVE COMMENT ..... 6
- 8. WHO IS VCAMM? ..... 8
- 9. VCAMM SERVICES & OPPORTUNITIES ..... 10
- 10. COMPANY & CONSORTIUM STRUCTURE ..... 12
- 11. CORPORATE GOVERNANCE ..... 14
- 12. MANAGEMENT ..... 15
- 13. VCAMM RESEARCH NETWORK ..... 17
- 14. RESEARCH PROGRAMS ..... 18
- 15. FINANCIAL REPORT ..... 28



## VISION / MISSION / PRIMARY OBJECTIVES



**O**ur **vision** is to be: the leading agency in enabling the advancement of Australia's high technology manufacturing in particular the Automotive, Aerospace, Biomedical, Defence, Energy and Environmental and the Tooling and Equipment sectors.

Our **mission** is to enhance the ability of Australian manufacturing to create and leverage unique, advanced and high-value processes and products through which it can advance its competitive position within global markets.

VCAMM Limited trading as The Victorian Centre for Advanced Materials Manufacturing (VCAMM) was founded on the premise that the future of manufacturing lies in the ability to generate advanced, high value products and processes. Our purpose is to ensure that Australian industry remains innovative, competitive and flexible. We achieve this by helping industry take full advantage of the extensive capabilities of the research community. In doing so, we accelerate innovation in industry.

Our primary objectives are to:

- Enhance the relevance and competitiveness of the Australian Manufacturing Industry by helping it to be more inventive, innovative, entrepreneurial and responsive
- Connect Australian manufacturers to both resources and opportunities to enable them to take their ideas and inventions to new markets

VCAMM is supported by some of Australia's leading research organisations working together to form an integrated network engaged in focused research, education and technology commercialisation. Think of VCAMM as a gateway to the wealth of talent, experience, expertise and support for the disciplined advancement of manufacturing technologies.

VCAMM's positioning statement defines its role for the Industry:

"VCAMM is the leading agency in enabling the advancement of Australia's knowledge based value adding advanced manufacturing industry".

VCAMM provides leadership in materials and manufacturing process related research and development as well as supporting the training and education of the next generation of technical and professional staff. VCAMM connects Industry, the Science and Technology community, the Government, both State and Federal, and a range of representative associations and bodies and is a catalyst for the necessary activity that will enable Australian manufacturing enterprises to succeed in the global marketplace.

The Victorian Centre for Advanced Materials Manufacturing (VCAMM) offers a one-stop-shop interface, which allows industry to maximise the potential for knowledge and technology transfer from and to the research community.

*“ VCAMM is the leading agency in enabling the advancement of Australia's knowledge based value adding advanced manufacturing industry ”*



## **CONSORTIUM MEMBERS**

- CSIRO
- Deakin University (Deakin)
- La Trobe University (La Trobe)
- Monash University (Monash)
- Swinburne University of Technology (Swinburne)

## **REGISTERED OFFICE**

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## **LAWYERS**

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Victorian Auditor General's Office  
Level 24, 35 Collins Street  
Melbourne Vic 3000  
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From outer space, the earth is an insignificant sphere that would be unremarkable to all but the people who inhabit it. Most people describe this image in sobering terms, cognizant of how small we humans are in the greater scheme of things.

We say 'most', because VCAMM has a very different view.

From our vantage point it is not the view of earth that matters, but the view from it.

The future of science and technology is no longer limited by physical borders, or even metaphysical ones. As long as we dream and aspire, we will achieve. Australians understand this better than most.

In earlier generations, a scientist working in Australia was largely restricted from the major centres of excellence by three things: distance, the cost associated with travel, and a lack of self-belief.

We were considered too small and isolated to have any real impact on global developments in science and technology. Australians did travel, and indeed did make a difference, but it wasn't our default position.

This changed when governments found the will, and the finance, to stake our claim as a nation dedicated to technological advancement. In those nascent years they wanted Australians to embrace the best the world had to offer and to bring their new-found knowledge and enthusiasm back to our institutes of higher learning, and to industry.

Unfortunately, while there was an appetite for learning and adventure, the critical mass for scientific achievement and recognition was elsewhere, predominantly in the laboratories, research centres and commercial environments of Europe and the United States.



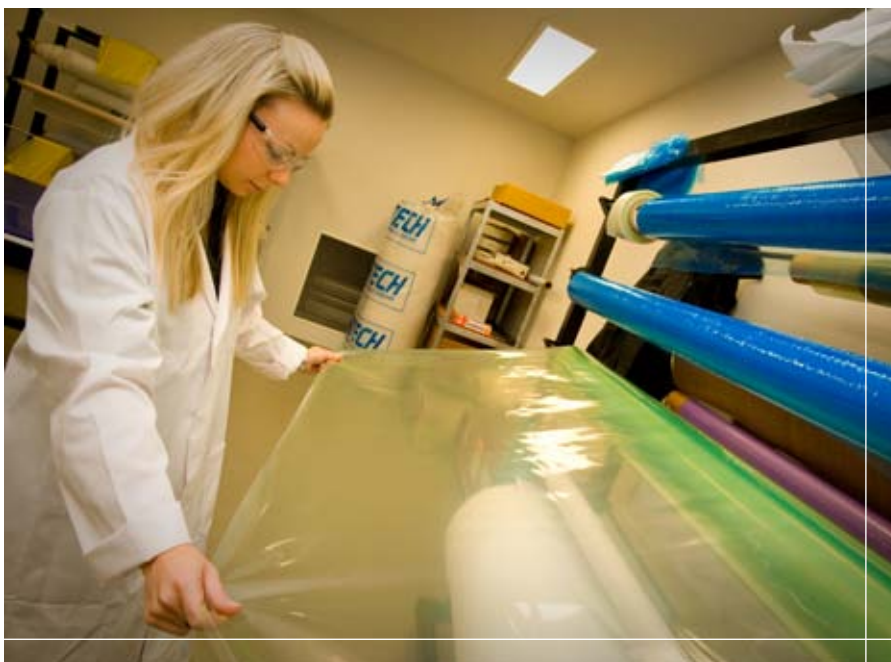
While scientists looked beyond our shores, so too did emerging inventors and small to medium enterprises. They were buoyed by the new found interest, but realised that funding – and the mindset to encourage it – was hard to acquire in Australia.

All of that changed with the arrival of VCAMM in 2002.

Our not-for-profit organisation was created on a simple premise: that the great advances in science, engineering and technology are as capable in Victoria as they are anywhere else in the world.

Today, not only have we matured as an organisation, delivering on our promise to the benefit of the Australian community, but we have helped to build Australia's profile internationally through important and lasting partnerships with some of the world's great universities and research institutions, and commercial enterprises.

VCAMM may not be a household word – in fact, it will never be – but it is spoken of with respect in the places that matter: in our parliaments, in our boardrooms, among our research partners and other key stakeholders, and most importantly, by the innovators and businesspeople whose ideas, commitment, and sheer hard work may never have been recognised without the support of VCAMM.





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*Just as energy is the basis of life itself and ideas the source of innovation, so is innovation the vital spark of all human change, improvement and progress*

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**Ted Levitt** – Harvard Business Review

The business model that informed VCAMM changed as success and increasing demands from the marketplace inspired a new paradigm.

Initially, VCAMM was created to secure funding and manage research infrastructure acquisitions for its consortium partners. It was evident early on that the organisation was capable of a more sophisticated market approach; subsequently it began to procure and manage demonstration technology commercialisation projects, establish cooperative research centres, and provide 'portal' access to research capabilities through Advanced Manufacturing Cooperative Research Centre (AMCRC) funding support.

The practical expression of this evolutionary process is vested in the clients who have, and continue to enjoy, the benefits of association.

There are many Australian companies who are now actively participating in world markets thanks to VCAMM and its consortium partners. The breadth of technology and its application is growing exponentially each year, buoyed by the success of earlier generations of VCAMM's clients.

Today, Australian SMEs (along with much larger commercial concerns) have become key players in a revolution that has seen the world's attention focus squarely on Australia as a technology centre of excellence, and an innovator of first resort.

A good example is a decision by VCAMM, Deakin University to partner in establishing the world's first pilot scale research plant capable of producing industrially relevant quantities of Carbon Fibre. Funding of \$10M has been secured from the Victorian Government's VSA Strategic Fund to support this combined vision

The decision was not taken lightly. After all, the experience with Carbon Fibre in the UK, Europe and the United States showed that even with the best of intentions, securing the ability to produce "the defining material for 21st century manufacturing" was hardly a given from a commercial point of view.

Taking considered risks can only happen in an environment where government and industry are willing participants with agencies like VCAMM and its consortium partners. It's about a shared conviction in Australian enterprise and initiative.

**"When we at VCAMM have a fundamental belief in an idea or a process, we consider it our mandate to engage with our key stakeholders and industry partners to test the limits in a responsible way and I hope that it will always be that way."**

Brad Dunstan  
Chief Executive Officer  
VCAMM Ltd

## WHO IS VCAMM?

VCAMM Ltd is a Not For Profit Company, Limited by Guarantee, working in partnership with stakeholders to enhance the ability of Australian high technology manufacturing SMEs to create and leverage unique, advanced and high-value processes, products and knowledge through which it can advance their competitive position and the Industry's place within global markets.

VCAMM is a Centre for Innovation in Advanced Materials and Manufacturing technology. VCAMM facilitates technology development and commercialisation for Australian manufacturing businesses and provides a valuable pathway to market for the consortium in its activities.



### The primary purposes of VCAMM are:

- To develop strategic research capability among Consortium members – building the case between institutions, industry and government for the establishment and enhancement of strategy research infrastructure in Victoria
- To facilitate the flow of industrial technology from laboratory to market – identifying and building business opportunities and partnerships with industry, brokering and managing resources for successful commercialisation programs
- To enable direct commercialisation of members IP – seeding and incubating spin-off companies

### The key activities to support this are complimentary:

- Strategic infrastructure – VCAMM staff envision, lobby and manage bids for the procurement of infrastructure that will lead to increased engagement with industry and commercialisation opportunities.
- Managing industry engagement – VCAMM staff 'sponsor' projects – matching technologies, R&D capability and commercial opportunities – then assemble project partners and resources, building business cases and managing program delivery for the partners.
- Incubation of new business ventures to commercialise technology – VCAMM undertakes assessment of proposals, provides/procures seed funding, business coaching/support, networking, facility management and advocacy to support the commercialisation process. New business ventures can be spin-off from R&D institutions or private initiatives (start-ups or corporate initiatives) utilising consortium institution's capabilities.
- VCAMM supports innovation in the field of new and advanced materials and manufacturing processes and works to deliver technology solutions to the Manufacturing Industry to enhance its performance.

### VCAMM encompasses:

- The combined research and technical capabilities of its Members – some of Australia's best materials research organisations working together to form an integrated network engaged in focused research and education,
- The industrial experience skills of its Staff – expertise in engineering, project management and technology commercialisation.
- The strategic infrastructure, provided by its Members and Industry partners, forming an integrated suite of platform technologies for fundamental and applied research.



VCAMM has to date, delivered technology solutions in the following areas: light metals processing and characterisation, the thermo-mechanical processing of all metals, carbon fibre materials and composites, new armour technologies, new water heat transfer technology, ballistic testing solutions, product performance, quality measurement and control; integrated physical and computer simulation and composites.

The VCAMM model provides an integrated approach to R&D management that links the research community into a single virtual facility. This model has been a major advance on the previous research models supporting Industry development in Victoria effectively bridging the gap between manufacturing Industry, the broad research community and Government support and funding mechanisms.

VCAMM provides, via a single interface, an opportunity for Industry to access and leverage, the skills and resources of its Members, including their staff, key infrastructure and world class expertise in disciplines such as engineering, physics, metallurgy, polymer science, chemistry, information technology and applied mathematics. VCAMM provides assistance to Industry where they may not have the time or staff to locate the “right” research providers and also helps research organisations by providing the knowledge and resources to effectively connect with Industry.

VCAMM deliver projects with its personnel managing and marketing its activities to provide value to the Manufacturing Industry by helping it identify, develop, demonstrate and commercialise new materials and manufacturing related technologies. VCAMM also helps its Members and Industry partners identify appropriate government funding mechanisms.

VCAMM provides leadership in materials and manufacturing related R&D liaising with Industry, the Science and Technology community, State and Federal Governments, and a range of representative associations and bodies. VCAMM is a catalyst for the necessary activity that will enable SMEs to participate in the global marketplace.

As such, VCAMM plays an important role in assisting the Manufacturing Industry in its strategic development and makes an important contribution to the competitiveness and sustainability of one of Australia's most important sectors and as a result has been a success, receiving broad Industry, Science and Technology Community and Government support, and successfully integrating new technologies into the landscape of domestic manufacturing – making its members and partners more globally competitive.





*Being positioned at the nexus of science, government, industry and the investment community, VCAMM is well placed to offer a range of services and opportunities to business.*

These include:

## **Management consulting – project and process**

VCAMM is capable of delivering 360° project management – from idea to business-relevant results. Typically, it will include:

- Working with organisations to identify desired outcomes and milestones
- Preparing a detailed scope for the project while assessing existing markets and applicable technologies
- Assisting in the development of an action plan – Ensuring the right research approach and personnel are selected
- Ensuring the project is managed to time and budget expectations

Constant monitoring of the project ensures the attainment of milestones while enabling the project to adjust to ongoing technological and market developments.

VCAMM's focus is to deliver results that meet expectations and remain meaningful to business and relevant to industry.



## **Research and development**

The VCAMM team has a strong history of managing broad range of research and development projects covering areas such as:

- Advanced materials handling
- Light metal applications
- Material characterisation
- Forming and processing technologies

Often, these projects have delivered world first technologies to the industry partners – with consequential downstream revenue benefits.

VCAMM's growing list of research partner institutions is made up of recognised centres-of-excellence in their own right. This expertise is delivered through VCAMM with an appropriate level of regard to the commercial and intellectual property aspects of research and development including:

- Commercialisation time frames and budgets
- The flexibility to combine teams from different institutions
- Flexibility and agility in service delivery
- The maintenance of a collaborative framework that accelerates ideas toward commercialisation

As a result of this unique approach, the VCAMM team has been instrumental in achieving world-first breakthroughs in a growing number of areas including:

- The development of polymer-ceramic, impact resistant materials
- The non-adhesive joining of carbon-fibre materials
- New manufacturing techniques for composite materials
- The development of new signal receiving materials



## World-class equipment and testing

Many world-class analytical, testing and simulation equipment facilities exist within the Australian advanced manufacturing, science and academic sectors.

Arranging and managing cost-effective access to the facilities is critical in accelerating development through critical phases on the way to commercialisation, including assistance with design, modelling, characterisation, testing and validation – from nano-scale upward.

## Team composition, skills networking and the facilitation of knowledge transfer

Through VCAMM, innovators can connect with appropriate scientific, industrial and investment communities, individuals and organisations with the required capital, skills, knowledge, capabilities and resources.

Each research provider in the disciplines of advanced materials and advanced manufacturing has particular strengths in specific areas. The subtle differences in personnel and expertise can have a far-reaching effect on the outcome of projects. Creating the right team is critical to success.

In addition, it is vital that the knowledge gained through the process of discovery is shared with the sponsoring organisation to ensure that it becomes an asset to that client.

## Guidance and assistance in accessing public funding

State and Federal funding and grant opportunities are critical for organisations faced with the sizeable development costs involved in product or process commercialisation.

A thorough appreciation of the complex area of public funding is one of the valuable services VCAMM can offer industry partners and clients.

VCAMM can assist in identifying and accessing public funding opportunities and in meeting grant application requirements.



## Access to finance: partnership formation and capital investment

In addition to accessing public funding, VCAMM's industry relationships and networks enable it to assist organisations in accessing other avenues of development funding. VCAMM's approach to sourcing partnerships and investment takes a number of forms – some highly entrepreneurial:

- Fee for service – a consultancy style, full commercial relationship that is completely scalable – that may see VCAMM acting as a simple referral service, or managing the full project through to commercialisation.
- Co-investor – in appropriate circumstances VCAMM engages in “at cost” consulting and is compensated through royalties or equity. In this way, risk is shared with our client and industry partners.
- Initiator – in the event that the intellectual property under consideration shows strong commercial potential, VCAMM is able to invest in the development of an innovation in its own right. VCAMM then re-invests any royalties it earns into other ventures and business partnerships.

All partnerships are treated as commercial-in-confidence. In addition, direct investments are configured to include an exit strategy to ensure financial structures are supported but not restrained.

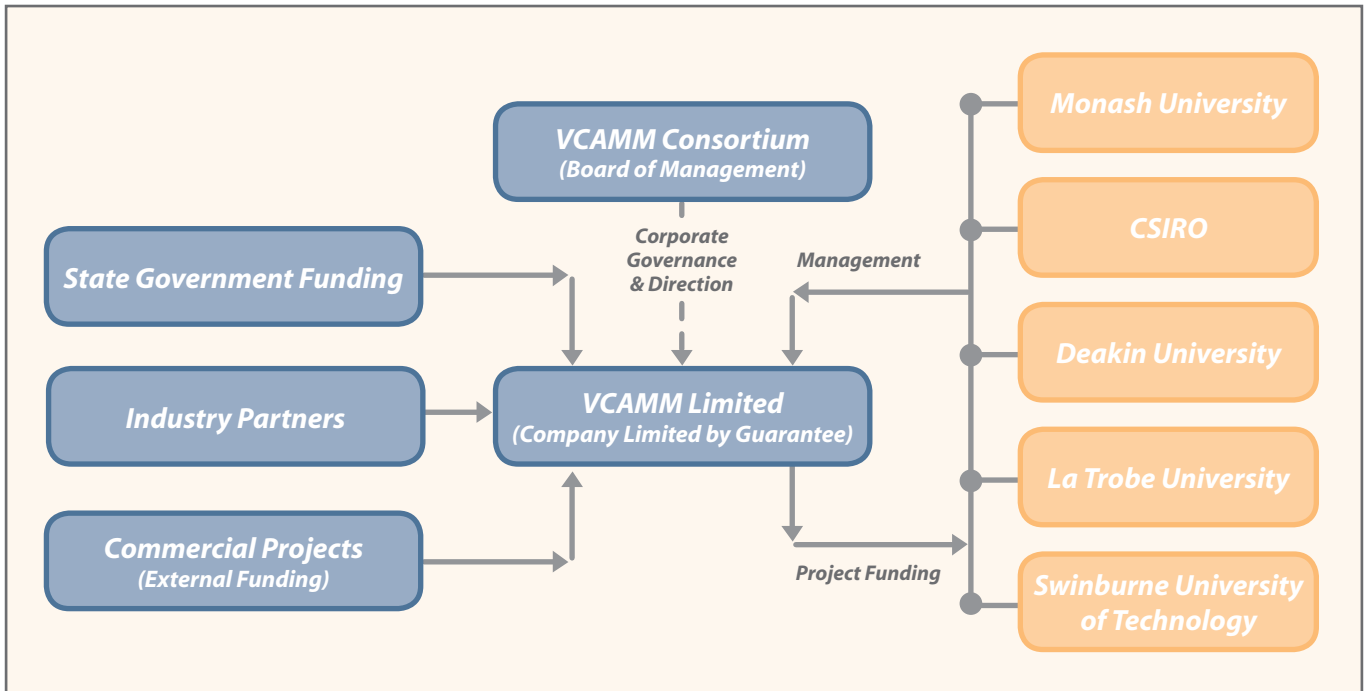
Alternatively, VCAMM can connect clients to potential, third-party investors. The strong relationships built with the venture capital community means VCAMM proposals attract the most serious and urgent consideration.

# COMPANY & CONSORTIUM STRUCTURE



VCAMM operates as an incorporated company limited by guarantee (VCAMM Limited) that manages day-to-day operations of the company and the research programs conducted between the consortium members. The consortium members are Monash University, CSIRO, Deakin University, La Trobe University and Swinburne University of Technology. The board of directors includes representatives of the consortium members representing the participants and also includes two independent board members.

*The flow chart below demonstrates the inflow of funds to the company. The Board of Management controls the company and membership fees flow from the Consortium members to the company for operational expenditures. The Board of Management determine the operational and strategic activities of the company which is delegated to the CEO.*



# COMPANY & CONSORTIUM STRUCTURE



## Board of Management



**DR COLIN ADAM**  
*Chairman and Independent Director*



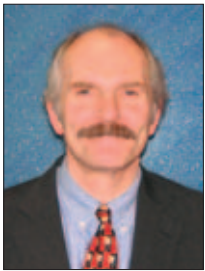
**DR STEVE MORTON**  
*Director  
CSIRO*



**DR GREG SMITH**  
*Independent Director*



**PROFESSOR ROD HILL**  
*Director  
Monash University*



**PROFESSOR JOHN BEYNON**  
*Director  
Swinburne University of Technology*



**PROFESSOR PAUL PIGRAM**  
*Representative  
La Trobe University*



**DR RUSSELL WALKER**  
*Director  
Deakin University*



**BARRIE FINNIN**  
*Alternate Director  
CSIRO*



## Operating Principles

VCAMM is serious about managing risk, intellectual property, finances and providing a comprehensive policy, planning and monitoring framework.

VCAMM's operating principles define the way the Company operates and provide direction and support for the Board and staff and are underpinned by a common set of core values. Our policies and practices will remain critical elements to the company as it continues on its path of joint ventures, partnerships, commissions, sales and royalties.

The imperative of sales, profitability and growth has not diminished the company's adherence to confidentiality, intellectual property protection, high standards of corporate governance, careful market and business risk analysis, and integrated management of the company.

VCAMM's operating principles are integral to our approach to business. They have been, and will continue to be, critical to our success.



## MANAGEMENT TEAM

### CHIEF EXECUTIVE OFFICER

The day-to-day activities of VCAMM Limited are under the control of a full time Chief Executive Officer (CEO), Mr Brad Dunstan, who is an employee of the company.

The CEO's duties include:

- Supervision of the research portfolio and all research projects,
- Preparation and submission of reports on technical progress and recommendations on commercialisation matters for Board consideration,
- Advising the Board on any requirement to change priorities and reallocate resources,
- Ensuring the confidentiality of all background and third party intellectual property, and the protection of intellectual property developed within the company,
- Supervising matters of employment and remuneration of research and administrative staff, and
- Managing the company's finances.

The General Manager, Mr David Owen is responsible for managing commercial research projects to ensure timely and effective and efficient conclusions.

The Commercial Manager, Ms Lisa Ratcliffe assists the CEO in the day to day management of the organisation and co-ordinates finance, administration and all research programs.

In addition VCAMM currently employs Program Managers, Mr James Sandlin, Mr Sam Davis, Mr Iain Ralph, a Technology Transfer Engineer Mr Russell Gallagher and Administrative personnel Miss Gillian Williams and Mr Rod Tattersall.

The management structure aims to achieve a number of goals, foremost of which are:

- Commitment and co-operation amongst all members
- Committed and motivated staff within the research teams
- Achievement of research milestones in a timely and efficient manner;
- Development of lasting relationships between research users and research providers; and effective capturing of the commercial and non commercial benefits arising from collaborative research.

### WORKFORCE DATA

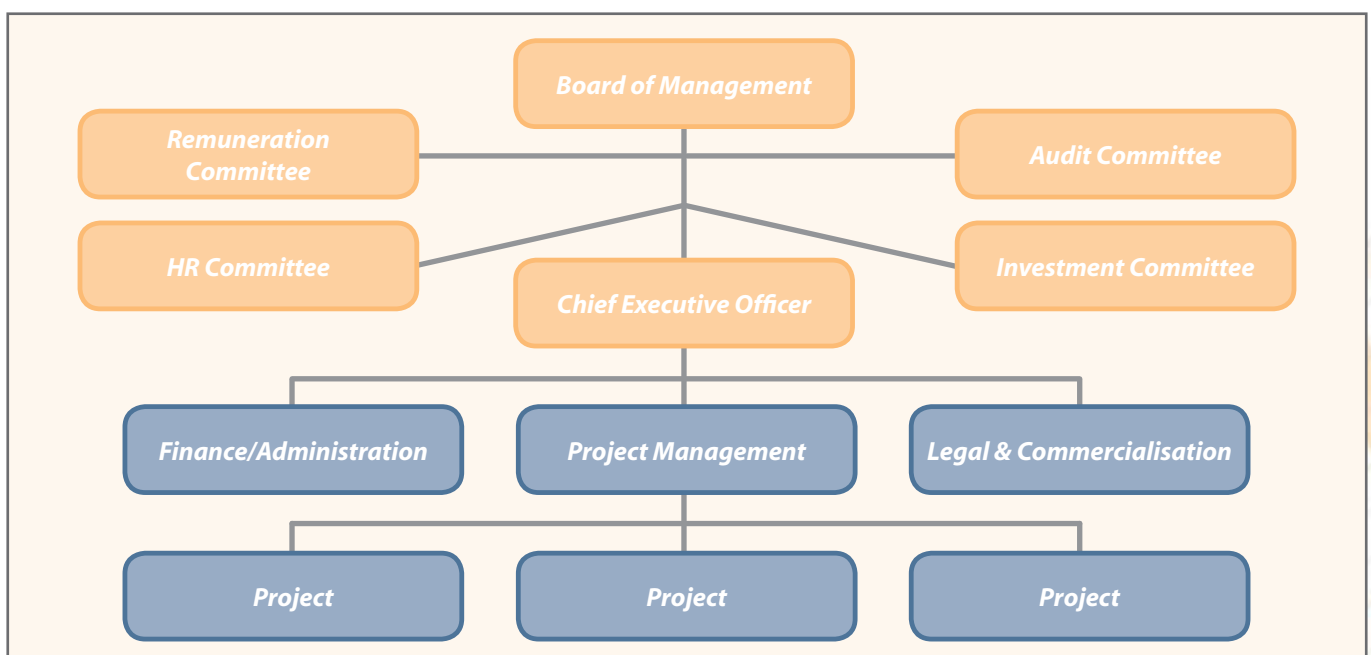
The company applies the principles of equity and merit in its human resource management strategies.

As at 30 June 2010, the company management and staff profile was as follows:

	2010	2009
Full Time	8	8
Part Time	1	1

### LOCATION

The company has access to over 30 researchers through our core consortium members to undertake various research activities and provide additional support. The company has two offices, one located at CSIRO Clayton in Melbourne and one in Geelong. The Geelong office is the head office. and is embedded within the Geelong Technology Precinct situated within the boundaries of Deakin University Waurm Ponds campus.





## BOARD OF DIRECTORS AND ITS COMMITTEES

The Board of Directors consists of a Chairman and five non-executive directors. The board's policy is that it should include a majority of non-executive directors. Under the company's constitution, directors are elected for a period of three years subject to the requirements that one-third of the directors must retire at each annual general meeting. A retiring director may offer himself or herself for re-election. The board of directors is responsible for the overall corporate governance of the company.

Issues of substance affecting the company are considered by the full board of directors, with advice from external advisers as required. Any conflict of interest must be declared by the director(s) when it arises, and directors do not participate in discussions or resolutions pertaining to any matter in which the director has a material personal interest.

The board has ultimate responsibility to the stakeholders for the welfare of the company by guiding and monitoring its business affairs. The board delegates management of the company's resources to the Chairman and Chief Executive Officer, to deliver the strategic plans and goals as set by the board. In discharging their duties, directors are provided with direct access to senior management and outside advisors and auditors. Board committees and individual directors may seek, with prior consultation with the Chairman, independent professional advice at the company's expense for the purposes of the proper performance of their duties. The company's policy is to execute a formal Deed with each director and the Company Secretary, to clearly set out the parties' expectations regarding access to board papers, indemnity and insurance. The board has established a Remuneration Sub Committee, to assist with the execution of board duties and to ensure remuneration issues are given detailed consideration.

### REMUNERATION COMMITTEE

The Remuneration Committee comprises Professor Peter Hodgson and Dr Colin Adam (Chair).

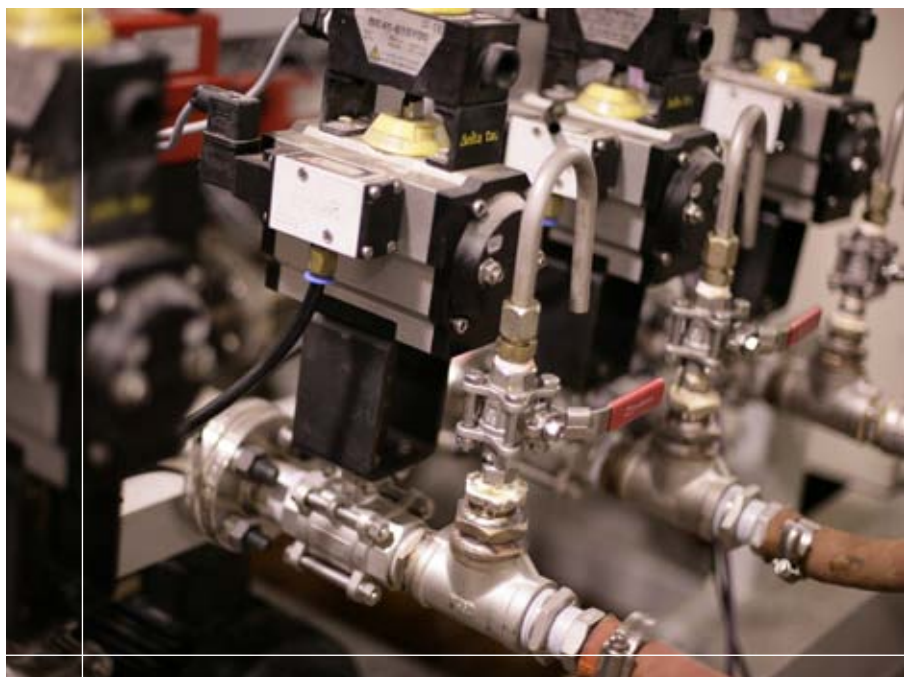
The role of the remuneration Committee is to assist the board in fulfilling its corporate governance responsibilities with regard to annual salary levels and reviews.

### AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee comprises of Dr Greg Smith (Chair), Mr Damian Monahan and Dr Barrie Finnin. The committee is governed by a Charter and meets four times per year. Its role is to oversee financial performance and reporting processes as well as the operation and implementation of the risk management framework and corporate governance.

### DIRECTORS' 'INDEPENDENCE'

The board notes that the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations issued in March 2003 include, in Recommendation 2.1, seven suggested criteria for assessing the 'independence' of directors. The board also notes that this recommendation has been clarified in a series of 'Frequently Asked Questions' issued by ASX, including the guidance that the board can determine a director to be independent so long as the director retains the ability and willingness to operate independently and objectively and to challenge the board and management, even if a relationship listed in the ASX recommendations exists.



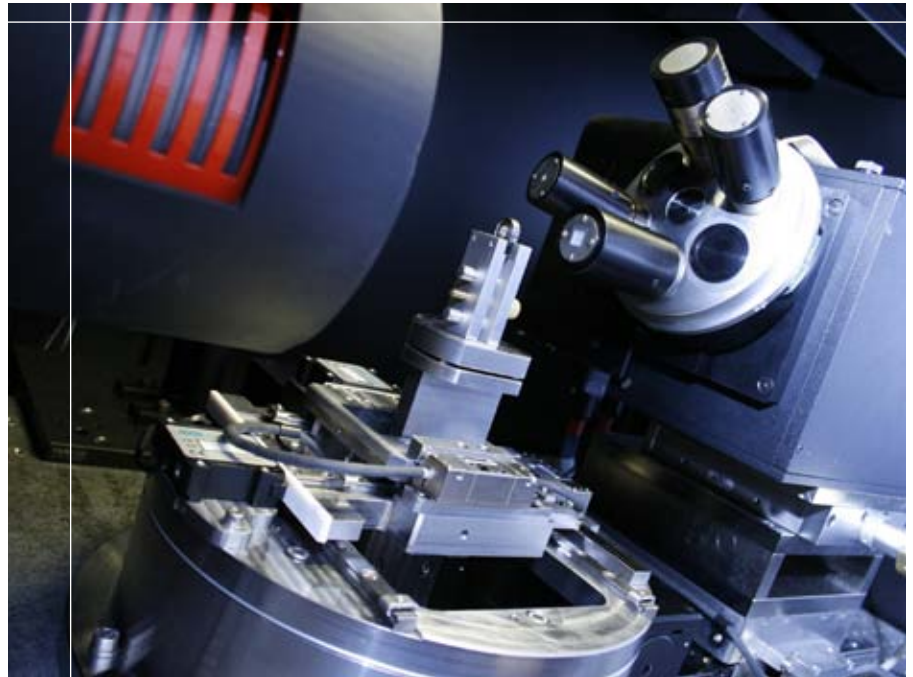
# VCAMM RESEARCH NETWORK



Our research network is built around centres of excellence in advanced materials and advanced manufacturing. Each institution is recognised as a world leader in their specific field.

**CSIRO** offers a broad range of engineering consulting and research services. Among these are materials testing, materials development and process development. They are the largest government-funded research organisation in the southern hemisphere, and have some of the most advanced technologies and knowledge available in Australia.

**La Trobe University** specialises in advanced surface analysis, both topographical and chemical, with the ability to discern surface properties down to the nano-meter scale. They also have the capability to modify surfaces at the nano-scale, improving the properties of films, adhesion layers, and even assisting in the forensic sciences. They can tailor surfaces to demonstrate a range of specific characteristics.



**Monash University** offers a broad range of engineering capabilities from materials characterisation to mechanical testing and design, through to aerospace and civil engineering expertise. They specialise in nano-structured materials, with the knowledge required to take advantage of nano-structural manipulation of materials for large scale, application-specific tailoring of properties.

**Deakin University** has in-depth experience in modelling and stress analysis for components, mechanisms and production methods. This expertise crosses all of the materials boundaries (composites, ceramics, metals & polymers) and extends, in scale, from materials and materials interface investigation and manipulation to full production modelling and factory layout analysis.

**Swinburne University of Technology's** capabilities centre on advanced manufacturing techniques. These include development of rapid production using laser technology, such as direct metal deposition, and non-contact measurement of surface contours. Swinburne also has a full suite of testing equipment for analysing engineering components made from a wide range of materials, under a range of conditions and simulations. Mathematical modelling is increasingly being used in conjunction with the experimental results.



## COMPANY: SOLAR SYSTEMS PTY LTD

### July 2009

Solar Systems is a clean energy technology company established to design, manufacture and install large scale concentrated photovoltaic solar power plants using dense array converter technology.

At the time of the engagement, the company was in the midst of a major product development program for the first commercial installation but was in rapid transition from a small research group to a commercial operation. Significant numbers of resources had been recruited from a range of industry backgrounds and there was a pressing need to establish a common Product Development methodology for the company.

VCAMM was engaged to assist Solar Systems establish best practice product development processes for their world-leading solar generation technology.

### The Assignment:

VCAMM initially undertook an **objective assessment** over several days interviewing key staff and observing activities and design artefacts to gauge the level of maturity and consistency of process across 22 disciplines.

This assessment used a VCAMM-developed **framework** based on generic best practice design/development process elements and measures of process effectiveness.

The assessment highlighted critical opportunities for improvement and confirmed the perceptions of the client and many of the key staff that while personal skill and commitment levels were high, there was a lack of structured, common process. A key advantage of the assessment was to provide an objective and de-personalised explanation for this and a sound basis for undertaking **process improvement**.

VCAMM continued to work with Solar Systems in the following weeks to develop and implement:

- A standard New Product Development (NPD) Framework and schedule of key milestones
- A cross-functional project team structure – responsibility matrix; team membership; regular review schedules; team processes; visual management and simple reporting tools
- Program-level visual management tools and regular review processes
- Key development tools and techniques to support disciplined simultaneous engineering practices and drive systematic improvement in quality and reliability

VCAMM believes that there is no “cookie-cutter” solution for business processes although there are sound guiding principles that apply across organisations. Tools and processes need to be carefully adapted and refined for the specific requirements and circumstances of individual enterprises.

A key factor in the effective implementation at Solar Systems was the engagement of VCAMM **coaching/mentoring** staff to build confidence and understanding of the processes, driving philosophy and leadership styles required for success.

Implementing changes to culture work practices, particularly with educated professionals such as engineers and scientists, requires consulting staff with the **confidence and credibility** gained from years of experience across multiple organisations, which VCAMM is able to provide.

### Results:

As a result of VCAMM engagement at Solar Systems,

- Development programs are now being managed to a stable schedule

with early warning of threats and mitigating management actions rather than automatic “drift”

- Cross functional communications are vastly improved regarding expectations, responsibilities, accountabilities and clarity of status and needs through the use of common templates, tools and processes
- Program issues are able to be identified quickly and dealt with transparently
- Work plans and resources are adapted continuously to maintain focus on value and clear program deliverables
- Clarity and visibility has improved the ability of teams and management staff to focus efforts on priorities rather than become overwhelmed with conflicting demands
- Significant market-driven scope changes are able to be comprehended and effectively managed as an important part of development process where they would more typically face denial/disillusionment with “shifting goalposts”
- VCAMM was also able to assist with the targeted recruitment of specialised personnel to fulfil key new roles in the Product Development team

### Quotes:

Iain Ralph, Principal Consultant with VCAMM, said *“Advanced technology, such as that developed by Solar Systems, offers great opportunities for Australian engineering and manufacturing enterprises. However, to be successful, organisations need to have systematic, value-driven development processes to leverage the investment in technology and facilities. Solar Systems is in an exciting period of development and in a strong position to lead the world in the development and implementation of large scale photovoltaic electricity generation. We are very pleased to have been able to contribute to their growth at such a critical stage in their history.”*



## COMPANY: CYTOMATRIX PTY LTD

Cytomatrix® is a development stage biotechnology company focused on researching, developing and commercializing powerful new therapeutics based on the use of cells to help treat diseases that is being supported on its path to commercialisation by VCAMM.

Established in 2004 and restructured in July 2007, Cytomatrix Ltd ("Cytomatrix") is an international company that focuses on the commercialization of adult stem cell technologies developed over more than 10 years by scientists at its wholly owned subsidiary Cytomatrix LLC (Boston USA) and at its Australian partners Barwon Biomedical Research ("BBR" – part of Barwon Health which is the largest Victorian Regional Health Service) and Deakin University.

The Company's core technology is a three-dimensional cell growth scaffold called "The Cytomatrix®", a unique, highly porous and highly biocompatible device that allows cells to grow in three dimensions the way they do normally in the body. Made from inert materials through a sophisticated manufacturing process, The Cytomatrix® provides an ideal environment for growing cells outside the body and implantation into the body.

The Cytomatrix® is made through a chemical vapor deposition process in which certain metals are layered onto an open pore carbon scaffold, creating a structurally strong device with unparalleled porosity. The Cytomatrix® has many characteristics that are advantageous in maximizing high-quality cell growth.

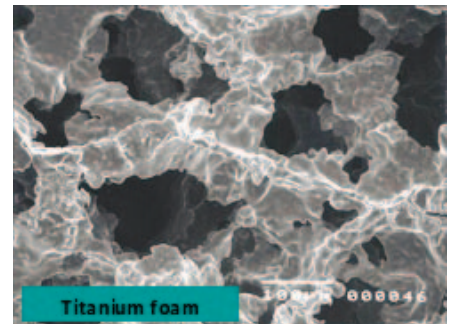
The structural geometry and high porosity of The Cytomatrix® are particularly well suited for the growth of hematopoietic stem cells (HSCs). The geometry and architecture of The Cytomatrix® matrix provide an ideal microenvironment and conditions for the growth of HSCs, enabling their expansion and manipulation under conditions in which no cytokines are added while preserving their normal function.

Utilizing The Cytomatrix®, the Company is focusing on a series of applications in cell therapy and tissue engineering. The objective of cell therapy and tissue engineering is to deliver novel, effective therapeutics for unmet clinical needs using the body's own, natural cells instead of foreign chemicals and compounds.

Cytomatrix's major cell therapy efforts are aimed at using cells of the immunohematopoietic (blood) system to treat diseases, for which the Company has several products under development. The products are all based on use of the Cytomatrix® as a cell culture system for growing cells outside of the body and then re-administering them to the patient. This includes providing patients with greater numbers of high-quality stem cells, which can be given to patients via stem cell transplantation to help them recover from high dose radiation and chemotherapy treatment of their cancer.

The company's lead product under development is a kit for the expansion of cord blood stem cells for the treatment of leukemia patients through bone marrow transplant. Currently, the majority of patients who are diagnosed with leukemia, and who can be treated with a bone marrow transplant, are unable to find a matching donor. Cord blood stem cells can be used for transplants; however there are not enough stem cells in cord blood samples to enable treatment of adults. To address this, Cytomatrix intends to develop a cord blood stem cell expansion kit to provide sufficient stem cells to treat adults and to reduce patient treatment time. Both of these applications would represent new markets for Cytomatrix. It is anticipated that the kit will comprise a bag containing novel, patented advanced material 3-D scaffolds for stem cell attachment together with patented stem cell growth stimulating proteins.

VCAMM was introduced to Cytomatrix through its relationship with its consortia partner Deakin University. VCAMM was able to assist, firstly by transferring Intellectual property developed by VCAMM and then investing in infrastructure and staff to allow the development of the porous artificial bone materials, specifically Ti alloy foams, with architecture and mechanical properties that are close to those of bone.



Dr Adrian Hodgson (Ph.D. FASM), Chief Executive Officer of Cytomatrix said "We are pleased with our relationship with VCAMM and the support we are receiving from the Victorian State Government which will allow us to undertake additional research projects.

VCAMM works to assist SME's like Cytomatrix access leveraged funding opportunities and critical project management as well as business and technology commercialisation advice.

# RESEARCH PROGRAMS



## COMPANY: BELLMONT NOMINEES PTY LTD

Bellmont Nominees is a privately owned engineering, painting and composites company that has been operating in Victoria for the past 30 years. Belmont currently employs approximately 80 people and has an ISO9001 quality rating.

As an integral supplier to both automotive and truck industries, Belmont specialises in A class surface finishes on exterior vehicle components. Their core business has been the supply of painted and assembled parts: front and rear bumpers, side skirts and spoilers, as well as truck cabs, fairings, and skirts.

Bellmont's innovation and flexibility has given it a competitive advantage through its ability to prepare and paint all substrates from polyurethane, polypropylene, ABS, fibreglass and metal, allows customers maximum scope in developing products. The use of a state-of-the-art conveyor paint system and skilled staff for assembly and modification work has lead to them to being the supplier of choice for manufacturers such as Holden Special Vehicles and Ford Performance Vehicles.

Bellmont has been working with traditional substrates, but in order to shift towards the utilisation of cutting edge technology to maintain a competitive advantage, has recently embarked upon developing capability in carbon composite component manufacture.

Carbon fibre composites are a material of focus for transportation. Vehicle weights have been steadily increasing over the last decade. This comes at a time of record fuel prices as political instability and a dwindling resource base combines to drive costs ever higher. Whilst there is a push to develop alternative fuel and power sources, the price, production and energy densities of these sources cannot match petrochemicals. Therefore strategies must

be developed to reduce fuel consumption, and weight reduction is the most obvious method of affecting this.

To meet these challenges, carbon fibre composite materials offer strength and light weight advantages over more traditional materials however with cost implications. They are already used in some high-end automotive applications, but the cost and time required to achieve the desired quality means that this technology and these materials have so far been reserved for these high cost applications.

To realise an opportunity to produce carbon fibre composite parts locally, Belmont Nominees has embarked on a research and development (R&D) program to prove that out-of-autoclave forming, such as the Quickstep system, can result in complex composite components, such as front fenders and bonnet scoops, of the required quality and surface finish, with reliability, at the required manufacturing speed, and at a low cost, for the automotive industry.

VCAMM has had a long association with Belmont and been working to help the company transition to become a 'knowledge based manufacturer'. In assisting Belmont, VCAMM explained the benefits of conducting cost effective R&D, opportunities afforded in the recently launched Advanced Manufacturing Cooperative Research Centre (AMCRC).

Being a small company, Belmont would be stretched to undertake and fully fund an R&D program such as the one embarked on, but with the help of VCAMM has been able to access some top up funding from the Victorian State Government.

The project commenced in October 2008, and will run through to October 2009. The Intellectual Property generated in the CRC project will be owned by the CRC, but is provided free-of-charge on a permanent basis to the industry partner.

Apart from brokering the project, VCAMM has been involved in project managing the whole activity, acting as the liaison between Belmont, and the R&D provider, Deakin University, thus circumventing the problems that often arise when industry talks directly to R&D providers.

Deakin University's role is to carry out research and development of new carbon fibre automotive components, working alongside engineers and technicians at Belmont Nominees. This work includes investigation into new composite materials, curing techniques, tooling, design for manufacture, and the required A-class surface finish.

Al D'Alberto, Belmont MD, said "there is no doubt that VCAMM's assistance in putting the opportunity together and the support of the Victorian Government cemented the go-ahead for this project".

The payback period of the R&D and the tooling and equipment required for production of components manufactured using the new materials and new methods will be about 2 1/2 years. By the 5th year, the ROI will be substantial, clearly demonstrating the benefits of the CRC and the investment of the Victorian Government.

Apart from the obvious financial benefits, Belmont will now be in a position to expand its business away from low technology high volume labour intensive components to high value added high technology low volume components. With its new capability Belmont will be in a position to provide its composite components for vehicles currently exported from Australia to overseas markets, thus providing a readymade export opportunity.

Brad Dunstan, VCAMM's CEO says: "The AMCRC, plus help from the Victorian State Government, has allowed Belmont to look forward to a strong future, significantly increasing its knowledge base, and helping it steer a new direction, providing employment and income for the State of Victoria".



## **DIVER CONSOLIDATED INDUSTRIES & MICROHEAT TECHNOLOGIES: INNOVATION & ENTERPRISE IN TOUGH ECONOMIC TIMES**

When the Sydney Harbour Bridge opened in 1932, it wasn't the only event to herald change in Australia.

It was also the year that **Diver Consolidated Industries** opened its doors for business.

The Melbourne-based family business is one of Australia's longest-established metals manufacturing and engineering companies with a proud history serving the local automotive industry.

It has weathered many storms; endured the vagaries of business during times of boom and uncertainty; established a reputation for innovation and enterprise while upholding the ethics of fair trading that has characterised **Diver Consolidated Industries** for more than 75 years.

In more recent times it has forged a close relationship with **VCAMM**. This partnership has been critical to the expansion of **Diver Consolidated Industries** into new and complementary markets, allowing it to prosper despite the challenging economic times.

Its ability to adapt to change, and to revise its business model to embrace diversity at a time when companies are reducing their exposure due to market uncertainty, gives it every reason to declare itself as 'an Australian success story'.

Its investment in **MicroHeat Technologies** is a 'Case' in point.

### **The Company: Diver Consolidated Industries**

**Diver Consolidated Industries** operates from two locations in Melbourne. Its head office, stores & distribution, and metal stamping division are based in Reservoir. The thermal and acoustic products division is based in Thomastown. It employs more than 100 people. This year **Diver Consolidated Industries** was inducted into the Victorian Manufacturing Hall of Fame and was a finalist in the 2008 Innovation Excellence Awards which are conferred by Advanced Manufacturing Australia.

It has built on its core competency of metal stamping and fabrication to include the manufacture of thermal and acoustic shield products, body structures and hinging systems.

It enjoys strong export sales to China, the US, Canada and Thailand.

### **The Company: MicroHeat Technologies Pty Ltd**

**MicroHeat Technologies Pty Ltd** is a newly-established company involved in the research and development of highly-advanced systems involving rapid water heating technology, for both domestic and industrial applications. The technology, which is protected by patent in more than 52 countries, saves energy, water and greenhouse gas emissions.

The global market potential is enormous. The company has attracted funding grants from Government with the ongoing support and mentorship of **VCAMM**.

### **The Investment**

In March this year, **Diver Consolidated Industries** invested heavily in **MicroHeat Technologies**. It made the decision despite the tough economic conditions, buoyed by the start-up's market potential and the synergies recognised by **VCAMM**.

Jim Griffin, the CEO of **Diver Consolidated Industries** said the decision reflects the family's belief in seizing opportunity irrespective of market conditions.

"The economic conditions have impacted on us as much as everyone else," he says. "We've had a 50% reduction in volume over the past year, which has required us to downsize in certain areas of our business.

"At the same time we were on the lookout for a business that would complement our own, where we could bring our expertise and financial muscle together with our export experience and networks for mutual benefit."

In 2008, **Diver Consolidated Industries** approached **VCAMM** with a request to research and identify a business opportunity where it could value-add for mutual benefit. **VCAMM** introduced **MicroHeat Technologies** as an appropriate 'fit'.

Jim Griffin paid tribute to his Board for making a "brave and far-reaching" decision to invest at a time when the markets for its core business were contracting.

"We wouldn't have had the confidence to go forward without the involvement of **VCAMM**," he said.

"They believed in **MicroHeat Technologies**, and helped to guide us through an exhaustive due diligence process. They were impressed by that company's invention and its long-term potential, and by the way they conducted themselves as a business.

"**VCAMM** also saw an immediate opportunity for us to supply metal stampings to help with their electrodes, which are a core part of the technology, and to extend that involvement over time."



**VCAMM** also identified another important element that was critical to the negotiations.

Brad Dunstan, the CEO of **VCAMM**, says environmental concerns will increasingly inform how businesses conduct themselves.

“Australian companies are proving to be as capable and entrepreneurial as any of their compatriots internationally,” he said.

“They recognise that acceptance on world markets will depend to a large extent on their social responsibility. The way we do business in Australia lends itself to frank and open discussion, and consequently we enjoy support in markets throughout North America, Asia and Europe.”

Jim Griffin says that **MicroHeat Technologies’** invention is a great business opportunity as well as a socially and environmentally significant development in reducing water and energy consumption.

One of the attractions for **Diver Consolidated Industries** is the opportunity to assist **MicroHeat Technologies** with product design and engineering support as well as part manufacture. Diver has capability in advanced metal stamping and fabrication, suitable for production of components such as electrodes, as well as subsystem assembly.

## **VCAMM: Delivering successful outcomes**

“If **VCAMM** didn’t understand our needs, then the relationship with **MicroHeat Technologies** would not have happened,” says Jim Griffin.

“Our investment took us outside our normal area of business, but it fitted our strategic objectives which were to partly shift away from automotive while still calling on our key competencies to develop new products and expand our area of expertise.

“It was the first investment our company had made in speculative technology at the ground floor, and without **VCAMM’s** counsel we wouldn’t have felt comfortable taking the position we have.”

The Board of **Diver Consolidated Industries** liked **VCAMM’s** business model, which puts commercially savvy people in contact with research institutes to effectively ‘match make’ successful partnerships with a commercial edge.

Importantly, **VCAMM** recognises that industry has pressing needs which need to be fulfilled in a time and cost-appropriate manner. Having the ear of government, both state and federal, means there is dialogue, mutual respect and the potential for funding solutions. This, says Jim Griffin, is the formula that other organisations either fail to understand or are too slow to implement.

“We applaud **VCAMM** for creating partnerships and nurturing their development,” says Jim Griffin. “I can only imagine what local business would look like had they been around when we opened our doors.”



## ENERGY EFFICIENT RUBBER TYRE RECYCLING

**Company: VR TEK Operations Pty Ltd**

**Opportunity: Economically-viable recycling of end-of-life tyres**

**Collaborative Partner: CSIRO**

VCAMM is working with an Australian company VR TEK Operations Pty Ltd (VR TEK) and CSIRO to develop a complete process aimed at addressing the problem caused by waste tyres.

### Opportunity

Used tyres accumulate in their millions every year and present a serious environmental problem. At present, tyres are almost impossible to recycle economically and are virtually indestructible. Shredded tyres contain metal and cannot be reused as rubber without substantial expense.

This problem is a key reason for the low percentage of tyres currently used for rubber recovery, despite global demand. As a result millions of tyres are simply dumped every year around the world.

### Facts about waste tyres

In Australia in 2006<sup>1</sup>, approximately 20 million tyres (260,000 tonnes per annum) presented into the waste stream as end-of-life tyres. Of these, approximately:

- 23 percent of rubber was recovered for tyre-derived products (TDP)
- 64 percent of tyres were dumped as landfill
- 14 percent were illegally dumped.

- In Australia approximately 20 million tyres (260,000 tonnes per annum) present into the waste stream as end-of-life tyres.
- End-of-life, dumped or stored tyres present risks to the environment, human health and public amenity

### Environmental and health risks

End-of-life, dumped or stored tyres present risks to the environment, human health and public amenity. Some of these risks include:

- leaching of chemicals into the environment
- tyre fires
- illegal dumping
- breeding grounds for various pests such as rats and mosquitoes.

Recycling and conservation of end-of-life tyres benefits us by:

- transforming waste material into marketable products, such as new tyres, elasto-polymer based rubber products, industrial insulation, road pavement, industrial and domestic flooring, or geotextiles for retaining walls and embankments
- converting waste to energy as tyre-derived fuel
- recycling rubber is a cheaper and more energy-efficient option than producing virgin materials
- tyre-derived products have low ongoing production costs, once the infrastructure is in place, providing cash-flow benefits to industry
- creating savings on greenhouse gas emissions
- conserving natural resources that would otherwise be wasted.

### VR TEK Operations Pty Ltd

Australian company VR TEK has developed the idea for an economically-viable recycling of end-of-life tyres. The company has obtained an Australian Patent for a device which segments old tyres into sections of specific known material composition. The mechanical segmenting method is highly energy efficient and is the first part of a process to enable downstream de-vulcanisation and activation into high quality rubber powders.

VR TEK, together with CSIRO, is developing a proof-of-concept and prototype for the tyre-cutting device, as well as an evaluation of downstream processes.

The whole process will enable waste tyres to be turned back into high quality de-vulcanised and activated rubber powders, free of metal contamination ready for use as new products, such as new tyres and elasto-polymer based items.

### Advanced Manufacturing Co-operative Research Centre Project

In order to accelerate the development of this exciting new technology, VR TEK is conducting research and development through the Advanced Manufacturing Cooperative Research Centre (AMCRC). The AMCRC is a federal government funded programme to drive economic activity for Australia. VCAMM is a participant in the AMCRC and acts as a 'portal' for small to medium enterprises (SME's) like VR TEK, helping them to transition into becoming "knowledge based" manufacturers.

VCAMM has received funding from the Victorian Government to provide project management and 'top up' funds for VR Tek's project in the AMCRC. As such the VR Tek project is being jointly funded by the AMCRC, the Victoria Government through VCAMM and by VR Tek Operations Pty. Ltd.

<sup>1</sup> (Source: Department of Environment and Heritage, 2006, Market Failure in End-of-life Tyre Disposal)

# RESEARCH PROGRAMS



The goal of the project is a 50 percent increase in waste tyre recycling. Broader goals are to:

- reduce toxins in the ground and water table from land fill tyres
- create jobs
- create a viable export product for future manufacturing in Australia.



## AUSTRALIAN DEFENCE APPAREL

### What VCAMM can do for SMEs

VCAMM assists and guides SMEs such as VR TEK to scope applications to funding sources such as the AMCRC. VCAMM monitors progress of the project throughout its life to ensure open communication between the project participants and that milestones are met.

Through the VR-TEK project, VCAMM is supporting SMEs to commercialise innovations that have a real potential to make a positive and significant impact for Australia's future.

Brad Dunstan, VCAMM's CEO says: "VCAMM is working to help SMEs realise a competitive advantage from multiple opportunities and thanks the Victorian State Government for its vision in supporting SMEs such as VR TEK undertake R&D that will generate significant economic value, providing employment and income for the State of Victoria".

Australian Defence Apparel (ADA) is Australia's largest, most respected and most longstanding supplier of uniforms and protective apparel for defence and fire fighting applications. Founded in 1912 as a government owned business for the production of Australian military uniforms, ADA was privatised in 1995 and has become a significant global player in the manufacture and development of personnel armour, chemical and fire protection systems.

Australian Defence Apparel supplies the Australian Defence Force, and allied military and law enforcement organisations with uniforms, armour and other protective clothing systems globally. In the past decade ADA has broadened their research and development base to include the best minds in the public sector research community. As a result ADA has been successful in attracting the support and resources it needs to be "Always a Jump Ahead" of current technologies in their area of expertise. The benefits of their foresight in R&D has led them to participate in a Department of Defence Capability and Technology Demonstrator program (CTD), to their sponsorship of postgraduate development and their participation in the Advanced Manufacturing Cooperative Research Centre (AMCRC) with the support of the Victorian Government Industry support grants administered by VCAMM.

VCAMM's involvement with ADA started in a subcontracting role, supporting and program managing the development of next generation armour materials through Deakin University, under the Land 149 CTD. Over the course of the contract, the development activity grew and utilised resources from all of the VCAMM consortium members, and expertise from VCAMM's family of private contractors.

Since that very successful engagement VCAMM's relationship with ADA has grown. We are now engaged as research partners with ADA, where we are co-owners of IP, VCAMM acting to develop technologies and attract development support and ADA acting to protect and commercialise the IP.



Figure 1 – Fibre and Strike Face Materials developed by VCAMM for ADA.

VCAMM's relationship with ADA is currently focused on the "Next Generation Armour Technologies Program" in the AMCRC. This program, made possible through Victorian Government Funding focuses on two streams (fig. 1) of armour technology for application in personnel and vehicle protection. The first stream is built around further characterisation and improvement of a revolutionary low temperature formable strike face material initially formulated during the Land 149 CTD. The second stream is built around early stage commercial demonstration components utilising a novel low pressure forming system for non-extensible fibre systems like Kevlar. The aim of the program is to develop the technology to a level that can be used to attract joint investment from other Australian defence primes such as Thales, facilitating the final development push.



As a result of the current activity, VCAMM and ADA teams are currently preparing patents and reports for their respective boards, outlining the exciting results and potential of the technologies developed. This activity will be followed by engagements with DSTO, Thales, the DMTC and other interested parties with a 5-7 year horizon for commercial implementation of the revolutionary materials and manufacturing methods developed. Successes in this program are likely to result in jobs and export opportunities for the Victorian defence manufacturing sector.



## PROJECT TITLE: BELLMONT AUTOMOTIVE COMPONENTS

The manufacture of a complex out-of-autoclave automotive composite component is investigated in this project. An automotive bonnet scoop (below) was manufactured using a novel tool design that is heated using the Quickstep process. Various carbon fibre fabrics, surface barriers and resin systems were investigated in order to optimise the surface finish.



*The bonnet scoop to be manufactured in this project. This particular part was manufactured and developed by Walkinshaw Performance.*

The following objectives for this project were achieved:

- Design suitable tooling to manufacture a carbon fibre composite bonnet scoop using a Quickstep clamshell.
- Design a suitable clam shell.
- Fabricate tooling and clam shell.
- Demonstrate that a complex shape such as a bonnet scoop can be manufactured.

- Investigate suitable resins and materials that have the best chance of achieving a class A surface finish.
- Demonstrate that the system provides a part of the desired quality and surface finish.
- Investigate a viable production method to manufacture the required number of parts per day.
- Produce a final report highlighting all findings.



*Picture of the manifold system designed and manufactured at Deakin University for the Quickstep fluid to flow through to heat the tooling and cure the part*

A prototype bonnet scoop was manufactured using a combination of the materials and resins tested in order to produce the most appealing as-moulded surface finish.



## **PROJECT TITLE: AUTOCRC CSIRO DEAKIN VCAMM FUTURIS LOW COST COMPOSITE SEATS**

The objectives driving the development are: low weight, low cost, high manufacturing speed, and low environmental impact.

A feasibility study has been completed, successfully demonstrating the capability and feasibility of producing 3D knitted composite preforms utilising a Shima Seiki knitting machine. Demonstrator parts were made using a Kevlar-epoxy route that demonstrated mechanical feasibility but not manufacturability.

The objective of this project is to investigate alternatives and then focus on one or two to produce an industrially and commercially viable manufacturing process. Initially the methods examined used simple samples and mechanical testing. This process discovered the practical issues of manufacturing as well as determining the properties of the materials produced. The mechanical properties are used to model real seat frames and the best manufacturing route was chosen for further development. The final outcome will be sample seat frames suitable for use in a car and a recommended process and material system with a detailed costing of each aspect.

This project shall deliver a detailed process and materials for manufacture and application of 3D knitted composites structures intended for automotive seating applications. In particular it shall address a need for significantly lower cost and weight whilst maintaining the safety, comfort and future styling needs.

Sustainability will be key factor for consideration when comparing alternative materials and processes.

The interim report was dedicated to an objective comparison of competing methods and materials and included structured consultation with stake holders as well as technical and commercial details.

The project will deliver sample seat frames suitable for use in a car and a recommended process and material system with a detailed costing of each aspect.

The technology will be transferred to Futuris or one of its suppliers for commercial production of automotive seat frames.



**PROJECT TITLE: FR-1 MANUFACTURE AND ASSEMBLY OF COMPLEX COMPOSITE COMPONENTS FOR LOAD BEARING APPLICATIONS**



Figure 1: Concept FR-1

In conjunction with the Autohorizon charitable trust, VCAMM have undertaken design, manufacture and assembly tasks to create a unique, one-off, higher performance concept vehicle called FR-1 (Fund Raiser 1). FR-1 is intended to showcase nationally and internationally the excellence of Australia's manufacturing industry, at related trade and automotive events. Once completed, FR-1 will be auctioned, with all proceeds going to four childrens charities.

The following objectives for this project were achieved:

- Development of Australia's first carbon fibre monocoque chassis.
- Carbon fibre chassis made from new out-of-autoclave resin technologies, developed in Melbourne.
- Investigation of optimised carbon fibre chassis design.
- Development of low-cost tooling and cure techniques suitable for low temperature, low volume curing.
- Development of novel FEA analysis techniques to accurately simulate carbon fibre material strength, in complex geometries.
- Development and fabrication of supporting chassis systems including suspension, steering, brakes, engine and transmission.



Figure 2: Carbon fibre fabric being laid-up onto FR-1 mould and vacuum bagged mould.



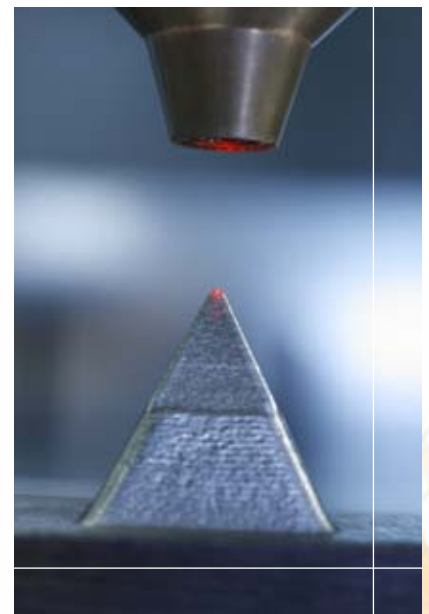
Figure 3: Completed FR-1 rolling chassis.

# FINANCIAL STATEMENTS for the year ended 30 June 2010

VCAMM LIMITED ABN 90 102 661 530

## CONTENT

DIRECTORS' REPORT.....	29
OPERATING STATEMENT.....	33
BALANCE SHEET.....	34
CASH FLOW STATEMENT .....	35
STATEMENT OF CHANGES IN EQUITY .....	36
NOTES TO FINANCIAL STATEMENTS .....	37
DIRECTORS' DECLARATION .....	63



## DIRECTORS' REPORT

Your directors present their report on the company for the financial year ended 30 June 2010.

The names of the directors in office at any time during or since the end of the year are:

Colin McLean Adam (Chair)  
Peter Damian Hodgson (resigned  
06.10.2009)  
John Howard Beynon  
Greg R Smith  
Stephen Morton  
Roderick Hill  
Russell Walker (appointed 02.02.2010)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

The principal activity of VCAMM Limited is to provide an integrated network of research facilities that will deliver research outcomes to the Victorian manufacturing industry through cross-institutional and cross-disciplinary collaboration, with a view to establishing Victoria as a world leader in the development and use of new and advanced materials.

The profit of the company for the financial year amounted to \$8,294,779. (2009: loss of \$674,498.61)

A review of operations of the company during the financial year and the results of those operations show changes in market demand and competition have seen an increase in sales of \$9,348,749 (403%) to \$12,474,448.

On 13 July 2007, the ATO notified VCAMM Limited that it had been endorsed for charity tax concession, which included income tax exemption from 1 July 2004.

The Company secured 4 VSA Grants from the Victorian State Government during the year totalling approximately \$10 million dollars.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Dividends paid or declared since the start of the financial year are as follows:

- a. No fully franked dividend or unfranked dividend was paid during the year as recommended in last year's report.
- b. No fully franked dividend has been declared on 30 June 2010 for the year ended 30 June 2010.

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

The directors are of the opinion that the economic entity has complied with all relevant environmental legislation, so far as it concerns the operations of the entity.

The company has not, during or since the end of the financial year, in respect of any person who is or has been an officer of the company or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the cost or expenses to defend legal proceedings;

### Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the "Corporations Act 2001" is set out on page 32.

Signed in accordance with a resolution of the Board of Directors:



Director  
Dr Colin Adam

Dated this 19th day of October 2010

## INFORMATION ON DIRECTORS

### DR. COLIN MCLEAN ADAM

**Qualifications** – BEng (Hons) PhD FIEAust FTSE

**Experience** – Acting Chief Executive of CSIRO, Chairman of the ARC Centre of Excellence for Design of Light Metals and former Chairman of Tele IP Ltd. Dr. Adam has served as a member of the Commonwealth Government's Industry Research and Development Board and the Prime Minister's Science, Engineering and Innovation Council. He was a member of the inaugural Board of the Australian Universities Quality Agency from 2001 to 2003 and is a member of the Victorian Premier's Knowledge, Innovation, Science and Engineering Taskforce. He is a director of Universal Biosensors Limited, Ausmelt Ltd and the Overseas Council. He is one of the founding Directors of a new Private Equity Fund investing in high technology start-up companies, Principals Funds Management.

**Interest in Shares and Options** – None

**Special Responsibilities** – Company Chairman and Remuneration Committee

### DR. GREGORY R SMITH

**Qualifications** – BSc (Hons), MSc, (Melbourne); PhD, (Cranfield, UK)

**Experience** – Greg is the co-founder of the venture capital company, SciVentures Investments Pty. Ltd. Formed in 2001, SciVentures, among other things, manages the SciVentures Pre-Seed Fund, which was licensed under the Federal Government's "Backing Australia's Ability" program.

Greg returned to Australia in 1999 to be Managing Director of the Strategic Industry Research Foundation, after spending most of his career working in USA and Europe on the identification and development of high technology business opportunities from research outcomes. There he had been Director of the Alcoa corporate technical centre in Pittsburgh and Vice-President of AlliedSignal's corporate research

laboratories in New Jersey and Chicago. Earlier, he worked for Exxon Chemical Company and undertook technology management and new business development assignments in Australia, Belgium, and the USA.

Since 1999, Dr. Smith has established a reputation in converting Australian public sector research outcomes into globally focused start-up companies through his role as a Director of the SciVentures Pre-Seed Fund. This recent experience follows his prior background of organization-wide leadership of technology-based, new business identification and development at three Dow Jones index listed global corporations where he conceived and drove the innovation process for numerous major developments. Many outcomes were successfully transitioned from R&D into commercial development and achieved significant ultimate market impact.

In 2000, Greg was awarded the Washington-based Industrial Research Institutes' prestigious Maurice Holland Award for his work at AlliedSignal and Alcoa on "front-end innovation". He has been a member of the Federal Government's IR&D Board and of its Advisory Council for Intellectual Property. He is the chair (or a director) of the boards of several SciVentures start-up companies. Greg also chairs the board of the AMMRF NCRIS platform and the advisory board of the Bioformatics ARC Centre of Excellence. He is a member of several other University-related advisory boards.

**Interest in VCAMM Shares and Options** – None

**Special Responsibilities** – Chairman of Audit & Risk Management Committee

### PROFESSOR JOHN HOWARD BEYNON

**Qualifications** – BMet(Hons) PhD CEng(UK) GAICD FIMMM(UK) FIEAust FEng(UK)

**Experience** – Dean of Engineering and Industrial Sciences at Swinburne University of Technology.

Prof Beynon has been a Professor of Mechanical Engineering, Professor of Metallurgy and Professor of Iron and Steel Technology at the University of Sheffield in the UK. He has served as a member of the Materials Strategic Advisory Team for the Engineering and Physical Sciences Research Council and as a Trustee of the Magna Science Adventure Centre, both in the UK.

**Interest in Shares and Options** – None

**Special Responsibilities** – None

### DR. STEVE MORTON

Steve Morton received his PhD in animal ecology from the University of Melbourne. After postdoctoral studies at the University of California, Irvine and the University of Sydney, he worked with the Office of the Supervising Scientist at Jabiru, Northern Territory, before joining CSIRO in Alice Springs in 1984. Steve transferred to Canberra in 1994, became Chief of CSIRO Sustainable Ecosystems in 2000, and joined the CSIRO Executive Team to oversee research in environment and energy three years later. During 2007 Steve took a year of leave in Alice Springs, based at the CSIRO laboratory; he spent the time reading and writing back into desert ecology. He returned in 2009 to CSIRO's Executive Team as Group Executive, Manufacturing, Materials and Minerals. His interest continues to be the challenge of finding pathways towards sustainability."

**Interest in VCAMM Shares and Options** – None

**Special Responsibilities** – None

## DR. RUSSELL WALKER

### Current Experience

- Research Partnerships Manager at Deakin University
- Member of the Melbourne Centre for Nanofabrication Collaborative Committee
- Represents Deakin on the Geelong Manufacturing Council

### Previous Experience

- Senior Advisor with the Victorian Department of Innovation Industry and Regional Development (Office of Science and Technology).
- Research Fellow with the North Carolina Centre for Nanoscale Materials (USA).
- Post-Doctoral Research in photonics with Ireland's National Microelectronics Research Centre (NMRC),
- Invited speaker in Advanced Manufacturing Processes at Gintic Institute of Manufacturing Technology (Singapore)
- Invited member of the Victorian Government Working Group on Knowledge Management and Innovation.
- Invited member of the Victorian Government Working Group on Converging Technologies
- Independent Consultant to the Victorian Dept. of Human Services (Radiation Safety Advisory Committee)
- Held a range of consultancy roles over a ten year period providing business and advisory services to the Australian research sector.

Interest in VCAMM Shares and Options – None

Special Responsibilities – None

## PROFESSOR PETER DAMIAN HODGSON

Qualifications – BEng (Ions), PhD

Experience – ARC Federation Fellow, Alfred Deakin Professor Deakin University Professor Hodgson spent 16 yrs in the BHP Research Laboratories before joining Deakin University in 1996. Prior to joining Deakin his main areas of research were thermo mechanical processing of steels, microstructure modelling and new alloy and process developments.

Since joining Deakin his research has broadened to include sheet metal forming, the forming and post forming behaviour of advanced high strength steels, nanostructured metals and surface engineering. He has over 500 research publications and has presented numerous keynote lectures at international conferences related to the physical metallurgy and modelling of steels.

In 2004 Professor Hodgson was made one of the inaugural Alfred Deakin Professors and also awarded a Federation Fellowship from the Australian Research Council. He received a Doctoris Honoris Causa from the University of Valenciennes in France for contributions to metal forming in 2005 and a Faculty Medal from AGH Poland in 2006 for contributions to Materials Science.

His current research grants focus related to steel is on strip casting, roll forming, the crash behaviour of advanced high strength steels, the formation and behaviour of nanostructures in steels, advanced characterisation, sheet metal and hydro forming, advanced precipitation hardened steels and a new coating technology for tool steels.

Interest in Shares and Options – None

Special Responsibilities – Remuneration Committee and Audit Committee

## PROFESSOR RODERICK HILL

In November 2007 Professor Hill took up the position of Pro Vice-Chancellor, Industry Engagement and Commercialisation, at Monash University. In this newly-created role he has oversight of the University's business development, technology transfer, intellectual property management and commercialisation activities.

Prior to this role, Professor Hill was the Group Executive for CSIRO's Manufacturing, Materials and Minerals (MMM) Group of Divisions. The MMM Group contains the core of CSIRO's research focus in the materials, manufacturing, minerals, mining, chemicals and health sectors. Prior to this role, Professor Hill oversaw CSIRO's Corporate Business Development function.

He has published more than 100 papers in the scientific literature and in 1991 was awarded a Doctor of Science from the University of Adelaide for his contributions to crystal chemistry. The mineral Hillite was named after him in 2003.

Professor Hill has more than 25 years research experience in mineralogy and crystallography. He was elected a Fellow of the Australian Academy of Technological Sciences and Engineering in 1997, and is a Fellow of the Australian Institute of Company Directors, the Royal Australian Chemical Institute, the Mineralogical Society of America, and the Australasian Institute of Mining and Metallurgy. He has spent extended research periods overseas in the USA (NSF Fellowship) and Germany (Leichardt Fellowship). He has a strong personal interest in the development and maintenance of a culture of creativity, innovation and service delivery in the research context.

Interest in VCAMM Shares and Options – None

Special Responsibilities – None

## MEETINGS OF DIRECTORS

	Number eligible to attend	Number attended
Colin McLean Adam	5	5
Peter Damian Hodgson	1	0
John Beynon	5	4
Greg Smith	5	4
Stephen Morton	5	5
Roderick Hill	5	4
Russell Walker	2	1



## VAGO

Victorian Auditor-General's Office

### AUDITOR-GENERAL'S INDEPENDENCE DECLARATION

#### To the Directors of VCAMM Limited

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General, an independent officer of parliament, is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised.

Under the *Audit Act 1994*, the Auditor-General is the auditor of each public authority and for the purposes of conducting an audit has access to all documents and property, and may report to parliament any matters which the Auditor-General considers appropriate.

#### Independence Declaration

As auditor for the VCAMM Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

MELBOURNE  
22 October 2010

for D D R Pearson  
Auditor-General

Level 24, 35 Collins Street, Melbourne Vic. 3000

Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email [comments@audit.vic.gov.au](mailto:comments@audit.vic.gov.au) Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

*Auditing in the Public Interest*

## COMPREHENSIVE OPERATING STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Notes	2010 \$	2009 \$
<b>Income from transactions</b>			
Interest	2(a)	60,633	91,905
Rendering of services	2(b)	1,501,551	1,201,318
Grant income	2(c)	8,249,000	1,200,000
Fair value of assets and services received free of charge or for nominal consideration	2(d)	2,630,787	600,000
<b>Total income from transactions</b>		<b>12,441,972</b>	<b>3,093,223</b>
<b>Expenses from transactions</b>			
Employee expenses	3(a)	(1,325,800)	(1,329,839)
Depreciation and amortisation		(3,669)	(5,800)
Interest expense		(2,040)	(2,793)
Grant Expenditure		(1,160,519)	(651,957)
Professional Fees		(244,498)	(219,922)
Motor vehicle expenses		(17,867)	(20,201)
Website and advertising expenses		(79,900)	(105,400)
Travel and accommodation expenses		(148,611)	(103,109)
Project expenses		(253,183)	(223,552)
Other operating expenses		(164,353)	(161,636)
<b>Total expenses from transactions</b>		<b>(3,400,440)</b>	<b>(2,824,209)</b>
<b>Net result from transactions (net operating balance)</b>		<b>9,041,531</b>	<b>269,014</b>
<b>Other economic flows</b>			
Net gain/(loss) on non financial assets			
Net gain/(loss) on financial instruments	4(a)	(759,443)	(709,313)
Share of net profits/(losses) of associates and joint entities, excluding dividends	4(b)	12,690	(234,200)
<b>Total other economic flows included in net result</b>		<b>(746,752)</b>	<b>(943,513)</b>
<b>Net result</b>		<b>8,294,779</b>	<b>(674,499)</b>
<b>Other economic flows - other non-owner changes in equity</b>			
Changes in physical asset revaluation surplus		-	-
Changes to financial assets available-for-sale surplus		152,094	(99,400)
Transfer from physical asset revaluation surplus to accumulated profits		-	-
<b>Total other economic flows other non-owner changes in equity</b>		<b>152,094</b>	<b>(99,400)</b>
<b>Comprehensive result – total change in net worth</b>		<b>8,446,873</b>	<b>(773,899)</b>

The comprehensive operating statement should be read in conjunction with the accompanying notes included on pages 37 to 65.

## BALANCE SHEET AS AT 30 JUNE 2010

	Notes	2010 \$	2009 \$
<b>Assets</b>			
<b>Financial assets</b>			
Cash and deposits	7	8,599,926	947,247
Trade and other receivables	8	1,350,683	1,334,964
Other financial assets	9	146,383	15,729
Investments accounted for using the equity method	10	820,778	688,052
Financial assets classified as held-for-sale including disposal group assets	10	1,815,223	278,980
<b>Total financial assets</b>		<b>12,732,992</b>	<b>3,264,972</b>
<b>Non-financial assets</b>			
Plant and equipment	11	2,161	4,694
Other non-financial assets	12	6,831	6,085
<b>Total non-financial assets</b>		<b>8,992</b>	<b>10,779</b>
<b>Total assets</b>		<b>12,741,984</b>	<b>3,275,751</b>
<b>Liabilities</b>			
Payables	13	1,328,646	346,725
Provisions	14	158,576	121,138
Other liabilities		1	-
<b>Total liabilities</b>		<b>1,487,223</b>	<b>467,863</b>
<b>Net assets</b>		<b>11,254,761</b>	<b>2,807,888</b>
<b>Equity</b>			
Accumulated surplus/(deficit)	15	11,102,667	2,807,888
Available-for-sale revaluation surplus		152,094	-
<b>Net worth</b>		<b>11,254,761</b>	<b>2,807,888</b>
Commitments for expenditure	16		
Contingent liabilities and contingent assets	16,21		

The balance sheet should be read in conjunction with the accompanying notes included on pages 37 to 65.

## CASH FLOW STATEMENT FOR FINANCIAL YEAR ENDED 30 JUNE 2010

	Notes	2010 \$	2009 \$
<b>Cash flows from operating activities</b>			
Receipts from Government, customers & members		10,566,423	2,497,123
Payments to suppliers and employees		(3,187,249)	(3,737,236)
Interest received		60,633	91,905
Net cash provided by /(used in) operating activities	19	7,439,807	(1,148,208)
<b>Cash flows from investing activities</b>			
Payment for plant and equipment		(1,136)	(3,082)
Payment for shares		-	(1)
Receipts from sale of shares		214,007	-
Net cash provided by /(used in) investing activities		212,871	(3,083)
Net (decrease) / increase in cash and cash equivalents		7,652,678	(1,151,291)
Cash and cash equivalents at beginning of financial year		947,247	2,098,538
Cash and deposits at end of financial year	7	8,599,925	947,274

The cash flow statement should be read in conjunction with the accompanying notes included on pages 37 to 65.



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

	Notes	Equity at 1 July 2009	Changes due to total comprehensive result	Equity at 30 June 2010
<b>2010</b>				
<b>Accumulated surplus/(deficit)</b>	<b>15</b>	<b>2,807,888</b>	<b>8,294,779</b>	<b>11,102,667</b>
Transfer from physical asset revaluation surplus		-	-	-
Transfer from financial asset available-for-sale revaluation surplus to accumulated surplus		-	-	-
	<b>15</b>	<b>2,807,888</b>	<b>8,294,779</b>	<b>11,102,667</b>
Physical asset revaluation surplus		-	-	-
Financial assets available-for-sale surplus	15	0	152,094	-
Adjustment due to change in accounting policy		-	-	-
	<b>15</b>	<b>0</b>	<b>152,094</b>	<b>-</b>
<b>Total equity at end of financial year</b>	<b>15</b>	<b>2,807,888</b>	<b>8,446,873</b>	<b>11,254,761</b>
<b>2009</b>				
<b>Accumulated surplus/(deficit)</b>	<b>15</b>	<b>3,482,387</b>	<b>(674,499)</b>	<b>2,807,888</b>
Transfer from physical asset revaluation surplus		-	-	-
Transfer from financial asset available-for-sale revaluation surplus to accumulated surplus		-	-	-
	<b>15</b>	<b>3,482,387</b>	<b>(674,499)</b>	<b>2,807,888</b>
Physical asset revaluation surplus		-	-	-
Financial assets available-for-sale surplus	15	99,400	(99,400)	-
Adjustment due to change in accounting policy		-	-	-
	<b>15</b>	<b>99,400</b>	<b>(99,400)</b>	<b>-</b>
<b>Total equity at end of financial year</b>	<b>15</b>	<b>3,581,787</b>	<b>(773,899)</b>	<b>2,807,888</b>

The statement of changes in equity should be read in conjunction with the accompanying notes included on pages 37 to 65.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are the audited statements which have been prepared on an accrual basis in accordance with applicable Australian Accounting Standards and Interpretations (AASs). AASs include Australian equivalents to International Financial Reporting Standards.

In complying AASs, the entity has, where relevant, applied those paragraphs applicable to not-for-profit entities.

VCAMM Limited is a public company limited by guarantee, incorporated and domiciled in Australia.

#### Reporting Basis and Conventions

The financial statements has been prepared on a historical costs basis except for the revaluation of selected non-current physical assets, and financial instruments which are measured at fair value with movements reflected in equity until the asset as derecognised. These financial statements are presented in Australian dollars.

#### Critical Accounting Estimates and Judgments

In the application of A-IFRS management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision, and future periods if the revision affect both current and future periods. Judgements made by management in the application of AAS's that have significant effects on the financial statements and estimates with a risk of material adjustments in the subsequent reporting period, are disclosed throughout the notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied and unless otherwise stated have been applied for the year ended 30 June 2010 and the comparative information presented for the year ended 30 June 2009.

#### Scope and presentation of financial statements

##### *Comprehensive operating statement*

Income and expenses in the comprehensive operating statement are classified according to whether or not they arise from 'transactions' or 'other economic flows'. This classification is consistent with the whole of government reporting format and is allowed under AASB 101 Presentation of financial statements.

'Transactions' and 'other economic flows' are defined by the *Australian system of government finance statistics: concepts, sources and methods 2005* Cat. No. 5514.0 published by the Australian Bureau of Statistics.

'Transactions' are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement. Transactions also include flows within an entity, such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the Government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash.

'Other economic flows' are changes arising from market re-measurements. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; actuarial gains and losses arising from defined benefit superannuation plans; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

The net result is equivalent to profit or loss derived in accordance with AASs.

### *Balance sheet*

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets. Current and non-current assets and liabilities (those expected to be recovered or settled beyond 12 months) are disclosed in the notes, where relevant.

### *Statement of changes in equity*

The statement of changes in equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the comprehensive result and amounts recognised in other comprehensive income related to other non owner changes in equity.

### *Cash flow statement*

Cash flows are classified according to whether or not they arise from operating activities, investing activities, or financing activities. This classification is consistent with requirements under AASB 107 Statement of cash flows.

## Accounting Policies

### **a. Income from transactions**

Income is recognised to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured.

#### *Interest income*

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

#### *Rendering of services*

Income from the rendering of services is recognised upon the delivery of goods to customers.

#### *Grant income*

Grant income is recognised when control is gained of the underlying asset.

#### *Fair value of assets and services received free of charge or for nominal consideration*

Contributions of resources received free of charge or for nominal consideration are recognised at their fair value when VCAMM obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions, unless received from another government department or agency as a consequence of a restructuring of administrative arrangements. In the latter case, such a transfer will be recognised at its carrying value. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

### **b. Expenses from transactions**

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

#### *Employee expenses*

Expenses for employee benefits are recognised when incurred.

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. 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.

#### *Depreciation*

The depreciation amount is calculated on both a straight-line and diminishing value basis as to write off the net cost of each asset over its expected useful life to its estimated residual value.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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

Class of Fixed Asset	2009-10 Depreciation Rate	2008-09 Depreciation Rate
	33.33-66.66%	33.33-66.66%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined after deducting from the proceeds the carrying value of the asset at the time of disposal. These gains or losses are included in the comprehensive operating statement.

### *Interest expense*

Interest expenses are recognised as expenses in the period in which they are incurred.

### *Grants and other expense transfers*

Grants and other transfers to third parties are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as grants, subsidies and other transfer payments made to Advanced Manufacturing CRC.

### *Other operating expenses*

Other operating expenses generally represent the day to day running costs incurred in normal operations.

## c. Other economic flows included in the net result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions. These include:

### *Net gain/(loss) on non financial assets*

Net gain/(loss) on non financial assets and liabilities includes realised and unrealised gains and losses as follows:

### *Revaluation gains/(losses) of non-current physical assets*

Refer to accounting policy on Plant and equipment, provided in Note 11 Non-financial assets.

### *Disposal of non financial assets*

Any gain or loss on the sale of non financial assets is recognised at the date that control of the asset is passed to the buyer and is determined after deducting from the proceeds the carrying value of the asset at that time.

### *Net gain/(loss) on financial instruments*

Net gain/(loss) on financial instruments includes:

- realised and unrealised gains and losses from revaluations of financial instruments that are designated at fair value through profit or loss or held for trading;
- impairment and reversal of impairment for financial instruments at amortised cost; and
- disposals of financial assets.

### **Revaluations of financial instruments at fair value**

The revaluation gain/(loss) on financial instruments at fair value excludes dividends or interest earned on financial assets, which is reported as part of income from transactions.

### *Share of net profits/(losses) of associates and joint entities, excluding dividends*

Refer to Note 10 for basis of consolidation.

### *Other gains/(losses) from other economic flows*

Other gains/(losses) from other economic flows include the gains or losses from:

- transfer of amounts from the reserves and/or accumulated surplus to net result due to disposal or de-recognition or reclassification; and



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates.

### d. Financial assets

#### *Cash and deposits*

Cash and deposits including cash equivalents comprise of cash on hand and cash at bank, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and readily convertible to amounts of cash.

#### *Receivables*

Receivables consist predominantly of amounts owing from the Victorian Government, debtors in relation to goods and services, accrued investment income and GST input tax credits recoverable. Receivables that are contractual are classified as financial instruments. Amounts owing from the Victorian Government, taxes and other statutory receivables are not classified as financial instruments.

Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less an allowance for impairment.

#### *Other financial assets*

Investments are recognised and de recognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Investments are classified in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables, and
- available for sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

VCAMM assesses at each end of the reporting period whether a financial asset or group of financial assets is impaired (refer to Note 10 Impairment of financial assets ).

#### **Available for sale financial assets**

Other investments held by VCAMM are classified as being available for sale and are stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified to the net result as an other economic flow for the period. Fair value is determined in the manner described in Note 10.

#### *Investments in subsidiaries*

Subsidiaries are all those entities (including special purpose entities) over which the company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the company controls another entity.

VCAMM Limited has a fully owned subsidiary in Manufacturing Transformed Pty Ltd. The financial statements are not presented on a consolidated basis, and the requirements under AASB 127 "Consolidated and Separate Financial Statements" has been considered.

Investments in subsidiaries are accounted for at cost in the financial statements.

#### *Impairment of financial assets*

VCAMM assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

Bad and doubtful debts for financial assets are assessed on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. The bad debts not written off by mutual consent and allowance for doubtful receivables are classified as 'other economic flows'.

In assessing impairment of statutory (non-contractual) financial assets which are not financial instruments, VCAMM applies professional judgement in assessing materiality and using estimates, averages and computational shortcuts in accordance with AASB 136 Impairment of assets.

### *Investments accounted for using the equity method*

An associate is an entity over which the company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, investments in associates are carried in the balance sheet at cost as adjusted for post-acquisition changes in the company's share of net assets of the associate, less any impairment in the value of the individual investments.

### **e. Non financial assets**

#### *Plant and equipment*

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

#### *Other non financial assets*

##### **Prepayments**

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

### **f. Liabilities**

#### *Payables*

Payables consist predominantly of accounts payable and other sundry liabilities. Accounts payable represent liabilities for goods and services provided to VCAMM prior to the end of the financial year that are unpaid, and arise when the VCAMM becomes obliged to make future payments in respect of the purchase of those goods and services.

Other liabilities included in payables mainly consist of unearned/prepaid income, goods and services tax and fringe benefits tax payables.

Payables are initially recognised at fair value, being the cost of the goods and services, and subsequently measured at amortised cost.

#### *Provisions*

Provisions are recognised when the entity has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

##### **Employee benefits**

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

##### **(i) Wages and salaries, annual leave and sick leave**

Liabilities for wages and salaries, including non monetary benefits, annual leave and accumulating sick leave which are expected to be settled within 12 months of the reporting period, are recognised in the provision for employee benefits.

These liabilities are classified as current liabilities and measured at their nominal values.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

Those liabilities that are not expected to be settled within 12 months are recognised in the provision for employee benefits as current liabilities, measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

### (ii) Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Current liability – unconditional LSL is disclosed in the notes to the financial statements as a current liability even where VCAMM does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- nominal value – component that VCAMM expects to settle within 12 months; and
- present value – component that VCAMM does not expect to settle within 12 months.

Non current liability – conditional LSL is disclosed as a non current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service.

This non current LSL liability is measured at present value. Any gain or loss following revaluation of the present value of non current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an other economic flow (refer to Note 1 (I) Other economic flows include in net result).

### *Employee benefits on costs*

Employee benefits on costs such as payroll tax, workers compensation and superannuation are recognised separately from the provision for employee benefits.

### g. Advanced Manufacturing CRC Limited

Payments to the Advanced Manufacturing CRC Limited are recognised in the reporting period in which they are incurred.

### h. Goods & Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated 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.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### i. Comparative figures

Comparative figures have been adjusted to conform to changes in presentation for the current financial year where required by accounting standards or as a result of changes in accounting policy.

### j. Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

### k. Australian Accounting Standards issued but not yet effective

Where new or revised accounting standards and interpretations have been issued that are not mandatory for the current reporting period VCAMM Limited has assessed the impact of these standards and interpretations and has not, and does not intend to, adopt

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

these standards early. The table below sets out the details and expected impacts on future financial reports.

At the date of this financial report the following amendments, standards and interpretations have been issued but are not yet effective; and may impact VCAMM Limited's financial statements in the period of initial application:

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning or ending on:	Impact on VCAMM Ltd financial statements
AASB 2009-5 Further amendments to Australian Accounting Standards arising from the annual improvements project [AASB 5, 8, 101, 107, 117, 118, 136 and 139]	Some amendments will result in accounting changes for presentation, recognition or measurement purposes, while other amendments will relate to terminology and editorial changes.	Beginning 1 Jan 2010	Terminology and editorial changes. Impact minor.
AASB 2009-8 Amendments to Australian Accounting Standards – group cash-settled share-based payment transactions [AASB 2]	The amendments clarify the scope of AASB 2.	Beginning 1 Jan 2010	No impact. AASB 2 does not apply to government departments or entities; consequently this standard does not apply.
AASB 2009-9 Amendments to Australian Accounting Standards – additional exemptions for first time adopters [AASB 1]	Applies to entities adopting Australian Accounting Standards for the first time, to ensure entities will not face undue cost or effort in the transition process in particular situations.	Beginning 1 Jan 2010	No impact. Relates only to first time adopters of Australian Accounting Standards.
Erratum General Terminology changes	Editorial amendments to a range of Australian Accounting Standards and Interpretations	Beginning 1 Jan 2010	Terminology and editorial changes. Impact minor.
AASB 2009-10 Amendments to Australian Accounting Standards – classification of rights issues [AASB 132]	The Standard makes amendments to AASB 132, stating that rights issues must now be classed as equity rather than derivative liabilities.	Beginning 1 Jan 2010	No impact. Departments do not issue rights, warrants and options, consequently the amendment does not impact on the statements.
AASB 2009-13 Amendments to Australian Accounting Standards arising from interpretation 19 [AASB 1]	Consequential amendment to AASB 1 arising from publication of Interpretation 19.	Beginning 1 Jan 2010	Departments do not extinguish financial liabilities with equity instruments, therefore requirements of Interpretation 19 and related amendments have no impact.
AASB 124 Related party disclosures (Dec 2009)	Government related entities have been granted partial exemption with certain disclosure requirements.	Beginning 1 Jan 2009	Preliminary assessment suggests that impact is insignificant. However, the Department is still assessing the detailed impact and whether to early adopt.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning or ending on:	Impact on VCAMM Ltd financial statements
AASB 2009-12 Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 and 1031 and Interpretations 2, 4, 16, 1039 and 1052]	This standard amends AASB 8 to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for purposes of certain operating segment disclosures. This standard also makes numerous editorial amendments to other AASs.	Beginning 1 Jan 2010	AASB 8 does not apply to departments therefore no impact expected. Otherwise, only editorial changes arising from amendments to other standards, no major impact. Impacts of editorial amendments are not expected to be significant.
AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a minimum funding requirement [AASB Interpretation 14]	Amendment to Interpretation 14 arising from the issuance of Prepayments of a minimum funding requirement	Beginning 1 Jan 2010	Expected to have no significant impact
AASB 9 Financial instruments	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 Financial instruments: recognition and measurement (AASB 139 financial Instruments: recognition and measurement).	Beginning 1 Jan 2010	Detail of impact is still being assessed.
AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12]	This gives effect to consequential changes arising from the issuance of AASB 9.	Beginning 1 Jan 2010	Detail of impact is still being assessed.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

### NOTE 2: INCOME FROM TRANSACTIONS

	Note	2010 \$	2009 \$
<b>a. Interest</b>			
Interest on bank deposits		60,633	91,905
<b>Total interest</b>		<b>60,633</b>	<b>91,905</b>
<b>b. Rendering of services</b>			
Rendering of services		1,501,551	1,201,318
<b>Total rendering of services</b>		<b>1,501,551</b>	<b>1,201,318</b>
<b>c. Grants income</b>			
Specific purpose grants from Victorian State Government		8,249,000	1,200,000
<b>Total Grant income</b>		<b>8,249,000</b>	<b>1,200,000</b>
<b>d. Fair Value of assets and services received free of charge or nominal consideration</b>			
Shares Hard Technologies Pty Ltd		244,125	-
Shares and Cash from Strategic Innovation Research Fund		2,386,662	-
Shares Cytomatrix Pty Ltd		-	600,000
<b>Total fair Value of assets and services received free of nominal consideration</b>		<b>2,630,787</b>	<b>600,000</b>

### NOTE 3: EXPENSES FROM TRANSACTIONS

	Note	2010 \$	2009 \$
<b>e. Employee Expenses</b>			
Director's fees	5	32,000	32,000
Wages		923,272	966,750
Fringe benefits tax		69,911	23,778
Payroll tax		26,590	28,691
Staff training and welfare		3,452	20,136
Superannuation		95,786	133,445
Salary sacrifice superannuation		12,500	-
Annual leave provision	13	97,779	79,443
Long service leave provision	13	60,797	41,695
Workcover		3,713	3,901
<b>Total employee expenses</b>		<b>1,325,800</b>	<b>1,329,839</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

### NOTE 4: OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT

	Note	2010 \$	2009 \$
<b>a. Net gain/loss on financial instruments</b>			
Impairment of:			
Available-for-sale financial assets	10	(738,101)	(99,400)
(i) Royalties receivable	10	(21,342)	(99,400)
<b>Total net gain/(loss) on financial instruments</b>		<b>(759,443)</b>	<b>(99,400)</b>

*Note:*

(i) On 21 July 2005, a Heads of Agreement was executed between VCAMM Limited, Quickstep Holdings Limited ("QHL") and Quickstep Technologies Pty Ltd ("QTPL") which agreed the value of services provided by VCAMM to the Group during the period 1 July 2003 to 30 June 2005 and which formalised arrangements that existed before 30 June 2005 between the parties. The agreed consideration for services provided was \$1,790,000 which was satisfied by the grant of 2,160,000 ordinary shares fully paid in QHL (issued at .25 cents per share), with the balance of \$1,250,000 to be paid to VCAMM on a quarterly basis from total cash revenues received by QTPL on a percentage basis (varying from 4% to 7% of QTPL's cash revenues for the period), subject to a maximum annual repayment of \$650,000. The discount rate that has been used to calculate the royalties payable is 8.46%.

### NOTE 5: REMUNERATION

	Note	2010 \$	2009 \$
Directors		32,000	32,000
Number of company directors whose income from the company was within the following bands:			
\$10,000 - \$19,999		1	1
\$20,000 - \$29,999		1	1
Key Management Personnel		298,130	267,422
In total for each category			
- short term benefits		62,132	20,988
- long term benefits		-	18,230
		<b>360,262</b>	<b>306,640</b>

### NOTE 6: AUDITOR'S REMUNERATION

	Note	2010 \$	2009 \$
External Auditors – VAGO (audit of financial statements)		17,840	17,840
Internal Auditors - Others		2,756	6,220
		<b>20,596</b>	<b>24,060</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

### NOTE 7: CASH AND DEPOSITS

	Note	2010	2009
		\$	\$
Cash at bank – Salary packaging account		-	1,150
STI funds		-	110,776
Westpac operating account		6,070	(17,952)
Westpac state government funding account		551,788	253,333
Westpac cash management account		1,282,353	599,940
VSA Hard Technologies account		44,125	-
VSA bushfire protection account		81,301	-
VSA CECAP account		329,690	-
VSA Carbon fibre account		6,000,748	-
VCAMM SIRF Account		303,850	-
		<b>8,599,925</b>	<b>947,247</b>

#### (a) Reconciliation of Cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents	8,599,925	947,247
	<b>8,599,925</b>	<b>947,247</b>

### NOTE 8: TRADE AND OTHER RECEIVABLES

	Note	2010	2009
		\$	\$
<b>CURRENT</b>			
Contractual receivables		253,844	182,876
Receivable Quickstep Royalties		277,094	650,000
		530,938	832,876
Net statutory GST recoverable from ATO		-	10,783
		-	10,783
Total Current		530,938	843,659
<b>NON-CURRENT</b>			
Receivable Quickstep Royalties		819,745	491,305
Total Non-Current		819,745	491,305
<b>TOTAL</b>		<b>1,350,683</b>	<b>1,334,964</b>

#### (a) Ageing analysis of contractual receivables

Please refer to Table 20.1 in Note 20 for the ageing analysis of contractual receivables.

#### (b) Nature and extent of risk arising from contractual receivables

Please refer to Note 20 (c) for the nature and extent of credit risk arising from contractual receivables.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

### NOTE 9: OTHER FINANCIAL ASSETS

	Note	2010	2009
		\$	\$
CURRENT			
Accrued Revenue		3,475	-
Loan others		141,348	14,169
Security deposit		1,560	1,560
		<b>146,383</b>	<b>15,729</b>

### NOTE 10: FINANCIAL ASSETS

	Note	2010	2009
		\$	\$
<i>Available-for-sale financial assets comprise:</i>			
Listed investments, at fair value			
– shares in listed corporations (Quickstep Holdings Limited)		116,090	168,980
– shares in listed corporations (Prima Biomed Limited)		23,695	-
– shares in listed corporations (Starpharma Holdings Limited)		1,402,543	-
– shares in listed corporations (Ceramic Fuel Cells Limited)		162,891	-
Unlisted investments, at recoverable amount			
– shares in other corporations (Microheat Technologies Pty Ltd)		110,000	110,000
Total available-for-sale financial assets		<b>1,815,219</b>	<b>278,980</b>

#### *Investments accounted for using the equity method comprise:*

Investments in associates			
– shares in other companies (Hard Technologies Pty Ltd)		32,703	140
– shares in other companies (Cytomatrix Pty Ltd)		788,075	687,912
Total investments in associates		<b>820,778</b>	<b>688,052</b>

#### Investments in subsidiaries

– shares in other companies (Manufacturing Transformed Pty Ltd)		1	1
– shares in other companies (VCAMM Holdings Pty Ltd)		1	-
– shares in other companies (CECAP Pty Ltd)		1	-
Total investments in subsidiaries		<b>3</b>	<b>1</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

### SUBSIDIARIES

Name of entity	Principal activity	Country of incorporation	Ownership interest	
			2010 %	2009 %
Manufacturing Transformed Pty Ltd	Consulting	Australia	100	100
VCAMM Holdings Pty Ltd	IP Holding Company	Australia	100	-
CECAP Pty Ltd	IP Holding Company	Australia	100	-

### ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

VCAMM has an investment in associate Hard Technologies Pty Ltd, which specialises in developing duplex surface treatment technology produced in fluidised bed reactors for improved surface performance of metals. The main business activities include: Research and Development and the licensing of its technology.

VCAMM also has an investment in Cytomatrix Pty Ltd which is a Geelong based, international bioagents company that focuses on the commercialisation of adult stem cell technologies. The main business activities include: Research and Development and sales of Stata Matrix.

### SUBSIDIARIES BASIS OF CONSOLIDATION

At reporting date VCAMM had 3 subsidiary companies as listed above. The entities did not trade during the reporting period and due to materiality Accounting Standard AASB 127 has not been applied.

### ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

	2010	2009
Non-current investments in associates	820,778	688,052

Name of entity	Principal activity	Country of incorporation	Ownership interest		Published fair value	
			2010 %	2009 %	2010 \$	2009 \$
Associates						
Hard Technologies Pty Ltd	Heat Treatment	Australia	45	31.94	32,702	140
Cytomatrix Pty Ltd	Bioagent Research	Australia	38	38	788,075	687,912

### SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES:

	2010	2009
Current assets	193,622	136,014
Non-current assets	2,447,104	2,131,623
<b>Total assets</b>	<b>2,640,726</b>	<b>2,267,637</b>
Current liabilities	450,545	412,723
Non-current liabilities	43,625	44,182
<b>Total liabilities</b>	<b>494,170</b>	<b>456,905</b>
<b>Net assets</b>	<b>2,146,556</b>	<b>1,810,732</b>
<b>Share of associates' net assets</b>	<b>820,778</b>	<b>688,052</b>
<b>Total Income</b>	<b>702,949</b>	<b>275,869</b>
<b>Net result</b>	<b>20,088</b>	<b>(642,205)</b>
<b>Share of associates' result after income tax</b>	<b>12,690</b>	<b>(234,200)</b>

VCAMM's share of the contingent liabilities, capital commitments and other expenditure commitments of its associates and joint ventures are disclosed in Note 17.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

### MOVEMENT IN FINANCIAL ASSETS

	2010	2009
<b>Balance of investment at beginning of period</b>	<b>967,033</b>	<b>1,409,945</b>
<b>Less</b>		
Equity disposed of during period	(85,005)	-
Share of net losses of associates	(19,816)	-
Impairment loss during period	(738,101)	(1,042,913)
	<b>124,111</b>	<b>367,032</b>
<b>Add</b>		
Transfer to available-for-sale revaluation reserve	152,094	-
Share of net profits of associates	32,506	-
Equity acquired during period	2,327,289	600,001
<b>Balance of investment at end of period</b>	<b>2,636,000</b>	<b>967,033</b>

### IMPAIRMENT LOSS IS PRESENTED AS FOLLOWS:

	2010	2009
Reversal from financial assets available-for-sale reserves	-	99,400
Directly charged to operating statement	738,101	943,513
<b>Total impairment for period</b>	<b>738,101</b>	<b>1,042,913</b>

### NOTE 11: PLANT AND EQUIPMENT

	Note	2010	2009
		\$	\$
<b>PLANT AND EQUIPMENT</b>			
Plant and equipment at cost		20,658	19,521
Less accumulated depreciation		(18,497)	(14,827)
<b>Total, plant and equipment</b>		<b>2,161</b>	<b>4,694</b>
<b>Movements in carrying amounts</b>			
Balance at beginning of the year		4,694	7,413
Additions		1,136	3,081
Depreciation expense		(3,669)	(5,800)
<b>Carrying amount at the end of the year</b>		<b>2,161</b>	<b>4,694</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

### NOTE 12: OTHER NON FINANCIAL ASSETS

	Note	2010	2009
		\$	\$
Prepayments		6,831	6,084
		<b>6,831</b>	<b>6,084</b>

### NOTE 13: TRADE AND OTHER PAYABLES

	Note	2010	2009
		\$	\$
<b>CURRENT</b>			
Contractual payables		385,200	197,055
Accrued expenses		100,022	-
Prepaid Revenue		225,000	119,670
Distributions payable		-	30,000
		710,222	346,725
Net statutory GST payable to ATO		618,424	-
		<b>1,328,646</b>	<b>346,725</b>

#### a) Maturity analysis of contractual payables

Please refer to Table 20.3 in Note 20 for the maturity analysis of contractual payables.

#### b) Nature and extent of risk arising from contractual payables

Please refer to Note 20 for the nature and extent of risks arising from contractual payables.

### NOTE 14: PROVISIONS

	2010	2009
<b>Current provisions</b>		
Employee benefits: <sup>(a)</sup> (a)		
– Unconditional and expected to be settled within 12 months <sup>(b)</sup>	106,680	68,663
– Unconditional and expected to be settled after 12 months <sup>(c)</sup>	-	-
	106,680	68,663
Provisions related to employee benefit on-costs:		
– Unconditional and expected to be settled within 12 months <sup>(b)</sup>	16,750	10,780
– Unconditional and expected to be settled after 12 months <sup>(c)</sup>	-	-
	16,750	10,780
<b>Total current provisions</b>	<b>123,430</b>	<b>79,443</b>
<b>Non-current provisions</b>		
Employee benefits <sup>(a)</sup> (a)	30,378	36,037
Provisions related to employee benefit on-costs	4,768	5,658
<b>Total non-current provisions</b>	<b>35,146</b>	<b>41,695</b>
<b>Total provisions</b>	<b>158,576</b>	<b>121,138</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

(a) Employee benefits and related on-costs<sup>(a)</sup>

	2010	2009
<b>Current employee benefits</b>		
Annual leave entitlements	84,510	68,663
Conditional long service leave entitlements	22,170	-
<b>Non-current employee benefits</b>		
Conditional long service leave entitlements	30,378	36,037
<b>Total employee benefits</b>	<b>137,058</b>	<b>104,700</b>
Current on-costs	16,750	10,780
Non-current on-costs	4,768	5,658
<b>Total on-costs</b>	<b>21,518</b>	<b>16,438</b>
<b>Total employee benefits and related on-costs</b>	<b>158,576</b>	<b>121,138</b>

Notes:

(a) Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employees, not including on-costs.

(b) The amounts disclosed are nominal amounts.

(c) The amounts disclosed are discounted to present values.

(b) Movement in provisions

	On-costs	Employee Benefits	Total
	2010	2010	2010
Opening balance	16,438	104,700	121,138
Additional provisions recognised	5,080	32,358	37,438
Closing balance	21,518	137,058	158,576
Current	16,750	106,680	123,430
Non-current	4,768	30,378	35,146
	21,518	137,058	158,576



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

### NOTE 15: EQUITY

	Note	2010 \$	2009 \$
(a) Accumulated surplus			
Accumulated surplus at beginning of the financial year		2,807,888	3,482,387
Net profit/(loss) attributable to members of the company		8,294,779	(674,499)
Accumulated surplus at the end of the financial year		<b>11,102,667</b>	<b>2,807,888</b>
(b) Reserves			
Financial asset available-for-sale revaluation reserve			
Balance at beginning of the financial year		-	99,400
Valuation gain/(loss) recognised		152,094	-
Cumulative gain/(loss) transferred to net result on impairment of financial assets		-	(99,400)
Disposal or transferred out		-	-
Balance at the end of the financial year		<b>152,094</b>	-
Being for:			
Shares held at year end – cost price		(752,071)	-
Shares held at year end – market valuation		904,165	-
		<b>152,094</b>	-

### NOTE 16: MEMBERS' GUARANTEE

The company is limited by guarantee. If wound up, the constitution states that each member is required to contribute \$100 each towards meeting any outstanding obligations of the company. At 30 June 2010 the number of members was 4 (2009: 4) they were, Deakin University, CSIRO, Swinburne University of Technology and La Trobe University.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

### NOTE 17: COMMITMENTS FOR EXPENDITURE

The following commitments have not been recognised as liabilities in the financial statements:

	2010	2009
<b>Expenditure commitments</b>		
<b>Projects - Advanced Manufacturing Cooperative Research Centre<sup>(a)</sup></b>		
Payable:	481,903	816,818
Not longer than one year	334,596	454,940
Longer than one year and not longer than five years	147,307	361,878
Longer than five years	-	-
	<b>481,903</b>	<b>816,818</b>
<b>Share of Associates Expenditure Commitments<sup>(b)</sup></b>		
Payable:	22,574	95,354
Not longer than one year	22,574	77,594
Longer than one year and not longer than five years	-	17,760
Longer than five years	-	-
	<b>22,574</b>	<b>95,354</b>
<b>Lease of premises at 551 Burwood Highway Knoxfield Victoria 3180<sup>(c)</sup></b>		
Payable:	984,488	-
Not longer than one year	116,263	-
Longer than one year and not longer than five years	868,225	-
Longer than five years	-	-
	<b>984,488</b>	-
<b>Lease of premises at 4/6 Viewtech Place Rowville Victoria 3178<sup>(d)</sup></b>		
Payable:	2,653	-
Not longer than one year	2,653	-
Longer than one year and not longer than five years	-	-
Longer than five years	-	-
	<b>2,653</b>	-
<b>Total expenditure commitments</b>	<b>1,491,618</b>	<b>912,172</b>
<b>Total commitments for expenditure (inclusive of GST)</b>	<b>1,673,824</b>	<b>1,003,389</b>
Less GST recoverable from the Australian Taxation Office	152,166	91,217
<b>Total commitments for expenditure (exclusive of GST)</b>	<b>1,521,658</b>	<b>912,172</b>

All amounts shown in the commitments note are nominal amounts exclusive of GST.

Notes:

- (a) VCAMM is a participant in the Advanced Manufacturing Cooperative Research Centre (AMCRC) and has made a commitment to fund projects within that organisation up to \$1m per year.
- (b) VCAMM's share of contingent liabilities of associates. Both associates have project agreements with the Advanced Manufacturing CRC. The extent to which an outflow of funds will be required is dependent on the future operations of the associates being more or less favourable than currently expected.
- (c) On 30th June 2010 VCAMM signed a lease agreement with Brilliant Group Pty Ltd for a property located at 551 Burwood Highway Knoxfield Vic 3180. The terms of the lease are as follows: Term 4 Years, \$250,000 per year with an annual increase of 3% or CPI whichever is greater.
- (d) On the 3rd of October 2008 VCAMM signed a lease agreement for a property at 4/6 Viewtech Place Rowville Victoria 3078. The 2 year lease term is due to expire on the 8th of October 2010.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

### NOTE 18: ECONOMIC INDEPENDENCE

The continuing generation of membership fees is dependent upon Deakin University, Monash University, Latrobe University, Swinburne University of Technology and the Commonwealth Scientific and Industrial Research Organisation continuing to use the company's services.

### NOTE 19: NOTES TO CASH FLOW STATEMENT

	Note	2010 \$	2009 \$
<b>Reconciliation of Cash Flow from Operating activities with net result for</b>			
Net result for the period		8,294,779	(674,499)
Non-cash movements			
– Depreciation		3,669	5,800
– Assets received free of charge or for nominal consideration		(2,327,287)	(600,000)
– Profit on sale of assets		(129,002)	-
– Net gain/(loss) on financial instruments		738,101	943,513
– share of associates profit		(12,690)	-
Movements in assets and liabilities, net of the effects of purchase and disposal of subsidiaries			
– (Increase)/Decrease in receivables		(15,719)	4,734
– (Increase)/Decrease in non financial assets		(747)	74
– (Increase)/Decrease in financial assets		(130,656)	(21,511)
– Increase/(Decrease) in payables		981,921	(822,219)
– Increase/(Decrease) in provisions		37,438	15,900
Net cash flows (used in)/ from operating activities		<b>7,439,807</b>	<b>(1,148,208)</b>

### NOTE 20: FINANCIAL INSTRUMENTS

#### (a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset financial liability and equity instrument are disclosed in note 1 to the financial statements. The company's principal financial instruments comprise:

- cash assets
- receivables
- available for sale
- payables

The carrying amounts of VCAMM's contractual financial assets by category are in table 20.1. Investments in associates are disclosed separately in Note 10.

#### (b) Interest rate risk

The Company's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in table 20.3. Exposure arises from assets bearing variable interest rates. As at the reporting date there is no event to indicate that any of the financial assets are impaired. The Company has no interest bearing liabilities.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

Table 20.1 Categorisation of financial instruments

2010	Contractual financial assets/liabilities designated at fair value through profit/loss	Contractual financial assets/liabilities held-for-trading at fair value through profit/loss	Contractual financial assets-loans and receivables	Contractual financial assets available-for-sale	Contractual financial liabilities at amortised cost	Total
	\$	\$	\$	\$	\$	\$
<b>Contractual financial assets</b>						
Cash and deposits	-	-	8,599,925	-	-	8,599,925
Available-for-sale	-	-	-	1,815,219	-	1,815,219
(i)Receivables	-	-	1,350,683	-	-	1,350,683
<b>Total contractual financial assets</b>	<b>0</b>	<b>0</b>	<b>9,950,608</b>	<b>1,815,219</b>	<b>0</b>	<b>11,765,827</b>
<b>Contractual financial liabilities</b>						
Payables	-	-	1,328,646	-	-	1,328,646
<b>Total contractual financial liabilities</b>	<b>-</b>	<b>-</b>	<b>1,328,646</b>	<b>-</b>	<b>-</b>	<b>1,328,646</b>
<b>2009</b>						
	Contractual financial assets/liabilities designated at fair value through profit/loss	Contractual financial assets/liabilities held-for-trading at fair value through profit/loss	Contractual financial assets-loans and receivables	Contractual financial assets available-for-sale	Contractual financial liabilities at amortised cost	Total
	\$	\$	\$	\$	\$	\$
<b>Contractual financial assets</b>						
Cash and deposits	-	-	947,247	-	-	947,247
Available-for-sale	-	-	-	278,980	-	278,980
(i)Receivables	-	-	1,334,964	-	-	1,334,964
<b>Total contractual financial assets</b>	<b>-</b>	<b>-</b>	<b>2,282,211</b>	<b>278,980</b>	<b>-</b>	<b>2,561,191</b>
<b>Contractual financial liabilities</b>						
Payables	-	-	346,725	-	-	346,725
<b>Total contractual financial liabilities</b>	<b>-</b>	<b>-</b>	<b>346,725</b>	<b>-</b>	<b>-</b>	<b>346,725</b>

Note: (i) The total amounts disclosed here exclude statutory amounts (eg. amounts owing from Victorian Government and GST input credit)

The net holding gains or losses disclosed below are determined as follows:

- For cash and cash equivalents, loans or receivables and available-For-sale financial assets, the net gain or loss is calculated by taking the interest income, plus or minus foreign exchange losses arising from revaluation of the financial assets, and minus and impairment recognised in the net result;
- For financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost; and
- For financial asset and liabilities that are held For trading or designated at fair value through profit or loss, the net gain or loss is calculated by taking the movement in the fair value of the financial asset or liability.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**Table 20.2 Net holding gain/(loss) on financial instruments by category**

2010	Net holding gain/(loss) \$	Total interest income/expense \$	Fee income/expense \$	Impairment loss \$	Total \$
<b>Contractual financial assets</b>					
Financial assets designated at fair value through profit/loss	-	-	-	-	-
Financial assets - loans and receivables	-	60,633	-	-	60,633
Financial assets available-for-sale recognised in net result	-	-	-	-	-
Financial assets available-for-sale recognised in other comprehensive result	-	-	-	-	-
<b>Total contractual financial assets</b>	-	<b>60,633</b>	-	-	<b>60,633</b>
<b>Contractual financial liabilities</b>					
Financial liabilities at amortised cost	-	-	-	-	-
Financial liabilities designated at fair value through profit/loss	-	-	-	-	-
<b>Total contractual financial liabilities</b>	-	-	-	-	-
<b>2009</b>					
2009	Net holding gain/(loss) \$	Total interest income/expense \$	Fee income/expense \$	Impairment loss \$	Total \$
<b>Contractual financial assets</b>					
Financial assets designated at fair value through profit/loss	-	-	-	-	-
Financial assets - loans and receivables	-	91,905	-	-	91,905
Financial assets available-for-sale recognised in net result	-	-	-	-	-
Financial assets available-for-sale recognised in other comprehensive result	-	-	-	-	-
<b>Total contractual financial assets</b>	-	<b>91,905</b>	-	-	<b>91,905</b>
<b>Contractual financial liabilities</b>					
Financial liabilities at amortised cost	-	-	-	-	-
Financial liabilities designated at fair value through profit/loss	-	-	-	-	-
<b>Total contractual financial liabilities</b>	-	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

The carrying amount of financial assets recorded in the financial statements net of any allowances for losses represents the company's exposure to credit risk.

**Table 20.3 Interest rate exposure and aging analysis**

2010	Note	Weighted average effective interest rate	Total Carrying Amount	Interest rate exposure			Past due but not impaired			
				Non-interest bearing	Variable interest rate	Not past due	Less than 1 month	1-3 months	3 months -1 year	1-5 years
		%	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>										
Cash and deposits	7	3.60%	8,599,926	6,070	8,593,856	8,593,856	-	-	-	-
Available-for-sale	10	-	1,815,219	1,815,219	-	1,815,219	-	-	-	-
Trade and other receivables	8	-	1,350,683	1,350,683	-	1,350,683	-	-	-	-
<b>Maturity Dates</b>						<b>30/6/10</b>	<b>31/7/10</b>	<b>31/8/10</b>	<b>30/6/11</b>	<b>30/6/15</b>
<b>Financial liabilities</b>										
Payables	13	-	1,328,646	1,328,646	-	1,328,646	-	-	-	-

Note : Ageing analysis excludes statutory receivables (e.g. amounts owing from Victorian Government and GST input tax credit recoverable)

2009	Note	Weighted average effective interest rate	Total Carrying Amount	Interest rate exposure			Past due but not impaired			
				Non-interest bearing	Variable interest rate	Not past due	Less than 1 month	1-3 months	3 months -1 year	1-5 years
		%	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>										
Cash and deposits	7	2.75%	947,247	-17,952	965,199	965,199	-	-	-	-
Available-for-sale	10	-	278,980	278,980	-	278,980	-	-	-	-
Trade and other receivables	8	-	1,348,922	1,348,922	-	1,348,922	-	-	-	-
<b>Maturity Dates</b>						<b>30/6/09</b>	<b>31/7/09</b>	<b>31/8/09</b>	<b>30/6/10</b>	<b>30/6/14</b>
<b>Financial liabilities</b>										
Payables	13	-	346,725	346,725	-	346,725	-	-	-	-

Note: Ageing analysis excludes statutory receivables (e.g. amounts owing from Victorian Government and GST input tax credit recoverable)

### (c) Credit risk

Credit risk arises when there is the possibility of VCAMM's debtors defaulting on their contractual obligations resulting in financial loss to VCAMM. VCAMM measures credit risk on a fair value basis and monitors risk on a regular basis.

Credit risk associated with VCAMM's financial assets is minimal because the main debtor is the Victorian Government. For debtors, other than government it is VCAMM's policy to only deal with entities with high credit ratings and to obtain sufficient collateral or credit enhancements where appropriate. Financial assets obtained by VCAMM are normally fixed interest in nature.

VCAMM does not engage in any hedging for its financial assets.

As at the reporting date, there is no event to indicate that any of the financial assets are impaired.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**Table 20.4 Credit quality of contractual financial assets that are neither past due or impaired**

2010	Financial institutions (AAA credit rating)	Government agencies (AAA credit rating)	Government agencies (BBB credit rating)	Other (min BBB credit rating)	Total
Cash and deposits	-	-	-	8,593,856	8,593,856
(i) Receivables	-	-	-	1,350,683	1,350,683
Investments and other financial assets	-	-	-	2,636,000	2,636,000
<b>Total contractual financial assets</b>	-	-	-	<b>12,580,539</b>	<b>12,580,539</b>

2009	Financial institutions (AAA credit rating)	Government agencies (AAA credit rating)	Government agencies (BBB credit rating)	Other (min BBB credit rating)	Total
Cash and deposits	-	-	-	965,199	965,199
(i) Receivables	-	-	-	1,348,922	1,348,922
Investments and other financial assets	-	-	-	967,033	967,033
<b>Total contractual financial assets</b>	-	-	-	<b>3,281,154</b>	<b>3,281,154</b>

Note: (i) The total amounts disclosed here exclude statutory amounts (eg. amounts owing from Victorian Government and GST input credit recoverable)

(d) Market risk

The Company's exposure to interest rate risk is set out in table 20.5.

### Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, VCAMM believes the following movements are 'reasonably possible' over the next 12 months (Base rates are sourced from interest rates as at 30th June 2010):

- A parallel shift of +0.5% and -0.5% in market interest rates (AUD) from year-end rates of 3%;

Table 20.5 discloses the impact on net operating result and equity for each category of financial instrument held by VCAMM at year-end as presented to key management personnel, if the above movements were to occur.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**Table 20.5 Market risk exposure**

2010	Carrying amount \$	Equity price risk				Interest rate risk			
		-10%		+10%		-0.5%		+0.5%	
		Net Result	Equity	Net Result	Equity	Net Result	Equity	Net Result	Equity
<b>Financial assets:</b>									
Cash and deposits – interest bearing	8,593,856	-	-	-	-	(429,693)	(429,693)	429,693	429,693
Trade and other receivables	1,350,683	-	-	-	-	-	-	-	-
Available-for-sale	1,815,219	(181,522)	(181,522)	181,522	181,522	-	-	-	-
<b>Financial liabilities:</b>									
Payables	1,328,646	-	-	-	-	-	-	-	-
<b>Total increase/(decrease)</b>		<b>(181,522)</b>	<b>(181,522)</b>	<b>181,522</b>	<b>181,522</b>	<b>(429,693)</b>	<b>(429,693)</b>	<b>429,693</b>	<b>429,693</b>

2009	Carrying amount \$	Equity price risk				Interest rate risk			
		-10%		+10%		-0.5%		+0.5%	
		Net Result	Equity	Net Result	Equity	Net Result	Equity	Net Result	Equity
<b>Financial assets:</b>									
Cash and deposits – interest bearing	965,199	-	-	-	-	(4,826)	(4,826)	4,826	4,826
Trade and other receivables	1,348,922	-	-	-	-	-	-	-	-
Available-for-sale	278,980	(27,898)	(27,898)	27,898	27,898	-	-	-	-
<b>Financial liabilities:</b>									
Payables	346,725	-	-	-	-	-	-	-	-
<b>Total increase/(decrease)</b>		<b>(27,898)</b>	<b>(27,898)</b>	<b>27,898</b>	<b>27,898</b>	<b>(4,826)</b>	<b>(4,826)</b>	<b>4,826</b>	<b>4,826</b>

**(e) Liquidity risk**

Liquidity risk arises when VCAMM is unable to meet its financial obligations as they fall due. VCAMM operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, make payments within 30 days from the date of resolution.

Maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet.

**(f) Fair value**

The company considers that the carrying amount of the financial assets and liabilities recorded in the financial statements to be a fair approximation of the fair value.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

### NOTE 21: RELATED PARTIES DISCLOSURE

The following payments were made during the year under normal commercial terms and conditions:

Payments totalling \$7,563.64 were made during the year to Swinburne University of Technology (SUT) for services rendered on commercial terms. Professor John Beynon who is a director of VCAMM Limited is the Dean of Engineering at Swinburne University of Technology.

Payments totalling \$31,000 were made during the year to Monash University for STI Projects undertaken. Professor Rod Hill who is a Director of VCAMM Limited is the Pro Vice-Chancellor, Industry Engagement and Commercialisation, at Monash University. Dr Colin Adam who is the Chairman of CoE for Design in Light Metals at Monash University.

Payments totalling \$9,243.04 were made during the year to Deakin University for projects undertaken and services provided under commercial terms. Dr Russell Walker who is a Director of VCAMM Limited is the Research Partnerships Manager of the Office of Deputy Vice-Chancellor of Research at Deakin University.

Payments totalling \$10,000 were made during the year to CSIRO for leasing of office space. Dr Steve Morton who is a Director of VCAMM Limited holds the role of Group Executive, Manufacturing, Materials and Minerals with CSIRO.

VCAMM staff are officers of subsidiaries and related entities to which the following payments were made during the year under normal commercial terms and conditions:

Brad Dunstan	Director	Manufacturing Transformed Pty Ltd	\$294
	Director	VCAMM Holdings Pty Ltd	\$650
	Director	CECAP Pty Ltd	\$673
	Director	Microheat Technologies Pty Ltd	\$0
	Director	Newport Digital Technologies Pty Ltd	\$13,094
	Alternate Director	Cytomatrix Pty Ltd	\$35,754
David Owen	Director	Hard Technologies Pty Ltd	\$12,857
	Director	Hard Duplex Treatments Pty Ltd	\$0
Iain Ralph	Director	Circa Group Pty Ltd	\$86,716
Lisa Ratcliffe	Company Secretary	Hard Technologies Pty Ltd	as above
	Company Secretary	Cytomatrix Pty Ltd	as above

### NOTE 22: CONTINGENT ASSETS AND LIABILITIES

	2010	2009
<b>Contingent Assets</b>		
(i) Financial assets available for sale	250,000	-
	<b>250,000</b>	-
<b>Contingent liabilities</b>		
(i) Loan - CIRCA Group Pty Ltd	163,284	-
	<b>163,284</b>	-

Note: (i) As at 30 June a shareholders agreement between VCAMM Limited and Circa Group Pty Ltd was being prepared. The terms of the agreement give VCAMM 250 shares in Circa Group Pty Ltd for a total cost of \$250,000 of which \$86,716 has been paid at reporting date. After execution of the agreement VCAMM Limited will hold 20% equity of Circa Group Pty Ltd.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

### NOTE 23: COMPANY DETAILS

The registered office of the company is:

C/- Geelong Technology  
Pigdons Road  
Deakin University Vic 3217

The principal place of business is:

C/- Geelong Technology  
Pigdons Road  
Deakin University Vic 3217

## DIRECTORS' AND ACCOUNTABLE OFFICERS' DECLARATION YEAR ENDED 30 JUNE 2010

The directors of the company declare that:

1. The financial statements and notes of VCAMM Limited as set out on pages 10 to 31 are in accordance with the Corporations Act 2001, including:
  - (a) Giving a true and fair view of the company's and consolidated entity's balance sheets as at 30 June 2010 and of their income statements for the year ended on that date; and
  - (b) Complying with Accounting Standards and Corporations Regulations.
2. In the directors' opinion, as at the date of this declaration, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. We are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

This declaration is made in accordance with a resolution of the Board of Directors.



Sign.....

Name: Mr Brad Dunstan  
Accountable Officer (CEO)

Date: 19/10/2010



Sign .....

Name: Dr Colin Adam  
Chairman/Director

Date: 19/10/2010

Geelong



## VAGO

Victorian Auditor-General's Office

### INDEPENDENT AUDITOR'S REPORT

#### To the Directors of VCAMM Limited

##### *The Financial Report*

The accompanying financial report for the year ended 30 June 2010 of VCAMM Limited which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the directors' and accountable officer's declaration has been audited.

##### *The Directors' Responsibility for the Financial Report*

The Directors of VCAMM Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the *Corporations Act 2001*. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

##### *Auditor's Responsibility*

As required by the *Corporations Act 2001* and *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

Level 24, 35 Collins Street, Melbourne Vic. 3000

Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email [comments@audit.vic.gov.au](mailto:comments@audit.vic.gov.au) Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

*Auditing in the Public Interest*

## VAGO

Victorian Auditor-General's Office

### Independent Auditor's Report (continued)

#### *Matters Relating to the Electronic Presentation of the Audited Financial Report*

This auditor's report relates to the financial report published in both the annual report and on the website of VCAMM Limited for the year ended 30 June 2010. The Directors of VCAMM Limited are responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the VCAMM Limited web site.

#### *Independence*

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession and the *Corporations Act 2001*. I confirm that I have given to the Directors of the company a written independence declaration, a copy of which is included in the Directors' Report.

#### *Auditor's Opinion*

In my opinion, the financial report of VCAMM Limited is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Company's financial position as at 30 June 2010 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

MELBOURNE  
22 October 2010



for D D R Pearson  
Auditor-General







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